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EDITORIAL

As We See It

There is no longer any room for doubt that the rearmament program and related phenomena have failed to confirm the expectations and forecasts of the authorities at Washington. The course of events here at home in the economic field has likewise, of course, been rather different at several points from what was expected in many private business circles, but this fact tends to add to rather than subtract from the hesitancy of the general public to accept at face value all that it is now told about what to expect during the coming 12 months. Economic planning as it relates to rearmament has been rather badly discredited in a number of vital points; efforts to make plans for the future effective are in consequence likely to run into additional difficulties.

Those who have undertaken to manage the affairs of the nation find themselves in a position where they must explain away a number of recent developments in order to obtain the sort of cooperation (or even tolerance) they believe is essential for their plans. Defense spending has been slower in getting under way than expected. Rearmament has had much less effect upon the production of civilian goods than promised. Forecasts of pending Federal deficits tend to fall on deaf ears in light of current surpluses. A public led to expect scarcities of many types of consumer goods long before this—and now finding stores overstocked—are wondering what to expect next and are losing faith in what the masters at Washington say.

Now, the conclusions currently being drawn from our experience since the Korean outbreak in June of last year may be quite unwarranted. But unwarranted or not, they are rendering,

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Inflation and Life Insurance

By CARROL M. SHANKS*

President, Prudential Insurance Company of America

Prominent life insurance executive sees inflationary gap widening, and likens controls to sawing off top of iceberg to eliminate its danger. Lists as steps in getting at roots of inflation: (1) a feasible tax program that cuts into mass purchasing power; (2) cutting non-military expenditures to bone; (3) tightened monetary and credit controls; (4) reduction of bank-held government debt; and (5) a vigorous policy of discouraging further wage-price spirals.

Today I am going to talk about a problem I have thought about a great deal—a problem that threatens the foundations of my business, and yours as well. That problem is inflation. It is one of the worst threats to our American civilization. At the moment there seems to be a lull in inflationary pressures. Let no one be deceived—the fundamental forces remain strongly inflationary. Possibly, because of the business I am in, I may be more aware of the ravages of inflation than some other businessmen.

Carrol M. Shanks

The life insurance business is a "dollar business." Anything that happens to the dollar is immediately registered in the life insurance industry. Virtually all of our assets are in dollar investments—not property, or inventory, or even common stocks to any great extent—but investments which will be repaid in a specified number of dollars. We accumulate dollars for policyholders; we invest dollars —about $30 million of them every working day—generally at a fixed rate of interest, which means that our return is fixed, regardless of the contemporary value of the dollar. There is no way that our assets or income,

*An address by Mr. Shanks at a luncheon of the Economic Club of Detroit, Detroit, Mich., May 14, 1951.

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Outlook for Stock Prices

By HEINZ H. BIEL*

Partner, Emanuel, Deetjen & Co., Members N. Y. S. E.

After weighing various bullish and bearish elements in market's outlook, market analyst concludes commodity price index will reach new high before year-end, bond prices are already near their lows, and expresses optimism over common stock behavior.

More than once have I envied my colleagues who look at their charts and come up with the answers. If the answer turns out to have been correct, they accept the credit for their sound analysis and brilliant interpretation. If they are wrong, they blame the charts which, as everybody should know, can never be 100% accurate.

Heinz H. Biel

I don't want to be facetious about my chartist friends, nor critical of them. I merely say that I envy them. As an economist, I have to do a lot more thinking and guessing before I can come to a conclusion. I make my mistakes the hard way.

Always Unpredictable

This is my 18th year in Wall Street. I am not an old-timer, but I have seen enough to have learned that there are always people who claim that the present moment is fraught with more unpredictable uncertainties than any other time they can remember. This is perfectly natural. Only in retrospect is forecasting easy. At a given time you are never sure whether this is just a rally in a bear market, or the beginning of a new bull market; and right now we wonder whether the present decline marks the reversal of the bull market, or whether it will turn out to be another minor or intermediate reaction.

There was a time, I am told, when you had to be only a good analyst to do the job we are supposed to do, namely, tell our clients when and how to invest.

*An address by Mr. Biel prepared for delivery before the Los Angeles Society of Security Analysts, May 24, 1951.

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of the issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 33.

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

Air Reduction Company—Maurice S. Benjamin, Senior Partner, Benjamin, Hill & Co., New York City. (Page 2)

Miles Shoe Common—Clarence E. Unterberg, C. E. Unterberg & Co., New York City. (Page 2)

MAURICE S. BENJAMIN

Senior Partner, Benjamin, Hill & Co., New York City
Members, New York Stock Exchange

Air Reduction Company

There have been many examples to portray the romance of "Wall Street." The fascination of the investment business is that there have always been latent bargains and potential opportunities for building fortunes.

Maurice S. Benjamin

At this period of high stock averages and world crises it becomes especially intriguing to pick a favorite stock. Here is an oxymoron—a sweet stock that is sour—a depressed "blue chip"—which is my choice.

Air Reduction sold at 87 in 1936 when it earned $2.79; sold at 60 in 1946 when it earned $1.66; and now sells at 29 when it earned $3.15 in 1950. Investors paid 30-35 times earnings for this "blue chip" which has paid dividends in every year of its 36 years existence. Today, one can buy the stock at 9 times earnings. Allied Chemical owns nearly 270,000 shares.

About three years ago new management was installed. Personnel was streamlined, substantial investments in outside business were turned into $7,500,000 net cash to be employed more directly and profitably, all plants were improved and enlarged, costs reduced and efficiency raised—all this resulting in record sales and profits. First quarter net earnings after allowing for almost 200% increase in taxes were ahead of a year ago. It looks like the showing for 1951 will better that of 1950. Excess profits tax earnings base is about $3.28.

The company is spending $30,000,000 for new and improved facilities over the next two years—completely financed by the company's own resources. This is in addition to $5,700,000 spent in 1950.

Research and engineering activities in which the new management is concentrating an increasingly larger part of its effort consist of (1) improvements of present products, plants, methods and processes; (2) long range developments, including new products; and (3) research for the government. Results to date include the liquid oxygen plants and related distribution facilities, a new calcium carbide plant, improved methods of recovering and purifying argon, new processes for production of nitrous oxide and cyclopropane; and the further development of its Aircomatic arc-welding process and equipment which is regarded as the most significant contribution to welding technology in the past 20 years.

Air Reduction probably accounts for about 30% of the total domestic output of oxygen and acetylene gas, while its Pure Carbonic division is the largest producer of liquid and solid (dry ice) carbon dioxide. Some 177 plants and 391 warehouses give wide geographic sales coverage. A subsidiary, owned jointly with General Electric, makes electric welding equipment and another subsidiary makes gas-driven electric welding machines. Medical gases and surgical instruments are also manufactured.

Acetylene, generated almost exclusively by reacting calcium carbide and water, continues to become more and more important as a chemical raw material used in the manufacture of synthetic rubbers, plastics and fibers and in a multitude of other products essential to the defense effort. Apart from its use as a chemical building block, the product is being used at an increasing rate in oxyacetylene cutting, wherein with oxygen it produces a flame of 6,000 degrees F.

With the completion of new plants and with new products the growth potential is clearly visible and earnings could increase to $5 or more per share over a period of a few years. Net assets and net working capital have more than doubled since this stock sold at 87.

CLARENCE E. UNTERBERG

C. E. Unterberg & Co., N. Y. City

Miles Shoe Common

As my candidate for "The Security I Like Best," I would suggest the shares of Miles Shoes common currently selling around 16.

C. E. Unterberg

Capitalization consists of 22,814 shares of 4¾% preferred and 450,000 shares of common stock. There is no indebtedness.

The common shares at 16 represent a high yielding equity issue with stable earnings and excellent growth potential. In 1950 earnings were $2.91, the highest in the company's history. Average earnings for the past five years have been about $2.40 per share, indicating a reasonable price to average earnings ratio of about seven and a satisfactory shelter against onerous excess profits taxes.

I believe the common shares should be bought at current levels. Basic reasons follow:

(a) Operations have always been conducted at a profit. A review of the results attained by comparable shoe chains, such as Beck, Edison, Kinney and Shoe Corp., indicates that the profit margins of **Miles** have been consistently the highest among such chains.

(b) The financial position is strong. At the close of the 1950 year current assets were $5,900,000, while current liabilities were $1,103,000. Cash alone was twice total liabilities.

(c) The outlook is good. Earnings in 1950 were $2.91 a share as against $2.49 in 1949. Sales for the first quarter of the current fiscal year were up 7.7% over 1950. Stores in operation during 1950 were 136 as against 128 in the previous year and six additional stores are scheduled for 1951. One of the new units to be opened in the fall will be on Market Street, Philadelphia, and is expected to be one of the largest in the chain and also will be the nucleus of a series of stores in the Philadelphia area.

(d) The management and their families are large holders of the common shares.

In June, 1946, the shares of Miles Shoes, Incorporated were first offered to the public through an underwriting by Wertheim & Co. and Lehman Bros. At that time 23,444 shares of preferred and 56,267 shares of common were sold at 102 and 19½ respectively. In the 1949 fiscal year a 50% stock dividend was paid. Also in December, 1950, the same underwriters distributed 77,400 additional shares at $16 per share. Thus, somewhat over 160,000 shares are held by the public and the shares now enjoy a satisfactory market.

The business was started in 1917 by the present major stockholders, Murray M. Rosenberg and Samuel H. Rosenberg, President and Vice-President. The company operates a chain of retail shoe stores under the name of **Miles Shoes**. Most of the stores are located in New York and New Jersey, with a few in Pennsylvania, Connecticut, Delaware and the Washington, D. C., area. As stated above, it is expected that operations in the Philadelphia area will expand.

The table below shows the results of operations for the past several years.

In my opinion, Miles, in 1949, entered a new period of expansion which was interrupted during the war years. Between the calendar years 1936 through 1942, the number of stores increased from about 79 to 126 and sales rose from $8,350,000 to $15,880,000. During 1943, '44 and '45 operations were adversely affected by shoe rationing. During the immediate postwar years reasonable leases were not available, but beginning late in 1948 conditions eased somewhat and expansion again got under way. I believe that the company can truly be classed as a growth company.

During the past five years profit margins have approximated 5½% after taxes. In view of the current expansion program, volume over the next few years could well expand materially. While the company is conservatively capitalized and there is little leverage in its capital structure, nevertheless, the small number of common shares in relation to its substantial sales volume could result in a marked

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Fiscal Year Ending 1/31	Average Number of Stores	Sales	Per Share Earnings Based on Presently Outstanding Common
1951	136	$23,898,000	$2.91
1950	128	22,024,000	2.49
1949	123	21,077,000	2.32
1948	125	19,060,000	2.04
1947	126	19,080,000	2.22*
1946	126	15,050,000	1.36
1940-1945†	124	13,000,000	.70‡

*Excludes $69,930 capital gain after deduction of applicable Federal Income Tax. †Average. ‡Operations during portion of period adversely affected by shoe rationing.

The Nationalizers Become Nationalized—In Iran

By ROBERT S. BYFIELD

Member of New York Stock Exchange

Mr. Byfield asserts Iranian Government's illegal nationalization of British oil properties confronts Attlee's Labor Government with its most disastrous failure since assuming office, forcing it to oppose actions overseas which it has been pursuing at home. Alleges the necessity of both Britain and U. S. handling present situation to protect integrity of other foreign investments, with the incident demonstrating the great vulnerability of Point Four philosophy and proposals.

Robert S. Byfield

Egged on by fanatical groups and a great upsurge of nationalist feeling, the Iranian Government has decided to take over the Anglo-Iranian Oil Co., a billion dollar enterprise jointly owned by the British Government and by private investors who for the most part are British citizens. Although it is Britain's most valuable overseas asset and is based on a freely negotiated agreement which has another forty years to run, the public relations policy of the company has apparently not met with success. Naturally London is distressed and from some angles the Labor Government is facing its most disastrous failure since it came into power in 1945. The nationalizers are about to be nationalized.

Almost all segments of the British press have been loud in their protests against the action of the Iranians. Even the conservative "Economist" of London states, "The fact has to be faced that nationalization means . . . nothing more or less than expropriation . . . that is to say seizure of an enterprise." The "Bankers' Magazine," also of London, on its April issue bewails the fact that Britain had advertised nationalization as the socialist panacea of the age without any reservation that it was not for export . . . and that "its wild men have freely expressed the opinion that the former owners did not deserve and should not receive a penny." It is refreshing to note that our London friends are learning that he who sups with the devil must use a long spoon. "Nationalization," indeed it is—or perhaps, "socialization," "expropriation," "confiscation" or what have you? These long words are, of course, semantic opiates dished out by the intellectuals. Whenever and wherever the Jolly Roger of Socialist larceny is unfurled over the corpse of free enterprise the simple five-letter word provided in the Eighth Commandment will always suffice.

Irony of the Larceny

But the point about the forthcoming larceny in Iran is that it should be happening to Britain's Labor Government! History records no more classic case of retribution. Here is the instance of a leading capitalistic country turned Socialist with all the world to watch, and if the chief slogan flying from the masthead is "Fair Shares for All," who can object to fair shares for the Iranians even at the expense of the British Exchequer? We don't know what compensation, if any, will be given Anglo-Iranian by the Iranian Government, but it certainly will not be cash on the barrel-head. However, the amount of and method of paying compensation is not as important as the principle established of seizing property by unilateral action. Undoubtedly the British Socialists will hotly resent all accusations that, having "nationalized" about 20% of British industry they would be hypocrites in objecting to identical action in Iran. They will argue that they "compensated" British stockholders for their holdings in Coal, Transport, Cables and Wireless, Civil Aviation, Electricity and Gas and most recently Steel. But in many cases "compensation" has fallen far short of fair value. We know of no overall appraisal which has been made of the value of the nationalized properties and so no blanket accusation of inadequacy may logically be raised. Nevertheless, there is great and fully justified bitterness on the part of British shareholders. The steel properties were taken over for about $850,000,000 or perhaps only half their value. The vesting act used stock exchange quotations at certain dates in 1945 and 1948 as a basis for purchase, a grotesque method, to say the least, of determining the equity of an unwilling seller. Again, when gas and electricity were nationalized, municipal plants were taken over along with privately owned installations. A 1950 report on nationalization entitled "The Great Betrayal" points out that formidable losses were taken by various municipalities because of inadequate compensation. It was estimated that the government took over gas assets valued at £94 million for only £21 million. For example, the city of Birmingham lost about £12 million and Manchester almost £10 million. The payment of compensation, Socialist-style, must not be allowed to confuse the issue. Seizure of property by unilateral action without judicial arbitration and without full compensation is still larceny by any standard of morality. A burglar who breaks

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I Like the Wide Open Spaces—Out Where the Tax Is Low

By IRA U. COBLEIGH

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

Giving an outline of the ownership of acreage through the purchase of land-bearing shares of various companies.

Whether you're a TV kid toting a pair of revolvers under a Hopalong hat, or planning to buy a Catskill farm for atomic defense, or are eyeing a ranch or plantation for your sunset years, you've got to admit that broad acres — vast stretches of open country —make a powerful and imaginative appeal to the American mind. Our tradition and history attach great importance to the ownership of land, as a means of security, and as a basis for personal independence.

Ira U. Cobleigh

But land purchase, however romantic, has always had some drawbacks. If you live on the land, you can always farm it, saw wood off it, pick berries or apples. But if this land happens to be remotely located where it can neither be grazed upon, nor gazed upon conveniently, you sometimes have to wait years before a town grows out to meet it, oil starts gurgling beneath it, or it's picked as a site for atomic explosions.

Meanwhile there are taxes to pay—quite low to be sure, but taxes—and you have such details as title search, lawyers and closings. Well, the real estate purchase we're sketching today doesn't need a lawyer and the only closings of interest to you will be the "closing" prices each day on the Stock Exchange. For you see we're going to back into our real estate. We're going to look over together some famous companies, successful in other fields, which on the side own impressive hunks of terra firma not devoid of predictable profit possibilities.

The first one we'll talk about is Northern Pacific. You think of it as a railroad, and you're quite right. It's a pretty good one, too —earned $7.87 on 2,480,000 shares of common in 1950. Pays a $2 dividend, a 5.30% yield on current share price of 37. You could make a whale of an argument favoring this stock as a plain rail; but that's not what I wanted to stress. You see NP, together with a subsidiary, owns in fee about 2,500,000 acres of land and the mineral rights in over 6,000,000 more—about 3½ acres per share of common in all. Well, now, since big slices of this land are in Montana and North Dakota, and important oil has recently been sighted in the latter state, you can dream your own dreams of how much this land will be worth. If this Dakota field turns out to be the real McCoy, then the future of NP is well lubricated, and this land could build you a hacienda, depending on the size and purchase price of your share holdings. With NP at a new high recently, perhaps you don't want to reach for it, but you'll probably want to put this earth-bearing equity on your shopping list.

Next we move just a little north and gaze dotingly on Mr. Canada —Canadian Pacific that is. The very least description of this enterprise at all adequate is to call it an empire. The largest private-ownership railway mileage in the world, 30-odd ocean steamships, a domestic and overseas airline, plus a majority ownership of Consolidated Mining and Smelting Co., leading the world in quantity extraction from a smiling subsoil of silver, lead, and zinc. And getting back to real estate, CP boasts 14 hotels, 1,500,000 acres of land in fee, and mineral rights to over 11,000,000 other acres (over 7 million of which lie in Alberta). Of course, in the past three years Alberta has been the big name in Canadian oil, with proven oil reserves now estimated at 1,200,000,000 barrels; and if CP land proves even 5% oilbearing, common stock would get a mightly lift.

There are 13,400,000 shares listed (paid $1.25 Canadian funds last year) permitting ⅞ of an acre of the above land to go with each share. Earnings of CP estimated at $4 a share for 1951 and 5% yield at 25 give you some solace for waiting for these "wide open spaces" to get profitable.

Now we jump down to Texas and turn to the West to appraise the 1,843,000 acres owned in fee by Texas Pacific Land Trust. Oldtimers harrumph when you talk about this one. They'll tell you about the time a quarter century ago when this petroleum paragon split 100 for 1. They'll tell you how many yachts you are behind by not having bought TXL in those pioneer days. But be not discouraged. Just because this stock crossed 100 does not mean it's all through. Far from it. Why, less than 2% of land owned is bringing in oil; and recent discoveries in the West Texas Field suggest that some TXL land may lie within a rich pool of high grade crude.

Another thing, TXL has been upgrading its royalty takes. Some new leases have been signed calling for a ¼ royalty (in contrast to ⅛ secured in earlier leases). And best of all, this Trust uses its depletion funds (27½% of gross) to buy in outstanding trust certificates, having retired 22,000 shares in 1950.

So each of the 1,406,000 shares of TXL which paid $1.70 in 1950 gives you 1⅓ acres of West Texas country which could be part of a cattle ranch, a town, or an oil field. Fascinating real estate at $70 an acre (TXL sells around 95).

Three weeks ago I mentioned, in these columns, another acreage deal that surely belongs on today's soil parade — Kern County Land Co. Here your land works out to about an acre a share, with the stock selling at 64 and paying $4.50. Widespread holdings are in the states of California, Arizona, New Mexico and Oregon. Here's a case where ranching has slowly given place to oil, dogie to derricks. They've just put a ceiling on beef but there's no ceiling on oil. KCL has land with a pasture as well as a future!

Calgary and Edmonton Corp., Ltd., owns the mineral rights to 1,142,109 acres of land. No newcomer — profitable drilling has been conducted here for years. This property is in famous oil country and lots of canny Canucks are partial to this prairie petroleum venture. Price range between 3⅛ and 12¼ since 1949—on the Curb.

Another highly respected petroleum acreage is found in Louisiana Land and Exploration Co. Land owned in fee here is only 616,500 acres against 3,000,000 shares, but oil take has been exceedingly good. Dividend of $2.50 was paid in 1950. Recent findings of oil have sent LLX to new highs in the past few weeks, and a big oil company was reported to have purchased a block of this stock for a pension fund.

Just so you can see where you've been in the past few minutes, we have raced over the map of North America from Texas to Alberta, from Louisiana to Oregon, and suggested to you how you could become a part owner of land (or mineral rights to land) totaling a fantastic 27,000,000 acres—nearly 15 times the State of Delaware. And in some cases this part ownership included a lot of other assets and earnings besides land.

It's an interesting idea, buying land on the Stock Exchange, and if you want to put it down in program form the major four discussed would stand you thus:

Stock—	Acres per Share	Price About	1950 Div'd
Northern Pacific	3½	37	$2.00
Canadian Pacific	⅞	24	1.25
Texas Pacific Land	1⅓	95	1.70
Kern County Land	1	64	4.50
Totals	6⅔	$220	$9.45

Here's a land package that, on 1950 dividends, would return 4.3% and give a call on earnings from enterprise and growth from land that would indeed be hard to duplicate. And suppose some of this land broke out in uranium or tungsten, platinum or gold. Suppose some of it became the Winnipeg or the Houston of 2000 A.D. Then you'd have even better reasons for liking "the wide open spaces."

The Current Money Market And Bank Portfolios

By CRAIG S. BARTLETT*

Vice-President, Central Hanover Bank & Trust Co., N. Y. City

New York banker reviews recent transition in money market and effects of the Treasury's changed interest rate policy. Says new debt management policy can restore initiative of Federal Reserve Banks in creating and controlling reserve balances, a move in right direction. Counsels commercial banks, however, to restrict portfolios to short-term government issues because of uncertainties in Government bond market.

Great economic and political changes have taken place since the end of World War II and now we find ourselves in the midst of a rearmament program that takes on some of the aspects of a World War III. We have expended vast sums abroad and are spending vast sums at home for a huge military program which has been super-imposed upon a record high level of civilian activity. Inflationary forces continue great and yet in the midst of the inflation we find some deflationary forces. Our statesmen appear to share widely different viewpoints, and, until recently, our monetary authorities seemed to share widely divergent views as to how the economy should be directed. The news from abroad, the sharply expanded national defense appropriations, the increases in prices and wages, the tremendous rise in bank loans, the huge sales of Government securities by institutional investors to the Federal Reserve Banks, the rather unusual refunding but recently accomplished, all have served to create doubts and confusion in the economy and assuredly have unsettled the security markets, especially the several bond markets. In the welter of all this confusion, let us try to analyze the various factors and influences bearing upon the money markets and to see if we can get to some reasonable conclusions as to what to do.

Craig S. Bartlett

Money Rates

The course of money rates for a long time has been set by the Federal Open Market Committee. However, the actions of this group have been determined, in turn, by business conditions which influence the demand for credit and for capital. The sharp rise in commodity prices has been an important factor making the demand for credit and capital larger than otherwise might have been the case. The position of the Treasury has been an important factor and whether or not it operates with a surplus or a deficit has a direct bearing upon the money markets. The needs of the Treasury have to be considered carefully.

Business Conditions

One point on which everyone will agree is that business conditions definitely will continue at a high level, despite some inventory adjustments in some sectors of the economy. Certain it is that military expenditures will increase and capital expenditures may be larger than last year. In a recent survey by the U. S. Department of Commerce and the SEC outlays for new plant and equipment during 1951 may total $24,000,000,000, or an increase of 29% over the 1950 level. Obviously the Voluntary Credit Restraint Committee would like to see such expenditures curtailed and has suggested that both the borrowers and the lenders postpone the nonessential projects for a more propitious time.

While expenditures for the military program may reach as high as 18% or 20% of gross national product, the output of civilian goods also will remain high. The demand for credit obviously must remain high, and in due course there will be an increase in "V" and defense loans. High costs of production have increased the need for working capital, and in truth it can be said that many segments of the economy have demonstrated honest needs for bank credit. However, we should see a reduction in some inventory loans and doubtless a goodly portion of new plant and equipment will be financed through earnings, depreciation and to some degree

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*An address by Mr. Bartlett before the Ohio Bankers Association, Cleveland, Ohio, May 10, 1951.

The State of Trade and Industry

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

With a steadily increasing portion of production being earmarked for defense needs, total industrial output last week showed a slight increase and continued to reflect a perceptibly higher level than prevailed one year ago. Total production as in recent weeks was about 10% short of the record peak reached during World War II. Although material shortages were more in evidence than a few months ago, they did not seriously hamper operations.

Controls or no controls, CMP or no CMP—producers of strictly civilian metalworking products are going to do surprisingly well in 1951. At least they will if homebuilders have anything to do with it. They think they'll build 775,000 houses in 1951, says "Steel," the weekly magazine of metalworking. If they're right, civilian metal product output will have to be substantial because about 4.5 tons of iron and steel go into each new house. Although 775,000 starts are below the 1950 record, that performance is on par with 1946 and 1947 construction and 10% above the level in 1941, a good prewar year.

More Steel will pour into defense and defense-support consuming channels beginning July. Mill set-asides for rated tonnage and directives may exceed 50% of total output that month. Set-asides for plates, tubes and alloy steels are likely to run still higher. Increased needs for new steel and aluminum producing facilities, along with heavier demands on direct defense account, are expected to force a still further boost in mill set-aside tonnages for August, this trade paper notes.

Just what tonnage will be available for unrated needs must remain unanswered until defense and supporting requirements in the months ahead are more fully known. With new DO orders flooding the mills, supply prospects for unrated consumers look anything but promising. Many rated orders are new and if much of this tonnage is to be worked into early third quarter, increases will have to be made in set-asides at the expense of civilian goods account, this magazine points out.

Steelmaking continues at a record level. For the third successive week output held close to 2,078,000 tons. Major facility repairs are in the offing, however, foreshadowing some reduction in operations beginning this month, "Steel" adds.

Steel product and related prices are firm at levels frozen by the government in January. Some changes, however, are in the making. Last week several industry product advisory committees met with the Office of Price Stabilization and discussed proposed policies.

Last week's improvement in the automotive industry was accomplished despite the absence of production Monday by Hudson and several interruptions in Packard operations resulting from labor trouble at Briggs, its body supplier, "Ward's Automotive Reports," declared.

Responsible for the week's rise was increased output by Plymouth following the previous week's brief labor disturbance. Both General Motors and Ford divisions' production remained steady, with no overtime reported, the agency added.

Extensive layoffs were announced by Ford Motor Co. and Pennsylvania Railroad late last week. Ford said it would furlough 10,000 workers within the next 60 days because of government restrictions on key materials. Otherwise, said Henry Ford II, President, "our production costs would be prohibitive." The Pennsylvania stated the jobs of 3,500 shop men at Altoona will be abolished on Monday of this week. These employes are being released as part of a cutback in maintenance forces over the entire system.

In the metalworking industry makers of copper, brass and copper base alloy products were informed by the National Production Authority that they must earmark as defense-rated orders for July shipment 75% of their average monthly production in the first quarter of 1951. This authority indicated that defense needs may require only 35% to 40% of available copper production leaving civilian goods producers with as much as 60% of the copper and brass products they used in the first half of last year, compared with the present 70%.

A flurry of orders for cotton goods was regarded as a temporary rush by some buyers who wish to stock up goods at distress prices, it was learned on Monday of the current week. Some woolen mills began quoting prices for future delivery for the first time since last January. This resulted from the release of the government's wool price control order. Opening quotations indicated wool goods for next fall would be priced about $1.50 to $1.60 a yard above the fall of 1950.

Steel Operations Scheduled to Taper Off This Week

This week all signs point to a faster tempo in industry's part of the defense effort, according to "The Iron Age," national metalworking weekly. Although major programs such as tanks and planes are still several months from high production, their material needs are being scheduled and produced now. This is due to the long lead time required for some parts.

Long lead times partly explain why metal requirements are expanding so rapidly while actual defense output and subcontracting are lagging far behind procurement authorizations. Reorganization or expansion of defense production facilities and tooling are also important factors contributing to the lead-time gap between letting of contracts and production.

The National Production Authority now seems determined to speed full operation of the Controlled Materials Plan as soon after July 1 as possible. July set-asides of programmed steel have been boosted sharply and manufacturers of non-essential goods have been warned of deeper cuts to come. Defense Production Administration has been determining requirements faster than had been

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Funston Slated to Be President of NYSE

Special Committee names President of Trinity College, Hartford, to succeed Emil Schram.

It has been announced by the press, but not officially confirmed) that the Special Committee appointed to select a new President of the New York Stock Exchange have decided on Dr. George Keith Funston, 40-year-old President of Trinity College, Hartford, Conn., and his name will be presented to the Board of Governors of the Exchange on May 24 for approval.

Dr. Funston was born in Waterloo, Iowa, on Oct. 12, 1910, the son of a country banker. He worked his way through Trinity College and then studied at the Harvard Graduate School of Business Administration. He then entered business as assistant to the treasurer of the American Radiator and Standard Sanitary Corp.

In 1940, he become director of purchases for Sylvania Electric Products, Inc., where he remained until 1944. Much of this time, however, he was on leave of absence with the War Production Board in Washington, where he served as a special assistant to the chairman.

In June, 1944, Dr. Funston was appointed Trinity College President when he was then 33 years old, but was granted a leave of absence for the duration of the war. He was commissioned a Lieutenant Commander in the Navy, in which he served until 1946.

Dr. Funston is a director of General Foods Corp., B. F. Goodrich & Co., Hartford Steam Boiler Inspection and Insurance Co., Aetna Insurance Co., Hartford National Bank and Trust Co., Connecticut General Life Insurance Co. and Owens-Corning Fiberglas Corp.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on May 18 offered $3,900 000 Illinois Central series GG 3% equipment trust certificates maturing semi-annually Nov. 1, 1951 to May 1, 1966, inclusive, at prices to yield from 2.20% to 3.05%, according to maturity. Offering of the certificates, which are issued under the Philadelphia Plan, is being made subject to approval of the Interstate Commerce Commission.

The certificates are secured by 1,000 steel box cars estimated to cost $5,202,500.

Other members of the offering group are A. G. Becker & Co. Inc.; The Illinois Co.; Otis & Co. (Inc.); Wm. E. Pollock & Co.; and McMaster Hutchinson & Co.

Adams With Central Rep.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Philip S. Adams has become associated with Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange. For many years he was with the Tax Bond Company.

Observations . . .

By A. WILFRED MAY

Yelling at the Government

The occasion of Defense mobilization chief Charles E. Wilson's address before the National Industrial Conference Board in New York City last Thursday evening (published on page 7 of this issue of the "Chronicle") carried vitally important implications. Our concern was aroused not only by this industrial leader's association with the prevalent guilt-disclaiming arguments emanating from all ideological shades of Washington officialdom, but also by the evidenced frame of mind of the attending cross-section of "high brass" from the business world gathered in the Waldorf's Grand Ballroom.

A. Wilfred May

Under the professed topic "Progress Toward Defense Power," Mr. Wilson's forcefully delivered remarks were to a great degree occupied with shielding the present Washington scene from criticism. The thesis of this defense coincided surprisingly with the current emanations from the veteran Washington bureaucrats — the performance of a planner-in-industrialist's-clothing. This led to the utter bewilderment of the businessmen addressed, and their reduction to making the best of a bad situation ("Thank heavens for Charlie Wilson; we'd be in worse trouble with anyone else in the job").

Mr. Wilson's blast excoriated with a blanket indictment critics of Washington's present economic policies and operations, on the ground that they are merely engaging in pressure-group "yelling" that is selfish and forgetful of the greater sacrifices being made by our soldiers in the mud-holes of Korea.

"If all groups are yelling, it must mean that they are all being hit, and this is as it should be," happily and cavalierly says Mr. Wilson, along with the explanation (expounded too by Mr. Keyserling) that confusion is a necessary accompaniment of *democracy*.

An Editorial Yell

Nevertheless, this columnist audaciously ventures to offer a "yell," with confidence that he is by no means unique in being devoid of self-interest or partisanship (and also, then, part of the "democratic process").

I agree heartily that any personal sacrifice is not too great that will ward off an all-out world conflagration, ruinous to this country under any military outcome; and that any annoyances here are less than those being made daily by our brave soldiers engaged in the mud of Korea. But just because so much is at stake abroad is all the more reason for our effort on the home front to be effectively carried out.

Mr. Wilson's Vital Omissions

Economy and curtailment of government spending, left unmentioned by the Defense chief, is important to the future of our democratic institutions, as well as directly relevant to the success of Mr. Wilson's own mobilization program. For inflation (now being largely fought with lip-service by the Administration) results in manifold dollar increases in all the equipment our rearmament officials have to buy. As reported by Mr. Eric Johnston in another connection, rising armament costs used up all of last year's tax increases. My resentment over Washington's continuing defense-time extravagance, her sprawling bureaucracy, the unwillingness at least to lop off the recent year's increases in the non-military budget, assuredly does not spring from any interest in the matter from a political standpoint. The desire to see these things corrected, to levy taxation nonpolitically, to promote real savings by the people, arises from a burning, and self-disinterested, desire to win whatever wars we are called on to fight—both at home and abroad.

Direct Hindrances to the Productive Effort

I am not a corporation and do not pay an excess profits tax. But I am alarmed at this device by constant practical evidences

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The Schuman Plan—Its Hopes, Risks and Danger

By PHILIP CORTNEY*
President, Coty, Inc., New York City

Though supporting the Schuman Plan to pool industrial resources of Western Europe, Mr. Cortney expresses misgivings and reservations on many of its economic provisions. Fears political purposes of Plan may be defeated or compromised by its economic objectives, and holds Plan entails material sacrifices on part of Germans and risks on part of French. Holds only alternative to Plan is renewal of international cartels, and stresses need of an economically and politically United Europe.

The Schuman Plan, as you know, pursues both political and economic purposes. It is one of the boldest attempts toward French-German rapprochement and toward the economic integration of Western Europe. If I have drawn one lesson from following the negotiations and from reading whatever material became available on the Plan, it is that one cannot pass judgment on the economic aspects of the Plan without giving due consideration to its political purposes; neither can one consider its political purposes without keeping in mind economic realities.

Philip Cortney

To understand the hopes raised by the Schuman Plan, the risks entailed by it, and where it may lead, I wish to state at the outset that slogans, however well-meaning and enthusiastic they may be, are not our best guides. While after much thinking and considerable soul-searching I have reached the conclusion that we should support the Schuman Plan, my purpose today is to bring to your attention both its favorable and unfavorable aspects and some real potential dangers. Keep in mind that many German industrialists and German labor unions, together with the Socialist-Democrat party feel and assert that the economic interests of Germany are being sacrificed in this Plan. It is not a question of whether they are right or wrong. It is a fact which we simply cannot ignore, keeping in mind what happened to the Versailles Treaty, which the Germans called from the beginning "The Diktat." Political and economic nationalism being rampant, when governments succeed in getting some kind of an agreement they are tempted to tell the people half the truth for fear that if they knew the whole truth they would not support the agreement; this is a method which I for one deplore in a democracy, because unpleasant realities, political, psychological or material, will always come to the fore, sometimes at the wrong moment when much damage has already been done.

*An address by Mr. Cortney before the Foreign Policy Association, New York City, May 17, 1951.

Important Political Implications

While I have reached the conclusion that we should support the Schuman Plan, I have serious misgivings and reservations on many of its economic provisions. I may be mistaken but it seems to me that the political implications of the Plan are more important at this stage than the economic ones. As far as I know the economic experts of the State Department have from the beginning expressed reservations on the economic aspects of the Schuman Plan. But apparently the State Department, like myself and before myself, has reached the conclusion that because of the possibility that the Plan may bring about a rapprochement between Germany and France, and that it may constitute the foundation stone of a politically and economically United Europe, it deserves our wholehearted support.

My great fear is that the political purposes of the Plan might be compromised and defeated by its economic objectives, or that economic objectives of the Plan might be frustrated in the pursuance of the political goals. This danger is inherent in the gradual and functional approach toward a politically and economically United Europe. Some liberal economists, like for instance Henry Hazlitt, have come out against the Plan because in their opinion it is a step backward from the standpoint of economic freedom and real internationalism in the long run. Hazlitt considers the Schuman Plan a major step in the onward march of international bureaucratism, international controlism and international statism. While his apprehensions as an economist are justified, I am afraid that his opinion is based on a disregard of many psychological and political facts and problems. Whether the Schuman Plan will or will not bring the results which we all hope for depends, in my judgment, on the spirit in which it is approached by the French and the Germans, and particularly by the Germans. Mr. Paul Reynaud asserted in a speech he delivered in Strasbourg that the Schuman Plan is both a limited and an extensive plan. *Much as I admire Mr. Reynaud's intelligence, I rather believe that either the Schuman Plan will start a chain of events that will lead eventually to a real European union, both economic and political (by what we have come to call the functional approach) or the Schuman Plan will be one way or another discarded.* Mr. Paul Reynaud in the same speech on the Schuman Plan which he delivered before the European Council in Strasbourg, said: "Let us not be planners or anti-planners. Let us just be intelligent." Alas, it is easy for an intelligent man like Mr. Paul Reynaud to admonish us to be intelligent. If it were easy for nations to behave collectively in an intelligent manner we would probably not need a Schuman Plan to achieve its main purpose, which is the avoidance of war. The more you search in history for the causes of war the more you can boil them down to two fundamental reasons, namely, cupidity and stupidity. Philosophcally I would even assert that an anti-planning economic system requires less collective intelligence than a planning system. In point of fact, this is the reason why economic liberalism is the right economic system for nations dedicated to the preservation of human freedom and to the attainment of the highest standards of living.

But even if I share the misgivings toward the Schuman Plan of the economic liberal school, *the critics of the Schuman Plan must keep in mind that the alternative to the Schuman Plan is not a high degree of competition and the most efficient allocation of resources, but national cartels interwoven or not into a private international cartel.*

Plan Involves Sacrifices and Risks

Before I analyze the economic and political means to attain the ends of the Schuman Plan, I wish to emphasize the following points: The Schuman Plan raises hopes, will entail some sacrifices, and it implies considerable risks. As I said before, the realization of the hopes which animated the architects of the Schuman Plan will depend on the spirit in which it is approached by both French and Germans, and particularly by the Germans. It remains to be seen whether the Plan will create the mutual confidence which is indispensable if the French-German rapprochement is to remain anything else than a hope or wishful thinking. Only time will tell whether the Plan will lead the European nations to think as Europeans and not as French, Germans or Italians. I wish to point out in this respect that "politicizing" economic problems or conflicts of economic interests, may make the solution of such problems more difficult and may even compromise the political purposes of the Plan. The cupidity and stupidity of the people being what they are, this danger is a very real one.

But what I wish to stress particularly is that while the Plan entails some *material sacrifices* on the part of Germans of a short-term nature if the Plan succeeds, *all the risks* are on the side of the French for reasons which I shall endeavor to make clear.

Political Objectives—Means

As I mentioned at the beginning, the Schuman Plan aims to bring an end to the age-long hostility between the French and the Germans, and to put the first foundation stone to an eventual federation of Europe, economic and political.

How will the Plan further this objective?

(1) The Plan treats the Germans as equals with the French. Besides the French statesmen have repeatedly emphasized since the inception of the Plan, that France and Germany must be at the core of European unity, and Mr. Schuman, when he first made the offer, mentioned the prospect of German participation in African development. This psychologic treatment of the Germans is necessary, because the main causes of Franco-German hostility are political and psychological and not economic.

(2) The Schuman Plan aims at creating a single, wide market for coal and steel, serving the needs of 150 million people, and will naturally increase and tighten Germany's economic ties to the west. If the Schuman Plan starts a chain of events that will lead to a real European union, then, if we rid the economy of bureaucratism and controlism, production and productivity will increase, the costs will decrease and the standard of living of the people will rise, which is one of the purposes of the Plan.

(3) The Plan will put the coal and steel pool under the supervision of an independent High Authority, which will be supranational in character and independent of any government. This supranational authority represents a fundamental change in the nature of relations among the countries of Europe. Nationalism, political and economic, was dividing Europe; the supranational authority will strive to unite them. In other words, the Schuman Plan will open a breach in national sovereignty, in the name of which innumerable crimes have been committed in the past. It will attempt to create a European patriotism, or more probably a European nationalism. The members of the supranational authority will not be delegates of their individual nations, but will represent the interests of Europe as a whole.

There is one legend which must be examined, because it is only partially true. It is contended that the rivalry between French and German heavy industry was responsible for the political conflict between France and Germany. As far as steel is concerned this is simply not true; the international steel cartel functioned even after the Nazis came to power.

In the matter of raw materials, and particularly coal, the legend is partially true. For instance, the dispute between France and Germany regarding the Saar is simply a matter of coal. The Germans had no difficulty in securing iron-ore from France. Unfortunately the Germans depend less on French supplies of iron-ore for the manufacturing of their steel, than France and Luxembourg depend on the supply of German coke.

In times of normal economic activity the French had no difficulty in buying in Germany all the coke they wanted. It was only in times of boom, like presently, that the Germans were keeping for themselves the greatest part of their production. It will, however, continue to remain true that in times of boom, the interests of the French and German steelworks will be in conflict and competition for the available coal. The development of industrial activity in France, and especially any increase in steel production, will depend on the possibility of France to secure German coal. *In point of fact, one of the main purposes of the Schuman Plan is to make it possible for the French to secure coal supplies in a free competitive market and without discrimination in price.*

This explains why it was of crucial importance to break down the closely interlocked and highly cartelized organization of the coal and steel industry. The German steelworks are controlling 56% of the production of coal. It is also necessary to dissolve the *central coal selling agency*, which can by its decisions practically dictate the production and prices in the major industries of Germany's neighbors. As the London "Economist" puts it:

"To allow this to happen (namely, to maintain the coal selling agency) would be to make nonsense of the main purpose of Mr. Monnet and his colleagues, which is to create a single market for European heavy industry giving everyone free access to raw materials and allowing production in the course of time to be concentrated in those enterprises which proved themselves most efficient."

The Germans are arguing that the operation of a free market will prove that the heavy industry should be centered in Germany. Events may prove this to be true, but the risk is mainly for the French.

Under heavy pressure from the Americans, the Germans have accepted to decartelize their steel-coal industry so that the German steelworks will control only about 18% of the German coal, and to dissolve the central coal selling agency within two years. In this respect it should be kept in mind that one of the central ideas of the Plan is to foster competition, so as to obtain an increase in productivity and a lowering of costs. To this effect it was necessary to break down the existing cartels and concentrations, horizontal and vertical, into smaller units which will have to compete on the market for the business and goodwill of the consumers.

Unfortunately the German employers and labor unions are opposed to the Schuman Plan and maintain that a heavy economic sacrifice is requested from them in order to get a French-German rapprochement. The labor unions are convinced that the German cartels and the central coal agency made it possible for Germany to extract coal from high-cost mines and thereby secure for the Germans a high level of employment. The Ruhr represents, in the eyes of the average German, the fountainhead of Germany's strength. Therefore, nationalistic prejudices being what they are, the Germans are readily inclined to believe those who assert that the Schuman Plan will weaken the German industry and will reduce the opportunities for employment in Germany.

I am afraid that the Germans want to eat the cake and have it too. They are too easily inclined to forget that the Schuman Plan will make possible the cessation of all discriminations against which they were complaining, like, e.g., the limitation of production of steel, the Ruhr Authority, prohibition of certain industries.

Above all the Germans should be constantly reminded of the political purposes of the Plan, which is to draw France and Germany together by bonds of self-interest into the nucleus of a new association for the defense and prosperity of Europe. The United States has made it clear to the Germans that acceptance or rejection of international control of heavy industry will be treated as evidence of their reliability as equal partners in Europe.

I think that the United States did what it should have done. It is nonetheless true that those opposed to the Plan are propagandizing that the German signature

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Progress Toward Defense Power

By CHARLES E. WILSON*

Director, Office of Defense Mobilization

Reporting on course of Defense orders and production, Mobilization Chief asserts we are winning the "battle for production." Predicts by end of this year we will be ready to meet any limited threat, and by 1953 demands of all-out global war. Replying to complainants over controls and taxes, maintains that their grievances are trivial viewed in military emergency and shortcomings are inescapable in democratic process.

Let me emphasize that defense mobilization is operating under a basic plan. It is our task to provide military equipment and supplies for our forces in Korea; for our expanding armed services in the United States and in Europe; for the growing force of other free countries; for reserve stocks to be laid by for emergencies; for the addition of production lines beyond those needed for currently scheduled output, but which would be needed in full-scale war. To do so, we plan to spend some $50 billion a year and to do the job in three years.

Charles E. Wilson

We plan to do this with the least possible dislocation of our civilian economy; in fact, at the end of the three-year period, we should be able to support a civilian economy at or near pre-Korean levels. In other words, we plan to operate a mobilization economy and a civilian economy side by side. There will be cutbacks and shortages, of course, in the production of civilian goods, but these will be partly offset by added production, as in the case of steel and aluminum.

The reason this can be done—the reason that our economy can absorb so large an expenditure for defense without severe effect upon civilian production—is that our economy is an expanding one.

We are now spending for defense at the rate of about 10% of the gross national product, as against 45% at the peak of World War II; this will rise to about 15% at the end of 1951; at the height of the program it will probably not exceed 20% of the gross national product.

At the end of 1950, our gross national product was nearly $300 billion a year. By the end of 1953, our gross national product should amount to nearly $350 billion a year at present price levels.

Contrary to numerous predictions, there was no deep recession after the close of the war. Our gross national product soared in the postwar years, despite the fact of transition from war to peace. We have entered, I believe, a new and brilliant phase of the industrial revolution. New materials, products, skills, methods and techniques promise to make production in the last half of the century even more spectacular than in the first half. If no war occurs, we will be able to convert to peaceful civilian uses many of the facilities now being used to build the country's might.

That is our basic plan, and I do not have to tell you that we have made a running start. . . .

Defense Orders

Military orders are being placed at the rate of $1 billion a week. So far, we have obligated close to $30 billion and, by July 1, 1952, we will have placed an additional $55 billion in orders. By the end of this year, we expect that orders will be translated into delivery of end items, including new plant facilities, at the rate of $4 billion worth a month.

All over the country business and industry are being attuned to the plans for defense mobilization. New plants are going up and old ones are being converted. Our capacity for the production of such basic metals as steel and aluminum is being greatly increased. Most of this activity is being carried on by private industry but, where necessary, encouragement is being given by government loans, loan guarantees and tax amortization certificates.

By the end of this year, we will be ready to meet any limited threat; by the end of 1952, we will have accumulated vast quantities of all that is needed for war; by the end of 1953, our production and our standby capacity will have been increased so that all-out war—and God forbid that it should occur—could be supplied from our production lines.

Let me discuss very briefly four aspects of our program.

(1) **Military Production**—Our most severe shortages are in the alloying metals, such as tungsten, manganese, vanadium, chrome, nickel and cobalt. High-grade alloys are needed for jet engines and for armor plate; they are also required for defense-supporting purposes, for example, the tool steels needed in civilian industry and for realization of the armament program itself.

We are largely dependent upon foreign sources for these metals; moreover, we must consider the needs of other countries which are building up their defenses. We have cutback severely the uses of these metals for civilian consumer goods, have arranged to increase our supplies, and are using substitutes; but their allocation continues to be a difficult problem.

(2) **Basic Industrial Expansion**—To meet the increasing demands for crude petroleum and refinery products, we are stepping up expansion in both refining capacity and well-drilling. Refinery capacity will be increased by one million barrels a day to a total of eight million barrels daily. It is planned to increase electric power capacity by some 30% over the next three years. We need more power generation to carry out our programs for atomic energy, aluminum, other light metals, alloy steels and so on—to lengthen men's arms generally in our production plans. Railway freight cars are to be produced over the next few years at more than double the rate for the years 1946-1949.

(3) **Requirements of Other Free Countries**—I have already mentioned their need of alloying metals, and those metals are typical of a wide range of raw materials needed by our allies as well as by us. We are trying to work out plans for distribution of all these materials among all of the free nations. It is a difficult task, but it must be worked out on an equitable basis.

(4) **Stockpiling**—Our present stockpile resources are valued at more than $3 billion. This has made it possible for us in some instances to suspend stockpiling in favor of other demands for raw materials, and this, of course, always involves a careful matter of judgment. We must, however, continue to add to the stockpile and, since the most critical materials in the stockpile picture are necessarily those upon which we are dependent on foreign sources, the problem is bound up with the whole question of free world distribution.

I am immensely encouraged by the new demonstrations of American ingenuity and inventiveness being given almost weekly as our productive forces are getting under way. Especially am I encouraged by the success of our engineers in finding substitutes of many different kinds for our scarce metals and other materials. As you recall, numerous ideas were developed in World War II to save materials needed for armament. These ideas are being reexamined and many new ones have been devised. . . .

Substitution

Thus, various methods are being used by our manufacturers to conserve aluminum, brass, cadmium and copper—in short supply. New alloy steels curtail the use of nickel, chromium, cobalt and molybdenum. Silver is being used in solder to save tin. Sheet steel is being saved by the use on automobile underbodies of a thick rubbery material known as undercoating, thus protecting the metal from corrosion and abrasion. A new type of copper brazing paste saves copper.

In many instances, felt is being substituted for rubber, silicon iron for nickel alloy, varnished cambric for varnished silk, carbon steel for phosphor bronze, cast iron for aluminum. Bright zinc plating, protected by a clear dip solution, is being used as a substitute for chrome plate on hardware. Ordinary gravel is doing the work of expensive special stone.

Substitution is only one of the elements in our conservation program. Simplification, standardization and emergency specifications played a very important role in World War II, and the experience gained from these means of conservation is being applied in our present mobilization effort.

Needless to say, the government is cooperating enthusiastically with private industry in every phase of the conservation program. Recently, a Science Advisory Committee, headed by Dr. Oliver E. Buckley, has been set up in the Office of Defense Mobilization. I feel sure it will make a valuable contribution to the technical progress of the defense program.

I am confident, gentlemen, that we are winning the battle for production now just as surely as we won it in the years 1941 to 1945. I am confident that, once we have built America's might to the point that is now contemplated, there will be no war on a global scale.

If such a war were thrust upon us, it could only be an act of international lunacy. Some strange things have issued from the Kremlin in the last few years, but I trust the men who do the plotting in that walled fortress still have some vestiges of sanity.

The Kremlin has some hard thinking to do, not only as to our progress in production, but as to what is happening closer to home in Western Europe. My recent trip to Europe took only six days; nevertheless, I brought back some distinct impressions from my talks with General Eisenhower and other American, French and British officials.

Our Allies' Part

I am convinced that France and Britain have a sincere desire to do their part in raising armies and producing weapons as insurance against Soviet aggression.

To that end, European defense production and our defense production should be tied more and more closely. I was given some idea of their requirements. They are badly in need of machine tools. They are suffering from various scarcities which we can and will relieve.

But our relationship with Western European nations is a two-way street. Through their colonies, they have supplies of many materials that we need. All or nearly all of our uranium, natural rubber, manganese, industrial diamonds, chrome, cobalt, nickel and tin come from abroad. In addition, we must import a substantial amount of our tungsten, zinc, copper and wool, lead and bauxite.

In return for our contributions to the defense of Western Europe, we can expect fair arrangements

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*A talk by Mr. Wilson before 35th Annual Meeting of the National Industrial Conference Board, New York City, May 17, 1951.

Security Markets And Business Outlook

By JULIAN D. WEISS
President, First Investment Company
Los Angeles, Calif.

Stock market analyst holds weight of evidence indicates near-term stock prices are likely to fluctuate in trading range, but over long pull they will go higher, for following reasons: (1) greater business activity; (2) continued depreciation of dollar; (3) current low price-earnings ratio; and (4) higher consumer disposable incomes. Finds growing demand for common stocks.

A forecast of the business and market outlook does not presuppose a "crystal ball" approach. Rather, it is predicated on the fact that businessmen must make business and investment decisions. Such decisions should be based on careful study of the historical factors, the correlation and analysis of all present facts, and a reasoned evaluation of future probabilities. Such matters should be of vital interest to investors and businessmen with regard to problems of basic business policy; with reference to policies applicable to the important and growing fields of pensions and profit-sharing trusts; and with respect to their own investment problems.

Julian D. Weiss

In mid-February, in the face of prevalent pessimism relative to the stock market, the writer stated: "The tense international problems continue to be the primary factor affecting the economy and the market. We think the situation is a serious one that will be with us for some time and is unlikely to be solved in the near future. Any peace efforts that are made in 1951 are unlikely to prove to be a real solution to the problem. Business should continue at high levels with corporate profits and dividends continuing at favorable levels. While the stock market itself is at historic high levels, it does not appear over-priced in relation to other facts of our economy. While a "shake-out" or intermediate reaction could occur at any time, we do not believe any reaction would lead to a bear market. We think the market will probably continue to fluctuate around recent levels and that it will become increasingly an investment market. We will continue to have a 'market of stocks' rather than a 'stock market,' and selectivity should continue to be emphasized."

It is interesting to note that in the few months that have elapsed, in the face of bearish sentiment on the part of the public and the investment fraternity alike, the Dow-Jones Industrial Averages are almost exactly at the mid-February levels. The Industrial Average on Feb. 14, 1951, was 255.10, compared with 256.08 on May 14. The weight of the evidence indicates that over the near term the market is likely to fluctuate in a trading range; and that over the long pull higher prices will be witnessed for many reasons.

Short-Term Outlook

The present period warrants a fairly cautious attitude on the part of investors. This is because the same factors that were responsible for the March shake-out are still operative, although probably in lesser degree because of increasing awareness of the possible implications therein. We refer to (1) the possibility of a "peace scare" and (2) the effects of the tighter credit situation resulting from the recent action of the "FED" in allowing long-term government bond prices to seek lower levels (higher interest rates) and in offering a conversion of the Treasury 2½s of June and December, 72/67 into the new 2¾% bonds.

As to the "peace scare"—peace, of course, is fundamentally bullish from a long pull viewpoint, although over the shorter term it might mean some intermediate weakness in the general price structure. This is because inventories have been accumulated at all levels; by the wholesaler, by the retailer, and also "invisible inventories" at the consumer level.

A peace scare psychologically would induce many to feel that it is smart to withhold normal commitments on the theory that prices will be lower. Without doubt, a peace development could induce some forced selling on the part of some smaller enterprises who may find themselves in a tight cash position and thus enable to withstand a temporary period of unfavorable business. However, any such development would be of a temporary character. There is every basis for believing that an important step-up in government expenditures for defense purposes will make itself felt beginning sometime during the fourth quarter of this year. It is important to note that according to many responsible sources, including Secretary of Defense Marshall, government orders are being placed at a rate of $4-$5 billion per month. However, on the other hand, the actual level of expenditures is only in the neighborhood of $1 billion per month. Thus, the real impact on our economy is not yet being felt in any major degree.

Business is in a transition period and in some cases there have been layoffs reflecting this changeover from peace business to war activity. By the fourth quarter of this year, the actual expenditures based on deliveries should be at the rate of at least $2 billion per month, which represents a substantial increase. It is interesting to note that at a recent meeting of some of the outstanding economists in the country, there was a virtually unanimous opinion that there will be no real letdown in business other than the possibility of a moderate short-term decline for the reasons above mentioned.

Unfortunately, there is little basis for anticipating a real peace, as contrasted with a possible "armed truce." A real peace development actually would be bullish in character over the long pull because, while it might mean a lower level of business activity, it would also mean a lesser degree of tax increase and also a greater degree of confidence in the survival of our type of economy which, in turn, would mean higher capitalization ratios in relation to earnings.

It has been quite obvious that the representatives of the four major powers have been unable to agree on an agenda for the meeting of the Foreign Ministers this summer. It also is apparent that our government entertains little hope of any tangible results therefrom. However, if the remote possibility does occur and some agreement does materialize from the Foreign Ministers' meeting, it nevertheless is clear that until Russia gives concrete evidence of a sincere desire for real peace, our government, fully backed by public opinion, will continue to make major expenditures for defense purposes.

The credit situation also provides basis for some caution. There has been a substantial sell-off in the price of government bonds, accompanied by concomitant weakness in the prime corporate bond market. Historically, this often has been a forerunner of decline in stocks. However, as pointed out below, the bond-stock ratio (relationship between yields obtainable on prime bonds and yields obtainable on stocks) is extremely favorable to equity investment and is likely to continue so.

It is important to recognize that government policy is *anti-inflationary* (at least so far as credit policies are concerned, although not in many other respects — such as unnecessary spending), but that it is not *pro-deflation.* The outstanding characteristic of present-day credit policy is its flexibility. Should any real business setback materialize, it is a safe assumption that the government authorities will back-pedal as rapidly as possible and reverse the recent actions looking toward tightening of credit. It must be kept in mind that our defense activities, plus our various world commitments, necessitate a very high level of taxes—a level which even at the maximum still is not likely to obviate the need of deficit financing next year. This means, of course, the pre-tax earnings of corporations are important in the calculations of the Treasury Department. Actually, a higher level of pre-tax earnings than was the case last year is postulated and thus, even after taxes, corporate earnings are likely to be off only moderately

Despite the likelihood of a moderate decline in earnings, dividend payments should continue to be well supported. This reflects the increased ability of many companies to continue present rates of dividend payments. The percentage of earnings paid out in dividends in recent years has been considerably below average. Thus, in the prewar period 1935-1939, the average dividend payment was around 74% and was as high as 83% in 1938. By way of contrast, the percentages of earnings paid out in dividends in the postwar periods has been as follows: 1945, 63%; 1946, 55%; 1947, 49%; 1948, 50%; 1949, 54%; 1950, 53%.

On the credit front, and with particular emphasis to its relevancy to the tax situation, it is to be noticed that in the fiscal year to end in June, the government is now expected to show a surplus of about $2.7 billion against an originally estimated deficit of about $3 billion. This factor, plus the fact that current tax collections are running considerably higher than anticipated, explains the fact that many Administration officials are now reducing their sights with regard to the extent and imminence of another tax increase.

The third cautionary factor is that prevailing sentiment definitely is bearish, and the technical action of the market itself shows evidences of nervousness. Since we admittedly utilize a basic or fundamental approach rather than a technical one, we are inclined to minimize this fact. Experience usually shows that when sentiment is bearish, the market is not an

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Dealer-Broker Investment Recommendations and Literature

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

Fire Insurance Stocks—Special report—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y. Also available are individual reports on **American Equitable Assurance Co. of New York, Boston Insurance Co., Glen Falls Insurance Co., Globe & Rutgers Fire Insurance Co., Maryland Casualty Co., Merchants and Manufacturers Insurance Co., New York Fire Insurance Co., U. S. Fidelity & Guaranty Co.** and **Westchester Fire Insurance Co.** In preparation are reports on **Aetna Insurance Co., American Insurance Co., Great American Insurance Co., Home Insurance Co.** and **Phoenix Insurance Co.**

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.

Guide to Domestic and Foreign Special Situations—Brochure—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available are reviews of **Phillips Petroleum Co.** and **Northwest Airlines.**

Housing Authority of the City of Altoona, Pa.—First closed mortgage revenue bonds—descriptive circulars—Allen & Co., 30 Broad Street, New York 4, N. Y.

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

Investing in the Canadian Dollar—Discussion of long-term factors affecting this currency and the investment possibilities of **Canadian Internal Payment Bonds**—Saunders, King Limited, Montreal Trust Building, Toronto 1, Canada.

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.

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

Anaconda Copper Mining Co.—Survey—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. Also available are data on **Gardner Denver Company, Halliburton Oil Well Cementing Co., Continental Foundry & Machine Co.** and **Dana Corporation.**

Bell Co.—Memorandum—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Botany Mills, Inc.—Analysis—H. M. Byllesby and Company, Inc., 1500 Chestnut Street, Philadelphia 2, Pa. Also available is an analysis of **Pittsburgh Railways Co.**

Calumet and Hecla Consolidated Copper Company—Circular—McLaughlin, Reuss & Co., 1 Wall Street, New York 5, N. Y.

Central Illinois Electric & Gas Co.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a card memorandum on **Tide Water Power Co.**

Dobeckmun Company—Analysis—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y.

Drewrys Limited U. S. A. Inc.—Bulletin—Gartley & Associates, 68 William Street, New York 5, N. Y. Also available is a bulletin on **Tobin Packing Company, Inc.**

Emhart Manufacturing Company—New circular—Eddy Brothers & Co., 33 Lewis Street, Hartford, Conn.

Robert Gair Company, Inc.—Bulletin—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

International Hydro-Electric — Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a bulletin on **Missouri Pacific** $5 cumulative preferred "when issued."

Iowa Electric Light & Power Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Long Bell Lumber Corp.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Merck & Co. Inc.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available are analyses of **Towmotor Corporation** and **Warner & Swasey Company.**

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Where Is All the Steel Going?

By BENNETT S. CHAPPLE, Jr.*

Assistant Executive Vice-President, United States Steel Company

Pointing out increased production has kept pace with industrial activity since Korean outbreak, U. S. Steel executive lays current difficulties in meeting steel demands to NPA allocation orders. Says defense orders and railroad requirements are being met, and warns days of eating our cake and having it too have passed. Points out, however, if defense steel requirements go too far, it may destroy healthy civilian economy.

The outbreak of overt communist aggression in Korea on June 25, 1950, transformed the tone and tempo of American economic life. The first half of 1950 had been a period of energetic recovery from the mild recession of 1949. By midyear, the production of goods and services had reached a new peacetime high and employment was nearing a record peak—a convincing demonstration of the recuperative vitality of a competitive enterprise economy. This recovery, like the recession preceding it, also had its counterpart abroad, particularly in Western Europe.

B. S. Chapple, Jr.

But after the start of the Korean incident there was a complete change in the setting. This country, and its allies faced a clear necessity to rearm. For the indefinite future, it appeared, the "Western" nations must be prepared at the least for sporadic hostilities, and at the worst for a speedy mobilization to meet the challenge of total war. Thus, from July onward, the dominant economic problem in the United States became one of wedging an expanded military program into a productive machine already operating at practically full capacity.

In the ten months which have elapsed since our complacency was jolted, we have found ourselves in a position without precedent. We are fighting battles in Korea, but we are not at war. We are engaged in widespread international trade, but we are not at peace. Like the sword of Damocles, a horrible threat to our way of life hangs by a slender thread over our heads, but we insist on business and pleasure as usual. We realize that the effort we must make and are making to prepare ourselves and our allies against aggression will entail many sacrifices, but we hope that those sacrifices will not touch our personal pocketbooks today.

So, with simple faith that somehow tomorrow will solve tomorrow's problems, we go blithely forward, hoping that sheer volume alone may be expected to provide the solution to all our difficulties. We are turning out rifles and cannon and tanks and ammunition for the Army as fast as we are currently able—and at the same time we have been pouring out huge quantities of automobiles and refrigerators and kitchen stoves and coffee percolators. We are building new military planes and guided missiles with unflagging energy—and at the same time we have been erecting new houses, new commercial and institutional buildings and building new arterial highways galore. We are making strenuous efforts to improve our logistics facilities, primarily to make adequate transportation equipment available to the military if, when and as they should need it—and at the same time we have been expanding our output of electrical equipment, chemical process equipment, machine tools, materials handling equipment, television sets and nylon stockings.

Don't misunderstand me. I am not debating the propriety of these things. I am not arguing the whys and wherefores of guns versus butter, or of guns *and* butter. I am merely saying that this is what we have been doing up to now, and, seemingly, this is what we would like to continue to do in the future.

Under such circumstances and with such desires, it is perhaps only natural to find industry in general bursting at the seams in some spots and lacking nutriment in others. Indeed, it is a bit of a surprise to our industrial friends in other lands to watch us go through a period like this without wholesale derangements in our economy. For actually, believe it or not, the truth is that less than 5% of American industry's productive capacity up to now has suffered any serious difficulties in continuing to make and sell goods. True, many of these goods thus made and sold are quite different than what would have been produced normally. But so competent are American industrialists in the matter of accommodating themselves to changing needs, that very few of them indeed are finding it impossible to fit themselves and their enterprises into the new scheme of things although this often entails a short period of maladjustment.

A dress manufacturer, for example, finds in military uniforms a new outlet for his energies; an automotive parts manufacturer takes on a subcontract for tank parts; a structural fabricator begins to make Bailey bridges; an electrical appliance manufacturer gets a new lease on life making electronic equipment; a typewriter manufacturer plunges into the making of component parts for artillery ammunition; a pressed metal jobbing shop subcontracts the making of parts for military planes. The point I would make here is simply that most American business men are adaptable. If they find the going is tough for the time in one direction, they veer off temporarily in another and that is one of the reasons why American industry will always survive.

Position of Steel Industry

So much for the broad background. Now let's get down specifically to the problem of steel. I should like to make a brief comparison of two months in the recent history of the steel industry; June 1950 as a typical period immediately pre-Korea, and April 1951 as a period typical of today's situation. Both periods are fairly similar with respect to number of working days, climatic conditions and other matters affecting operating characteristics.

In June 1950, the American steel industry produced a little over eight million tons of ingots, roughly equivalent to 5,850,000 tons of steel products. In April 1951 the ingot tonnage was approximately nine million ingot tons, roughly equivalent to 6,570,000 product tons. Two factors explain the increase: a small increase in effective operating capacity, and a higher operating rate for that effective capacity.

In that ten-month period, then, ingot tonnage increased by one million tons and steel product tonnage by some 720,000 tons. And the question is, "Where did it go, and why did not the increase relieve the situation?"

To answer that question intelligently we have to look at the overall economic situation with respect to steel use in both of the months selected for comparison. The Federal Reserve Board index of industrial production for June, 1950 stood at 199. (That means 199% of the average for the years 1935-1939.) Preliminary estimates for April, 1951 will probably be in the neighborhood of 224—an increase of 25 percentage points over June. Or, stating this in a simpler way, industrial production was somewhat more than one-eighth greater in April, 1951 than it was in June 1950.

Now, if you will let your memories drift back for a moment to June of last year, you will remember that, industrially speaking, this country was going great guns. Automotive production was hitting a rate of better than eight million units per year, all sorts of consumer durable goods like refrigerators and other household appliances were pouring out of the factories in rivers, building construction was moving forward rapidly, oil and gas pipe line construction was huge, industrial plant and equipment construction was rolling in high gear, railroads were struggling to rehabilitate their trackage and equipment, and other phases of industrial activity were also at practically floodstage.

Take this picture of rampant energy from your memory, and add to it another 12½%, or an increase of one-eighth, and you will have a rough idea of what April, 1951 included. Then take the increase in steel production by 720,000 product tons from June of last year to April of this year and match it against the increase in industrial activity. This increase in steel output was exactly the same—12½% or one-eighth!

So, on the face of things, it would appear that we should be able to say that the situation with regard to the supply of steel was no different in April, 1951 than it was in June, 1950; for the increase in steel production exactly matched the increase in industrial activity, and the distribution of all the steel produced this year ought to match the distribution of last year.

Allocation Difficulties

But it doesn't. Where is the catch? Simply this: In June, 1950 we had no Korean incident; in April, 1951 we had an NPA in Washington allocating practically 50% of our total steel output to certain very important uses either directly or indirectly related to defense needs.

We all realize, of course, that the needs for which such steel allocations or "set-asides" have been made are not all new. Right along some steel has been going into direct military needs, for guns, tanks, ammunition, airplanes and so on. Some steel has been going to projects of the Atomic Energy Commission, for railroad freight cars, for pipe lines and for other uses now definitely designated as "programs." Furthermore, steel always has been distributed through warehouses for MRO purposes. However, if one takes all this government directed tonnage, which I have just said has amounted to approximately 50% of the steel industry's production up to now, and compares it with the volume of steel distributed in June, 1950 for similar purposes, without directives, we find a striking comparison. To somewhat oversimplify the description in order to make the comparison clear, let's call all these present requirements and their corresponding pre-Korea categories "defense," and everything else "civilian."

Then what we could call "defense" in June, 1950 amounted to about one and one-half million tons of steel products, or some 25% of the total production of that month, while in April, 1951 it equalled about three and one-quarter million tons, or almost 50% of the total production.

Thus, as becomes evident from these rough figures, the "civilian" share already has decreased from about four and one-third million tons, or 75% of the production in June last year, to some three and one-quarter million tons, or about 50% of the production in April this year. In slightly less than a year, the "loss," as can be seen has been well over one million product tons per month. Furthermore, this loss unquestionably will continue to increase as the months go by.

You will understand that this comparison is rather rough, for many of the NPA directed tonnages cover today a great deal of what would normally be termed civilian activities — for example, steel shipping containers, oil field equipment, farm implements, ship repairs, etc., as well as the categories of warehouse and converter tonnages. Likewise it is extremely difficult to get accurate figures on past and present usage in each of the various directed categories. However, the rounded data I have just given you are substantially correct, and will serve as a means of comparison between the period immediately before Korea and today.

At this point, then, let me summarize the outlines of the situation. As between June, 1950 and April, 1951:

(1) Industrial activity and steel production both increased by one-eighth.

(2) The steel now controlled by NPA amounts to 50% of production as compared with corresponding undirected pre-Korea usages of 25%.

(3) The steel available for all other uses today, including increased production, is actually over one million tons a month **less** than pre-Korea.

(4) But in April, 1951 the civilian economy was still at practically the same level of activity as in June, 1950. In other words, we made practically the same amount of butter in both periods, but in the latter period we had added GTD's for DO and related programs accounting for double the amount of steel used in corresponding categories last year.

This, then, is the broad over-all picture up to now. I have dwelt upon it to this length because it is necessary that you should understand the background before I discuss any specific applications.

Steel For Railroad Use

Your particular interest, of course, lies in steel for railroad use. Let me unfold this picture for you.

The National Production Authority, immediately after establishing the DO "set-asides" as a percentage of the product necessary for the armed services, established the number one formal program for supplemental defense by providing sufficient steel, starting in January, to produce 10,000 freight cars per month. This was allotted among all steel producers upon the recommendation of the steel "Task force." Then NPA issued directives to the steel producers for the needed products

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*An address by Mr. Chapple before the New York Railroad Club, New York City, May 17, 1951.

Mortgage Lending in Changed Government Bond Market

By THOMAS E. LOVEJOY, Jr.*

President, Manhattan Life Insurance Company

Asserting recent drop in government bond prices has created pressures on entire financial structure, insurance executive finds it has increased new offerings of mortgages, of which there is now evidence of an over-supply. Says this situation, however, is only temporary since, because of credit restrictions, new building is falling off and there'll be less mortgages. Reports higher bond yields resulting from "unpegged" government bonds, with little likelihood of a reduction from present levels. Looks for voluntary credit restraints to cut down volume of municipals, but forecasts heavier corporate financing. Holds there should be increase of ½% in yield of conventional mortgages to restore their competitive position.

The subject for discussion tonight is "The Government Bond Market and the Effect on Mortgage Lending." That's quite an assignment, and I haven't the temerity to assume that I know all the answers to the problems facing all of us these days. However, I have some thoughts on this subject in which you might be interested.

T. E. Lovejoy, Jr.

You are all familiar with the substantial drop in government bond prices since the pegs were removed early in March. So there is no need for me to go into that. Whether or not they are going to drop further is anybody's guess. I do not know. Some of my friends in government bond houses have called me, during the last two or three days, to tell me that in their opinion, bonds at present prices (around 96 and 26/32nds bid) are attractive. They may be right, but these same fellows told me the same thing when government bonds were selling at 99 2/32nds a few weeks ago. For my part, I want nothing of them right now—you can do a lot better with your money in other types of investments.

Effects of Drop in Government Bond Prices

This drop in government bond prices has created pressures on the entire financial structure of the country—nothing distressing yet—but there is a real squeeze going on. Consequently, today the entire money market is torn by terrific cross currents, some inflationary, others deflationary, and some people may feel that it would be foolhardy to try to forecast which will win out. However, I am an optimist and I do not look for any severe depression. That does not mean, though, that I believe one should not take chances today. All institutional investment men are faced with these cross currents and uncertainties and under such conditions it is my suggestion that the institutional executive do his job as best he can from day to day, and err (if errors are made) on the conservative side.

This drop in government bond prices has had widespread effects. Many of the smaller banks throughout the country, I am told, have become nervous and have put pressure on mortgage originators to move out loans, which such banks were warehousing, to the ultimate purchaser. These mortgage originators had been warehousing the loans, probably at a spread in their favor, and took their time about making delivery for payment. Now they are forced to speed up deliveries, and what do they find? They find that many of the institutions in the so-called secondary market, which includes savings banks and life insurance companies and other institutions of that type, do not have the ready funds to absorb these loans when delivered for payment. Many such institutions have for several years built up substantial commitments for mortgages, in some cases much higher than they should have. I know of one of the large savings banks here in New York, which I will not name (and I might say it is not the savings bank of which I am a trustee), which had at the beginning of this year mortgage commitments equal to 20% of its total assets. That's a large percentage. Such institutions had been, for a number of years, selling their government bonds at the pegged prices, thus frequently freezing a little profit in some cases and using the funds to take up mortgages as they were delivered for payment. Now they cannot sell their government bonds unless they are willing to take a loss. On top of that, during the first two months of this year withdrawals of savings deposits were in excess of new deposits which of course resulted in a net decline in total deposits of such banks. I understand this trend changed in March and was carried through during April, and savings bank deposits appear to be increasing again, but not as rapidly yet as they have in the past.

The result of this situation just described has been a definite over-supply of mortgages—a large inventory problem if you wish—and it should take some time for this over-supply of loans to be absorbed. Frankly, I do not think it will be too long, perhaps six months, but not much longer, because the insurance companies cash inflow exceeds cash outgo as a result of the nature of their business and such new funds together with amortizations on and prepayments of the mortgages they hold should enable them to have funds to absorb the outstanding commitments relatively soon. The savings banks will be helped if this trend toward higher deposits continues, in addition to the amortization and prepayments of loans they now hold. In the meantime, many of the institutions have entirely withdrawn from the mortgage market and mortgage money is tight. I believe that if he is able to hang on long enough, the mortgage originator will find there will be some improvement in his ability to place mortgages.

Going a little further, another factor which should relieve the mortgage situation is the sharp decline in the trend of starts in recent weeks due to Regulation X. Due to this new condition in the mortgage market, and I believe some difficulty in getting materials, starts will continue to decline. It usually takes several months for starts to come out at the other end of the assembly line in the form of mortgages ready for the secondary market, but it looks now as if the old law of supply and demand will begin to take effect and the supply of loans will be considerably reduced. That's the way I see it, but of course I could be wrong.

The New Bond Market

Now, to get to the bond market. There has been a substantial adjustment in the price of all classes of bonds as a result of this change in the government bond market. Whether or not the adjustment has been completed is anybody's guess, but AAA corporate securities which could have been bought four months ago at a 2.65 to 2.75 basis are now available around 3.15. I have in mind the recent offerings of Consolidated Natural Gas bonds that came out on a 3.16 basis and the Duke Power & Light bonds which came out a few weeks ago on a 3.15 basis. Also, a few weeks ago Consolidated Edison of New York bonds were offered at a 3.10 basis and the deal was a flop—the underwriters had misjudged their market. When the syndicate broke bonds were bought at a 3.15 to 3.18 basis. Other types of bonds have had a comparable adjustment in price and we seem to be presently going through a process of establishing a new level of interest rates which could be in effect for some time to come.

To put it another way, I don't see any improvement in bond prices or reduction in yields on bonds for some time to come. According to the information that I have heard, there is a tremendous amount of corporate financing on the way, which the public does not know about, which will keep bond prices at close to current levels and possibly put them a little lower. In other words, we have another situation of supply and demand and there is the possibility that the supply of corporate bonds of good quality will be very heavy. This condition could go on for a couple of years.

Incidentally, the need for all this financing is the result of our industry trying to meet the needs of the rearmament effort and also carry out the "butter as well as guns" philosophy. The objective is good and it is my hope that we will be successful. Last night I heard Mr. Chas. E. Wilson talk at the American Telephone & Telegraph dinner in honor of their millionth stockholder and I was very much impressed by him and by what he said. Among the things of interest he spoke about was the need of controlling inflation and the need to produce sufficient peacetime goods to take care of the public demand—thus trying to prevent black market and higher prices from developing.

Voluntary Credit Restrictions

Now to give you an idea of the cross currents and pressures that are difficult to judge—we should not take lightly the voluntary credit restrictions about which you have probably heard a great deal recently. The main purpose, as you know, is to get lending institutions of all kinds to confine their lending activities only to projects for the rearmament effort or for sound industry, and eliminate loans which have an inflationary character. I like it, and I believe that it is already effective and will be even more so in the not too distant future. If these restrictions were compulsory, I think all institutions, because of human nature, would be looking for ways to get around such compulsory regulations. But being voluntary, it is my impression that a great deal of care is being taken in selecting loans which fit the pattern of not having an inflationary character. A good example is the proposed offerings of bonds by the State of West Virginia for a bonus for veterans. Since it was approved by a referendum the Governor of West Virginia felt he had a mandate of the people of his state to issue the bonds and pay this bonus. However, the underwriting houses in Wall St., because of this voluntary credit restriction, have declined to bid on the bonds and the commercial banks also I believe will decline to lend the money to the state for that purpose. Since this voluntary credit restriction appears to be effective this will, of course, have some effect on the supply of securities for sale. My personal opinion is that there is such a large volume of other corporate securities of the right character on the way that the results of the effective operation of the voluntary credit restrictions will not immediately affect interest rate but it will help control inflation.

Looks for ½% Increase in Yield on Mortgages

Now, you may ask what's the object of my talking the way I have? What I had in mind is to try briefly to paint a picture of these two branches of the investment market as I see them today and then tie them in together since they are relative and have an effect upon one another. If my thoughts are right, and we are going to have a bond market with yields around current levels for an extended period of time, it will be necessary for some adjustments in the mortgage market if you want to place loans with institutions once the present large inventory situation has adjusted itself. Even if we have a more limited supply of mortgages they will not be attractive to institutions unless there is an increase in yield. I think there should be at least ½% increase in the yield on conventional mortgages in order for them to become competitive. In the case of FHA and GI loans there should also be an increase in the interest rate but I don't expect it because it is not politically expedient. However, the premiums on FHA probably will disappear or certainly drop substantially and GI loans probably will have to be sold at a discount. It is my thought actually that since GI loans will not be competitive and even be sold at a discount of one or two points they are not attractive or competitive and we may see the supply of GI loans dry up.

Just to carry this thought a little further—one of the rules of thumb we use sometimes is a spread of the various grades of securities, one from the other. In other words, using long-term Treasury bonds as a basis, the institutional buyer figures a AAA corporate security should yield 30 to 40 basis points more than the Treasuries; AA should yield 40 to 50 basis points, etc., and mortgages should yield 1 to 1¼% more than Treasury bonds. It is not a bad rule of thumb and comes in handy at times. However, several years ago I heard a talk given by a friend of mine at the American Life Convention in which he made an analysis of mortgages which showed that they are not very attractive. If my recollection is correct, he took a mortgage on which the rate was 4%. Out of this 4% he eliminated ½% for servicing; another ⅜% for internal costs, and then said that another ½% should be set aside to build up a reserve. That would cut the net return to 2⅝% which was not very competitive with U. S. Treasury bonds which then yielded 2½%. I merely mention this to bring out the need for a realistic approach to the mortgage situation and the need for improvement in yields on mortgages to make them competitive.

There are a lot of other things I could have mentioned but because of the limited time I thought I had better not bring them up. I do, however, want to repeat that I am an optimist and that I am sure that once the present condition in the mortgage market has righted itself conditions will not be unfavorable to the operation of a mortgage business, provided adjustments are made to bring them in line with competitive investment outlets.

*An address by Mr. Lovejoy at the Monthly Dinner Meeting, New York Chapter, Mortgage Bankers Association of America, New York City, May 16, 1951.

Uhlmann & Latshaw Announce Changes

William J. Dyer

Geroge B. Ashby

John J. Strandberg

KANSAS CITY, Mo.—Uhlmann & Latshaw, members of the New York and Midwest Stock Exchanges, have announced the removal of their offices to new and larger quarters at 111 West 10th Street. The firm since its organization in February, 1949, had greatly outgrown its original space in the Board of Trade Building. Among the features of the new offices is a new front, largely glass, extending to the second floor level.

The firm has announced that William J. Dyer has been named acting trading department manager in the absence of Russell K. Sparks who is now serving as an Air Corps Captain at Carswell Field, Fort Worth, Texas. John J. Strandberg, who formerly for many years was with Harris, Upham & Co., has become associated with Uhlmann & Latshaw in charge of their new business department.

George Ashby has joined the firm as a registered representative and trader. Partners in the firm are Paul Uhlmann, Jr. and John Latshaw.

Peter Ver Cruisse Co.

PHOENIX, Ariz. — Peter Ver Cruisse and Company has been formed with offices in the Security Building to engage in the securities business. Peter Ver Cruisse was formerly Phoenix manager for Marache Sims & Co.

Investment Securities Co.

PASADENA, Calif. — The Investment Securities Company of California has been formed with offices at 880 East Colorado Street. Principal of the firm is Harry Alton Cottingham.

With J. C. Bradford

J. C. Bradford & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announce that Frank J. Jordan is now associated with them in the Municipal Department. In the past he was with Roosevelt & Cross, Inc.

Common Stocks and Pension Funds

By PAUL I. WREN*

Vice-President, Old Colony Trust Co., Boston

After explaining Massachusetts rule, which upholds prudent investment in common stocks, Mr. Wren outlines factors in common stock investment for pension funds. Stresses selectivity and diversification, and cautions investment is not exact science. Cites advantages of higher yield securities for pension funds, and comments on common stocks as inflation hedge.

Many of you have probably studied the legal background of trust investments and are thoroughly acquainted with the basic legal case which has guided our thinking for a great many years in Massachusetts — Harvard College v. Amory. John M'Lean died and, as many men do today, left a sum of money to trustees to invest "in safe and productive stocks, either in public funds, bank shares or other stock, hereby enjoining on them particular care and attention in the choice of funds." The trustee presented his account for allowance and, as sometimes happens these days, the remaindermen objected because the value of the fund had declined. As a matter of fact, the three of the stocks had declined from an original cost of nearly $42,000 to slightly below $30,000.

Paul I. Wren

Justice Putam, of the Supreme Judicial Court of Massachusetts, in giving the decision of the Court made the following statement, which has been quoted very frequently and which really states the "Massachusetts Rule":

"All that can be required of a trustee to invest, is, that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested."

Before concluding his opinion, the Justice paid a tribute to trustees and the need for limiting the liability of trustees:

"Trustees are justly and uniformly considered favorably, and it is of great importance to bereaved families and orphans, that they should not be held to make good losses in the depreciation of stocks or the failure of the capital itself, which they held in trust, provided they conduct themselves honestly and discreetly and carefully, according to the existing circumstances, in the discharge of their trusts. If this were held otherwise, no prudent man would run the hazard of losses which might happen without any neglect or breach of good faith."

Common Stocks as Trust Investments in Massachusetts

In this favorable atmosphere trustees have operated in my State for over 120 years, considering the probable income as well as the probable safety of the capital. With equal emphasis on the position of the life tenant and the remainderman, Massachusetts trustees have come to consider common stocks as one of the natural ingredients of a long-term investment program, the percentage varying with the outlook for business and security prices.

The position of common stocks in normal trust accounts, endowment funds, and similar trusts of long-term duration has become quite widely accepted. This trend was spotlighted by the legislation passed in 1950, allowing New York trustees to be at least 35% prudent. Common stocks have found new interested purchasers this year when Governor Dewey signed a bill allowing life insurance companies to include some of these issues in their portfolios. However, from the discussions which I have had in the last few years, I find that the one debatable spot for this type of investment is in pension funds. Let's look at this problem.

From the beginning of our pension fund business, we have regarded them as normal trust accounts of long duration but with the unusually attractive feature of regular additions to principal during the early years. This arrangement puts cash in the hands of the trustee at various levels of the stock market, permitting the accumulation of stocks over a period of time, thus averaging the cost. Assuming the advantage of this arrangement for the moment, let's investigate some of the reasons for buying common stocks in pension trusts.

Diversification

One of the first is the matter of diversification. A trustee usually considers some distribution of commitments among the various industries is very desirable. Even the securities of the less favored companies have their day of glory, as evidenced by the resurrection of the railroad bond and stock market since June. As many of you already know, a program restricted to senior securities precludes investment in a number of companies and industries which have been successfully developed without being forced to raise capital by borrowing money or selling preferred stock. One example which has been especially kind to investors in recent years is the insurance field. Another is the banks. Even in the industrial classification, the stronger companies have tended to eliminate debt and preferred stocks or to refund them privately. In some groups, such as the automobile, only one of the major companies has any senior securities outstanding.

In watching the results of our handiwork over the years, all companies have their problems but those with a strong underlying growth trend seem to have overcome the obstacles somewhat more successfully. In other words, long-term investment in companies with this characteristic has been profitable. Taking the broader point of view for the moment, an account should participate in the profits from new products and other technological improvements emanating from the research laboratories of the country. While many companies which can be classified in this category have to offer senior securities to provide greater manufacturing facilities, these do not really allow the security holder to benefit from the growth. Some participation in the profits can be secured by purchasing convertible bonds or preferred stocks but frequently this privilege covers up some weakness in the security itself. In addition, if the investment is successful, the premium at which the security sells increases its volatility almost to that of the common stock. At some point, and frequently at the beginning, the greater yield and appreciation possibilities available on the common stock made that the more attractive commitment.

Investment Not Exact Science

My training in this field of endeavor has included lessons on the fact that investing funds is not an exact science. If you make the correct decisions in the majority of cases, you are considered successful. All of us make mistakes, even those who confine their investments to bonds, and the presence of a nice profit in a stock is very comforting. While bonds can be purchased at a discount with the hope of a profit, this procedure at least currently means stepping down the ladder of quality. While we know this has been done successfully, we have preferred to concentrate our risk in common stocks where there is no "top" price as in the case of bonds.

One of the greatest dangers facing the supervisor of a large investment account today is the steady deterioration in the value of the dollar. This country appears to be committed to a policy of spending more than it receives, in good times as well as bad, in peace as well as war. In passing, I might say I consider the present Treasury surplus as only a temporary phenomenon. While I do not submit the proposition that common stocks are the perfect solution, I am sure that no one here will suggest bonds as a substitute for this purpose. While some deflationary pressures are present, the specter of inflation remains on the distant horizon so that some common stocks are justified solely as a hedge against inflation.

Yields of Common Shares

I have left to the last the most attractive reason for common stocks at the present time, namely, the greater yield and the attendant lower contributions to the pension plan by the employer. No investment program should be based solely on the amount of income deemed necessary or desirable by the interested parties. The difference between a 2½% and a 3¼%-3½% return on a substantial amount of money over a long period of time, such as 30 years, is large and, in the vernacular, "it ain't hay." In view of the material saving, the spread in the yields between bonds and high grade common stocks does raise some interesting questions.

In the last six weeks this spread has narrowed to some extent, with both sides of the equation moving toward center. The stock market at new highs has lowered slightly the yields. In addition, the bond market has not been without its changes. We have not only seen a violation of the scancity of par for government issues but also the offering of an Aaa utility bond on better than a 3% basis, the first time in many years.

The restrictions on production of normal lines, the lower profit margins on government business, and the imposition of more stringent price and even profit controls, together with the heavier tax burden, seem to point to lower earnings for a great many corporations. From a dividend point of view, this fact may have some elements of danger, but comfort may be obtained in that the margin of safety is greater today in the Dow-Jones Industrial and Moody's averages than before World War II. At the present time, the yield on a list of high grade common stocks is around twice that available on high grade bonds. In other words, the yields on common stocks may be decreased, but over a period of years it seems to me that income should more than equal that on prime bonds, which are the principal alternative investment opportunity.

The principal reasons for utilizing common stocks in pension funds may be summarized to provide better diversification among industries, to participate in "growth" companies, to offset, at least at times, the mistakes made in part of the investments, to move in the direction of offsetting the deterioration of the dollar, and finally, to increase the yield of the fund and thereby reduce the cost of pensions to the employer. There are always two sides to a question and this important problem is no exception.

"Timing"

One of the real dangers of adopting a program for common stocks in this type of account is that at a bad time in the market, the directors or the pension committee of the company will exert great pressure on the trustee, or the trustee himself may decide to abandon the whole idea as being silly, take the losses, and put the money in bonds or take out an insurance policy. In the past, suggestions for such changes in investment policy often seem to have been advanced at the worst possible time to sell. Any pension trustee going into common stocks should arm himself now against such pitfalls and state a definite policy of using low levels of the market to average down his holdings of common stocks and to build up the proportion of those items.

One of the greatest doubts concerning this program is the position of the trustee when the stocks are selling at a substantial discount from the book value, which I should expect would be accompanied by a business depression. The officers of the company are worried about keeping it out of the red or cutting losses and they see their pension fund shrinking in value. In the first place, it should be remembered that pension funds can be appraised at book or market when being valued for actuarial purposes. In the case of the pension plans with which we are connected, we have found that the actuaries use book value so as to level out the company contributions. This allows the employer to avoid paying less

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*A talk by Mr. Wren before the Bond Club of Baltimore, Baltimore, Md., April 25, 1951.

It Is Time to Reconsider The Gold Standard

By JAMES WASHINGTON BELL*

Secretary-Treasurer, American Economic Association; Acting President, Economists' National Committee on Monetary Policy

Dr. Bell asserts present difficulty of checking inflation stems from false shibboleths of the 1930s regarding gold, debt-money, public debt monetization, interest rates, budget unbalancing (including "owe-it-to-ourselves" philosophy), and "if business won't, government will" credo. Maintains no controls can be made to work unless we have confidence in the dollar.

Because the tempo of inflation has increased conspicuously during the postwar "decontrol" period, it is commonly regarded as a war phenomenon. Some even view it as a Korean war phenomenon. However, the causes of present-day inflationary pressures are much more deep-seated than current events indicate. Even without the defense program, our economy is swollen with inflationary pressures—pressures which originated in the early '30s but did not take hold until the '40s. Inflationary forces are now running strongly and they cannot easily be checked.

J. W. Bell

For many years the government has been deliberately following inflationary policies—policies which were devised in earlier years to combat deflation and unemployment and which have been carried forward into the postwar era of inflation and full employment. Government policies have fostered and nourished inflationary forces in the fields of monetary legislation and administration, fiscal policy, price support programs, labor relations, housing, loan and guarantee operations, and in many other sectors of our economy. We are undertaking a great rearmament program with its colossal financial outlays before we have fully adjusted ourselves to the burdens of a welfare economy and the staggering legacy of debt imposed by World War II and our postwar foreign aid program.

Production Cure Inapplicable

The availability of unused productive resources may help to explain why inflation did not become significant in the '30s, but the favorite prescription that "the best preventive and cure of inflation is increased production" cannot be applied with as much force today when we are already pressing the limits of our productive capacity. We have therefore to rely in some measure on more government direction of our economic life, and this atmosphere is not a healthy one. Keynesian conceptions of depression financing are still capable of being misapplied in these times when an uncontrollable inflation is not only possible but is actually a threatening reality.

Inflation is not synonymous with rising prices. It is a condition in which the supply and use (expenditures) of money are greater than the goods and services to be bought at a given price level—in which the balance or equilibrium of money and goods causes prices to rise. As one writer has put it: inflation is like the perspiration of a fever patient; it is nature's attempt to restore the balance.

Rapidity of Inflation the Crux

Since inflation shows a need for certain economic adjustments, it is not altogether bad. A mild and gradual inflation in prices of war essentials would direct economic effort where it needs to go, but the damage done to society by rapid, badly distorted, and inequitable price readjustments should find no defenders, not even the vested interests and pressure groups who stand to benefit temporarily by the effects.

Whenever an emergency arises, widespread demands are made for government controls and management. We are in such a period today. Such, also, was the period of the '30s, when all manner of nostrums and remedies were proposed. Many of the measures then proposed or adopted had often been tried before and without success; some were innovations, frankly experimental, based upon principles not entirely or basically false, and some fully sound if the underlying assumptions are granted. I have made a list of these prescriptions, tenets, doctrines, or shibboleths which even today exercise strong inflationary influences and which serve to make controls ineffective or impossible. We should examine them critically in the light of their depression setting and in connection with the present situation. I shall merely enumerate them here, with brief descriptions sufficiently to identify them. Some have a hollow ring today because they failed to work when they were tried; others persist because they have not yet been fully tested; still others have not yet been applied. Practically all of them involve, or are postulated on, increased government regulation, control, and management.

(1) **The "Ghost of Gold" and inconvertible paper money.** British writers vigorously attacked the conventional gold standard in the '20s because it obstructed the economic adjustments which had to be made, in part, at least, by virtue of their mistake in going back to the par of exchange; namely, $4.86. As a result of World War I, England had become a heavy debtor country and revaluation at the prewar parity proved to be a painfully deflationary process. Within a year after his powerful plea that the world return to the gold standard, in 1922 John Maynard Keynes started calling gold names. He called gold "a barbaric relic" in his *Monetary Reform*, 1923 (see also "Aura Sacri-Fames," in *Treatise*, 1930). Another influential British economist, D. H. Robertson, in the 1920 edition of his book on *Money*, wrote in Alice-in-Wonderland style about the Bradburys (Treasury notes), telling gold where to "head in," and he related stories about the glass eye in South Africa and stone money on the Island of Uap with approval. These two latter examples have been cited numerous times by American authors in books and articles—so much so that they have become stock-in-trade of the critics of the gold standard. The implication of these stories is that if mysticism and superstition work with primitive peoples, it should work with us; we can bury our gold and live successfully and happily in a ghost world. These writers of fine prose gave academic respectability to the thesis that the gold standard system was to blame for deflation, and their ideas were transplanted to this country by American imitators. Eventually their ideas were accepted in high official circles. President Roosevelt in his message to the London Conference, July 3, 1933, and in his Fireside Chat of Oct. 22, 1933, attacked the gold standard as an obstacle to the scientific management of money and maintained that an inconvertible paper system would give us a more stable dollar than we could achieve with convertible money.

(2) **A new concept of bank reserves.** Reserves were no longer considered a fund available for redeeming obligations based upon such a fund but were now a mere figure limiting expansion of notes and deposits. This concept was adopted not only for member bank reserves, but also for Federal Reserve Bank requirements. Irredeemable gold certificates were substituted for gold reserves; thus segregating gold from the domestic monetary and credit system.

The Federal Reserve ratio was reduced in June, 1945, from 35 and 40% to 25%. This change was made without discussion and without apparent opposition (except by Senator Robert Taft and the Economists' National Committee on Monetary Policy). Can this be done again and again and again?

(3) **Collateral against notes** (compare items 7 and 8). As the amount of reserves against notes is reduced, the character of collateral becomes more and more important. The 1913 conception of eligible paper (collateral) was gradually broadened from short-term, self-liquidating commercial paper to include government securities and, after 1933-35, anything acceptable to Federal Reserve authorities. Today the "collateral" back of Federal Reserve obligations consists almost entirely of government securities.

(4) **Asset versus debt money.** Some of our students in American universities and colleges are being taught that inconvertible debt money is the ultimate form of perfection. From a recent textbook I read: "The evolution of money from its earliest beginnings has been characterized by a steady subordination of the commodity aspects of money. . . . In its later stages it involved a transition from the tangible (gold coin) to intangible (gold certificates exchangeable for gold held in the Treasury) and ultimately from **asset** money to **debt** money." (C. R. Whittlesey, *Money and Banking*, 1948, page 25.)

(5) **Similarity of bank notes and demand deposits.** The same author maintains that the identity of notes and checks should be recognized, viz.: checks are money. The implication of this assumption are far-reaching.

(6) **Monetary function usurped.** The view is widely held that commercial banks have "usurped" the monetary function which belongs to the government. Paralleling this is:

(7) **Government debt money collateral.** As prominent and distinguished an economist as Prof. Sumner H. Slichter has asserted that government debt, rather than private debt, provides the best possible cover for money (American Economic Association, *Papers and Proceedings*, May, 1950) and the Federal Government must incur a cumulative deficit of at least $30 billion over the next 30

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*Statement of Dr. Bell before Conference on the Monetary, Fiscal, and Credit Policies of the United States in the Present World Crisis, under the auspices of the Economists' National Committee on Monetary Policy, Washington, May 10, 1951.

The New Tax Bite and Forthcoming Dividends

By WILLIAM WITHERSPOON

Statistical and Research Department
Newhard, Cook & Co.
Members, New York Stock Exchange

On basis of proposed corporate and individual income taxes, Mr. Witherspoon estimates that, despite higher levies and because of expanded consumer buying, there is reasonable probability that pre-tax corporate profits in next fiscal year will reach $45 billion, and the expected new tax bite will not therefore result in dividend payments below 1950 level. Sees, however, some exceptions for individual companies.

The House Ways and Means Committee has recommended an increase of 5 percentage points in corporate taxes and 3 percentage points in individual taxes. This is somewhat less of an advance in tax rates than advocated by the Administration but these Congressional proposals of last week have nevertheless added to the vexation of business enterprise. Corporate taxes are already taking a heavy toll of industrial profits, as witness the recent reports of the automobile manufacturers, and now these even higher rates will take a deeper bite into earnings if they are enacted into law.

William Witherspoon

It is like "striving for the wind" to estimate the revenue that the present tax rates will currently produce, to say nothing of looking into the future, but it has been suggested by the House Committee that this increase will add an additional $2,250 million to the corporate tax liability. If this is true, the estimators have used a pre-tax corporate profits figure of $45 billion annually as compared with the preliminary $40.5 billion as estimated by the Council of Economic Advisors for the year of 1950.

The validity of the $45 billion estimate of pre-tax corporate profits seems very reasonable. This rise is made possible by a greater velocity of money as stimulated by the government spending of tax revenue. We can be sure that all of this revenue will be spent, and as it is spent personal incomes will continue to mount, even in spite of higher personal tax levies.

With this obvious development we might readily conclude that personal consumption expenditures will continue to rise. This belief, however, will be refuted by many observers upon the basis that there will not be a sufficient quantity of consumers' goods and services to go around; the military demand will necessitate sharp cutbacks. This, of course, might be true and would probably be most evident in the steel allocations. However, even in this respect it must be remembered that steel capacity has been expanded about 25% since 1945, and the military program is not as great as it was in World War II. Furthermore, there is not the heavy demand for steel in the construction of ships, both merchant and naval, as there was during World War II. There will, of course, be shortages here and there but the point to be made is that a vast quantity of consumer items will continue to be available under the present program.

Corporate sales, therefore will expand in 1951. A 25% to 30% expansion in dollar volume would appear to be a reasonable expectation when it is considered that both the government and the consumer will be buying. (GNP has already increased in the first quarter of 1951 some 13% over the annual figure for 1950.) Furthermore, if this increase in sales volume develops, it might be reasonable to assume that government business might account for about 25% of the volume. Further, assuming that the profit on the government business is only about one-half that on domestic business the overall profit margin would be around 87.5% of the 1950 margin. The resulting vector of the 30% increase in sales and the 12.5% reduction in profit margin would lead to the conclusion that $45 billion in corporate profits before tax is entirely in the realm of reason.

Going a step further we might examine the possible level of corporate profits after taxes. This figure has been estimated at $22.4 billion for the full year of 1950, and for the first quarter of 1951 the estimated profit after taxes was $24.0 billion or 48.0% of estimated pre-tax profits. It was in this latest quarter that the present tax rates applied. Hence, the Committee proposal would reduce this percentage of retained earnings to 43.0%, and this percentage of the projected $45 billion, or $19.3 billion, might be retained as corporate profits after taxes. These earnings are better than either the 1947 or 1949 earnings but are about 13.7% below the earnings of 1950. From a comparative standpoint this is not encouraging. Nevertheless the $19.3 billions of corporate earnings would still amply cover last year's dividends of $9.4 billion and seem to assure a continuance of these payments.

This general reasoning, of course, can not be applied to individual companies. The earnings of some in 1951 will be off considerably more than the 13.7% estimated average but the higher earnings of others should tend to compensate for the inroads of taxes and lower profit margins. Therefore, we may conclude from the apparently reasonable tax estimates of the House Ways and Means Committee that the tax bite will not cut overall corporate profits to such an extent that 1950 dividend payments are in jeopardy of being reduced, and that retained earnings will add materially to corporate finances.

Roach Executive V-P Of Waddell & Reed

KANSAS CITY, Mo.—Cornelius Roach has been appointed Executive Vice-President of Waddell & Reed, Inc., 1012 Baltimore Avenue.

H. T. Birr on Trip To East Coast

SAN FRANCISCO, Calif.—H. T. Birr, Jr., President of First California Company, 300 Montgomery Street, has left for a trip East, stopping at Chicago, and will visit New York City for about three weeks.

The Gold Situation

By L. WERNER KNOKE*

Vice-President, Federal Reserve Bank of New York

Federal Reserve official discusses leading aspects of current gold situation, such as reversal of direction of gold movement of U. S.; diversion of gold into private hoards through free gold markets; the behavior of world gold production, and the question of an increase in price of gold. Holds outflow of gold to certain countries is beneficial all around, and should not curtail foreign economic aid program. Contends, also, despite high gold premiums and large amount of gold hoarding, U. S. should not alter gold price. Foresees gradual trend to interconvertibility of currencies through larger foreign gold holdings.

The problem of gold, in all its diversified aspects and changing forms, has been with us for so many years that it has long since acquired the status of a hardy perennial. Probably no other topic in the entire field of finance has been the subject of so extensive and continuous a public discussion. It would be presumptuous for me, therefore, in the course of a brief speech on gold, to attempt to encompass the whole field or to say anything especially novel. What I shall do is to focus merely on certain selected aspects of the current world gold situation that seem to me to be of particular interest. More specifically, I shall touch on the following matters: the reversal in the direction of the movement of gold between the United States and foreign countries; the diversion of gold into private hoards through the free gold markets of the world; the behavior of world gold production; and the question of an increase in the price of gold.

L. Werner Knoke

It need hardly be emphasized at the outset that the United States has a special interest in gold and in any developments affecting its movement, supply, distribution or price. One general reason for our interest lies clearly in the fact that for many years we have been by far the largest gold holder in the world and, until recently at least, also the largest gold buyer. At the end of 1950, for example, our gold stock amounted to $22.8 billion or to no less than two-thirds of the gold reserves of the entire world excluding Russia. As the most important trading and investing country in the world economy, moreover, we are vitally concerned about the adequacy of foreign gold reserves, since the volume of such reserves has a direct bearing on the type of trade and exchange policies which foreign countries pursue. The heavy drain of gold to the United States during the past twenty years has, in fact, directly or indirectly, been a primary cause of the rigid direct import controls, exchange licensing policies and other such restrictive practices in foreign countries that have so adversely affected our own foreign trade and world trade in general. As the leading champion of an orderly international pattern of exchange rates, moreover, we have an obvious concern with the level of foreign gold prices relative to our own.

The Outflow of Gold

The most interesting development in the general world gold picture during the past year and a half has been the sharp reversal in the direction of the international movement of gold. From a peak of $24.8 billion in August 1949, our gold stock declined to $22.8 billion by the end of 1950 as a result of net gold sales to foreign countries, and further declines have occurred since the turn of the year. Viewed against the background of the previously heavy gold imports of this country, a reversal of this magnitude in the flow of gold must be regarded as a special event worthy of examination.

Since 1933, with relatively few exceptions, the United States has gained gold in embarrassingly large quantities from the rest of the world. From February 1, 1934, immediately following the devaluation of the dollar, to the end of 1941, for example, our monetary gold stock jumped from about $7.0 billion to no less than $22.7 billion. This heavy net drain of gold to the United States was a reflection of a large export surplus of goods and services, coupled with heavy net imports of capital during the late thirties which were associated with political and financial instability abroad. Our continuing export surplus throughout the interwar period as a whole was the result of many factors which have been the subject of much discussion and controversy; one might refer, however, to the strong and persisting world demand for American mass-produce products, the rapid rate of technological advance in this country, our relative self-sufficiency based on the bounties of nature, and our high though declining tariffs.

During the war years 1942 to 1945, however, there was a temporary reversal in the movement of gold, and our gold stock declined by about $2.7 billion; foreign countries also built up their dollar balances by some $4.1 billion. That foreign countries were enabled to build up their gold and dollar reserves at a time when our export surplus was greatly inflated by wartime developments was basically attributable to the fact that during these years the bulk of our exports was financed by Lend-Lease aid, whereas we paid in cash for the bulk of our enlarged imports and our heavy troop expenditures abroad.

After the war the movement of gold resumed its previous pattern. Despite large-scale United States Government grants and loans for relief and reconstruction abroad and despite rigid direct controls on dollar expenditures, foreign countries had to drawn down their gold and dollar holdings in the early postwar years in financing critically needed imports of goods and services for which the United States was the only important source of supply. As a result, from the end of 1945 to August 1949 our gold stock rose by almost $5 billion to a new peak of nearly $25 billion, and foreign dollar balances were also drawn down by $1.6 billion. The bulk of these foreign gold and dollar losses occurred in 1946 and 1947; thereafter the rate of loss was cut down sharply with the improvement in production abroad, the abatement of the more urgent postwar backlogs of demand, and the diminution in inflationary pressures—all of which were greatly aided by the European Recovery Program.

The currency realignments of September 1949 have ushered in a new phase in our international payments pattern. From that date until the end of 1950, as already noted, the United States gold stock declined by $2 billion; foreign countries, moreover, were able to increase their dollar balances by about the same amount during this period. Further gold and dollar losses by the United States have occurred since then. In addition, foreign countries added approximately $400 million of newly-mined gold to their reserves in 1950. Foreign countries as a whole have thus been able to recoup a substantial part of the gold and dollars which they lost to the United States in the early postwar years. Although this improvement was widespread, the most striking gains in gold and dollar holdings, amounting to well over half of the total, have been registered by the United Kingdom and Canada.

The reasons for these striking changes are not difficult to find. Briefly, they reflect a remarkable decline since Sept., 1949 in our export surplus, coupled with continuing large-scale United States Government foreign aid on a scale considerably in excess of that surplus, and with a sizable net outflow of private capital. In the calendar year 1950, for example, our export surplus declined to $2.2 billion compared with $6.2 billion in 1949, whereas our government foreign aid declined only to $4.3 billion from $5.9 billion in the previous year, and private capital exports rose somewhat to $1.1 billion (of which a relatively small part may have represented speculative funds). In short, government foreign aid and private capital outflows have provided foreign countries with more dollars than they have needed to finance their import surpluses with the United States, thereby enabling them to increase their dollar balances and to purchase gold from us.

Why has our export surplus dropped so sharply since Sept., 1949? Until the outbreak of the Korean war, the decline, which was attributable more to a fall in our exports than to a rise in our imports, was due to a number of factors. The devaluations, for example, by making American goods relatively more expensive, contributed to some extent to a tendency for foreign countries to replace American goods by goods from other sources of supply; and the tightening of direct restrictions against American goods by a number of foreign countries, notably the sterling area, in the latter half of 1949 had also the same effect. The continuing recovery in foreign and especially European production likewise made it possible for foreign countries increasingly to satisfy their needs from domestic sources and from trade with each other. Such expansion as occurred in our imports primarily reflected the recovery in United States industrial activity from the recession of 1949, and to some extent the devaluations, which tended to reduce the prices of imported relative to domestic goods. Since mid-1950 the factors reducing our export surplus have been greatly reinforced and indeed over-shadowed by the expansionist effects of post-Korean developments, notably the increased domestic armament expenditures and inventory accumulation, on the volume and prices of our imports. As a result, our imports have risen markedly, resulting in further declines in our export surplus.

Gold Outflow and Foreign Aid

An obvious question might be raised: if foreign countries are now accumulating monetary reserves in substantial volume, why don't we reduce our foreign aid program and thereby cut down or eliminate our losses of gold and dollars? In the case of Great Britain, we have, in fact suspended further ECA aid since the beginning of this year. But many other countries and areas that have been gaining reserves from us, notably Canada and Latin America, are not recipients of aid from us, or at least on any significant scale, with the result that this alternative is not open to us, even if we wished to use it. What tends to be frequently overlooked, moreover, is the fact that the recent and present accumulation of gold and dollar reserves by foreign countries as a group is fundamentally in our interests in that it is a necessary preliminary to the achievement of the basic objectives of our postwar foreign economic policies, namely the substantial relaxation of foreign direct trade and exchange controls, and especially the discriminatory aspects of those controls; the restoration of general interconvertibility of currencies; and the promotion of freer multilateral trade. To some degree the recent improvement in foreign reserve positions has already made possible some modest progress in these directions. But clearly the degree of improvement has still a long way to go before any genuine progress can be achieved. For this reason, and because of the huge gold stock which we still possess, we might well afford to look upon further losses with equanimity and even satisfaction from the viewpoint of our longer run interests.

Free and Black Gold Markets

The sceond problem which I wish to discuss relates to the diversion of gold to the various free and black gold markets of the world, notably in the Middle and Far East, where trading characteristically takes place at prices well in excess of official gold values. These premium prices, which have obviously tended to pull gold, especially newly-mined gold, on to these markets, have primarily reflected a strong private hoarding demand, indicative of such factors as speculative anticipations of increases in foreign official gold prices, political instability abroad, and flights from foreign currencies. Although the problem of external transactions in gold at premium prices is by no means a new one, in recent months it appears to have become more acute, and an increasing proportion of newly-mined gold and even of gold from official stocks seems to be finding its way into private hoards through the mechanism of free markets.

As far back as June, 1947 the international traffic in gold at premium prices had assumed such a magnitude as to induce the International Monetary Fund in that month to issue a statement to its members deprecating such traffic and requesting corrective action. The Fund pointed out that such transactions tend to undermine official gold prices and world exchange stability, and that they involve a wasteful diversion into hoards of gold that should be concentrated in official reserves. The Fund made it clear, however, that

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*An address by Mr. Knoke at the Annual Meeting of the Bankers' Association for Foreign Trade, Colorado Springs, Colo., May 15, 1951.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Albert H. Wiggin, whose name for so many years was linked in an official capacity with the **Chase National Bank, of New York,** of which he was Chairman of the Board when he retired in 1933, died on May 21 at his home in Greenwich, Conn. He was 83 years of age. Born in Medfield, Mass., Mr. Wiggin's early banking experience began as a clerk in the Commonwealth Bank of Boston, he later became Assistant Bank Examiner in the Boston District and after serving in an official capacity with one or two other Boston banks Mr. Wiggin came from that city to accept the Vice-Presidency of the National Park Bank of New York. In noting this the "Wall Street Journal" of May 22 added in part:

"After five years with that institution, he was appointed Vice-President of Chase National. He became President of Chase in 1911 and Chairman of the Board in 1930. While still with the National Park Bank, he helped organize Bankers Trust Co., of which he later was made a director and a member of the executive committee. He once served as Vice-President of three New York City banks at the same time.

"When Mr. Wiggin joined Chase National, it was largely a "bankers' bank." While continuing to expand this nation-wide service to banks, he also greatly increased the institution's commercial banking business. The bank's growth was accomplished chiefly through mergers with other institutions. When Chase merged with Equitable Trust in 1930, the resulting bank was the largest in the world."

* * *

The shareholders of **The Commercial National Bank and Trust Company of New York,** at a special meeting May 23, approved the plan and agreement to merge into Bankers Trust Company of New York. The merger will become effective as of May 28, under the name of Bankers Trust Company. Details of the merger plans were given in our April 26 issue, page 1766.

* * *

The Corn Exchange Bank Trust Company of New York announces that Franklin A. McWilliam and John H. O'Callaghan have been appointed Assistant Vice-Presidents, and that Charles C. Lehing has been appointed Assistant Secretary. Messrs. McWilliam and O'Callaghan formerly were Assistant Secretaries.

* * *

The National City Bank of New York brought its overseas branch system to 54 on May 21 with the opening of a new unit in the business area of Santurce, suburb of San Juan, Puerto Rico. The bank now has seven branches on the Island under the supervision of Webster E. Pullen, Resident Vice-President. The organization has been represented in Puerto Rico since 1918, and other branches there are located at San Juan, Arecibo, Bayamon, Caguas, Mayaguez, and Ponce. Ernesto Lopez has been appointed Acting Manager of the new Santurce branch.

* * *

Information on trips to nearby resorts or such places as Paris or the Mediterranean is being made available free at the 6th Annual Vacation Travel Exhibit at the Main Office of the **Bank for Savings of New York** located on 4th Avenue at 22nd Street. With the help of airlines, railroads, bus and ship lines suggestions for summer holidays as to where to go—how to go—and how much it will cost are obtainable in travel folders supplied by the bank. The Travel Show is free to the public and will continue through July.

* * *

An enlarged and redesigned display of the houses and apartments erected by more than 75 Long Island home builders, and including the first public showing of 22 prize-winning house plans, was opened to the public on May 21 at the main office of **The Dime Savings Bank of Brooklyn, N. Y.,** it was announced by George C. Johnson, President of the 91-year-old bank. May 21 was the third anniversary of establishment of the display; it is known as the Library of Homes and Home Buyers Exhibition and is sponsored jointly by The Dime Savings Bank and the Long Island Home Builders Institute. More than 150,000 persons have visited the exhibit in the past three years, according to Mr. Johnson. Occupying 5,000 square feet just off the rotunda of the bank at DeKalb Avenue and Fulton Street, the exhibit has been planned to supply answers to virtually any question that may arise on home buying, home financing and home ownership. Described by some as "a home buyers' department store," the Library of Homes pictures the current offerings of 77 builders of home developments and apartment houses in the four Long Island counties.

* * *

Niagara County National Bank and Trust Company, of Lockport, N. Y., with common capital stock of $500,000, was merged with and into **The Marine Trust Company of Buffalo, N. Y.,** a state banking institution, under the title of **The Marine Trust Company of Western New York,"** effective April 27. The Niagara County National Bank and Trust Company was operating three branches at the time of the merger. The Board of Governors of the Federal Reserve System announced on April 28 that the former head office at Lockport, and its branches at Barker, Middleport, and Wilson will be operated as branches of The Marine Trust Company of Western New York, at Buffalo. The latter, it is added, and the four insured non-member banks listed below merged under the charter and title of The Marine Trust Company of Western New York, and branches were established in the former locations of the banks listed: **Marine Midland Trust Company, Albion, N. Y.;** branch to be known as Albion office. **Medina Trust Company, Medina, N. Y.;** branch to be known as Medina office. **State Trust Company, North Tonawanda, N. Y.;** branch to be known as State Trust office. **The First Trust Company, Tonawanda, N. Y.;** branch to be known as First Trust office.

In our issue of April 26, page 1766, it was stated that the merger of the Power City Trust Company of Niagara Falls with the Marine Trust Company of Buffalo had become effective April 21 and that following the merger the name of the latter had been changed to the Marine Trust Company of Western New York. Following these mergers, plans as to which appeared also in these columns March 22, page 1255, action was taken on April 27 towards increasing the capital of the Marine Trust Company of Western New York from $12,560,000, consisting of 628,000 shares (par $20) to $13,460,000 consisting of 673,000 shares (par $20). A further increase (April 28) in the capital from $13,460,000 to $15,424,000 (in 771,200 shares of par $20) was reported by the New York State Banking Department in the May 4 "Weekly Bulletin."

* * *

Orville P. Jack, Executive Vice-President of **The Mid-City Trust Co., of Plainfield, N. J.,** has been elected President of the board of directors. He succeeds the late Luther S. Ayer, who died in January, it was stated in Plainfield advices to the Newark "Evening News" of May 12, which further said that Mr. Jack has been with the trust company since 1929. He was elected Treasurer in 1938, and Executive Vice-President in 1949. He attended the American Institute of Banking. Mid-City Trust is observing its 25th anniversary this year, said the "News."

* * *

According to the Newark "Evening News" of May 14, George Munsick, President of the **Morristown Trust Co., of Morristown, N. J.,** announced on that day the appointment by the directors of C. Vernon Henry as Auditor, Alfred W. Roehrs as Assistant Secretary and Johnston Stewart, Jr. as Assistant Treasurer.

* * *

Lewis B. Williams, Chairman, and Sidney B. Congdon, President of **The National City Bank of Cleveland, Ohio,** announced on May 15 that the directors of the bank, at a meeting on May 14 recommended to the shareholders an increase in capital stock which would add $4,000,000 to the capital funds. The recommendation of the board will be voted on at a special meeting of the shareholders on June 4. The officers stated that the increase would be 125,000 shares to be sold at $32 a share, increasing the 625,000 shares now outstanding to 750,000 shares. If the proposal is approved by the shareholders, warrants will be issued authorizing them to purchase the new shares on a basis of one new share for each five shares held. All new shares not taken by the exercise of warrants will be purchased by a group of underwriters headed by Merrill, Turben & Co. of Cleveland. The $4,000,000 of additional capital derived from the sale of the new shares will be allocated as follows: $2,000,000 to capital stock and $2,000,000 to surplus. An additional $1,000,000 will be added to surplus from the General Reserve account which on April 30, last, was $2,333,000. The effect of the proposal will be to increase the capital from $10,000,000 to $12,000,000 and the surplus from $15,000,000 to $18,000,000. The undivided profits account on April 30 stood at approximately $3,000,000; thus the total capital funds of the bank (excluding reserves) will be increased from $28,000,000 to $33,000,000. It is stated that it is the present intention of the board to declare, at its July meeting, a semi-annual dividend of 90 cents a share payable 45 cents on Aug. 1 and 45 cents on Nov. 1. This would be at the rate of $1.80 a year and would apply also to the new stock. The present dividend rate is $1.60 a year. The bank reported deposits on Dec. 31, 1950, of $545,000,000.

* * *

Plans to increase the capital of the **Central Trust Company of Cincinnati, Ohio,** are to be acted upon on June 14 by the stockholders, the proposals as set forth in a circular to the shareholders stating:

(1) A proposed amendment to the Articles of Incorporation of the company which, if adopted, will increase the authorized capital stock of the corporation from $5,000,000, consisting of 50,000 shares, par $100 each, to $6,250,000 consisting of 250,000 shares, par value $25 each, 200,000 of which new shares will be exchanged for the 50,000 $100 par value shares now outstanding on the basis of four such new shares for each of the present shs. outstanding; and (2) a proposed resolution granting the stockholders, appearing of record on June 14, the right to subscribe for and purchase at $33 per share the remaining 50,000 shares of such new $25 par value capital stock in the proportion of one share for each share of the present $100 par value capital stock then held.

* * *

An addition of $500,000 has been made to the capital of the **Mahoning National Bank of Youngstown, Ohio,** as a result of which the capital is now (as of April 25) $1,500,000 against $1,000,000 heretofore, the addition was brought about by the sale of new stock.

* * *

Capital funds of the **Republic National Bank of Dallas, Texas,** are now in excess of $40,000,000 as the result of the $4,000,000 increase in capital and surplus which became effective on May 8, following approval of the Comptroller of the Currency, it was announced on May 9 by Fred F. Florence, President. The increased $4,000,000 represented proceeds of the sale of 100,000 shares of additional stock at $40 per share, and was equally divided between capital and surplus—capital having been raised from $16,000,000 to $18,000,000 and surplus from $16,500,000 to $18,500,000. Undivided profits of the bank are in excess of $4,700,000. Rights to purchase the new stock expired May 7. At a meeting of the directors on May 9, a monthly dividend of 19 cents per share, payable June 1 to stockholders of record as of May 21, was authorized on the 900,000 shares of stock now outstanding. The increase in the capital was noted in these columns April 19, page 1650, and May 3, page 1867.

Raymond J. Morfa, Chairman of the board and director of the Missouri-Kansas-Texas Railroad Co., was elected a director of the Republic National Bank on May 8, it was announced by Mr. Florence, President of the bank.

Mr. Morfa moved to Dallas in 1945 following his election as Chairman of the M-K-T board.

* * *

The First National Bank of Midland, Texas, on April 26, reported a capital of $600,000, increased from $500,000 by a stock dividend of $100,000.

* * *

A stock dividend of $250,000 has served to increase the capital of the **Alamo National Bank of San Antonio, Texas,** from $1,500,000 to $1,750,000, effective April 26.

Harmon Inv. Mgr. For Eastman Dillon, Cgo.

Robert R. Harmon

CHICAGO, Ill.—Robert R. Harmon, formerly with Shields & Company, has become associated with Eastman, Dillon & Co., 135 South La Salle Street, as manager of their investment department. Mr. Harmon has been in the investment business in Chicago and in Texas since 1933, outside of service in the U. S. Navy Department. His association with Eastman, Dillon & Co. was previously reported in the "Chronicle" of May 17.

Bank Capital Funds Up a Billion in 1950

Deposits and Loans Large

Only one item in the recapitulation of the condensed statements of the banks of the nation, appearing in the first 1951 edition of Rand McNally's Bankers Directory, was smaller at the close of 1950 than at the beginning. That item was U. S. Government Bonds, total holdings of which decreased $5.6 billion to $73.26 billion. Both loans and deposits increased approximately $11 billion; cash and exchange were up $4½ billion, and other securities $2½ billion. Capital accounts increased nearly $1 billion, approximately half of which represented transfers to surplus. The comparative statement follows:

(000's omitted)—	12-31-50 $	12-31-49 $
Cash & sight exch.	41,701,517	37,042,311
U. S. Govt. secur.	73,262,176	78,876,187
Other securities	14,829,982	12,599,173
Loans & discounts	61,289,653	50,252,131
Other resources	2,564,353	2,208,633
Total	193,647,681	180,978,440
Capital	3,662,704	3.542,493
Surplus	7,188,808	6,690,730
Undivid. profits & reserves	3,686,581	3,346,810
Total cap. accts.	14,538,093	13,580,033
Deposits	177,412,323	166,121,853
Other liabilities	1,697,265	1,276.554
Grand Total	193,647,681	180,978,440

Following are comparative figures covering the numbers of various categories of banks in operation:

	12 31'50	12 31'49
National banks	4,961	4,981
State banks & trust companies	9,594	9,616
Private banks	120	120
Other banking institutions	79	86
Total banks	14,754	14,803
National bank branches	2,283	2,128
State bank & trust company branches	2,851	2,729
Other branches	90	86
Total branches	5,224	4,983
Grand total	19,978	19,746

Z. A. Lippincott With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Zeruah M. Lippincott has become associated with Schirmer, Atherton & Co., 10 Congress Square. She was formerly Assistant Treasurer for Carl K. Ross & Co., Inc.

With Security Assoc.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Merrill W. King is now with Security Associates, 137-139 East New England Avenue.

Problem of the Aged in Britain

By PAUL EINZIG

Commenting on proposal of British Labor Government to grant higher pensions to men and women continuing to work after their retirement age, Dr. Einzig points out heavy burden of increasing number of the aged has not been offset, as expected, by technological advances and labor saving devices, due to declining efforts of workers.

LONDON, Eng.—The age limit at which old people are entitled to retire from work figured prominently in recent discussions in the British Parliament. It presents an economic and social problem of considerable importance. In the course of his Budget speech on April 10 Chancellor Gaitskell pointed out that the proportion of old people to the total population has been rising and is expected to continue to rise, and with it is increasing the burden of their maintenance after their retirement by the rest of the community. He therefore put forward a proposal under which financial inducement would be given, in the form of higher old age pensions, to men and women who are prepared to work after having attained the retiring age of 65 years for men and 60 years for women.

Dr. Paul Einzig

This announcement came as a shock to many quarters, for until then it was widely if not generally assumed that, as a result of increased productivity, it would be possible to lower gradually the retiring age, so as to enable people to relinquish work before they have grown too old to enjoy their well-earned rest. Instead it now appears that the trend points to the opposite direction. It is true, under political pressure the Government greatly modified its original proposal. But the principle that it is necessary and essential for old people to continue to work longer than hitherto has been upheld.

The facts of population statistics are indeed inescapable. Owing to the improvement of general conditions of health the average expectations of life are now much longer than they were a generation earlier. Barring a general relapse of civilization through a third world war this progress is likely to continue. Unless the growing number of old people contribute toward the productive effort of their communities, the increasing burden of their maintenance will fall on the productive section of the population. Since with the general improvement of health conditions old people are now physically and mentally in a more fit condition than they had been a generation earlier, many of them are in a position to remain at work for many years beyond the official retiring age.

This problem would not have arisen at present, were it not for the prevailing condition of over-full employment. For each worker out of employment there are now at least 10 unfilled vacancies. As the school-leaving age has just been raised from 15 to 16 years, it is useless to expect reinforcements from the youngest generation capable of working. Rearmament and conscription means that a large proportion of young men are diverted from productive work. The only labor reserves available are the old people who are not too old to do at least part-time or lighter work.

The alternative would be for the working population between 16 and the retiring age to work harder or for longer hours, or to accept lower reward for their work, in order to be able to provide for the growing number of old people. This truth is at last beginning to be realized, but even now the majority of the general public imagines that the problem is simply one of finance, and that all that is needed is for Parliament to vote increased old age pensions to enable the retired generation to live happily forever after. It is assumed that the money will be forthcoming somehow —preferably through increasing taxation on capital and enterprise —and that the increased pensions to a larger number of recipients need not involve sacrifices for the working population. It may take some time before the public will come to realize that the goods consumed by the retired generation have to be deducted from the volume of goods available for the working generation.

It is helpful from the point of view of the realization of the basic facts of the situation that Britain is at present working to the limit of the capacity of the productive section of her population. With the progress of the rearmament drive the volume of goods available for civilian consumption is bound to decline gradually, and the expanded purchasing power of consumers will bear on a greatly diminished volume of goods. This may make the public realize that when an increase of pensions is voted, or when the number of beneficiaries increases, it must necessarily mean that less is available to the workers.

Although technological progress may increase productivity per man-hour, it is now realized that there is no early likelihood of the advent of the millenium from that direction. When between the wars production was handicapped by lack of adequate monetary resources, advanced monetary reformers claimed that, if only that handicap could be removed with the aid of new reform proposals, the road would be open to comfort and luxury for all. Since the war most countries have gradually increased their production to capacity—that is to capacity based on the existing age limits. And yet the standard of living is only comparatively slightly higher than before the war. This in spite of technological progress since 1939 and the almost complete absence of any financial handicap. It seems that in most countries technological progress has been used not so much for producing more as for producing with less effort. The devices adopted were not labor-saving devices but laborer-saving devices.

Sooner or later the public will have to realize that, in order to increase the standard of living further, or even in order to maintain it in spite of rearmament and in spite of the growing proportion of old people, it will be necessary for the old people to defer their complete retirement. In addition to the financial inducement announced in Mr. Gaitskell's budget, another important step is about to be taken in that direction. Decisions are imminent aiming at facilitating the continuation of work by old people if they wish to continue to work after having reached the age limit. It is not enough to try to induce them to work if their services are refused. Before very long arrangements are likely to be completed to ensure that nobody should be dismissed if he has reached the retiring age, provided that he is otherwise capable of carrying on. It is expected that work may have to be reorganized to enable older people to work shorter shifts. This involves many problems which will have to be worked out. What matters is that a beginning has been made.

N. Y. Security Analysts Choose New Officers

Jeremy C. Jenks

Marvin Chandler

John F. Childs

Jeremy C. Jenks of the New York Stock Exchange firm of Baker, Weeks & Harden, was elected President of the New York Society of Security Analysts, Inc., at the annual meeting today, succeeding John W. Spurdle of Dominick & Dominick. Mr. Jenks is a Director of the National Federation of Financial Analyst Societies and a member of the advisory committee of the "Analysts Journal."

Marvin Chandler of Reis & Chandler, Inc., was elected Vice-President of the New York Society. John F. Childs of Irving Trust Company was elected Secretary and Joseph S. Stout of National Shares Corporation was elected Treasurer. The following were elected members of the executive committee: Nathan Bowen of Goldman, Sachs & Company; Lawrence C. Cooper of Argus Research Corporation; Lancaster Greene, Investment Advisor; W. Sturgis Macomber of Reynolds & Company; Herbert F. Wyeth of Shields & Company, and John Stevenson of Salomon Bros. & Hutzler.

The Society elected its 1,500th member, Lawrence Fairfax of Dominick & Dominick.

City of Toronto Bonds Offered to Investors

Harriman Ripley & Co. Inc., and The Dominion Securities Corporation and associates are offering $20,000,000 Corporation of the City of Toronto (Province of Ontario, Canada) Consolidated Loan Debentures due May 15, 1955 to 1981, at prices yielding approximately 3.00% to 3.425% and accrued interest.

Proceeds from the sale of the debentures will be advanced to the Toronto Transportation Commission and used by it for capital expenditures including $10,225,500 on account of the Commission's Rapid Transit Subway project and various other amounts for construction of buildings; track work, improvement an dexpansion of the Commission's electrical distribution system, the acquisition of land, motor buses, street cars and trucks, shop equipment and other miscellaneous purposes.

The new debentures will be direct general obligations of the City of Toronto which had a net direct funded debt on April 30, 1951, of $48,762,775 and an total estimated assessment for taxation for 1951 of $1,403,562,566.

Other members of the offering group include: Smith, Barney & Co.; The First Boston Corporation; A. E. Ames & Co. Inc.; Wood, Gundy & Co. Inc., and McLeod, Young, Weir, Inc.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jean Bellon has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

Performing Industry's Dual Job in Present Crisis

By HENRY FORD, II*

President, Ford Motor Company

Citing problems of Ford Motor Company in efforts to fulfill needs of National Defense Program and at same time continue civilian production, Mr. Ford points out difficulties arising from uncertainties and confusion created by orders of NPA officials. Says all-out controls and allocations are not needed, and urges industrial groups not to jockey for preferred positions, but to help Washington reach sound basic decisions.

If there is any one thing American businessmen take pride in, it's their ability to produce civilian goods—from hairpins to automobiles and trucks. We businessmen have been at this civilian production job for a long time. We understand it. I believe that one big reason our country is strong and prosperous today is because we do know our business.

Henry Ford, 2nd

We not only know how to make and sell but we know how to manufacture at low cost, so that our products can be made available to more and more people at the lowest possible prices.

And if we look at the record of World War II, it seems pretty clear that we learned, when we had to, the business of all-out war production.

But now we have a brand new assignment—the job of preparing for war with one hand and carrying on civilian production with the other. This dual job must be done with a minimum of waste and at the lowest possible cost to the taxpayer.

Many of us in the automobile industry have been trying to do just that. We have some problems that differ from those of other industries but I'd guess that, in the main, all our problems run parallel courses.

Like most other large companies, automobile manufacturers have been phasing in their defense work with civilian production. That may sound like a neat trick on paper, but it doesn't eliminate any of the real problems that are involved—it doesn't mean that defense work closes up the gap left in civilian production.

Major Problems in Defense Work

One of our major problems is to utilize our plant and facilities just as efficiently as possible during this period.

To handle our defense contracts and to continue civilian production which is vitally needed, we either have to build new plants at our own expense with the possibility of partial accelerated depreciation or take over government-owned facilities.

As you know, cutting back automobile production 30% doesn't actually make any capacity available, doesn't actually free any major part of our facilities for defense work. You can't assemble tanks and automobiles on any line that has yet been devised. Nor, as you know, can you mix airplane engines with truck motors on another kind of line.

In the automobile industry with decreasing volume, increased material prices, increased labor rates and increased taxes on the one hand, and with prices frozen since Dec. 1 with only one minor adjustment on the other hand, management must be cost-conscious in its operations and take every means to produce as efficiently as possible, because it can't possibly make a normal profit under such conditions.

In our company, for example, production cuts announced by NPA mean that we must reduce our labor force by some 10,000 men and women within the next 60 days or our costs would be prohibitive. Because of necessary tooling to get those defense jobs underway, we simply can't rehire these people for many months.

But even then, it isn't as if we were reducing our operations to a permanently lower level. There are hundreds, even thousands, of process engineers, plant layout men, and such classifications of salaried employees who must be maintained in order to process defense jobs on which we are negotiating or on which it is indicated the government would like us to quote. It is impossible, therefore, to reduce our overhead as we would if we were merely in the civilian goods business and facing a slump.

At Ford, we're eager to take on all of this two-fold civilian-defense program that we can carry. And all of us are in complete agreement with the necessity for the tremendous goals that have been set up by Defense Mobilizer Charles E. Wilson.

But I believe that before we can even make a fair start on the job, there must be a lot more realism in the approach to the problem on the part of some of those in Washington.

Must Be Freed of Uncertainty and Confusion

If this assignment is to be carried out successfully, we must be freed as soon as possible of uncertainty and confusion and trial balloons—such trial balloons as the recent Washington-born rumor that told us that steel for automotive production in the second quarter was to be cut 40%. Forty per cent was the rumor; 20% was the fact. And we can't plan our business on rumors.

We must do away with guessing at what material and manpower needs are going to be—guesses like those which finally resulted in an estimate of third-quarter steel requirements for defense and so-called supporting industries totaling more than the entire available supply.

To be more specific, NPA officials opened a recent meeting with a statement that total third-quarter steel requirements for defense and defense-related production—on the basis of schedules originally filed by those industries proposed to come under CMP—added up to 26 million tons of finished steel product. The fact is that the steel industry can only supply some 20 million tons for the third quarter. And this 26-million-ton requirement, mind you, did not include any steel for consumer durable goods such as passenger cars, household appliances and others.

It certainly is evident that CMP cannot create more steel, more aluminum, more copper or more of anything else. We in industry must face the fact that CMP is a purely statistical mechanism, not a productive one. It will not produce one pound more of any basic material. The scope of CMP activities should be determined very carefully. Let's not, for instance, have 85% control of steel in a defense effort that demands only 15 or 20% of our total production.

Let me give you an example of the dangers in such a plan. At the beginning of this year, the armed services estimated their steel requirements over a stated period. Later, in March, representatives of industry were advised that this estimate had been scaled down by 22%.

Only a few weeks later, these estimated steel requirements were pared another 7%. And, at that time, government officials were dubious that, even then, they had the real facts as to what was actually required. You can see that even now we have no basis on which to plan production or manpower requirements beyond July 1. Normally, to operate our business efficiently, we should know our schedules at least four months in advance.

Do Not Need All-Out Controls

Obviously, we must have certain controls to do these twin jobs of meeting military and civilian needs at one and the same time. But those controls should be applied as, if and when they are needed—and not before. I don't believe, for instance, that there's any justification in the argument that since we may have all-out war we need all-out controls now so that we will have had some practice when the time comes.

The all-out control formula—before it is actually needed—is too dangerous for "practice." If there must be a plan—and we agree that something of the sort is necessary—it should be applied only to that portion of the economy involving direct military and related requirements. Surely we can judge results and get all the practice we need on that basis.

All of us should recall what history tells us has been the result of such controls on small business. In the first two years of World War II, 16% of the so-called small businessmen of the country were forced to shut up shop under a system of all-out controls. I am told that there is some suspicion even now that when the fatality count is known this time, the small business liquidation rate may be even higher than it was in 1942 and 1943. That's not because there's nothing for small business to do, but because many small businesses are less able to withstand the strangling grip of controls.

We at Ford do not like this prospect at all. Our reasons are pretty selfish. That is because we realize—as apparently some people in Washington do not—the close interrelationship this company has with some 13,500 small businesses—our suppliers and dealers. When they are hurt, we are hurt. When they and we are both hurt, the over-all economy suffers.

Help Washington Reach Sound Basic Decisions

I think that one of the most important jobs we have to do right now—and this is perhaps the most critical period in our activities, because steps taken now may set the pattern for years to come—is to make every effort to help Washington in reaching sound, basic decisions. These decisions must withstand pressure from any particular segment of our economy, withstand any kind of political pressure, however strong and impelling the motives may seem.

We, in industry, must realize that we cannot get this job done if any one particular group insists on jockeying for preferred position during this period of material shortages.

Although we who are actually producing for defense don't have all the facts, by any means, and don't know all the answers—we do know the situation in our own company and industry.

We also have a good idea of what the situation is in the industries which supply us. We in the automobile industry couldn't do business unless we knew a lot of facts about steel, rubber, aluminum and all the other materials which are so vital to our own production. It seems to me that it is our obligation to make this over-all situation—which we know from first-hand experience—as clear as possible to those who are conducting the defense program.

They are the people who are establishing and administering the controls under which we must operate. They should understand our problems fully. So let's not hesitate to speak out plainly, work out solutions to our problems together and keep on presenting the facts, as we see them, so that our government can make sound and reasonable decisions.

*An address by Mr. Ford before the National Security Industrial Association, Dearborn, Mich., May 17, 1951.

Phila. Inv. Women Elect Officers

PHILADELPHIA, Pa.—At the annual election dinner of the Investment Women's Club of Philadelphia on May 21, Henrietta Kemmerer of Yarnall & Co. was elected President; Leanor H. Silver of Wellington Fund, Inc. Vice-President; Dorothy H. Wight of Jenks, Kirkland & Grubbs, Treasurer; Virginia Lee of Stroud & Company, Inc., Secretary.

Elected to the Executive Board were Dorothy Lentz of Hecker & Co., membership; Louise Powell of Kidder, Peabody & Co., entertainment; Marguerite A. Campbell of A. C. Wood, Jr. & Co., education; Blanche Rose of Calvin Bullock, publicity.

Elected Directors

PHILADELPHIA, Pa.—At the annual meeting of stockholders of City Stores Company the following new directors were elected: James H. Becker of A. G. Becker & Co. Inc.; Joseph A. W. Iglehart, of W. E. Hutton & Co. and Harold G. Wimpfheimer of New York. All former directors were reelected.

At the organization meeting of the board, all officers were reelected.

Gregory & Son Add

Conrad W. Rapp has become associated with Gregory & Son, 40 Wall Street, New York City, in their sales department.

Annual Outing for Twin City Bond Club

The Twin City Bond Club will hold its 30th annual golf tournament and picnic at the White Bear Yacht Club on June 14. A cocktail party will be given on Wednesday, June 13, at the Nicoleet Hotel, Minneapolis.

Features for the day of the outing are the golf tournament, starting at 9:00 a.m.; tennis, bridge, swimming and boating. Breakfast will be served at 9:00 a.m., luncheon from 12:00 to 2:00 p.m. and dinner about 7:00 p.m. Fees are $6 for non-golfing members; $8 for golfing members, and $25 for guests. Reservations may be made with George Freeman, Mannheimer-Egan & Co., St. Paul.

Chairman of the club's various committees are:

Paul J. Maley, general chairman; W. Wardwell Lewis, Merrill Lynch, Pierce, Fenner & Beane, cocktails; Malcolm Aldrich, Central Republic Co., transportation; C. H. Babcock, Jr., Piper, Jaffray & Hopwood, tennis; James Klingel, Juran & Moody, golf; Paul Matsche, Paine, Webber, Jackson & Curtis, publicity; Fred S. Goth, Irving J. Rice & Co., special prizes; Art Rand, Woodard-Elwood & Co., registration; Grant Hartung, Harold E. Wood & Co., prizes; Carlton Cronin, Allison-Williams Co., entertainment; Wallace Fisk, John Nuveen & Co., prize solicitation.

Officers of the club are James S. Graham, Allison-Williams Co., President; Edward B. Lynch, Merrill Lynch, Pierce, Fenner & Beane, Vice-President, and George J. Freeman, Mannheimer-Egan, Inc., Secretary-Treasurer.

Hilliard to Admit

LOUISVILLE, Ky.—Henning Hilliard will on June 1 become a partner in J. J. B. Hilliard & Son, 419 West Jefferson Street, members of the New York Stock Exchange.

W. R. Crawford Retires

William R. Crawford, Manager of the Reporters' Division on the trading floor of the New York Stock Exchange, retired May 17 because of disability. He has been an employee of the Exchange for 45 years and was first employed as a telegrapher on the trading floor in 1906.

Mr. Crawford was guest of honor at a farewell party given for him by members of the Exchange and his fellow employees.

Walter Schulz Opens

Walter O. Schulz is engaging in a securities business from offices at 81 Cliff Street, New York City.

New York Security Dealers Announce Outing

S. L. Roggenburg

Melville S. Wien

The New York Security Dealers Association will hold their Annual Outing, on Friday, June 22, 1951, at the Hempstead Golf Club, Hempstead, Long Island. It will be confined to members and associates of their firms. There will be an all-day golf tournament for prizes with a soft ball game scheduled for 6 p.m., and dinner will be served at 8 p.m.

The committee consists of Charles H. Dowd, of Hodson & Co., Inc., Chairman of the Outing Committee; Stanley L. Roggenburg of Roggenburg & Co., and Melville S. Wien of M. S. Wien & Co.

Urges Businessmen Watch Reserve Policy

In talk at Montclair, N. J., on May 21, Dr. Ivan Wright says "our money has lost contact with reality," and whether we have more inflation or some deflation is up to Federal Reserve Board.

"Money and credit are the forces that make and break business," Dr. Ivan Wright told a group of businessmen in Montclair, N. J., on May 21. "Good money, bad money, and uncertain money, each have their different effects and qualities," he pointed out. "It has been a long time since we had good money in this country. By good money I mean money convertible freely into the established standard measure in which our money and credit values have been measured over the years, and this applies to the contracts to pay money running into the future, such as mortgages, bonds, life insurance and so on. When the standard measure of money was changed, all these relationships were changed. Creditors were defrauded and debtors were enriched. Those who were far-seeing invested their money in things that would rise in value as the depreciated dollars lost their purchasing power."

Dr. Ivan Wright

Continuing, Dr. Wright said:

"For a long time now we have had very uncertain money. Our money has lost contact with reality. That is, you cannot convert money into the standard medium of exchange. Not only has the gold content of the dollar been reduced, but the reserve requirements of the Federal Reserve Banks have been reduced. In addition, the Reserve banks have long since ceased to comply with their original functions to provide an elastic currency by discounting bills and notes for member banks based upon actual goods in the processes of production and distribution. Instead, the Reserve banks have become, as one of the ablest members of the Board has said, the 'engine of inflation,' expanding the Federal Reserve note currency against government bonds as collateral and making loans to member banks in need of reserve balances against government debts. One dollar of such currency or reserves in the possession of the member banks has a multiplication value of about six times in the form of member bank loans to customers.

"This inflation has now gone so far that the actual purchasing power of the dollar in terms of goods, raw materials, labor, and property, and tools to work with has been reduced perhaps more than 50% in the postwar years. I doubt whether the dollar will buy more than 25% as much as it would buy in the middle 'thirties or in 1914.

"Many people have been hurt by this inflation, and many have profited or think they have because their property values have increased in terms of dollars. Those who are now trying to hedge against inflation may find it worthwhile if inflation is to continue. But most so-called inflation hedges have risen in price until purchases at the present prices seem very speculative unless you know that we are to have a great deal more inflation.

"Whether we are to have more inflation or some deflation is up to the Federal Reserve Board. I doubt if the Reserve Board ever intended to have as much inflation as we now have when they entered upon their present inflation policies. Maybe the present deflation policies which are being threatened will be just as elusive. In fact, it is generally true that a deflation readjustment goes much faster than an inflation movement. Just how successful the managers can be in seeing the consequences of their policies in time, only time will tell. If their deflation policies show no more foresight and success than their inflation management, the consequences may seem very devastating to investors and property owners who are now fully hedged or who think they are.

"A very small rise in money rates will cause billions of losses in values. The low money rates we have had are the product of Federal Reserve management supplying the market with an excess of inflation money and bank reserves. Over-supply of money of uncertain value drove interest rates down and the price of just about everything up. Now a reversal of this process will do just the opposite. Of course, we should have a good money, a sound, convertible money in which every one can have confidence, and the rates for that money should be the free market rates of supply and demand in the different compartments of the money market. An increase in the rates for the highest grade loans will affect the rates for all other grades of loans, and the more speculative the greater will be the change in rates. This same revaluation will take place in other values, from merchandise to real estate. The money market mechanism is a finely balanced and sensitive barometer of values. Few people understand it, and in the short time at our disposal we cannot go into it fully. But suffice it to say that good money is a commodity, and in our money system, upon which all our values and contract relations have been made, that value has been a definite measure of gold as a yardstick. A commodity such as gold is costly and it will not be produced for less than cost very long, or any longer than it takes for the producer to use up his surplus.

"Money is therefore worth its cost of production. That cost of production with the labor and machinery costs of today is very high. Money rates are the hire for money plus the risks. The rates might be called the wages of money. Those wages in a free market will be as much as the costs of production, and those costs of production are as high as the labor wages and machinery costs of mining. Now, paper money and credit are only promises to pay good money. When good money cannot be paid for paper money and credit in the banking system, sound money has disappeared. Abundant supplies of uncertain money will drive interest rates down for a while, and that is just what has been happening in this country for a good many years. But it has now reached the stage that many people are awakening to the fact that this is a 'fool's paradise' of inflation, and cannot go on without ultimately further destroying monetary values and all claims in money, and it cannot stop without deflation.

"The most important question today before any man in business is the trend of inflation or deflation and how far is it going. I say this is the most important question in buying anything, whether a house, a farm, inventories, a factory, a business, an insurance policy, or managing an estate, an investment trust, a bank or any transaction that is concerned with present versus future money values.

"I am of the opinion that most managements have not thought through very carefully these inflation and deflation consequences for their business and investment policies.

"To know the Federal Reserve policy and be sure that you know its longer-term consequences is your best business and investment guide."

Cincinnati Exchange Elects Trustees

C. Kenneth Smith H. C. Vonderhaar

CINCINNATI, Ohio—C. Kenneth Smith, W. E. Hutton & Co., and Harry C. Vonderhaar, Westheimer & Co., have been elected members of the Board of Trustees of the Cincinnati Stock Exchange, succeeding Charles H. Tobias of Westheimer & Co., and Neil Ransick, C. A. Hinsch & Co.

Other members of the board are W. Power Clancey, W. P. Clancey & Co., Alfred J. Friedlander, Benj. D. Bartlett & Co. and Arthur W. Korte, C. H. Reiter & Co.

Merrill Lynch Gives Scholarship Awards

Award of four scholarships to sons and daughters of employees of Merrill Lynch, Pierce, & Beane, has been announced by Winthrop H. Smith, managing partner of the nationwide investment firm. Each scholarship is for four years of college study and is worth $2,000 to the boy or girl selected by the committee.

Scholarship winners, one from each major geographical area of the United States, are Scott V. Rutherford, Jr., whose father, Scott V. Rutherford, Sr., is an account executive in the firm's Lansing, Michigan office; Barbara Ann Hamstrom, daughter of Edward Hamstrom, an account executive in the Philadelphia office; William Keith, son of Harry Keith, cashier in the Los Angeles office; and Charles Ritchie, Jr., son of account executive Charles Ritchie, Sr. in the Houston office.

Selections were made by a committee of three educators:

Eugene S. Wilson, Dean of Admissions, Amherst College; William G. Averitt, Vice-President of Colgate University; and Jean Palmer, Secretary of Barnard College.

The award winners, second group since the program was inaugurated, will enter college in the fall. The scholarships may be used in any accredited American college or university.

J. A. Rayvis Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Wayn T. Mitchell has been added to the staff of J. A. Rayvis Company, Inc., 550 Brickell Avenue.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jack Newman has become affiliated with Cantor, Fitzgerald & Co., Inc., 224 North Canon Drive. He was previously with Daniel Reeves & Co.

Securities Salesman's Corner

By JOHN DUTTON

The Program Sale

(Article 3)

After you start in with the questions which we suggested in last week's column [May 17 issue, page 26], and you have initiated the flow of information which your prospect is only too willing to give you (once the pump has been primed), it is only a natural thing for him to go farther. He has told you of his age, his health, and you have clarified his investment objectives for him. Possibly it is the first time in his life that he ever sat down with a qualified person and actually studied his own case objectively. This brings you into his close confidence very quickly. He may even be surprised after you have left, that for some reason he has told you more about his private affairs than almost anyone else that he has ever known. Be sure to tactfully mention the confidential nature of your conversation during your opening interview, but don't overdo this.

Remember your sale is going to be made when you find out **the one thing above all else that he wants his money to do for him.** Find that out, and then he is going to be interested in accomplishing it. I was going to give you some more questions that you should ask in addition to those suggested in Article 2 of this series but I will save them for next week. Because I want to give you an illustration of what I mean by finding out "where the major issue lies," take the following case:

Assume that you are calling by appointment to see a man who has informed your office that he would like to have some information on a particular stock. You size up the situation when you call. Modest home, furnished the same. Mr. Prospect is about 65, looks tired. His wife comes in. She has arthritis which you can quickly discern. They are pleasant homey people but you just know they don't know much about stocks. Mrs. Prospect looks concerned when she finds out you are a securities salesman.

You sit down with Mr. Prospect. You tell him about his shares in the Umptydunk Brewing Company. He is interested because you are giving him solid facts—you know your business. Then you start probing. What other stocks do you hold, Mr. Prospect? Well, I just have 10 shares of A. T. & T. and this. (He has $5,000 in Umptydunk and $1,500 in A. T. & T.) He is 65, etc. Does he need help? Well, let's see. "Mr. Prospect," you ask, "it is our business to help people with their investments in every way possible. Frankly, I am very much interested in your situation. Do you mind if I ask you a few questions? I assure you it will be just between us. Possibly I can give you a suggestion that may be helpful." And you start in. Is he still working? How is your health? Is this your home? etc., etc. Before you know it, Mr. Prospect has told you all this, and he has also told you that he only earns $2,500 a year and has about $700 from his securities. He would like to add to his income. They have $25,000 in the savings bank and $12,000 just came in from a piece of real estate that is now in checking account at no interest rate at all. He wants to do something but Mrs. Prospect is just too afraid to move. Now you are getting somewhere. Now you are on solid ground. You have a case. If you can do a good job for Mr. Prospect and you can sell Mrs. Prospect on the idea, you have made a sale and a customer. So you have the main issue here: **They need more income.**

But how are you going to eliminate Mrs. Prospect's fears so that you can get her consent to setting up an investment program? You do that the same you as you "primed the pump" with her husband. You set up an appointment for another evening if you can't keep going any longer. But you get the two of them together and you don't sell stocks. You find out what is hurting Mrs. Prospect. Mrs. P. wants more income; she wants to know that if she is incapacitated in her old age she won't have to go on charity. She wants to know that her husband will be able to quit his job, and with social security, and his income from securities, that they won't be hungry. She worries about him, too. She worries about herself. She is scared and she wants peace of mind. These things you will discover, will come flowing out to you if you will only sit down with this old couple and talk with them sincerely and helpfully. They want someone to help them and if you can show them you are their man, I tell you this, **your sale is made!**

* * *

In Article 4 I will suggest the proper approach to obtaining the rest of the vital data you need in order to make an objective study of any investment problem. This is to be used when people might be a little hesitant in telling you what they earn and what they have in the bank. Usually, however, if your approach is sincere and you explain that you only want the information to see if you can **help them to better themselves,** everything you want to know (and sometimes a great deal that you don't care about) just flows out to you. I you want to gain the confidence of others let them tell you about their hopes and fears. The world is just full of people who don't know where they are going financially and otherwise. They want to tell these things to someone they can trust. If you are that kind of a salesman and you know what to do with the information they give you, there are literally thousands of people in every community in this country that are waiting to see you, tell you about their troubles, and turn them over to you and your firm for solution.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Joseph R. Ferlitz, Jr. is now connected with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Mutual Funds

By ROBERT R. RICH

Storm Clouds in Pennsylvania

Against a background of strongly-contested actions, the Berger "Prudent Man Bill" passed its third reading Wednesday in the Senate of Pennsylvania at Harrisburg and is now up for the necessary three readings in the House which will convene again on June 4.

The Berger Bill (Senate Bill No. 11) was quietly introduced on Jan. 15 and referred the same day to a subcommittee, under the Chairmanship of Senator Donald P. McPherson, of the Senate Judiciary General Committee.

Ordinarily, it is reported, the bill would have been introduced and referred to the Senate Banking Committee.

Discovery of this bill by elements of the mutual funds industry led to action to have included in the bill specific reference to the investment powers of fiduciaries in connection with making shares of mutual funds legal for trust fund investment.

The efforts of the mutual funds, led by Joseph E. Welch, Executive Vice-President and Treasurer of Wellington Fund, culminated in the introduction of the Snowden bill on May 14. The Snowden bill is identical with the Berger bill, except that the securities of investment companies are specifically authorized as legal for the investment of trust funds.

Before the Snowden bill was introduced, the lines of controversy were clearly drawn between those men who, in principle, believe in the validity of investment company shares as an investment device for trust funds and those who do not.

L. M. Campbell, Secretary of Banking, in a letter of March 27 to State Senator McPherson, stated, "I am firmly and unalterably opposed to any proposal to make 'investment trust' shares legal for trust investment. I believe firmly in the long established rule that a fiduciary cannot delegate his investment powers to another. Obviously, the corporate fiduciary who would acquire 'investment trust' shares, would have no decision in the type, quality or volume of common stock issues which might be placed in the investment trust and such a corporate fiduciary would not be fulfilling his obligation to his trust to control and manage investments wisely, soundly and safely. The operators or trustees of the investment trust would be responsible solely for the timing of their purchases of common stocks as investments and for the timing of their sales in the up and down cycles of the open market. The sad record of many of these so-called 'investment trusts' in the financial panic of the early thirties is sufficient in my opinion to disqualify their shares as a sound and proper investment for fiduciary funds.

"Secondly, many of the so-called 'investment trusts' have been organized in the late thirties or early forties and during the period from their organization to the present time, a great majority of the corporations whose common stocks are included in such investment trusts, have enjoyed the steadily rising trend of inflated prosperity. . . . One cannot argue that the 'investment trusts' have stood the test of even normal times . . . since the economy has been steadily rising under the extreme pressure of unusual inflationary forces.

"Anyone familiar with investment trust shares," Mr. Campbell stated, "must recognize the terrific overload upon such funds for management and salesmen fees. I know from my own experience that there is a large force of salesmen engaged in personal solicitation in the sale of these shares and such a method of marketing is obviously very expensive. This leads to another serious legal objection for making such shares legal for investment of trust funds and I refer to the prohibition upon the collection of double commissions from trust estates. I believe the beneficiaries of trust estates could well object to the fact that large fees and commissions are charged by the managers of 'investment trusts' and the corporate fiduciary acquiring such shares would have to make another charge for its commissions."

Mr. Welch, of Wellington Fund, replied, in a letter to Senator McPherson, point by point and at length, to the objections raised by Secretary Campbell.

Concerning the improper delegation of authority by a fiduciary who purchases investment company shares, Mr. Welch argued that the prohibition against delegation of power is not absolute and that Pennsylvania has long recognized the right of a trustee "to employ services of a real estate broker for the sale or rental of real estate and the employment of managers to operate a business owned by the trust." Mr. Welch referred to rulings within the last few years of the Courts of Massachusetts, Ohio and Oklahoma, declaring that the purchase by a trustee of mutual fund shares does not constitute improper delegation of authority.

"In the final analysis," Mr. Welch said, "the prohibition is not against delegation of authority, but rather against exoneration of the fiduciary from liability resulting from improper action on the part of the persons to whom such authority is delegated."

Mr. Welch pointed to the outstanding records of mutual funds, compared with leading indexes, referred to the Principal and Income Act of 1947 in discussing the problem of apportionement of capital gains as between life tenants and remaindermen, and argued strongly the case of mutual funds as a natural vehicle for small trust funds.

He stated: "Most of the objections raised to investment company shares would apply with equal force to the shares of insurance companies and banks which are made legal investments . . . and there is equal justification for special treatment for investment company shares."

Mr. Welch further stated: "The introduction of Senate Bill No. 11 results from a universal recognition of the need for increased income to life tenants and other income beneficiaries in this period of inflation. Century-old limitations on investment powers of fiduciaries are being abandoned in the realization that common stocks of efficiently operated corporations afford suitable protection to the ultimate beneficiaries and at the same time offer greater income to the immediate beneficiaries. We feel that the acquisition of shares of investment companies will achieve this dual purpose as well as and in many cases more effectively than will the acquisition of individual common stocks listed upon an Exchange, insurance company shares or bank shares."

Secretary Campbell, in letter to Mr. Welch, said, "I attempted to give you some good advice at our conference and I am still decidedly of the opinion that you are making a grave mistake in not withdrawing this amendment at this time. I believe that up to the present time there has been no particular opposition from the banks generally to selling your shares to the public. However, I have attempted to find out the sentiment of the bankers throughout the Commonwealth with regard to this amendment and I learned that the sentiment is decidedly against making your shares eligible. If you insist, and this amendment would be approved, you would soon find the same situation between the banks and investment companies which has already developed between the banks and the Federal building and loan associations. As long as we had our State building and loan associations, we had no particular conflict between the banks and the building and loan associations as the bankers feel they served a useful purpose to encourage thrift and home ownership. The Federal building and loan associations came into being and soon they were invading the banking field. . . . I believe that if your pursue your present course, you will eventually find the same kind of opposition from the banks generally as it has now developed between the banks and Federal building and loan associations."

The Berger bill is a proposed amendment to subsection (a) of Section 9 of an Act approved May 26, 1949. Under the amendment, which contains the usual "prudent man" clause, preferred and common stocks are an authorized investment provided the corporations earned a net profit over a given time period and paid dividends for a specific number of years within the time period.

A further qualification is that, in the case of any stock other than the stock of a bank or insurance company, the stock is listed or traded, or eligible for and application made for such listing, on the New York Stock Exchange or any other exchange approved by the Secretary of Banking.

No investment in common stocks shall be made, "so that the market value of the investment exceeds one-third the market value of the estate, not including in such market value the value of any participation in a common trust fund."

It is reported that the activity of mutual funds to have written into the Pennsylvania bill specific permission for trustees to invest in investment company shares stems largely from experience with the New York legislature where the funds were advised not to ask for such a stipulation but to offer an amendment at a later date. Considerable difficulty has since been experienced by the funds concerning the amendment.

Legislation specifically permitting investment in investment company shares by trustees and institutions has been passed in Colorado, Kansas, Maine, New Mexico, New Jersey, North Dakota, South Carolina, Tennessee, Utah and Washington. Similar amendments to the Prudent Man Rule have been introduced in California and Connecticut. New Hampshire adopted a measure last year. Nebraska is a "legal list" state, but permits trust investment in mutual funds meeting certain requirements. In Illinois and Michigan, amendments to the Prudent Man Rule are under consideration, and in Ohio and Wisconsin, new laws are under consideration, since these states do not have "Prudent Man Rules" at present.

"IN THE SECOND quarter of our fiscal year," writes H. J. Prankard, II, President of American Business Shares, "we sold our U.S. Treasury issues of 1967/72 and invested most of the proceeds in shorter-term issues which were available at about the same prices. When it appeared that the major part of the decline in corporate bonds was over, we transferred the remainder of the funds previously held in U. S. Treasury bonds to high-quality corporate bonds. New issues of high-quality corporate bonds have been offered during recent weeks at yields which are higher than at any time since 1939. We are continuing to make corporate bond purchases as opportunities present themselves with the result that the income from the stability section of our portfolio will be increased."

American Business Shares, Inc., reports net assets per share of $4.09 on April 30, 1951, compared with $4.00 per share on April 30, 1950. Total assets were $36,653,279 compared with $35,433,436.

"WHILE DEFLATIONARY forces, accompanied by the decline in commodity and bond prices, would normally call for extreme investment caution, the prospect of accelerated defense orders and heavy plant expansion indicates that any readjustment in business should be moderate and probably will be followed by a further rise in national production, employment and income to new high levels this fall," Rawson Lloyd, Wellington Fund, declared in an interim investment report.

"Since the end of March," the report continues, "Wellington Fund continued its policy initiated at the end of last year of reducing war beneficiary stocks which had risen sharply and increasing the investment in quality stocks with favorable long-term prospects. Following this policy, some volatile common stocks in the airline, aircraft, non-ferrous metal and machinery industries were reduced and chemical, drug, natural gas, oil and utility stocks were increased. These changes raised realized securities profits to a total of $2,928,607 since the first of the year, leaving an unrealized appreciation of investments of $12,707,940 on May 17.

"We believe the Fund's investments are well adjusted to the current outlook for business and securities prices giving due consideration to the conflicting forces in our economy in which either

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A Return to Principle

There's a Texas lawyer who can't make ends meet with a combined family income of $17,000 a year. He's in debt, he says, and "taxes and increased cost of living of this family" have forced them to spend their capital to the tune of $16,000 in the past six years.

At the other end of the country, is an even more pathetic case, according to the same newspaper. A Massachusetts manufacturer made $35,000 a year in 1950, but he found he had to dip into savings to meet his Christmas and year-end expenses. In fact, he "had to" sell some stock to pay for a new car. This was a second car, by the way, as he had a new car for himself. There were several other expenses that he also "had to" make, including quite a few for his summer place.

We all know that higher taxes and cost of living do take a heavy bite from income these days—for everyone. But wouldn't it be more "common sensical" for more people to go back to the principles on which this country was founded? Wouldn't it be more practical to find fewer things on which money "had to be" spent, and to add to, not reduce, their income-producing capital?

—*From Stock Fund Investor Investors Diversified Services*

Continued from page 5

Observations . . .

of its ruinous effect on business practice, in curtailing production and distribution, and promoting extravagance and inflation.

Regarding price control (whose encumbrances do not hamper me), I am concerned solely with the strangulation of our vital productive and distributive effort resulting from the hampering network of administrative orders and regulations to be inflicted on our businessmen by the army of 35,000 controllers asked for by genial price boss Michael DiSalle from the fiscal 1952 budget.

In lieu of lengthy argument over this or that detail of policy or administrative order, perhaps on the ground of its unavoidability in an emergency, rather am I primarily worried over the more basic question whether *actually* the situation in real shortages justifies the enormous machinery being created for price and wage controls; and only secondarily whether that machinery is disastrously curtailing our vital production and distribution, without even effectively stabilizing anything. To my mind, the real argument concerns the actual need for justifying the very existence of far-flung controls—such as the infliction of the labyrinthine super-complex system of price ceilings on the now-abundant supply of soft goods.

The plea of Henry Ford II, that as furtherance to the support of Mr. Wilson's goals by both big and little business, there must be much more "realism" in Washington; seems entirely reasonable to me as an individual—and because of, rather than in spite of, the sacrifices being made in the fox-holes of Korea. Precisely because of such sacrifices, and our acute world struggle, do I want to be extra certain that there is realistic appraisal of bureaucracy in lieu of high-sounding white-washing; that there shall be a cessation of hasty ill-considered administrative orders and "letters" which scramble up our productive system; that flag-waving of "democracy" be not used as an excuse for the automatic and cumulative laying on of ever-increasing controls by rote, instead of concentrating on the more efficient use of the directive powers already possessed; that some wisdom be used in the liquidation of billions of our assets in give-away schemes abroad.

Mr. Wilson:—I respectfully submit that this plea, along with those from many millions of conscientious fellow citizens, by no means represents an inconsidered *yell*—and is, in fact, consistent with the democratic process, along with the prevalent Washington confusion which you justify therewith.

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Mississippi Valley Barge Line Co.—Memorandum—Dempsey-Tegeler & Co., 407 North Eighth Street, St. Louis 1, Mo.

Missouri Pacific—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Missouri Portland Cement Co.—Memorandum—Boettcher and Company, 828 Seventeenth Street, Denver 2, Colo.

Northern Pacific Railway Company—Special analysis—Ask for Memorandum F—Wood, Walker & Co., 63 Wall Street, New York 5, N. Y.

Pacific Lumber Company—Analysis—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

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

Punta Alegre Sugar Corp. — Circular — J. F. Reilly & Co., 61 Broadway, New York 6, N. Y. Also available is a circular on **Maryland Drydock.**

Purolator Products—Analysis—R. M. Horner & Co., 52 Broadway, 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.**

Stone & Webster, Inc.—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Thermal Research and Engineering Corporation — Bulletin — Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **Foremost Dairies.**

Thermal Research & Engineering Corporation—Special report for dealers only—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

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

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

Television Shares Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Donald M. Higbee has been added to the staff of Television Shares Management Co., 135 South La Salle Street.

Hayden, Stone Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Kenneth R. Bunce is now affiliated with Hayden, Stone & Co., 1387 Main Street.

Schwabacher Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Fisher J. Kinslow, Jr., is now with Schwabacher & Co., 600 Market Street at Montgomery, members of the New York and San Francisco Stock Exchanges.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frederick W. Robinson has been added to the staff of Francis I. du Pont & Co., 722 South Spring Street. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Canadian Securities

By WILLIAM J. McKAY

In less than a decade, Alberta, the Cinderella province of Canada, has emerged from deep depression and now stands on the threshold of dynamic expansion that will undoubtedly rival the earlier meteoric economic progress of the State of Texas. In both cases the discovery of vast resources of oil and natural gas thrust into prominence the tremendous possibilities of these extensive areas of agricultural, mineral, and oil wealth. The rise of Alberta, however, is all the more striking in view of its recent chequered history.

On the heels of the depression of the early thirties the province was in such a parlous economic plight that the decision was made in 1936 to default on the provincial debt. As is usual during periods of depression recourse is invariably made to desperate expedients. In this instance the people of Alberta were beguiled by the intriguing doctrines of former Premier Aberhart who swept into power at the head of a Social Credit Government. Fortunately largely due to the unflagging opposition of the Provincial Treasurer, Solon Low, the weird financial theories of the new party were never put into practice.

With the passing of Premier Aberhart and the return of prosperity, the Social Credit government led by the youthful Premier and Provincial Treasurer Manning, curiously enough proved itself to be among the most conservative-minded provincial administrations in the Dominion. In 1945 the province found itself in a position to recognize its financial obligations and by the reorganization of its debt was able to expunge the stigma of the 1936 default. Since then Alberta has never looked back. In 1947 the epic discovery of oil at Leduc marked a new era of provincial prosperity. This striking demonstration of the tremendous economic possibilities of the province created world-wide interest and foreign capital, notably from south of the border, poured into Alberta in mounting volume.

Today nearly all the major U. S. companies together with the domestic oil interests are constantly extending the boundaries of Alberta's new oil empire. The development of the natural gas industry is now receiving somewhat belated attention following the decision of the Alberta government to prohibit gas exports until greater reserves have been established. As a consequence the search for gas has now become a primary objective on the part of several companies. A new domestic enterprise Britalta Petroleums, Ltd., in collaboration with the Deep Rock Oil Co., has already achieved remarkable success in its initial venture. Following satisfactory strikes on their first two drillings in the Many Island-Medicine Hat area, the extent of their new field has just been further established by the discovery of new wells on their next two attempts. These early discoveries clearly indicate, that as Premier Manning predicted when imposing the export ban, it will not be long before sufficient new reserves are established to permit the piping of gas across the U. S. border.

In addition to its growing wealth of oil and natural gas Alberta is also richly endowed with other natural resources. Despite adverse weather conditions the gross value of agricultural production in 1950 was in excess of $500 million. Alberta's black earth region is one of the most fertile areas in the world and in the empty spaces of the Peace River District the province has ample scope for agricultural expansion. This youngest of the Canadian provinces also has more undeveloped coal and water resoruces than any other similar area on the continent. Its capital city, Edmonton, once described as the "Gateway to the North" through which passed the newly discovered mineral wealth of the Yukon and the North West Provinces, is now known as the "Cross Roads of the World" in view of its strategic location on the air routes over the northern "top of the world."

Although industrial development has somewhat lagged behind other economic progress it would appear that Alberta will soon figure prominently in this field largely as a result of the newly established oil and gas industries. The Celanese Corporation of America has already commenced operations in connection with the construction at Edmonton of a huge new $50 million plant for the production of acetic acid, anhydride, and other chemicals. Canadian Industries Ltd., is also considering an $8 million dollar plant for the processing of ethylene, an oil by-product, into plastics. Last week the Shell Oil Co., opened a new gas-scrubbing plant at Jumping Pound gas field for the extraction of sulphur for Canada's paper industry. This diversified economic strength of a province that only a few years ago was so largely dependent on agriculture points to the conclusion that Western Canada, led by Alberta, will soon outstrip in economic importance the hitherto predominent East.

During the week the new $20 million Toronto issue which was satisfactorily received was the main centre of attraction. The internals were inactive and slightly lower in sympathy with the further decline of the Canadian dollar to 6 5/16%. Although Canadian purchases here for rearmament purposes account to some degree for the persistent weakness of the exchange there are also offsetting factors which normally would create strength at this time of the year; nevertheless at the current level the Canadian dollar is undoubtedly undervalued. Stocks were again lower on a restricted volume of trading with the industrials registering the widest declines. The Western oils, among which Federated Petroleums was a notable example, showed a tendency to resist the general trend, and the golds also displayed some resiliency.

Stewart, Scanlon Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Howard F. Sillick has been added to the staff of Stewart, Scanlon & Co., 216 Montgomery Street, members of the San Francisco Stock Exchange. He was previously with Supple, Griswold & Co.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C. — Wyatt A. Armfield is now associated with Reynolds & Co., Reynolds Building.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—George H. Hays, Jr. has joined the staff of Bache & Co., National City East Sixth Building. He was formerly with Asiel & Co. in New York.

Wellington Fund Appoints Wm. Knox

PHILADELPHIA, Pa.—The appointment of William S. Knox as southeastern representative of Wellington Fund, largest open and balanced mutual fund in the country sold through dealers, was announced by W. L. Morgan & Co., national distributors of the Fund. Mr. Knox is a resident of Atlanta, Ga., and in his new post will make his headquarters there.

Mr. Knox is widely known in New York and Philadelphia financial circles, where for a number of years he was associated with the investment business.

Lawrence Cook Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio.—R. Donald Paul is now affiliated with Lawrence Cook & Co., Fidelity Building.

Continued from page 6

The Schuman Plan—Its Hopes, Risks and Danger

to the Plan has been obtained by pressure from France and particularly from the U.S.A.

The *great danger* is that under the Plan the natural conflict of economic interests will be given undue publicity, will be politicized, and therefore will inflame the passions of the public, thus jeopardizing the political aims of the Schuman Plan. The danger, as I have already pointed out, is inherent in the gradual approach to an economically and politically United Europe, because the benefits expected from the Plan will, in my opinion, become real and evident only after there will be a complete union. The private enterprises are contending that if left alone, under the supervision of an authority like that created by the Schuman Plan, they will be able to get the coal they need by international bargaining of the prewar type, without politicizing the conflict of interests.

* * *

The Economic Integration—Means

The economic purpose of the Plan is to create a wide market by eliminating artificial barriers like tariffs and import or export quotas, and thereby reduce costs and prices. In theory, at least, the Plan aims at fostering competition; we may call it planning for competition. It will attempt to provide for the most economic location of steel production. To the extent that there will be economic freedom, the Plan will achieve the greatest and most efficient use of the available resources. Each one will do what he is most able to do, thus reducing the cost of production. The Plan purports also to protect the consumers against Malthusian agreements and artificial increases in prices. If successful in its economic purposes the Plan should result in an increase in the standard of living of all Western Europe. One of the immediate objectives of the Plan will also be the suppression of discriminatory railroad rates, as between raw materials or goods destined for export and those for the domestic market, independent of the origin.

However, besides these features of the Plan which will win the applause of the defenders of economic freedom, *there is no doubt* that the Schuman Plan contains many provisions compatible only with a centralized controlled economy. The High Authority will have considerable power over investments, and it can in circumstances not clearly defined, also fix minima and maxima prices. In case of a reduction of economic activity, it can fix quotas of production. Mr. Monnet stressed repeatedly the fact that during periods of shortages the total resources of the basic raw materials (regardless of origin) will be allocated among all the countries according to their needs. The Plan contains many of the features of the ill-reputed cartels. As long as there is no United Europe with a single currency, it seems to me that foreign markets will have to be divided among the countries participating in the Schuman Plan. I wish to express in passing my conviction that either Europe will get a single currency or there will be no Europe. In point of fact, I think that the free interconvertibility of European currencies and the slashing of quotas and tariffs would have provided a more rational way of attaining the goal of a United Europe, but apparently our world refuses to be rational.

The provisions of the Plan regarding wages and social benefits lead one to believe that the supranational authority will consider it its duty to bring wages up where they are low to the level where they are higher. For instance, wages are presently higher in France than in Germany, and besides, social charges are more than about 40% in France as compared with 20% in Germany. I am afraid that politics being what they are, the trend will be to increase wages regardless of productivity for the sake of equalizing them. How this will be reconciled with the objective of reducing prices remains to be seen. Furthermore, it is not quite clear how wages will be administered in the coal and steel industry without affecting other industries.

There is little doubt that the Schuman Plan contains principles and rules designed to foster competition and give the proposed European community the benefits of a free economy. But the Plan embodies also many provisions characteristic of a planned economy, with considerable power over investments. In point of fact, this attempt to reconcile the exigencies of a free market with those of a planned economy are not unrelated to the European philosophy of competition and cartels. The great majority of European industrialists believe that moderate competition is sound, but that fierce competition is poison for the economy.

A disturbing question which comes to one's mind is whether, if the Schuman Plan provides effectively for the most economic location of steel production in Western Europe, Germany may not outweigh heavily France in this field. Herein lies the great French risk, which the French have assumed boldly and with courage.

In his recent book "Unite or Perish," Mr. Paul Reynaud has tried to argue that the marriage of German coal with the iron ore of Lorraine, should have as a result that the steel be made in Lorraine, on the ground that the transportation cost of the necessary coal to make one ton of steel is lower than the cost of transportation of the necessary iron-ore. He also argues that the making of steel needs relatively few workers. In contrast, he says, the manufacture of steel into finished products requires a large labor force. Hence this may be the answer for Western Germany to its need to find work for two million unemployed. The division of labor, concludes Mr. Reynaud, between France and Germany is a natural one, steel to the one, manufactured products to the other. Germany would furnish France with coal and coke from the Ruhr in exchange for rolled steel, which it would in turn process into goods of greater value. In addition, this division of labor would satisfy the desire of the French for security! . . . If everyone were as intelligent as Mr. Reynaud maybe the economies of steel and coal in the planned community would operate in accordance with Mr. Reynaud's rational scheme. I am afraid, however, that political, economic and social realities will not prove pliable to the syllogisms of Mr. Reynaud.

What then if some enterprises in the Ruhr, for instance, where they enjoy natural advantages in the cost of steel, should make substantial profits which would permit them to expand abnormally? Chances are that unless Europe has become a political and economic unity, the French Parliament will not tolerate such a development, if the result should be that the German steel industry would expand disproportionately with the French one. I surmise that this is the reason why the control over investments which the High Authority will enjoy is rather considerable. But this also explains to you why I think that the High Authority will be governed in its decisions by political as much as by economic considerations. The necessity of maintaining a political equilibrium may frustrate Western Europe of the possibilities of economic benefits due to a wide market and the rationalization of production. It is difficult to predict whether the functional approach to a United Europe will create a European patriotism or whether it will exasperate nationalistic feelings and suspicions by the politicizing of national economic conflicts of interest, thereby jeopardizing the chances for a political union. The conclusion seems to me inescapable. The answer to the European problems is in an economic and political United Europe, wherein economic liberalism will be allowed to prevail.

It remains to be proven that the gradual and functional approach is the best or even simply a sound scheme to bring about a United Europe. I think we should give our wholehearted support to the Schuman Plan and be prepared with a more rational plan, in case this one should break down. The very survival of Western Europe, and maybe of the western civilization, depends on the realization of an economically and politically United Europe.

Mutual Savings Deposits Increase

Gain of $57 million in April brings total at end of month to all-time high of over $20 billion.

Deposits in the nation's 530 mutual savings banks increased $57,000,000 during April, bringing them to a new all-time high of $20,162,000,000 at the close of the month, according to Carl G. Freese, President of the National Association of Mutual Savings Banks and President and Treasurer, Connecticut Savings Bank of New Haven, Conn. The substantial gain witnessed for the first time this year in March continued, the April increase slightly exceeding the $56,000,000 rise in March. The April gain reflects the fact that, as in March, amounts deposited in regular accounts exceeded withdrawals but that, unlike March, amounts deposited in April as well as withdrawals exceeded those of the corresponding month in 1950.

Carl G. Freese

Portfolio policy of the mutual savings banks during April reflected the more settled conditions in the securities market. Funds received from depositors were supplemented by drawing upon cash for $34,000,000 as well as reducing U. S. Governments by $100,000,000 and this total was placed in mortgage loans and corporate and municipal securities, which rose $157,000,000 and $49,000,000, respectively.

Piper, Jaffray to Admit

MINNEAPOLIS, Minn.—Piper, Jaffray & Hopwood, 115 South Seventh Street, members of the New York and Midwest Stock Exchanges, on June 1 will admit George F. Piper to limited partnership.

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Common Stocks and Pension Funds

when stocks are high and profits are usually large and then paying more when the reverse is true. In other words, if in the case above the company uses the book value method, it is not liable for any larger contribution than in any other year or than if the trust was composed solely of bonds or even if an insurance company contract had been used to meet the pension liability. The annual contribution can be postponed and the plan still remain qualified provided the limit set by the Bureau of Internal Revenue is not exceeded. Therefore, the use of common stocks does not prove more costly than any other plan.

You may accept this conclusion but then question the justification of figuring the pension liability of the company, using common stocks at book value as an offset. It must be admitted that from an ultra conservative point of view, the company should add enough to the pension trust to make it whole. However, the company does have the right to postpone its contribution so that the fund would become actuarially unsound but still have the approval of the tax authorities. Furthermore, we have seen a special approach used in valuing the assets of companies with long-term liabilities such as life insurance companies. In the 1930's, bonds amply secured and not in default were carried at amortized value even though their market was considerably less. While this special value was confined to prime bonds, with the insurance companies heading in the direction of heavier stock commitments, some liberalization of this procedure may be made when the next pinch on surplus comes. Like so many arguments in this world, the real solution probably lies in the matter of degree. I might add here that I am one of those who believe that if conditions return to the 1932 level again, a new form of society will emerge and the value of the relics of the past, such as bonds and stocks, will be open to question.

Another dogma in the use of common stocks is the possibility of demands for cash being so great that stocks have to be sold, again probably at the wrong time. At least during the early years of a fund, the contributions by the employer exceed the outgo so that if the cash is received the trustee can merely use the cash flow to meet the benefit payments. If the contribution of the company fails to appear, a balanced investment program should include some short-term bonds which could be liquidated.

From a theoretical point of view it is interesting to project the effect of institutional investment solely in bonds. To maintain the quality of its obligations, a public utility or any other corporation should add some equity almost every time additional debt is created. If the principal accumulation of capital available for investment in securities in the future will be by insurance companies and trustees of pension funds, the conclusion can be reached that these buyers will have to supply some of the equity capital in order to keep their bond holdings sound.

A 30% Formula

For several years the policy of my bank has been to invest about 30% of a pension trust over which we have full investment discretion in common stocks. This has been continued and we do not overlook the common stock market whenever cash is added to the pension fund. We believe that under present uncertain conditions, an investment program which includes common stocks should show, over a period of years, a better combined income and principal performance than can be obtained through an investment program restricted to fixed-income obligations.

As for our actual experience with pension funds, it seems to me that the investment restrictions vary more between these accounts than in the case of many of our other trusts. For this reason it is difficult to give you the rate of return which might be considered normal. However, five of the pension trusts in my bank showed an average yield (excluding capital gains or losses) of 3.86% on book value in 1950, as compared with 3.30% in 1949. An account of recent origin yields 3½% based on estimated current dividends. Another trust over which we have somewhat limited responsibility returns about 8½% on book value so that you can see the yield varies with the investment policy and also with the date the plan started. Based on a recent appraisal, I find that the pension trusts over which we have control, and which probably represent fairly our policy, had between 33% and 38% in common stocks at market.

I find that I often end a talk similar to this by quoting from the same Harvard College vs. Amory case discussed earlier. Justice Putnam said: "Do what you will, the capital is at risk." The more I talk and think about this subject, the more appropriate I believe this quotation to be.

Unusual Timing by Walter Schag

SAN FRANCISCO, Calif.—Walter Schag, trader at Davis, Skaggs & Co., 111 Sutter Street, is displaying a beautiful new Omega 17-jewel wristwatch. The unusual feature is that the dial instead of having numbers has on it the letters of his name. Some very impressive engraving on the back tells why he was awarded the watch. He deserves to be congratulated, and perhaps will tell you what the engraving says.

Walter F. Schag

Schaffer, Necker Co. To Be Formed June 1

PHILADELPHIA, Pa.—Effective June 1, Schaffer, Necker & Co. will be formed with offices in the Packard Building to deal in State, county, municipal and revenue bonds, specializing in City of Philadelphia issues.

General partners of the new firm will be Russell W. Schaffer, formerly of Schaffer & Co., and Carl Necker, Charles A. Schaufler and Linford B. Cassel, Jr., all previously general partners in Moncure Biddle & Co.

T. W. Pignata Opens

JERSEY CITY, N. J.—Thomas W. Pignata is engaging in a securities business from offices at 240 Harrison Avenue.

In Larger Quarters

CHICAGO, Ill.—Barclay Investment Co. have increased their office space by 50% with additional space next to their present offices at 39 So. La Salle Street.

Continued from first page

Outlook for Stock Prices

Today you have to be a combination of economist, political analyst (domestic and foreign), psychologist and sociologist, as well as an expert in a host of industries. Sometimes I wonder how anyone of us can qualify for the job we hold and the responsibility we assume. However, thinking about and discussing the various aspects of the problem always helps to clarify one's mind. So let me offer some of my thoughts and perhaps we can arrive at a reasonably intelligent conclusion on the outlook for stock prices.

As you know, we are dealing with a market, a free and highly sensitive market, controlled solely by demand and supply, neither of which is fully measurable. Furthermore, any unexpected political development, any sudden shift in sentiment, is apt to upset the market's tenderly balanced equilibrium.

A strong investment demand, attracted by high and well-supported dividend yields, has been pushing up stock prices since the middle of 1949. This demand has lost much of its urgency since the beginning of 1951, largely as a result of the rise in prices which deters the individual investor. However, a persistent, though reduced, investment demand continues. It is centered on stocks of the best quality and seems to come largely from institutional investors. The recurrent annual investment demand for common stocks from this source has been estimated at over $800 million—$225 million from mutual funds, perhaps $250 million each from pension trust and corporate investors, and nearly $100 million from life insurance companies. There is also a non-recurrent demand of over $750 million from life insurance companies which have just recently been permitted to invest in common stocks. The market value of stocks listed on the New York Stock Exchange is about $100 billion at present. But since only a fraction of these shares is changing hands during the course of a year, this institutional investment demand is becoming a factor of considerable importance. It may well serve as a cushion if the market should suffer a sharp decline.

Aside from occasional flurries the purely speculative demand for common stocks has been conspicuously absent in this two-year advance. This is one of the reasons why I doubt that we have already reached the final phase of this bull market which is normally characterized by hectic speculation in marginal securities.

Only Moderate Increase in Stock Supply

So far, there has been only a moderate increase in the overall supply of stocks. As long as stock prices were low and senior capital could be raised easily and cheaply, corporations found equity financing unattractive. This is beginning to change. High tax rates put a definite limit on self-financing out of retained profits, interest costs have risen appreciably and long-term loans are harder to get. On the other hand, stock prices have reached a level where equity financing has become considerably more attractive. As a result, an increasing amount of common stock, or senior securities convertible into common stock, is now coming into the market.

The other source of supply, liquidation of investment holdings, is not yet showing much of an increase, despite tempting capital gains that have accrued, and despite considerable apprehension over the near-term business outlook. One reason, undoubtedly, is the unabated fear of inflation and the absence of attractive substitute investments. Another reason is the fact that even now average common stock yields are double the return obtainable on high-grade bonds. Third, many investors shy away from the capital gains tax which they incur upon the realization of a profit. The man who bought Standard Oil at 50 will not sell at 110 unless he is reasonably sure of buying it back well below 95, because he has to pay a 15-point tax and may miss a few dividends besides. This consideration is a very powerful factor. It virtually weds the investor to his blue chips, and his, in turn, puts a certain scarcity value on such stocks.

All this could change virtually overnight, of course, if there should be a major turn in business prospects. And here is where we have to resort to crystal-gazing.

Crystal-Gazing

At the risk of being proven wrong tomorrow morning I predict that Russian will not start a war this year unless seriously provoked. One such provocation would be, in my opinion, the rearmament of West Germany. Another might be British military intervention in Iran. A third one, in the Far East, is being discussed in Washington right now. Nevertheless, let us assume that the present "cold war" will continue for the time being.

A year ago our military expenditures were at the annual rate of about $13 billion. The present rate is probably close to $30 billion. By the end of 1951, I estimate that we will be spending at the rate of better than $45 billion, even if the Korean War should be brought to an early conclusion. It has been said that Washington has been slow in spending money on defense. Some of our present inventory troubles are being blamed on the prediction of shortages that haven't yet been realized. Don't worry; they will appear. In this one respect we can have full confidence in our Administration; when it comes to spending money, Washington has a pretty good record.

I can not visualize an overall letdown in business with these prospects in sigh. Prosperity may be spotty. I believe it will be. But we are talking now about overall business. Every index—gross national product, industrial production, disposable income, consumer spending—all will be higher at the end of 1951 than at this time.

This does not necessarily mean that everyone will be very happy, or that profits will be universally good. Some industries will be hurt by shortages; others will be hurt by taxes; still others will be hurt by one of the most discriminatory government edicts, known as CPR22, supplemented by Mr. Johnston's "fair profits standard."

I should like to elaborate on this a little. Too few people have been paying attention to it, and even affected business enterprises don't seem to appreciate fully the viciousness of this "ceiling price regulation" which is intended to cover some 75,000 industrial firms.

Ceiling Price Regulation

This order, CPR22, is designed to roll back prices of manufactured goods to pre-Korea levels, permitting adjustments only for higher wages and material costs which have occurred up to March 15, 1951. No adjustment is allowed for overhead costs such as depreciation, general administration, clerical and selling costs, research, etc. Price increases will not be permitted, unless a company is actually losing money or unless pre-tax earnings of the entire industry fall below 85% of the average of the three best years from 1946 to 1949.

This order exempts important industries, such as agriculture, forest products, fuel, metals, chemicals, textiles and foods which are being covered by specific regulations. Labor, too, is covered by special regulations the elasticity of which will be in direct proportion to the political pressure that can be exerted. CPR22 discriminates against the manufacturing industry which lacks the potent political power which is enjoyed by labor, the farmer and certain exempt industries. The long-range effect of the price-control order as an inflation "cure" is bound to be negligible as long as the causes of inflation are not controlled. But the order will have a most detrimental effect on earnings of affected corporations, thereby causing a serious decline in tax revenues. This, in turn, will increase the budget deficit and thus widen the inflationary gap—which is what we started out to prevent.

Control of prices by law has been attempted since the dawn of history. It has always failed because it involves a logical fallacy. Inflation occurs when the effective demand exceeds the available supply of goods and services. It should be obvious that the balance can not be restored by price reductions. On the contrary, it merely intensifies the inflationary pressure.

Right now, when many retailers and manufacturers of consumers' goods are becoming increasingly concerned about declining sales and rising inventories, it may seem unrealistic to talk about inflation. Yet, inflation remains a threat of potentially serious proportions.

Curtailing Inflation

It is commendable that the Administration is taking steps to prevent, or at least control, further inflation. But there are only two ways that are economically sound and likely to achieve the desired objective: (1) by curtailing effective buying power; and (2) by increasing the supply of wanted goods and services. The means of curtailing buying power are primarily taxation, limitations on credit, encouragement of savings, utmost economy by Federal, State and municipal authorities, and a tight lid on wage rates. Means of increasing supply are limited largely to the encouragement of production of non-military goods and the lifting of import restrictions.

The Administration, however, is not confining its activities to the removal of the causes of inflation, but is trying to cure symptoms. Trying to limit, or even roll back, prices of *some* goods without prohibiting a further rise in wages (including "fringe benefits") is not only a futile attempt at controlling inflation, but unfair discrimination against various industries.

I have emphasized this question not only because I consider it a basically wrong and stupid anti-inflation measure, but to wan you that the effects on earnings of affected corporations can be very serious.

The glut of certain manufactured goods, especially television receivers, household appliances, textiles and now also automobiles, is causing much concern not only among the manufacturers, dealers and retailers who are directly affected, but also among investors. While this condition is bound to result in a sharp decline in earnings for the second and possibly the third quarter of 1951, one should not get overly alarmed. First of all, inventories are not greatly out of line with the projected level of consumers' incomes. Secondly, production of many items which now are available in such abundance will be reduced automatically by the impending curtailment of materials needed for military production. Thirdly, people will resume buying when they realize that no further price concessions can be expected.

This whole situation is most unfortunate. It is due to the belated tightening of installment credit, the government-inspired inflation psychology which was largely responsible for last winter's buying hysteria, and to Mr. DiSalle's promise of price roll-backs which raises false hopes in the minds of people that prices will come down and stay down. A contributing factor was a delay in placing defense orders by the armed forces. A *temporary* relaxation of installment credit would, in my opinion, be most helpful in curing the present inventory surplus which creates the wholly unjustified impression that we can have all the guns we might need as well as more butter than we can possibly consume.

Taxes and Earnings

Although income taxes will soon be boosted by a few more percentage points, even the rates already in effect are producing some shocking results. Despite a continuing increase in volume it will be virtually impossible for the great majority of corporations to maintain their recent rate of earnings. Fortunately, however, these earnings, generally, had been conservatively appraised by the market, and even if we allow for an over-all decline in corporate profits of some 10 to 20%, such earnings can still comfortably support the present level of stock prices. Furthermore, the dividend payout has been so low, that even a 20% decline in corporate profits would not necessitate a general reduction in dividend payments.

Just one more word on inflation, a subject that is so much discussed, and so little understood. The Federal Reserve Board's victory over the Treasury Department deserves general acclaim. To permit the price of government bonds to decline below par has been the most effective brake on further credit expansion. The actual increase of less than ½ of 1% in interest rates is comparatively unimportant. What is important is that banks and insurance companies have been placed in a position where they cannot sell government bonds without registering a loss—which they do not like to do. But without selling governments, they do not have funds to grant commercial or industrial loans which, as we know, have been partly responsible for the inflationary outburst after Korea. Credit, while still "cheap," is really tight right now.

Many analysts point to the recent decline in the commodity price index as well as the decline in bond prices and, remembering past experience, conclude that the major stock market trend too will soon turn downward. I am not so sure that this conclusion is correct. As far as commodity prices are concerned, I believe that this is merely a temporary dip. I expect the commodity price index to be at a new high before this year comes to an end.

With regard to bond prices, it is my opinion that, for the time being, they are at or very near their lows. The yield on the long-term Victory 2½s has come up to about 2.70%. Any further material rise in the yield could lead not only to a wholesale cashing of savings bonds, but possibly even to a "reconversion" of the recently issued non-marketable 2¾s. Investors who accepted the Treasury's exchange offer would question that it was made in good faith. The Treasury, which is facing a refunding program of tremendous magnitude, can hardly afford to jeopardize the success of its financing operation by questionable practices.

If this line of thinking is correct, if the yield on high-grade bonds does not rise appreciably above 3⅛%, then I question that the recent decline in bond prices necessarily presages a decline in stock prices. As long as average stock yields hold above 6%—and I do not foresee anything more than a moderate decline in dividend payments this year—there is no incentive for shifting investments from common stocks into bonds.

Although I am fully aware of the fact that the Dow-Jones industrial average has advanced more than 100 points in less than two years, and although I know that many market technicians find bearish indications in their charts, I cannot reach a pessimistic conclusion on the general market. Without trying to straddle the issue, I should like, however, to emphasize "general market." The effects of material shortages, price controls, excess profits taxes, etc., vary from industry to industry, and company to company. Discrimination in the selection of stocks is most important.

The short-term market outlook should concern the investor only insofar as it may affect his buying policy. Right now we are in a transition period—transition from a peace economy to a defense economy, from surplus to shortages, from temporary deflation to a resumption of inflation, from black ink in the Federal budget to red ink. It is quite possible that the stock market may experience a good-sized reaction during this period, but I would be surprised if this reaction would be much in excess of 15% in the Dow-Jones industrial average, bringing prices about to the level of last December. A possible setback of such proportion is important for a trader and to those with funds awaiting investment, but a long-term investor can afford to, and in my opinion has little choice but to ignore it.

Edwin S. Dwelly Joins A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edwin S. Dwelly has become associated with A. C. Allyn & Company, Inc., 30 Federal Street. Mr. Dwelly was recently with Waddell & Reed, Inc. and in the past conducted his own investment business in New York.

N. Y. Curb Elects

At a regular meeting of the board of governors of the New York Curb Exchange, John H. Crago of Smith, Moore & Co., St. Louis, Missouri, and Paul Jules Gordon of Nielsen, Gordon & Hall, New York City, were elected to associate membership. The board also accepted the resignation of Charles W. Moore of Smith, Moore & Co., St. Louis, Missouri.

With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert A. Rogers has joined the staff of Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Rockwell-Gould

ELMIRA, N. Y. — Gerald B. Thomas has become affiliated with Rockwell-Gould Co., Inc., 159-167 Lake Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Emmett E. Hinkley has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Railroad Securities

Railroad Passenger Losses

The May issue of "Monthly Comment on Transportation Statistics" released by the Bureau of Economics and Statistics of the Interstate Commerce Commission has some enlightening and interesting comments and statistics regarding the losses sustained by the railroads on their passenger services. Beginning with the year 1936 the railroads have been required, under ICC accounting rules, to separate operating expenses, railway taxes, equipment rents and joint facility rents between freight service and passenger service. Included in the passenger service is mail and express and other head-end business.

There has been considerable criticism in many quarters of the Commission formula for the allocation of expenses as between the two services. Specifically, it is claimed that if the passenger service were to be eliminated entirely the expenses allocated to that phase, particularly in the maintenance of way accounts, would not be similarly eliminated. There may be considerable validity to that argument but the fact remains that the Commission formula is the only one we have to work on and most railmen themselves consider it adequate. Also, as brought out in the Bureau report, a large proportion of the allocated expenses can be traced specifically to the individual type of service. To quote from the report regarding 1950:

"Attention is called to the fact that the operating expenses related solely to passenger and allied services amounted to $1,257.7 million or 72.7% of total operating expenses reported for such services and the remainder (27.3%) consisted of the passenger services proportion of operating expenses that were common to both freight and passenger services. These percentages have varied but slightly from year to year from 1936 through 1950." It is obvious, then, that what margin of error may exist in the Commission formula is relatively of minor significance.

Since the separation of accounts has been required, there have been consistent losses in the passenger services except for four years (1942-1945) during World War II. The deficit in net operating income for passenger services increased from $233.3 million in 1936 to a prewar top of $262.1 million in 1940. By 1943 this had been converted into a profit of $279.8 million. The profit declined in each of the two following years and gave way to the deficits again in 1946. Subsequently the deficits increased year by year to hit an all time peak of $649.6 million in 1949. There was some improvement last year when the passenger service net operating income deficit declined to $508.5 million.

The indicated improvement between 1949 and 1950 in the passenger department was more apparent than real. The passenger service revenues last year were augmented by roughly $149 million of retroactive mail pay. Of this amount, some $107 million was attributable to prior years. If this $107 million were deducted from the 1950 results there would remain a deficit of $615.5 million in passenger net operating income for last year. This would be only 5.2% below the 1949 deficit and a larger deficit than had been sustained in any prior year except for 1949.

In contrast to the passenger service deficits, freight service net operating income last year amounted to $1,547.8 million. This was approximately 16% ahead of a year earlier and less than 1% below the all time peak established in 1943. In other words, the freight service has been more profitable than it was even during the peak of Word War II. Overall results are being dragged down by passenger operations. Last year the passenger service deficit absorbed 32.9% of the profit from the freight business, compared with 48.6% in 1949 and 35.9% in 1948. With this background it is not difficult to see why such large passenger roads as Pennsylvania and New York Central have been hard pressed to keep pace earningswise with the industry as a whole in the postwar years.

Cruttenden & Co. to Admit G. R. Miller

Glenn R. Miller

CHICAGO, Ill.—Glenn R. Miller will become a partner in Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, on June 1.

Glore, Forgan to Admit Manero as Partner

Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, will admit Alfonso Manero to partnership on June 1.

Named Directors

Election of George C. Textor and F. William Harder to the Board of Directors of Foremost Dairies, Inc., was announced by Paul E. Reinhold, President. Mr. Harder also was elected Chairman of the Finance Committee.

Mr. Textor is Executive Vice-President of the Marine Midland Trust Co. of New York, and is a Director of the Colorado Fuel & Iron Co., American Bosch Corporation, Fidelity Safe Deposit Co., and other corporations. Mr. Harder is Chairman of the Finance Committee and a Director of the American Bosch Corporation, a Director of E. & G. Brooke Iron Co., and is associated with Allen & Company, investment bankers, New York.

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Security Markets and Business Outlook

out-and-out sale. Further, the action of the market itself has been better than anyone has had a right to anticipate in the face of the many domestic and foreign uncertainties. Brokers' loans in New York City dropped sharply last week and are at low levels. There can be no problem of forced liquidation.

Long-Term Outlook

It is believed that over the long pull stocks will attain levels substantially above present levels.

(1) Stocks are not overpriced on a statistical basis in relation to:

(a) Business activity.
(b) Cost of living (depreciation of the dollar).
(c) Book value.
(d) Earnings.
(e) Stock yields vs. bond yields.
(f) The long-term upward channel of stock prices.

It would require an extended discussion to cover all these relationships. Suffice it to say that at the present time stock prices are below their normal relationship in comparison with the level of business activity. (It is believed that the FRB Index of Industrial Production—now 223—while likely to consolidated or perhaps decline a few points in the next few months, probably will maintain itself at favorable levels over the intermediate trend and, in fact, subsequently work its way moderately higher.)

For purpose of perspective, we have been analyzing some interesting charts correlating the stock market levels to the cost of living. It is interesting to note that over the past 50 years, subject to only certain intermediate contra movements, the trend of the buying power of the dollar has been downward. Charts relating the raw movements of the stock market to the movements of the market adjusted for changes in the purchasing power of the dollar, illustrate some interesting things. They show that based on the cost of living index, taking 1935-1939 as 100%, there was a high degree of correlation between 1920 and 1941. Since that time, the adjusted level of the market is considerably lower, reflecting the fact that a part of the actual increase in stocks is accounted for by the higher price level. Putting it another way, stocks at the present time, on this adjusted basis, are well below the levels that obtained at the 1929, 1937 and 1946 market peaks.

Similarly, stocks are selling at low levels in relation to earnings. For example, at the annual mean in the base period 1936-1939, stocks in the Dow-Jones Industrial Averages sold 15 and 16 times earnings. At the present time, stocks are selling at only 7 times earnings for the year 1951. This is very close to the all-time low and compares with price-earnings ratios on various other dates in recent years as follows:

Date	D-J Ind. Average	Earnings Rate	Times Earnings
April 6, '51	250.83	$35.64	7.0
Feb. 13, '51	255.71	31.38	8.1
June 12, '50	238.38	22.92	10.0
June 13, '49	161.60	25.84	6.3
May 29, '46	212.50	9.32	22.8
Apr. 28, '42	92.92	11.98	7.8
Mar. 31, '38	98.95	10.50	9.4

NOTE: May, 1946, represented the then bull market high. April, 1942, and March, 1938, represented bear market lows. June, 1949, represented a bear market low.

It is widely recognized that in 1951 after-tax earnings will be lower than 1950. However, it appears safe to predict that corporate net income, after taxes, will be better than any year in our history excepting only 1950 and possibly 1948. It is likely that 1951 after-tax earnings may approximate $20 billion, compared with the record of about $22½ billion estimated for 1950, $17 billion in 1949 and $21 billion in 1948, and an average of $4 billion in the 1936-1939 period.

Stocks are selling at low levels in relation to asset values. Historically, turning points in the market have been witnessed when stock prices were high in relation to asset values, inasmuch as such a condition reflects a high level of confidence and an important capitalization of intangibles or going-concern values. At the present time, the relationship between stock values and asset values is such as has been more characteristic of periods of market depression rather than of important turning points which would have made it advisable to sell equities. This is particularly important in light of the significant reinvestment in assets over the past decade (earnings in excess of dividends paid out).

Further, it should be noted that book values are considerably below replacement values and, also, that plant account is carried at very low levels because of emergency amortization during the past war. Thus, book values are considerably below present-day actual values.

The investment basis for utilization of equities continues highly favorable in light of the bond-stock ratio. The yield on prime stocks is almost 2¼ times the yield obtainable on high quality long-term bonds. This constitutes an important underpinning to the market, particularly in light of the increasing emphasis of institutional investment sources for common stocks.

(2) It is probable that one of the most important factors pertains to the depreciation in the dollar. As indicated above, the rise in stocks has indeed been moderate if one adjusts for this factor. It is my opinion that for many reasons, the long-term trend of commodity prices and of cost of living will be upward. For one thing, the growing importance of labor, with its automatic annual increases, plus cost-of-living increases, tends to result in higher prices, particularly since not fully offset by higher productivity. The current press indicates that President Truman's current efforts to appease the labor leaders means that the wage ceiling will again be punctured. The government will endeavor to limit corporations passing this on in the form of higher prices, except where they can show hardship. However, it must be recognized that over the long term higher wages, which is the primary factor in cost, must be reflected in increased prices, just as has been the case in the past.

Huge government expenditures lie ahead for an indefnite period. Despite tax increases, this will mean an unbalanced budget and thus government pumping more funds into the credit stream than it is taking out in the form of taxes. While in many lines retail sales will make unfavorable comparisons over the short term, the basic fact still remains that the trend toward higher disposable income of individuals in dollars (albeit in depreciated dollars) will continue. Thus, it is estimated that, based on present rate of personal taxes, disposable income of individuals will probably be at an annual rate of about $219 billion for the rest of 1951, or about 8% above the high figures for the comparable period of last year.[1] This is an important demand factor and its continuance, which is expected, is likely to more than offset the temporary effects of consumer scare-buying at various times since the Korean outbreak.

There are two other related factors. One is the increase in population, with the concomitant increase in demand, and (2) the definite trend toward a higher standard of living, which means a higher per capita level of consumer expenditures.

Expenditures by business for plant and equipment are budgeted at very high levels. According to reports filed with the SEC these important expenditures, which have a major bearing on the level and direction of our overall economy, are estimated at about $23.5 billion, well above the $18.6 billion of 1950. This class of expenditure, coupled with a still high level of building activity and high public purchasing power, spell favorable levels of demand—particularly when huge government expenditures are superimposed upon private demand.

(3) Important new sources of demand for common stocks have been developed. These are as follows:

(a) Open-end investment companies.
(b) Pension funds and profit-sharing plans.
(c) Common stocks for trust investment, with particular reference to the liberalization of the New York law last year.
(d) The current legislation in New York State permitting insurance companies to utilize a portion of their funds to buy common stocks. Some sources estimate that this means a potential additional demand of perhaps $800 million.

These factors do not point to a sharp rise, but rather are defensive or cushioning factors of an investment character which tend to militate against an important decline.

Conclusion

In light of the historical record, which shows that over the long pull common stocks have been a better investment medium than bonds (despite the greater short-term fluctuations in equities), plus the evidence that stocks on a statistical basis are not overvalued, plus the fact that the fundamental long-term economic outlook points to a further reduction in the purchasing power of the dollar, equity investment is believed to be a highly suitable medium for long-term investors. Over the long pull, stocks provide an inflation hedge not offered by bonds and, in addition, afford a much higher rate of return.

[1]Disposable income equals gross personal income of individuals less taxes. Personal income for 1951 likely will approximate $247-$250 billion, a new all-time high.

O. H. Wibbing Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Carl K. Riesmeyer is with O. H. Wibbing & Co., 408 Olive Street, members of the Midwest Stock Exchange.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Emil R. Fafeita is with Waddell & Reed, Inc., Barkley Building.

With Smith, Clanton

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Daniel S. Slawson has become affiliated with Smith, Clanton & Company, Southeastern Building.

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Progress Toward Defense Power

for those materials we need. It is a give-and-take proposition, and when you add up the industrial capacity and natural resources of we can expect fair arrangements the free world, you will find that it retains strong advantages over the slave world of communism.

At the same time, in considering the case of Western Europe, I urge you to remember how much more fortunate we have been. Western Europe suffered the direct impact of war. The cities of Britain, France, Italy, Holland and Belgium still bear the marks of aerial bombing and artillery fire, while the economies of the nations of Western Europe had only begun to recover when they found it necessary to arm once again.

By contrast—and even a six-day trip brings this home forcefully—how fortunate we are! We make it a practice to sing: "God Bless America." Out of the thanks in our heart, we should sing: "God Hath Blessed America."

When I returned to the United States, one of the first things that confronted me was the hue-and-cry over the beef price rollback. Washington was invaded by a small army of cattlemen and their allies to protest against this necessary effort to stabilize beef prices.

I could not help but compare this demonstration with the patience of the British, who are allowed a small piece of meat—less than the size of a single hamburger—per person per week.

Lucky We!

We do not know how lucky we are.

The cattlemen, of course, are not unique. The President, the Congress and the mobilization officials are being assailed every day by groups who are protesting against the very meager sacrifices that the country is being called upon to make.

Healthy Yelling

From one point of view, this is a good sign. The aim of defense mobilization is to distribute its burdens among all segments of the population, in order that they may be borne fairly and equitably. So, if all groups are yelling, it must mean that they are all being hit and this is as it should be.

There will be another chorus of yells when Congress completes its new program for higher taxes. Combined with other measures, higher taxes are one of the most effective means to fight inflation, and they should be considered in this light.

It is painful to a man to pay $5 or $50 or $100 more to the tax collector, but if he did not surrender this excess purchasing power, far larger sums might be taken out of his pocketbook by higher prices. It is excess purchasing power, competing for limited supplies of goods, that causes their prices to soar. So that actually what a man loses in higher taxes, he may more than gain back by the establishment of a fair price level.

Confusion Democratic

And, while I am speaking of gripes, I hear a good deal of talk about confusion in Washington. Of course there's confusion in Washington. How can we avoid some confusion in so big a job as we have set out to do? But I don't think we have a monopoly on confusion. In this springtime when everything grows lush, I find the weeds of confusion flourishing elsewhere as well. How can we avoid some confusion in a democracy, where every man has a right to speak his mind? Perhaps there's no confusion in Moscow, where the sickle lops off discussion and the hammer beats it down. In any event, I can assure you there is no confusion among your mobilization officers over the basic plan I have outlined to you to attain our might. And I can assure you that no confusion will cause us to deviate from that basic plan.

We Americans are badly in need of perspective. We ought to bear in mind constantly how much better off we are than other people in the world. Soviet Russia, for example, must be amazed at some of the happenings over here. They read in Moscow that some Americans are annoyed because we are going to have only 5½ million instead of 6½ million new automobiles this year. In all of Russia, there are hardly 80,000 automobiles.

They read that we are concerned because the output of radios this year will be only 14 million sets and television receivers may be cut back to six million. Even if radio and television sets were available in Russia in quantities—and they are not—the masses could not afford to buy them.

The Reds in Moscow read about our housing shortage which, according to our standards, is a real one. But whereas we aim for one good-sized room for each member of the family, Soviet planners must be satisfied with 36 square feet of living space per person—less than the size of an ordinary American bathroom.

No, gentlemen, let us not cry over the fancied grievances of groups who do not want to accept the small sacrifices asked of them. When I hear their gripes, I turn my thoughts to our men in Korea, who are bleeding and dying for American principles. Those men have just come through a cruelly cold winter, when many who escaped death from enemy fire lost their legs and arms from frostbite.

Now the weather in Korea has turned unbearably hot and our men are tortured by nauseating odors, flies, mosquitoes and the ever-present rats. The rains have begun to turn the roads and fields into sticky mud. Life in that shattered land would be a hell on earth even without the constant peril of death. And our soldiers, forced to live under these miserable conditions, have just gallantly turned back a bloody Communist offensive so that the rest of us may enjoy the comforts of life and the blessings of liberty.

The war in Korea is a daily, yes, hourly, reminder of why we have embarked on a national program for defense.

In the last war, I served with the War Production Board and my job was to see that weapons got to the men at the front. Often there were arguments as to whether this or that should be done. I used to point out that a thing was worth doing if it would shorten the war even one minute. Why, in one minute a thousand men might die.

Now I have a message that should appeal even more strongly, namely, that if we do this mobilization job as it should be done, it might prevent the greatest catastrophe in the history of the world.

What greater objective can men have than to do all in their power to prevent World War III?

Our memories are pitifully short. Do you remember that more than 300,000 Americans died in the last war? Our casualties, including wounded, prisoners and missing, totaled more than a million men.

In terms of dollars, the war cost to us alone was one-third of a trillion—trillion I said—to say nothing of the incredible quantities of metals and other natural resources that were lost forever.

In the world at large, some 22,000,000 persons, military and civilian, lost their lives, while the wounded totaled more than 34 million.

These figures are so large that they make the mind stagger. A third world war could be even more deadly, more devastatingly wasteful of natural wealth and more costly in dollars. It would be fought with atomic bombs and perhaps also with bacteria to poison whole populations, plus many other ghastly devices now being perfected.

Moreover, the United States—which has been spared direct attack in the last two wars—would not escape in the next one. We would face the destruction of our cities and the killing of civilians—men, women and children.

Such are the stakes.

Surely, when we consider the cataclysmic effects of another war, the sacrifices that are being asked of the American people seem small ones, indeed.

Next time we are tempted to complain of controls, of restraints, of higher taxes, of cutbacks in civilian goods, and of other temporary sacrifices we are called upon to make—next time we begin to feel sorry for ourselves, just consider what might happen if we do not take out this insurance policy that goes under the name of defense mobilization.

I think we ought to get down on our knees every night to thank God for the blessings he has bestowed upon this land we love.

I think we should make a high and solemn resolve to do all in our power to save humanity from the agony and horror of a third world war.

We owe this to our honored dead who fought to keep America free. We owe it to the living. It should be our legacy to generations still unborn.

Emmet Whitaker Part. In Davis, Skaggs Co.

Emmet K. Whitaker

SAN FRANCISCO, Calif.—Announcement is made of the admission of Emmet K. Whitaker to general partnership in Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange. Mr. Whitaker has been with the firm for many years in the trading department.

John O. Greub Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John O. Greub has become associated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was formerly with E. F. Hutton & Company and Davies & Mejia.

Two With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Donald F. Roberts and George E. Swope are with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

During the last few years, legal restrictions on common stock investments have been relaxed. As a result, insurance companies, trustees and savings banks in states which heretofore did not allow such investments may now invest a portion of funds in common stocks.

These changes and the rapid growth of pension funds have broadened the market for equities into fields which have not previously had the problem of investing in such securities.

Under such conditions it is likely that these investors will devote some attention to which securities institutions favor who have been investing in common stocks for a number of years.

In this connection it is interesting to see what investment trusts and fire insurance companies, two of the oldest and most important factors in common stock holdings, prefer in the way of these investments.

As of Dec. 31, 1950, a tabulation of holdings of closed-end trusts and mutual funds showed the following five stocks in order of size represented the largest investments: International Paper, Continental Oil, Amerada Petroleum, Gulf Oil and Texas Company. The stocks most widely held, that is owned by the greatest number of investment trusts, were Continental Oil, General Electric, Gulf Oil, Kennecott Copper, and General Motors.

A tabulation of a selected list of fire and casualty insurance companies shows the following five stocks to be the most widely held: Standard Oil of New Jersey, du Pont, International Business Machines, Union Carbide and Standard Oil of California.

While there is considerable uniformity in the types of securities held there is variation in the stocks which constitute the principal holdings of insurance companies and the investment trusts.

In the following tabulation, the five stocks which made up the largest individual holdings of five of the major insurance companies are shown. Securities which were held for control or other similar purposes have been eliminated. Also shown is the relative position of the security in the holdings, that is, 1, 2, 3, 4, or 5.

	Fidelity-Phenix	Great American	Hartford Fire	Home Insur.	Ins. Co. of No. Amer.
Amerada	2	–	–	–	–
Gulf Oil	–	–	3	5	3
Humble Oil	–	–	–	–	1
Standard of N. J.	4	4	2	–	4
Sun Oil	–	–	–	–	2
Texas Co.	–	1	–	–	–
Christiana Securities	–	2	–	1	–
Dow Chemical	–	–	–	2	–
du Pont	1	–	1	–	–
Union Carbide	3	3	–	4	–
American Tel. & Tel.	–	5	–	–	–
Guaranty Trust	–	–	5	–	–
IBM	5	–	–	–	–
Kennecott Copper	–	–	4	–	–
Philadelphia Electric	–	–	–	–	5
Union Pacific	–	–	–	3	–

As with the investment trusts, oil securities constitute the most favored group. Chemicals are the other favored classification. Among the five companies oils or chemicals are the largest and second largest holdings.

Inasmuch as Christiana Securities is an investment trust whose principal asset is du Pont common stock, many institutions prefer to hold this security rather than du Pont. When holdings are considered from this point of view, du Pont and Standard Oil of New Jersey are among the largest holdings of four of the five companies. Gulf Oil and Union Carbide are also very popular with three companies listing them among their large investments.

There is considerable difference among the other large holdings with none of the companies showing the same security among its first five.

Changes in the market since the end of last year have undoubtedly altered the relative size of the various common stock holdings. However, because of concentration in oil and chemicals, which have been among the leading groups in the market, these securities should still be among the largest investments.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market seems to be settling, at least temporarily, into a state of inactivity, aside from the near-term end of the list, which has been showing signs of coming to life. Pension and state funds have been nibbling at the higher yielding Treasury obligations in modest amounts. However, this type of buying has not shown any inclination yet to get very much excited about the long end of the list. The intermediate and more distant bank issues are being picked up here and there in small lots mainly by institutions that were sellers at higher prices. Offerings of these eligibles, according to reports, are limited and it is indicated there is not too much of this kind of merchandise overhanging the market.

Treasury bills and other short maturities seem to be getting most of the play in the market for the present. The partially-exempts have also been getting more than passing attention from the large deposit banks, especially those in the New York and Chicago areas. Very little of significance is likely to happen in the market, according to most money market followers, until terms of the impending financing are announced.

Heavy Liquidation in Offering

The government market, operating on a greatly curtailed basis, as far as activity and volume are concerned, looks as though it were bottoming out at current levels. However, there are so many things that are not realistic about the market as it presently exists, that very few, if any, conclusions can be drawn from these minor price fluctuations. In the first place there is a rather sizable amount of long Treasury obligations, according to reports, that will have to be liquidated sooner or later. These securities, it is indicated, will have to be disposed of in order to provide funds for commitments that have already been made by nonbank investors. Up to this time, there has been no need to push the liquidation but this situation cannot go on too long, because it is getting nearer to the deadline when the cash must be put on the barrelhead. Although losses will have to be taken when the securities are let out, it is reported that this is what is and will be done because many of these commitments cannot be postponed.

In addition to the bonds that are overhanging the market, there seems to be real absence of size buyers of the more distant Treasury obligations. This excludes Federal who is a touch-and-go buyer in not too large amounts. This is what is known as orderly market purchasing. Nonetheless, even with the Central Banks in there and a bit more aggressively in a protective way there is no great size to the bids. To be sure, this is understandable as far as the Federal is concerned, but how is the market going to have confidence restored if there isn't someone that will give it that touch which is so important from the psychological angle? While the thin and narrow market seems to be establishing a bottom area, there are very few followers of the money market that are being fooled by this development. Outside buyers have funds and small amounts are being used but they are not going to stick their necks out again in a sizable way and have prices go down on them, as has been the case in the recent past.

Those that turned in the 2½s for the nonmarketable 2¾s got an issue yielding 2.75%, whereas today it is possible to buy the 2½s of 12/15/67-72 at prices that yield only slightly less than the nonmarketable 2¾s. Also the maturity of the marketable 2½% is shorter than the nonmarket obligation. This is bringing back the old cry, "What price glory?"

Market for Longer Issues Quiescent

A thin market which will not take securities in volume and the lack of outside buyers make for a stalemate which is now being witnessed in the longer Treasury market. Whether this is going to accomplish what the authorities set out to do will be answered only with the passing of time. It will, beyond any doubt, result in losses to owners of these obligations who have to sell them and in that way it should slow up the use of Reserve Bank credit. But on the other hand, a large number of projects must be financed for the war effort, and this means some credit will have to be created. Is this going to be done almost entirely by the holders of Treasury obligations that have to sell them and take losses of three points or more?

The exchange of the 2½s into the 2¾s and then the conversion of the latter into 5-year 1½% notes is the only way holders of the nonmarketable issue can get back into marketable obligations. This exchange took plenty of pressure away from Federal from the market protection angle, because it was not expected that conversion into the 1½% notes would take place until some time in the distant future. Although the amount of the conversion of the 2¾s into the five-year notes is still very small, according to reports, these shorter-term obligations have been appearing in limited amounts in the market from time to time.

Despite not too plentiful money, demand for the near-term obligations is still substantial because of the general market uncertainty and the very great desire for liquidity. Purchases of short-term securities are rather widespread with corporations and banks the leading buyers.

The mid-year refunding is becoming more of a market factor each day, with the feeling in some quarters that a large-scale operation is in the making. Combining of the June, July and August maturities is considered quite possible by some money market followers.

The new tax notes, according to advices, are being taken by corporations, but not in too large amounts yet. More settled conditions in the money market would not be an unfavorable development as far as the sale of the tax notes is concerned.

Continued from page 4

The Current Money Market And Bank Portfolios

by the Government itself. Present controls, also, will tend to cause a reduced demand for capital and credit in some instances.

The Federal Reserve-Treasury Controversy

Let us consider for a moment the recent controversy between the Treasury and the Federal Reserve authorities. Secretary of the Treasury Snyder, in his address before the New York Board of Trade on January 18th stated: "The Treasury is convinced that there is no tangible evidence that a policy of credit rationing by means of small increases in the interest rates on Government borrowed funds has had a real or genuine effect in cutting down the volume of private borrowing and in retarding inflationary pressures. The delusion that fractional changes in interest rates can be effective in fighting inflation must be dispelled from our minds." In another portion of his speech the Secretary said: "Any increase in the 2½% rate would I am firmly convinced, seriously upset the existing markets, Government, Municipal and Corporate. We cannot allow this to happen in a time of impending crisis with the heavy mobilization program to finance. We cannot afford the questionable luxury of tinkering with a market as delicately balanced as the Government securities market. Now is no time for experimentation."

It is quite evident from what has transpired since these remarks were made that the Secretary was correct in his statement that markets would be seriously upset. However, the real core of the argument has been proved to be less a matter of interest rates and more a matter pertaining to the accessibility of reserve credit to holders of U. S. Government obligations. So long as the Federal Reserve Banks are forced to buy government securities at fixed prices, it is the holders of the government securities who have the initiative in creating reserve balances rather than the Federal Reserve Banks themselves.

We will not quarrel with the contention that banks do not create the demand for loans, the demand coming from the various borrowing sources indicated previously, but there is no question but that sales of government securities to the Federal Reserve banks do create reserve balances and thus do create the base upon which multiple expansion of credit can take place. Neither will one quarrel with the need by the institutional investor for funds where commitments have been made to purchase mortgages, corporate obligations or to effect private placements. One can raise the question, however, as to whether or not it was wise to consider longer-dated Treasury obligations as equivalent to cash and that a market at par or better for these securities always would be available at the Federal Reserve banks. Certain it is that the commitments could not have been made if no market had been available for the government securities, and, obviously, the reserve balances created by their sale would not then have developed.

While the Treasury's desire to finance at the lowest possible interest rate is understandable, the desire of the Federal Reserve Board to prevent or at least to retard inflation is even more understandable. It is to be noted that loans are sharply above a year ago and that the increase has been especially sharp since the beginning of the Korean hostilities. Quite obviously something had to be done to check the forces of inflation as expressed in the expansion of bank credit, and there evolved the exchange offer by the Treasury of the 24-29 year non-marketable 2¾% obligation in exchange for the 2½% obligations of June and December 1967-72. It would appear from the announcement forthcoming at the time of this offer that the Treasury had agreed with the Federal Reserve Board as to the need for better inflation control and that there was not as wide a difference of viewpoint as perhaps originally had been thought to exist. Thus it appears that the monetary authorities are now joined together in a common effort to retard inflation and that while the Treasury has agreed to a new debt management policy, this policy does not mean a complete withdrawal of support from the market by the monetary authorities. The new debt management policy seems designed to restore the initiative in the matter of creating reserve balances to the Federal Reserve banks and as such it is a big step in the right direction. It is, of course, undesirable to create additional reserve balances when the supply of civilian goods is decreasing, when liquid assets are large, when the demand for credit is great and when existing Federal Reserve powers are all but exhausted. While support undoubtedly will remain in the market, prices will fluctuate more widely and the Federal Open Market Committee can be more flexible in its operations. It means that those who wish to acquire Federal Reserve credit will find it more costly and more risky to do so. Undoubtedly it will mean a greater desire on the part of all financial institutions for more liquidity in short-dated obligations.

The President's Committee

Since the recent 2½%-2¾% conversion was 70% successful with $13,575,638,000 of marketable obligations transferred to the non-marketable category, the problem of supporting the government market has been alleviated. Institutional selling has continued, but obviously in diminished proportions. If the conversion had not been successful, more drastic credit restrictions might well have been forthcoming sooner than otherwise may be the case. It seems reasonable to think that this money market operation was a part of a program being considered by the President's Special Credit Committee, announced on Feb. 26. This committee was charged with the task of presenting recommendations for a better control of the inflationary pressures. As you will recall, the committee is composed of the Director of Defense Mobilization, the Chairman of the Council of Economic Advisers, the Secretary of the Treasury and the Chairman of the Federal Reserve Board.

May I remind you of the statement that was made at the time of the formation of this committee: "On the one hand, we must obtain stability in the government securities market and confidence in the public credit of the United States. . . . On the other hand, we must curb the expansion of private loans not only by the banking system, but also by financial institutions of all types which would add to the inflationary pressures."

The Position of the Treasury

Another factor of importance bearing upon the money market is the position of the Treasury. Originally it had been indicated that there would be a deficit for the 1950-51 fiscal year but now a substantial surplus is indicated. Under such circumstances there will be no immediate need for new cash borrowing, and conversely the Treasury might use some of the surplus to retire some of the called or maturing obligations. However, if this were to be done greater cash borrowing would be necessary in the new fiscal year as defense spending increases. The budgetary position for the 1951-52 fiscal year will depend upon economies and taxation as offsets to the huge spending program. A deficit of some $16,500,000,000 had been estimated earlier and a request for $10,000,000,000 in new taxes has been submitted. It appears now that the tax take will be considerably larger than had been estimated earlier, and the amount of new taxes required obviously will be considerably less also.

It seems reasonable to believe that a considerable reduction in non-defense expenditures could be effected but despite inflationary pressures and the credit restraints that are being effected, there appears to be little political desire or courage to reduce these non-defense expenditures.

Because the Treasury receives the greatest portion of the tax receipts in the second half of the fiscal year, it is quite possible that some cash financing may be necessary between July 1 and Jan. 1. It would, of course, be extremely helpful if the Federal budget could be balanced. In such an event there either would be no new money requirements or such temporary requirements as might be necessary would be relatively small. With a balanced budget it would be possible for the Treasury to refund bank-held debt with obligations suitable to institutional investors, thus reducing bank deposits and, in turn, purchasing power. An unbalanced budget, of course, is inflationary and with an unbalanced budget a 2½% long-term rate or a long-term rate approaching 2½% is possible only with Federal Reserve support, which is highly inflationary.

The Refunding Problem

A real serious problem, of course, concerns the Treasury presently. Some $30,917,000,000 of short-term issues must be refunded beginning with $1,627,000,000 of 2¾s called for payment on June 15, and on July 1 $8,445,000,000 of 1¼% notes mature. An additional $18,462,000,000 of notes mature by Nov. 1 and approximately $13,600,000,000 of Treasury bills must be refunded also. The Treasury has decided not to call the $7,986,000,000 of 2s of 1951-53 on Sept. 15, and the $510,000,000 of 2s of 1951-55 may not be called on Dec. 15. However, the partially tax exempt 3s of 1951-55 and probably the 2¼s of December, 1951-53 will be redeemed on their respective option dates, these two issues amounting to $1,873,000,000. In order to effect a successful refunding operation, the monetary authorities must permit the market to regain its composure by June 15, and undoubtedly market psychology would have been considerably improved had the Treasury announced the call of the September 2's at this time. However, the holders should be quite pleased since now they are in possession of a 2% obligation with a maximum maturity of two years and four months. It is possible, of course, that the obligation may be outstanding but 10 months.

Possible Future Demand

Since many institutional investors such as life insurance companies and savings banks have large commitments to meet, substantial long term investment funds are not now available. Furthermore, both the commercial banks and the industrial investors probably will continue their liquidity preference and will not be interested in anything other than very short-dated issues. It is conceivable that the Treasury could offer cash, short-dated issues or perhaps an option to exchange into non-marketable 2¾% obligations in exchange for the June and July maturities. However, it is to be doubted that many of the holders of these very liquid maturing securities would be interested in the restricted issue and it seems more likely that certificates maturing within one year or less, or slightly longer notes may be offered in this forthcoming refunding. Such reasonable attrition as many develop could readily be handled by the Treasury's current large cash balance. If this near term refunding is eminently successful, then the refunding problems in the following months well may be handled readily.

Present and Possible Credit Controls

Another important factor to consider in the outlook for the market is the nature of the additional credit control that may prove necessary. If bank loans should rise sharply and if construction requirements call for the use of large sums in the capital market, additional controls will be necessary if further inflation is to be restrained. To be sure a number of important restrictions already are effective. Reserve requirements are at the limit except in New York and Chicago. Taxes have been raised and undoubtedly will go higher. Through Regulations W and X consumer credit and housing restriction have been put into effect. Restrictions have been imposed on the construction of non-essential buildings, also. Moderate price and wage controls have been imposed although these do not appear very effective as yet. Margin requirements have been advanced and Regulations U and T have been in effect for a long time. The President, of course, could invoke the powers provided in the Emergency Banking Act of March 9, 1933. The Emergency Banking Act is all embracing and if it were to be employed it could have far reaching consequences and, in essence, serve to provide a stranglehold upon the whole banking system. Similar control also might be effected over the institutional investors. This would be provided by the formation of a Capital Issues Committee which might be administered by an agency such as the Securities and Exchange Commission.

From time to time suggestions have been made with respect to a special certificate reserve which might be super-imposed upon present cash reserves. More recently a proposal has been advanced to effect a reserve against loans. This qualitative control is a rather interesting device and is being studied most carefully by the monetary authorities at the present time. There is little question but that the current inflation could be stopped promptly by the effective use of quantitative controls. However, such controls, if used widely, would have an adverse effect upon the armament program as well as upon the production of civilian goods. The employment of such controls obviously could have a further inflationary effect, however, if the armament program were continued while civilian goods were made more scarce. It seems more likely that additional qualitative credit controls would be effected in the present emergency since such controls would not unduly affect the Government securities market nor would the flow of credit and of capital into desired channels be restricted. Such controls would affect the flow of credit where the expansion of credit could do the most harm.

If the voluntary credit restraint program should prove effective and if the recent refunding serves to drastically reduce monetization of the debt, severe additional credit controls may be avoided. However, if credit expansion continues unchecked, further controls are inevitable, but because of the position of the Treasury, the $255,000,000,000 debt, the refunding program and the demand character of the Savings Bond debt, such additional controls are more likely to be of a qualitative rather than a quantitative character.

Investment Policy

In the light of the foregoing conditions, what should be the present investment policy of the commercial banks?

It is clear that many uncertainties confront us. The defense spending program has not yet reached its peak and the inflationary forces are still strong. It seems reasonable to expect that the need for credit will continue large and that further credit restraints well may be imposed. It seems necessary, therefore, that liquidity needs be stressed strongly under existing circumstances, and since earnings from loans are fairly satisfactory, the need for earnings from investments is less pressing. The investment policy, therefore, should be based to a very large extent upon the requirements for safety and liquidity, with earnings a secondary consideration. The liquidity position obviously should include enough cash and very short term Governments to provide for any demands for funds that one may possibly anticipate, such as additional loan expansion, increased reserve requirements and unusual deposit withdrawals. Naturally it would be very undesirable as well as costly to be forced to sell intermediate or longer dated issues in a depressed market. It seems essential, therefore, that a well rounded maturity distribution in U. S. Treasury Bills, Notes, and Short Bonds be maintained. Even these very short dated issues in recent months have fluctuated rather widely, and it seems prudent to have some obligations maturing frequently under existing circumstances.

Since the yields on the various securities either due or callable in the next 5½ years, of course exclusive of the partially tax exempt issues, vary but little, no great advantage is to be gained in extending maturities at this time. The yield on the March 2½s indicates that redemption of this issue is expected on the option date, and it suggests the possibility that a 10 months 1¾% certificate might sell at a slight premium. While the yield on the 2s of 1951-53 has suggested for some time the doubt as to the redemption of this issue on September 15th, nevertheless there are many who would be quite satisfied to hold a 2% U. S. Treasury obligation maturing within 2 years.

There is some attraction to the notes definitely maturing in 1954 and 1955 especially to banks in the excess profits tax bracket. These obligations sell at a discount and only the coupon rate can be taken into operating earnings. The indicated yield reflects, in part, the capital gain which is assured in 1954 and 1955, but it assumes that the capital gains tax will be 25% in those years. However, purchase of these obligations, on a scale down, as well as the 2½s of 1956-58 and the 2¼s of 1956-59 assures the holder of a fairly attractive rate for the indicated periods at the current depressed levels.

The 2s of 1952-54 and the 2¼s of 1952-55 also provide some interesting possibilities. If these obligations are called on their option dates, the yields to those call dates are fairly attractive and if they are not called, then the holder has a possible 2 year 2% obligation or a 3 year 2¼% issue at par. It is noted that there are $17,012,000,000 of the 1952 option date issues outstanding. No issues are due in 1953 but $725,000,000 are callable at that time; similarly, but $4,672,000,000 of 1⅜s mature in 1954 and $681,000,000 partially tax-exempt 2¼s are redeemable in that year. Obviously the 1951 and 1952 option date issues could be permitted to remain outstanding until 1953 or 1954, but such a move would merely serve to postpone the need for refunding these issues. It well could be that the Treasury might prefer to keep 1953 and 1954 more open for cash financing or for the refunding of note issues maturing this year.

If the 1952 issues are called, the holder could accept the exchange offering at that time, if that seemed desirable, or he could do his own refunding. Beginning with May 5, 1952 and extending through December 1st of that year $13,703,000,000 of issues currently non-eligible for purchase by commercial banks will be transferred to the eligible category. Obviously these currently restricted issues appear more attractive than the bank 2½s of September 1972-67 and, therefore, well may prove to be very desirable obligations for the commercial banks should the 2s of 1952-54 be called in 1952. To be sure some of these restricted issues may be transferred into the non-marketable category by exchange at some later date and probably the yields may not be as attractive a year from now. However, they do offer interesting possibilities and should be considered before one purchases too heavily in the issues due or callable from 1954 to 1956 or later.

These several 2% issues of 1951-53 and 1952-54, also are interesting from the angle of further credit restraints. It is, of course, not known whether or not we will have to provide for reserves against risk assets or reserves against long term Government securities, or provide for an additional short term Government securities reserve. If it should be necessary to set up such reserves and if only securities due within one year were to be acceptable, the 2s of 1951-53 would be eligible a year from September and, of course, the 2s of 1952-54 would become eligible one year from June and December 1952, if not called for redemption earlier. In a great many instances, especially in those banks where real estate and consumer credit loans have expanded sharply, short term Government holdings still remaining consist largely of the 2s of 1951-53 and the 2s of 1952-54. Such institutions might well retain these securities but in view of the many uncertainties it would be wise for them to build up their holdings of Treasury Bills and short Treasury Notes.

Some banks with taxable income over $25,000 may find it advantageous to hold some high-grade State and Municipal securities. These issues now provide fairly attractive yields. The proper size of such holdings naturally depends to a very large extent upon one's tax position, liquidity requirements, and the availability of high-grade fully tax exempt issues on attractive yield bases, compared with partially tax exempt issues of similar maturities after taxes. However, such holdings should be confined to moderate amounts of high-grade obligations only, and largely to maturities under 10 years. It should be recognized that if a qualitative reserve should be set up against risk assets, fully tax exempt securities would be classed in the risk category. On the other hand, partially tax exempt Governments would not be so classed and, in addition, they have some attraction because of the growing scarcity of these issues.

Yields on corporate obligations, of course, have advanced commensurately with the higher yields provided on government securities. However, the long maturities on most of these obligations and their risk asset character makes these issues less desirable as portfolio investments than the Treasury obligations. They assuredly do not enjoy the marketability of the Treasury securities and in many instances are similar in basic character to the loan portfolio. Recent events have demonstrated clearly that it is wise to keep the investment portfolio highly liquid so as not to be unduly embarrassed by wide fluctuations in market prices of securities. However, some corporates of short term, such as equipment trust obligations, can be regarded as suitable portfolio investments where the tax factor is not too important.

Conclusion

Although the market has had a severe shock as the result of the new open-market policy, a completely free market does not appear likely, nor can we expect prices to recede sharply below current levels. The market must be stabilized for the refunding problems ahead because the forthcoming operations must be successful. Little good would be accomplished if the Federal Reserve Banks again had to absorb a sizable amount of maturing issues. It would appear, therefore, that the current adjustment may well have run its course although we must expect prices to continue to fluctuate widely. While interest rates for the period of the defense program may not go much higher than the recent levels, a rise in bond prices must await the restoration of buying power.

Many small and medium sized banks have doubtless reached their desired peak in loans and may even lose some loans. Such institutions will seek investments in due course and perhaps will wish to restore their portfolios to well rounded maturity distribution positions. Later this year, or perhaps early next year, when excess inventory loans have been liquidated and when the large commitments of life insurance companies and savings banks have been met, a broader desire for investments well may return. Such an eventuality, of course, would mean somewhat higher prices and slightly lower yields. For the present, however, one must realize that despite the desire for additional income from investments, the investment portfolio is the bank's first line of defense. With the recent sharp increase in loans, with continued high demand for credit and with the possibility of further severe credit restrictions, liquidity must continue to be the primary consideration in investment portfolio management.

Wall St. Bowling League Elects

At its annual meeting last Friday, the Wall Street Bowling League elected Thomas J. Lytle of Shields & Co. as President, John Hugelheim of Eastman, Dillon & Co., as 1st Vice-President, Paul Lanza of Hirsch & Co. as 2nd Vice-President, Thomas McNamara of Thomson & McKinnon as 3rd Vice-President, and Lawrence O'Brien of Gude, Winmill & Co. as Secretary and Treasurer.

Except for interruptions caused by periods of war and business depression, this League which was organized in 1901 has conducted continuous annual tournaments sanctioned by the American Bowling Congress.

Its current champions—the team representing Bache & Co., and its individual champion, James Duffy, representing Merrill, Lynch, Pierce, Fenner & Beane — were feted at the Annual Dinner Dance of the League, held at the Park Sheraton Hotel last Saturday.

Plans are now under way for the commencement of its 39th Annual Tournament next Sept.

Now It's the "Family Farm"!

"Events of 1950 emphasized the nation's growing realization of agriculture's vital role in present-day international affairs, and the potential strength and usefulness of America's traditional family farm pattern as a convincing example of successful democracy on the land in answer to communism's false lures in the guise of agrarian reform among the world's rural under-privileged.

* * *

"What we are after is a complete reappraisal of how well we are protecting and preserving the traditional American system of family farming that has contributed so much to our democracy, and what more can be done, either within existing legislation or through new legislation, to improve opportunities for family farming and farm family living to make a full contribution to the defense effort.

Charles F. Brannan

"Our Family Farm Policy Review is a practical, realistic undertaking geared directly and definitely to both our immediate and future mobilization efforts. We are going to get right down to brass tacks to see just where American agriculture can do a better job—at a time when we very urgently need the most efficient use of all our resources. And we are going to see where we in the Department of Agriculture can help farmers do that better job."
—Charles F. Brannan, Secretary of the Department of Agriculture.

How beguiling largesse can be made to appear!

Public Utility Securities

By OWEN ELY

Brooklyn Union Gas Company

Brooklyn Union Gas Company, with annual revenues of $42 million, is one of the most important gas utilities in the country, supplying about 850,000 customers in most of Brooklyn and a large part of Queens County, New York City. The service area has a population of about three million. 1950 revenues were about 73% residential, 19% commercial and 8% industrial. Thus far space-heating sales have been of minor importance, but with the advent of full natural gas in another year or so, will increase rapidly.

The company began obtaining some natural gas early this year, and unless defense activities interfere, they hope in 1952-'53 to go on a predominantly natural gas basis. Consumers' facilities will have to be converted to the use of high BTU gas, and a Stone & Webster subsidiary is doing current field work. Preliminary estimates indicate that such conversion will cost about $18 million. The cost will be financed initially by bank loans and then amortized over a seven-year period (if permitted by regulatory bodies). The bank loans would be refunded into term loans, which will be paid off from amortization cash as available.

The company's earnings during the decade 1937-1946 averaged about $2.25 a share, the poorest report in that period being $1.75 in 1942. In 1947, however, a deficit of 29c a share was reported due to the sudden rise in fuel costs without any offsetting increases in rates. In the following year $1.21 was earned, and dividend payments, which had been rather small and irregular during the previous decade, were omitted completely. However, the company was then successful in gaining substantial rate increases and at the same time fuel costs became more reasonable, so that in 1949, $4.32 was earned and in 1950, $3.60. Dividends of $1.30 were paid in 1949 and $2.25 in 1950. Earnings in the seasonally-important first quarter of 1951 were $2.05 vs. $1.62 last year. The dividend rate was raised to 60c or at a rate of $2.40 per annum.

The company is, of course, benefiting currently by the reduced cost of manufacturing gas since it can substitute natural gas for oil to enrich its product, and based on the recent cost of fuel oil, savings (before taxes) are estimated at about $3.7 million. This gain will help offset the adverse effects of a 6% wage increase at the end of 1950 (costing about $860,000 a year), the funded pension plan toward which the company is contributing about $1.3 million, and the higher Federal taxes.

The company's rate case with the Commission was closed in 1950 and the management feels that no adjustment in rates is needed at this time. (When the complete conversion of natural gas is effected some downward readjustments may be necessary, however, particularly in house-heating and other competitive sales.) Despite the increase in earnings the return on the estimated rate base in 1950 was still under 5% and in 1951 may be just over 5%, according to management estimates.

The defense program may delay the company's program since new pipelines from the south must be laid and this might be delayed until the fall of 1953 or later. By having two gateways for its gas supply, one coming under the "Narrows" in the harbor and the other under the Hudson River at 134th Street, the company will make a considerable saving in the construction of mains, and will improve the safety factor. The supply of gas may also be increased by construction of special storage facilities by the pipe line companies in New Jersey, if this proves feasible. If and when the full supply of natural gas is obtained, all restrictions on house heating can be removed, but it will be necessary to wage a continuous fight against the rest of the country to insure obtaining the desired additional gas for the New York territory.

There have been rumors that the company was interested in acquiring the gas properties of Long Island Lighting. They have been studying this question but there have been no negotiations between the two companies thus far.

The company has a very aggressive sales organization to push gas appliances, and an excellent service department. They maintain cooking schools and contribute heavily toward research. A new dryer is being sold, and an improved gas range will be on the market by the end of the year. Tex and Jinx on TV sponsor the company's products.

Brooklyn Union has no heavy industrial business, but when fully converted to natural gas, expects to increase the industrial load. There will, it is expected, be a good demand for interruptible gas supply. They will also then be prepared to compete with coal and oil for water heating in apartment houses and other applications.

With natural gas the company will be able to stabilize production costs and reduce the number of employees. The doubling of BTU content will in effect double the capacity of the distribution system and hence will save an estimated $40 million in construction costs, taking care of not merely the natural expansion of the business, but also of a substantial amount of house-heating and other new sales. Officials have made a careful study of the experience of other gas retailers in the heating field and hope to benefit by this study. They will avoid too low rates and an overly-rapid increase in demand. An effort will be made to build up the summer off-peak load.

Brooklyn Union Gas has a clean balance sheet with no intangibles in the plant account. The capitalization is $49 million debt, $7 million convertible 5% preferred stock, and $42 million common stock equity. The management apparently would like to effect the conversion of the preferred but as there is currently a price differential of about five points, it might be necessary to raise the present $2.40 dividend rate in order to make conversion attractive. However, any such move would probably be dependent on continued favorable earnings in 1951.

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It Is Time to Reconsider The Gold Standard

years to assure the country of an adequate money supply $120 billion or 75% increase) to avert a decline in prices and chronic unemployment. Such a departure from orthodoxy deserves careful scrutiny.

(8) **Self-liquidating commercial loans.** The "real bills" or commercial loan doctrine was discredited as "basically fallacious" because such business paper becomes nonliquid in times of commercial crisis. Some conclude from this that government paper is always liquid. In times of crisis any good asset may become nonliquid.

(9) **"We owe it to ourselves."** A new philosophy of public debt was popularized by Alvin H. Hansen and other Keynesian followers. It was characterized by the slogan, "We owe it to ourselves," and was interpreted by many to mean that public debts are not a burden and hence have no limit. One extremist, Seymour E. Harris, mentioned $4 trillion as a practical limit to our Federal debt.

(10) **A balanced Federal budget.** The traditional acceptance of a balanced budget was no longer considered a deterrent to deficit financing and debt monetization. At first the annual budget was discredited; a double budget was proposed. Later an unbalanced budget running over several business cycles was justified. Economists are also familiar with the "Kondratieff" cycle which lasts some 50 or 60 years, and I am waiting for some extremist to advocate a 50-year balanced budget.

(11) **Public debt monetization.** Channeling the public debt into the banking system was the method par excellence by which new purchasing power could be made available to raise prices during the depression. Debt monetization, deliberately adopted and on easy terms, became a natural procedure when war-financing became necessary. Federal Reserve support of the government security market at a low rate schedule took away usual market restraints upon public borrowing. M. S. Eccles' proposal that the Federal Reserve banks be permitted to make direct purchases of government securities would have short-cut the market completely. This proposal was opposed by ENCMP and blocked by Senator Taft, except for a maximum limit of $5 billion.

(12) **Nationalization of central banks and commercial banks as well.** This is the next step, adopted in many countries, to free the government from market restraints. Indeed, most countries have succumbed to the pressure of abandoning these last bulwarks against credit inflation.

(13) **Spend "what we need."** This test of public expenditures—"what we need" rather than "what we can afford"—is consistent with the distinction made between public and private finance, namely, the former appropriates, then collects, but "need" became liberally interpreted. The illusion grew from this that we can spend ourselves into prosperity.

(14) **Interest rates not a cost.** A changed attitude toward interest rates occurred in the late '20s or early '30s. When interest rates were high, it was alleged that profits were also high and that the cost of credit is a minor or insignificant matter in businessmen's decisions; hence tight money is no curb to borrowing. After the stock market crash in 1929, interest rates eased, but low rates did not prove to be an inducement to borrow. It was like "pushing on a string." Therefore, it was asserted, discount rate controls are impotent.

(15) **The "tradition against borrowing" discredited.** This is a cognate conception, referring to the reluctance which commercial banks always have had and always should have in borrowing except when in need. Banks are lending agencies and not borrowers. Deposits should be sharply distinguished from borrowings; yet a recent author has called this tradition "of doubtful validity"—a view which is not inconsistent with his apparent approval of Federal Reserve banks raising capital funds by floating bonds.

(16) **"If business won't, the government will."** This slogan signified the reluctance of business to borrow and spend during the depression and was used to justify government deficit spending (also for setting up government corporations to compete with business). The problem was to get money in circulation—to have it used or spent. From this conception originated the doctrine of functional finance": Tax heavily and reduce expenditures in good times; lower taxes and spend heavily through deficit financing in bad times, the government doing the functioning throughout.

(17) **From monetary to fiscal controls; from price stabilization to employment.** The skepticism towards monetary controls shifted to an unwarranted faith in fiscal controls and from price stabilization as a goal to "full employment at whatever cost."

(18) **Interest not an inducement to save.** To superficial Keynesian theorists, savings and its counterpart, consumption expenditures, became a function of income and no longer had a relation to interest rates. To increase savings, therefore, meant increasing incomes, not raising interest rates as an inducement to save.

(19) **Effective demand.** Income must be spent to become effective. Since people are imbued with the spendthrift philosophy of the '30s, preaching thrift becomes ineffective today.

(20) **Easy money.** Easy money during times of depression became "easy money at any time" and at all times. The orthodox principles of tightening credit terms in order to curb inflation become inapplicable when low interest rates have been fixed by administrative fiat. There is no way to reverse the policy when changes in interest rates become a matter for political determination.

(21) **Public revenues.** The concept of public borrowing as a method of financing expenditures was expanded to include the concept of "productive taxation," the argument being that we merely pay ourselves for the benefits and social services (welfare) we get. Therefore, it was asserted that taxes are not a social burden; hence there is no upper limit to taxes. Usually a powerful lever for curbing expenditures, taxation has become an engine of social reform—of redistributing wealth by taxing the few and subsidizing the many, so that the individual burden need not be felt by the mass of voters.

(22) **Tax structure.** "Equity in taxation" has come to justify high progression — heavy taxation of the few for the benefit of the many. The "consumption function" is low for the rich, their "savings function" high; therefore taxes are no sacrifice to them. "Excess profits" taxes are particularly popular because corporations have no votes.

(23) **Planners.** We have a complacent trust in government administration or management by planning experts—or more charitably, so-called "competent and responsible men"—this despite our experiences in gold buying, devaluation, subsidizing the silver bloc, deficit financing, debt monetization, NRA, WPB, OPA, etc., the "fixed interest rate pattern," a record of bad forecasting, and the current conflict and disagreements between government agencies and departments.

(24) **Old policies survive.** Government policies devised in earlier years to combat deflation and unemployment persist to the present day when conditions are completely changed.

(25) **Broken promises.** Perhaps we should add another item to this list, i. e., the abrogation of the gold clause, because it typified conduct in the '30s which helped create an "atmosphere of broken promises." In such an atmosphere, inflation pressures flourish and controls are difficult to enforce. Not only do people want to avoid a "production-stifling tangle of government red tape"; they feel justified in connivance. Not only do they feel that "somebody unknown is swindling them" as their dollar shrinks; they feel justified in playing the game against the government. Note, for example, Beardsley Ruml's recent admonition to a group of businessmen: "It's poor business to pay excess profits taxes."

John Maynard Keynes, who had a genius for making generalizations, stated in his book on *Monetary Reform* (1923) that the progressive deterioration in the value of money is not an accident but is caused by two great driving forces. We should add to the conjuncture of circumstances which have given rise to the curious mixture of inflationary precepts enumerated these two great driving forces which Keynes mentions; namely, the impecuniosity of government and the superior political influence of the debtor class.

The ENCMP has been unable to stem the inflationary tide which was nurtured by doctrines of questionable validity and the driving economic forces alluded to by Keynes. The Committee has devoted itself chiefly to combating the more obvious mistakes and fallacies, such as going off gold, dollar depreciation, silver buying policy, greenbackism, etc. Some extreme proposals have been warded off, in other cases extremes were moderated, but for the most part our influence has been inadequate to prevent serious tampering with the system; so that today we face the dilemma or attempting to control inflation on the basis of an insecure, politically managed dollar.

Controls Postulated on Political Feasibility

Present controls—both indirect and direct—are postulated on voluntary cooperation or self-restraint and upon their political feasibility. These are frail reeds to support such a program in peacetime or even during a period of partial war. We cannot match the ability of the Soviet Russians to impose controls. Monetary credit and fiscal controls will not work well and may not work at all unless we have confidence in the dollar. Stable money is not possible without sound money. Sound money is money which is convertible into gold at fixed rates, into foreign currencies at fixed rates, and into commodities and services at reasonably stable rates. What we need is some objective market force independent of political favor or red tape. One such force which we deliberately abandoned should be re-established; namely, the rules of the gold standard. You cannot fool nor can you argue with the gold standard rules. They are simple and easily understood. We should seriously consider returning to the gold standard base before the depreciation of the dollar runs its course, that is, before it leads to complete collapse—then start over again. It would be better to stop depreciation now by resuming specie payments—by following the precedent set by John Sherman in 1875-79. Our dollar would be safer if managed within the limits which a redeemable currency would impose upon it. The responsibility and power are too great to be left in the hands of management unchecked by market forces. We have a prescription which has worked in the past and which can be made to work again. It is time to reexamine the virtues of a gold standard monetary system.

NY Curb Display At Business Fair

The New York Curb Exchange, with an operating stock ticker and a display of 75 annual reports of its long time dividend paying companies, is participating in the first annual business fair now being held at the University of North Carolina. The fair, which is jointly sponsored by the University of North Carolina School of Business Administration and the Alpha Tau Chapter of the Alpha Kappa Psi professional fraternity, opened today for a three-day period on the school campus at Chapel Hill, North Carolina.

Participating in the fair are local, state and nationwide business and financial organizations including leading brokerage firms. A display, provided for the fair by the New York Curb Exchange, will include the annual reports of 75 companies whose common stocks are dealt in on that exchange and which have been paying annual common stock dividends for from 25 to 102 years. A greeting and best wishes for the success of the fair appeared this morning over the Curb ticker system, which will carry stock and bond quotations direct to the fair for its duration.

Mr. John J. Sheehan, director of Public Relations of the New York Curb Exchange, is attending the fair as an observer and will explain the workings of the exchange.

C. G. McDonald Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — George E. Renouf has been added to the staff of C. G. McDonald & Company, Penobscot Building, members of the Detroit Stock Exchange.

With Sherman Gleason

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ruth O. Huestis is now associated with Sherman Gleason & Co., Inc., 31 Milk Street. She was formerly with Trust Funds, Inc. and J. H. Goddard & Co.

Joins Keenan & Clarey

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.— Edw. M. Leary has become associated with Keenan & Clarey, Inc., National Building.

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Joseph C. Wise, Jr. is with B. C. Christopher & Co., Board of Trade Building, members of the Midwest Stock Exchange.

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The State of Trade and Industry

expected in the face of steel requests totaling about 135% of expected production.

In spite of heavy squeezing of requests, it now appears certain that the portion of steel output scheduled under CMP will be larger than government officials had expected. If anything, "The Iron Age" prediction of several weeks ago that only 25% of the steel market would be "free" by the fourth quarter is conservative. Non-essential users may be fighting their procurement battles in an even smaller free market sooner than that.

Actually, states this trade authority, the steel market is approaching the 75%-control, 25%-free ratio now. For example, here is the picture today with one large steel company: Set-asides for defense and essential programs equal 57% of total output. Requirements for its own maintenance, repair and operations, and construction of new steelmaking facilities equal 10%. That leaves only 33% of output for non-essential customers.

The new DO set-asides for July have forced some companies to virtually eliminate July tonnage for unclassified consumers. Mill space thus made available will be used to take care of added DO requirements of customers, some of whose DO orders were extended into 1952.

The rapid spread of controls over steel distribution is causing some steel executives to change their thinking on open-end CMP. Previously most had favored the open-end system which is to begin July 1. But, now that it is becoming apparent little "free" tonnage will be available, many of them now favor a closed CMP. Since free market tonnage will be so small, they feel tickets might as well be issued for that too.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 103.6% of capacity for the week beginning May 21, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 103.9% a week ago, or a decrease of 0.3 of a point.

This week's operating rate is equivalent to 2,071,000 tons of steel ingots and castings for the entire industry, compared to 2,077,000 a week ago. A month ago the rate was 103.3% and production yielded 2,065,000 tons. A year ago it stood at 101.8% of the old capacity and amounted to 1,940,600.

Electric Output Trends Lower the Past Week

The amount of electrical energy distributed by the electric light and power industry for the week ended May 19, 1951, was estimated at 6,559,218,000 kwh., according to the Edison Electric Institute.

The current total was 7,595,000 kwh. below that of the previous week, 714,657,000 kwh., or 12.2% above the total output for the week ended May 20, 1950, and 1,303,946,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Rise Modestly in Latest Week

Loadings of revenue freight for the week ended May 12, 1951, totaled 808,127 cars, according to the Association of American Railroads, representing an increase of 4,790 cars, or 0.6% above the preceding week.

The week's total represented an increase of 96,338 cars, or 13.5% above the corresponding week in 1950, when loadings were reduced by railroad labor difficulties, and an increase of 36,389 cars, or 4.7% above the comparable period of 1949.

Auto Output Continues Mild Rise of Previous Week But Holds Under Year Ago

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 160,726 units, compared with the previous week's total of 158,243 (revised) units and 175,314 units a year ago.

For the United States alone, total output was 150,836 units against last week's revised total of 148,400 units, and in the like week of last year 167,035. Canadian output in the week totaled 9,890 units compared with 9,843 units a week ago and 8,279 units in the comparable 1950 week.

Total output for the current week was made up of 118,419 cars and 32,417 trucks built in the United States and a total of 7,070 cars and 2,820 trucks built in Canada.

Business Failures Slacken in Retail Trade

Commercial and industrial failures dipped to 171 in the week ended May 17 from 181 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were slightly lower than in 1950 and 1949 when 199 and 172 occurred; they were down sharply, 41%, from the prewar total of 289 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more were virtually unchanged, at 135, but were noticeably less than a year ago when 152 were recorded. Small casualties, those with liabilities under $5,000, declined in both the preceding week and the corresponding week last year.

All of the week's decrease was concentrated in retail trade, while other industry and trade groups sustained small increases in mortality. More businesses succumbed than a year ago in construction and service, but moderate declines from the 1950 level prevailed in other industries and trades.

The New England and Pacific States accounted principally for the weekly decrease. A slight dip appeared in the East North Central States, while four regions had increases, including the Middle Atlantic States where casualties rose 15 to 73, the area's highest number since January. Mortality exceeded the 1950 level in the Middle Atlantic, East North Central States, and Mountain States, but other regions had fewer failures than last year, with less than one-half as many occurring in the New England and West North Central States.

Wholesale Food Price Index Shows Little Change for Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., leveled off last week. The May 15 figure held unchanged at $7.18, a rise of 21.9% over the corresponding 1950 date when it stood at $5.89. The year's peak was $7.31 on Feb. 20, and the low point was $6.93 on Jan. 2.

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 Average Continues to Fall

After holding in a narrow range most of the week, the Dun & Bradstreet daily wholesale commodity price index dropped sharply toward the close to the lowest level since early January. The index finished at 319.68 on May 15, as against 321.36 a week ago, and 260.66 on the like date a year ago.

Grain markets were less active during the past week with prices moving irregularly during the period. Wheat prices eased as demand subsided, influenced largely by reports of beneficial rain in some of the dry areas of the Southwest.

Crop damage, according to the May 1 report of the Department of Agriculutre, was not as severe as earlier reports indicated. Production of winter wheat is now estimated at 682,000,000 bushels, or about 44,000,000 bushels less than the April 1 forecast. Export business in wheat continued in moderate volume. Corn ended lower after displaying strength at mid-week.

The market was featured by slow shipping demand and the absence of any substantial export business.

Weather conditions for the new corn crop were favorable although heavy rains retarded field work to some extent. The oats market was quite strong despite the continued importation of Canadian oats which it is estimated will reach about 3,000,000 bushels for the season.

Some improvement in shipping directions for flour was noted during the week, but bookings of hard wheat bakery flours were very slow, with other flours also very quiet. Cocoa prices firmed up, reflecting a somewhat better manufacturer interest and a scarcity of primary market offerings to this market. Interest in refined sugar increased as cane refiners booked a fair volume of granulated business prior to the impending advance in refined quotations. Cash lard prices remained steady. Trading in lard futures fell sharply below that of a week ago. In the Chicago livestock market, hogs were irregular and lower following a rather sharp upturn at mid-week. Steers were down slightly as receipts increased, while spring lambs showed a small rise for the week.

With trading down sharply from a week ago, spot cotton prices continued at or near ceiling levels. Futures quotations were generally steady and firmer as the week ended, despite reports of continued favorable weather conditions and further indications that acreage this year would equal or exceed the government's goal of 28,536,000 acres.

Export demand for cotton was limited despite the recent increase in export allocations.

Reported sales in the ten spot markets last week totaled 38,000 bales, as compared with 72,900 the previous week, and 156,300 in the corresponding week a year ago. Demand for cotton textiles remained dull. The final report of the Department of Agriculture on the 1950 crop placed last year's total at 10,012,000 bales, as compared with 16,128,000 bales in 1949, and a five-year average of 12,012,000 bales.

Trade Volume Somewhat Higher Than Year Ago Order Volume Slightly Lower

Promotions featuring reduced prices in many lines throughout much of the country helped bring retail unit volume, in the period ended on Wednesday of last week, slightly above that for the week before. The aggregate dollar volume of consumer spending was about steady; in comparison with the similar period of a year ago, it was somewhat increased, states Dun & Bradstreet, Inc., in its current review of trade.

Generally warm weather, Mother's Day, and widespread promotions combined to raise consumer sales of apparel last week.

Total dollar volume was slightly above that in the similar week in 1950. Summer dresses were favored by shoppers for women's items, along with accessories, hosiery, and millinery. There was a heavy demand for some lines of sportswear, particularly rayon blouses, in many communities. The interest in men's clothing also tended toward sports items, with colored shirts and slacks predominating.

The purchasing of food by the nation's housewives was about steady in the past week; over-all dollar volume was noticeably above the level for the comparable week a year earlier.

Although there were numerous promotions of house-furnishings last week, dollar volume was virtually even with that of the prior week. Aggregate dollar sales were slightly above a year earlier. Various items of furniture were favored by shoppers, with floor-coverings also in generally increased demand. The interest in appliances and draperies was limited in many communities.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 1% to 5% above a year ago. Regional estimates varied from levels of a year ago by these percentages:

New England, Northwest, and Southwest 0 to +4; East +3 to —1; Pacific Coast +2 to +6; and Midwest +1 to +5.

Wholesale ordering declined very slightly in the week with total order volume somewhat above the level for the similar week last year, largely by virtue of upward price adjustments in many commodities. The number of buyers attending various wholesale centers, while dipping moderately, was about even with that for the similar 1950 period.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 12, 1951, increased 3% from the like period of last year. This compared with an increase of 8% in the previous week, and an increase of 4% for the four weeks ended May 12, 1951. For the year to date department store sales registered an advance of 12%.

Warm and sunny weather the past week lifted retail trade volume in New York 2% above the corresponding week of 1950.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of May 12, 1951, advanced 1% from the like period of last year. In the preceding week an increase of 10% was registered above the similar week of 1950. For the four weeks ended May 12, 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 first page

As We See It

and will render far more difficult, the tasks of the rearmament planners. This may or may not be unfortunate. We suspect that, so far as the rearmament program itself is concerned, it may be something of a mixed blessing. But there are several aspects of our experience of the past year which leave thoughtful citizens with a feeling of definite uneasiness as respects the longer term future. Three of these—certainly not unrelated the one to the other—are:

(1) Increasing fraternization of defense planners and the professional economic planners. The latter would, of course, go much farther in controlling and managing the social and economic system during the defense period than could be defended on rational grounds, and no one who has cut his eye teeth can doubt that they would continue much of all this permanently quite regardless of the status of defense or rearmament.

(2) A rather general tendency to regard the rearmament period as of indefinite duration and a corresponding lack of real interest in what, economically speaking, is to follow it.

(3) A rapidly spreading belief among both the professional Fair Dealers and some others who should know better that not only the rearmament period, but the economy forevermore, is "depression proof." In this connection many of the old cliches about having learned how to prevent depressions, and the political impossibility of not applying them when the time comes are being constantly bandied about—as well as strangely garbled versions of the old economic maxim that overproduction in any real sense is inconsistent with the insatiability of human wants.

Utilized by the Planners

It is quite possible that some of the more practical-minded businessmen who have been drawn to Washington —Mr. Wilson, for example—do not realize the extent to which they are being utilized by the economic planners. Of course, effective preparation for large scale attack by major enemies involves, as is so often asserted by the planners, enlarged production capacity in a number of directions. Whether the Administration is warranted in making it in the most general of terms the very core of defense preparations is another question. Certainly, if we are really to be ready to defend ourselves effectively—to say nothing of offensive operations on many battlefields—we must be in a position to produce the sinews of war in a large way. It would appear sounder tactics to make certain of such capacity than it would be to proceed to pile up large quantities of materiel which could quickly become obsolete and have to be scrapped.

But it is quite possible to make a fetish of this matter of capacity. Any "total war" must bring widespread diversion of materials from consumer channels to war channels. Moreover, capacity itself becomes obsolete. There have been many times in the past when ordinary depressions have disclosed that production capacity had been unduly enlarged in this or that direction, and when it thus became necessary to scrap a good deal of costly equipment and plant. It could easily happen when the peak of defense requirements have been met and when production capacity must henceforth largely find markets in the civilian economy alone, that we should be confronted with an intensified version of the "over-built" condition which depressions have exposed in the past.

"In Case"

There can be no doubt that plant to produce materiel in vast quantities "in case" presents a very real problem. An unexpected and unheralded attack of major proportions would certainly find us in an awkward position if we had to start from scratch or nearly so to get ready to turn out weapons and other war supplies. This applies with special emphasis to the sort of goods which could not be produced quickly and in large amounts by plants built for or in use as makers of civilian goods. In some degree, though in much less degree, it likewise applies to certain essential fabricated or semi-fabricated products such as steel. All this may and is readily conceded. In many lines it is probably wise to make certain of at least minimum capacity quite regardless, or certainly more or less regardless, of whether in normal times there would be any need for such capacity. The problem is in good part how to do all this with a minimum of cost to ourselves and with the least disturbance or distortion of a normal peacetime economy.

Fair Deal Planners

What disturbs us, apart from all too widespread indifference on the part of large elements among the public, is the insistence of the Fair Deal planners that there is no such thing as excess capacity or excess production in a well-managed peacetime economy—that what is essential in the way of enlarged capacity for rearmament purposes is precisely what is necessary to insure the maximum benefits in a peacetime economy. These "expanded economy" enthusiasts, succeeding their blood brothers who said only a short span of years ago that overproduction was killing the nation, are now in the way of having a field day.

Their glib assurances that there is no such thing as overproduction, hence of overexpanded capacity—in the sense in which they apparently mean it — is, of course, nonsense. Infinitely increased production is healthful and useful only if the right things are produced. The time has come when we all had better arouse ourselves to what is to follow rearmament—and to what the Fair Deal planners are really up to.

Continued from first page

Inflation and Life Insurance

by and large, can keep abreast of inflationary trends; nor can our payments to beneficiaries be adjusted to compensate for current dollar values. We collect, hold, invest and eventually return dollars to policyholders on a schedule prearranged 10, 20, 30, or even 50 or more years in advance. Thus a lowered value dollar attacks the very heart of our business.

The magnitude of the life insurance industry makes this situation a matter of national importance.

Life insurance companies are entrusted with savings of about 83 million U. S. policyholders, and the rate of life insurance investment is growing, in keeping with the national economy. The total life insurance in force in legal reserve companies on U. S. residents was about $228 billion at the close of 1950.

Impact of Inflation on Life Insurance

During last year, $4¼ billion in life insurance benefits was paid to policyholders and beneficiaries, the largest amount in history. The value of those dollars, in terms of goods and services, however, must have been a disappointment to those people. Insurance policies that were designed to perform their objectives turned out, in many cases, to be inadequate.

If you apply the December, 1950, consumer price index of 178.8[1] to life insurance dollars, you can readily see why. The $228 billion life insurance coverage at the end of 1950, translated into terms of 1949 dollars, becomes actually only $213.6 billion —a reduction of $14.4 billion. In terms of 1940 dollars, the amount of drop becomes $100 billion, reducing the $228 billion protection to $128 billion. These reduced figures, although they include the vast amount of new insurance written, represent an average coverage today of only $1,542 for each of the 83 million U. S. policyholders; whereas ten years ago, with 65 million policyholders, the average coverage was $1,777.

That is the effect of inflation on the policyholders; now look at what has happened to the life insurance companies.

In 1950, approximately $3.5 billion were added to insurance company reserves. This increased the assets of all U. S. reserve companies to a new high level of $64 billion. This figure represents, for the most part, investments calling for a fixed number of dollars; unhappily, $64 billion badly cut value dollars.

The extent of that cut in terms of asset values is not hard to show. During the decade of the '40s, the total assets of all U. S. legal reserve companies more than doubled, increasing $33 billion—from about $31 billion in 1940 to approximately $64 billion at the end of 1950. Translated into 1940 dollars, however, the $64 billion of assets represents a gain in purchasing power over the 1940 level of only $5 billion.

At the end of 1940, when there were about 65 million policyholders, life insurance assets averaged $474 per policyholder. At the end of 1950, with about 83 million policyholders, company assets, measured in 1940 year-end dollars, were equivalent to only $434 per policyholder—$40 less for every policyholder covered. While this is not an alarming situation, the fact is that policyholders, in spite of the great amount of new coverage written, have on the average less protection, measured in purchasing power, than they had ten years ago. During the past ten years everything about life insurance has grown right along with the economy: yet it seems that nearly everyone concerned has less purchasing power today than ten years ago.

The trouble is not with life insurance as such. More than ever, life insurance is a unique and preeminent necessity for 99 families out of 100. Only with life insurance can the family be protected against untimely loss of the breadwinner. More insurance is needed today than ever before. The trouble lies with the sinking value of the dollar, against which no device is a full protection and from which there is no haven.

Obviously, we are taking all possible steps to remedy this situation; but, as far as I can see, there is no real way of effectively fortifying ourselves against the ravages of inflation except by throwing our weight behind a demand that this nation get at the roots of inflation while there is still time.

Inflationary Gap Widening

The inflationary gap, which causes our troubles, is already substantial but it probably will increase this year and next. Defense expenditures will be stepped up from present levels of about 7% to perhaps 16%, or 20% of the gross national product within the next 14 months. Consumer income will continue to rise in the face of increasing shortages of things consumers buy.

What is the excess of consumer and business demand over available supply likely to be during the coming year? A recent report by the Department of Commerce and the Bureau of the Budget suggests an inflationary gap of from about $6 to $26 billion in fiscal 1952, with a medium estimate of around $16 billion, based upon Federal expenditures of $75 billion. With this huge excess demand during fiscal 1952, the report points out that in the absence of tighter controls, present price freezes could easily unfreeze; and in the face of such a thawing-out process, it is not impossible that the cost of living could go higher —even much higher.

Clearly, the situation requires serious thinking, sound planning, and a certain dedication to the problem on the part of every responsible businessman.

So much has been said about inflation in the past few years that many have developed a tendency to greatly over-simplify the problem. To the public generally, the course of inflation seems comparatively simple: when it becomes a factor in the economy, a group of politicians get together and develop controls. A somewhat half-hearted attempt is thus made to freeze the economy into an impractical and virtually impossible status quo. Finally, the crisis which brought about the inflation will pass, and everything will return to normal. Controls will be lifted and we will be none the worse for the experience.

This may be a politically popular description of the inflation crisis, but it certainly isn't an economic explanation.

In the first place, inflation doesn't just happen. It is the outgrowth of deep-seated economic maladjustments. In the second place, its appearance on the scene should not call so much for controls, even though they may be necessary, as for well-considered curative measures. In the third place, the elimination of the crisis that brought inflation into sharp focus is highly unlikely to stop the inflation; if inflation is permitted to run long enough without effective fundamental counter measures, it becomes such a force that it needs little outside encouragement to keep going. It feeds upon itself.

A Fresh Look at Inflation

But we must contend not only with the facts, but with what the public thinks are the facts. In view of this, perhaps we should take a fresh look at the whole problem of inflation—get some new orientation in what it is, where it comes from and what is to be done about it.

Inflation, we should point out, may come about as the product of chronic maladjustments or when some external force throws the economic system out of balance and a society finds itself long on money and short on goods and services to spend it for.

The current inflationary crisis started during the last war, when defense requirements absorbed most of the production facilities of the nation and brought unprecedented prosperity to millions of wage and salary earners. The war was the external influence.

Very large investments in war bonds, a substantial increase in other forms of individual savings, and huge wartime taxes absorbed much of the spendable money. Government controls brought a measure of temporary checks on price and wage increases. These things, fortunately, reduced the immediate evil results.

But then, after the war, controls had to be lifted, and it soon became evident that each lifted control merely removed a lid from the fires of inflation which had not, by any stretch of the imagination, died out. So the outward manifestations of inflation appeared in earnest all over again,

1 Revised Index.

and became worse as the huge wartime savings were spent.

This situation was complicated still further with the development of the present crisis. Defense expenditures mounted, scarce materials grew scarcer, businessmen and people generally scrambled for goods and supplies because it was assumed they would disappear, and we found ourselves back where we were in the early days of World War II.

Then the familiar political arguments rang out, and the struggle to develop controls began. Prophets proclaimed again that controls designed only to curb the end-results of inflation would cure the situation; and wise men counseled, not too effectively, that controls don't cure anything — even good and enforceable controls. It is like sawing off an iceberg at the water level and assuming that an iceberg you can't see, can't sink a ship.

Three Options in Attack on Inflation

That is about where we are now. The question is: Where should we be? What should we be doing? There are three things that can be done or not done about it. We have only three real options.

The **first** is to do nothing and hope that inflation will disappear as it came. This is an extremely dangerous course, but one that was followed early in World War II, and again for many months in the present crisis.

The **second** option is to create palliatives — government controls on prices and wages and, in some cases, production. Everything considered, this is probably an improvement over the first. **But we must never deceive ourselves into thinking that these measures do anything but bring under temporary control some of the end-results of inflation.** If we are to have anything resembling a free government, the controls sooner or later must come off. And when you take the lid off, the pot will boil over.

The **third** option is to make a serious attempt to get at the economic roots, or some of the roots, of the inflationary trends. In many quarters, within government and without, honest efforts are being made to get something done on this score. In this connection, I regard inflation as an economic result of a grave social disease; one which has affected other countries in other times; a disease which caused the downfall of at least one whole civilization and has brought about the ruination of nations well within the scope of our own memories. If we regard inflation in this light, then diagnosis and treatment are called for. Like most serious diseases, this one cannot be quickly, easily or, least of all, painlessly cured.

Let's examine these three options, one at a time.

Of the First Option — Ignoring inflation and hoping that it will go away—little needs to be said. The futility of this course, is self-evident. So far as I know, few advocate such a course today. I need discuss it no further, except to suggest and urge that our people, especially young people—those in the grade schools — be thoroughly instructed on inflation, its cause and effect. Perhaps, then, in time may be born a national will to take effective steps.

Turn Now to the Second Option — The installation and maintenance of government controls.

In the present crisis, the effort to establish controls has been in process for some time, and we are still without effective controls in spite of the actions of recent days. In fact, I doubt whether controls can be made really effective in time of peace, even an uneasy peace. Present controls tend to freeze some prices, and leave others at liberty to go with the market. Certain controls on farm products attempt to keep prices down, while parity arrangements keep prices up. Some wages have been frozen, while the government continues to recognize cost-of-living wage contracts that call for automatic wage adjustments to keep pace with inflation. We have rigid controls of some prices at some levels of distribution, and complete freedom of pricing for the same goods or component raw materials at other levels.

Controls, at best, are only palliatives; but controls that don't control are not even that. Nevertheless, I am an advocate of controls, in spite of the grave dangers to production which can flow from them. To my mind, the psychological effect on the nation requires them, all apart from any other reason.

Much good can come from controls which will effectively check the more damaging end-results of inflation while a more permanent cure is being effected. But it is up to all of us — labor, management, government, landlord, farmer, small businessman, big businessman and consumer—to recognize the unfortunate fact that effective controls cannot be designed which will curtail everyone else and not interfere with the normal progress of one's own affairs. Some profits, some wages, some votes, and some comforts or even necessities must be sacrificed, the burden must be shared by all.

Getting at Roots of Inflation

What About the Third Option— An attempt to get at the roots of inflation?

On this score, many groups, including the Life Insurance industry, have been active. Working through the Joint Committee on Inflation Control of the American Life Convention and The Life Insurance Association of America, the life insurance industry has been pressing for sound national monetary, fiscal and debt management policies in an effort to restrain the forces of inflation. The efforts have been directed at some of the major sources out of which inflation grows. One important facet of this is a program directed toward reducing the active money supply in the hands of the public. It is the active money supply which does the mischief. In this connection, the industry has pressed strongly (1) for a federal tax program that cuts directly into mass purchasing power and, so far as feasible, puts the government on a pay-as-you-go basis. I say feasible because there is a point at which taxation becomes destructive and inflationary; (2) for cutting to the bone all non-military expenditures and bending every effort to insure that military expenditures are made efficiently and with a minimum of waste; (3) for tightening monetary and credit controls; (4) for management of the public debt in such a way as to reduce the money supply of the general public—getting a substantial part of the debt out of the banking system into the hands of savers—making new issues attractive enough to be placed outside the banking system; (5) for a vigorous policy of discouraging further rounds in the wage-price spiral, calling for the cooperation of both labor and management. Working through the Life Insurance Institute, this program has been widely circulated in advertising, publicity and pamphlets. It has attracted wide attention.

An accord was reached this spring between the Treasury and the Federal Reserve Board under which government bonds apparently have been left relatively free to seek their natural price level with maintenance of an orderly market by the Federal Reserve. I believe it is a long and strong step in the right direction. One can only hope fervently that it will be maintained and strengthened. The life insurance industry supported the move in every way.

Regulations X and W tending to restrict credit in the housing and consumers credit fields are beginning to be helpful. The life insurance industry aided in the drafting of Regulation X and has supported the program at all points, with statistics on the real estate mortgage market, and in other ways.

Voluntary Credit Restraint

The life insurance industry participated actively in the development and drafting of the national program for voluntary credit restraint. Life insurance representatives serve actively on the National Voluntary Credit Restraint Committee.

A guiding principle of the program is that credit be extended in such a way as to help maintain the domestic economy through the restraint of inflationary tendencies and at the same time help finance the defense program and the essential needs of agriculture, industry and commerce. Loans for non-essential purposes are to be curtailed in order to release more of the nation's resources for expansion in more vital areas of production. Bear in mind that 80% or more of our production will continue to be for civil consumption. This production and distribution system must be sustained.

Financing institutions participating in the program are expected to screen loan applications on the basis of their purpose. The key question is: "Does the loan commensurately increase or maintain production, processing and distribution of essential goods and services?"

In spite of the defeatest attitude of many who say that no voluntary program will work where competing lenders are involved, I believe that the voluntary program has helped to date, and I have high hopes that it will prove effective in the future. The program is in general terms. The drafting sub-committee found it impossible to write one in detailed and specific terms. Its success will depend upon a widespread desire to abide by its spirit.

Finally, the life insurance companies, acting through the Life Insurance Institute, have financed a most substantial advertising campaign designed to get cooperation from the public in matters that might further discourage the inflationary spiral. I believe this campaign is doing about all that any advertising campaign can do. Whether it or any other action works, depends upon the underlying attitude of the American people.

Personal Savings Should Be Increased

One thing I believe should be stressed more by the Life Insurance industry, other thrift institutions, and by the government: that is, personal saving. Not only is saving highly effective in closing the inflationary gap, it is one activity which is not in any way injurious or detrimental to the individuals involved. Only a postponing of desires to purchase is called for. Furthermore, the savings would be available for spending following the defense effort when it may be desirable to sustain the economy. Much more can be done to promote saving than has been done. An interest rate which would actively encourage saving would cost an infinitesimal sum compared to the benefits flowing from it—and such a rate need not be high, in any event. We have not begun to exploit the possibilities of salesmanship in the field of saving.

But, basically, none of the steps to control inflation will succeed unless the fundamental attitude of the people is right. On this score I find I must screw up my courage good and tight in order to be optimistic. We are suffering from a malignant social disease. Inflation is one of the end-results.

I say "malignant social disease." To my mind that best describes the growing tendency to turn from self-reliance to looking to and dependency upon government. That is the first phase of the disease. This nation grew great because of the initiative, drive, self-reliance and self-respect of the individual —his desire to provide for himself, for his dependents and his progress in the world. Our system of private enterprise and our representative democracy rest squarely upon those traits. They rest upon the dignity and the integrity of the individual. Life insurance has grown because of the self-reliance and self-respect of the individual; it fosters those traits, and it would disappear if they withered away. Fanned by the promises of those who would gain or stay in political power, the idea has grown that government can provide the better things of life without sweat or toil or cost on the part of the recipient. The long succession of unbalanced budgets, apart from war, and the proposals for spending in the social field testify to the virulence of the idea.

The second phase of the disease is the likewise growing tendency to turn to group action and through group pressure to extract from government and the economy more than would otherwise be allocated or, in many or most cases, can be justified. Few groups seem willing to apply themselves to increasing productivity and taking their share of the increase. Most press for gains over and above productivity gains. Some groups suffer—but in the main, government tends to hand out funds not backed up by increases in production—and the dollar rots away. The spectacle in Washington today of organized groups seeking special advantages and at the same time seeking to avoid any and all sacrifice which should be shared by all, is but a showcase example of where turning to government and group pressure has led us. We have seen where the surrender of individual dignity and independence to groups and group spokesmen led in the case of Hitler and Mussolini. The individual ceases in effect to be a free citizen and becomes a ward of his organization or the state. One of the grim results is inflation.

In closing, I must say that I have no pat solution for this problem. I do know that leadership is called for. Not a Moses nor a man on horseback nor his modern version, a demagogue on television. Men of influence, such as you in this room, can provide the leadership in countless situations and in a myriad of ways. That leadership can be exerted in the intelligent operation of his own enterprise and in the enlightenment of the people who work with and for him. The first step in accepting the responsibilities of that leadership is self - examination: what pressure am I exerting, or permitting to be exerted on my behalf, to gain advantage or avoid responsibility at the expense of the national interest? It is human to look for one man to lead us out of the wilderness. But if each man in this room were to take on a small part of the job, we could do without him.

John H. Barret

John Henry Barret, 54 years old, President of Barret, Fitch & Co., Inc., Investment Bankers, Kansas City, Mo., died May 15 in his room at the Park Plaza Hotel, St. Louis, Missouri. Mr. Barret was on his way from Kansas City to the Spring Meeting of the Board of Governors of the Investment Bankers Association of America at White Sulphur Springs, West Virginia. Mr. Barret was a Governor of the Investment Bankers Association of America.

He was past District Chairman of the Investment Bankers Conference, the predecessor of the National Association of Securities Dealers, Inc., and in 1945 was a member of the Board of Governors and Treasurer of the National Association of Securities Dealers, Inc. He was also Director of the Kansas City Title Insurance Company of Kansas City.

A graduate of Lawrenceville School, Lawrenceville, New Jersey, and of Princeton University, Mr. Barret was active in college sports and was captain of the Princeton track team. During World War I, he served in France with an ambulance corps.

In Kansas City Mr. Barret gave much time to charitable enterprises. For the last two years he was Chairman of the Community Chest Central Budget Committee. He was President of the Children's Convalescent Center, Vice-President of the Board of Trustees of Park College and a member of the Central Presbyterian Church.

Mr. Barret was past President of the Princeton Club of Kansas City, Rockhill Tennis Club, the University Club, the Kansas City Country Club, and also a member of the River Club of Kansas City and the Kansas City Club.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their annual summer outing at the Manufacturers Golf and Country Club, Oreland, Pa. on June 15.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League Standing of May 18, 1951 are as follows:

TEAM	2nd Half Won	Final Lost
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	29	16
Donadio (Capt.), DeMaye, O'Conner, Whiting Workmeister	26	19
Goodman (Capt.), Lax, Valentine, M. Meyer, H. Frankel	26	19
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	25	20
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	24	21
Mewing (Capt.), Klein, Cohen, Manny, Chegan	23	22
Leone (Capt.), Krassowich, Nieman, Pollack, Gavin	22	23
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	21	24
Serlen (Capt.), Gersten, Gold, Krumholz, Young	21	24
H. Meyer (Capt.), Smith, Farrell, A. Frankel, LaPato	20	25
Krisem (Capt.), Bradley, Montanyne, Weissman, Gannon	16	29
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	16	29

This is the final standing of our second half. This week the first half winner will bowl the second half winner for the final result. Our annual dinner will be held June 7, and all prizes will be awarded. Dinner to be held at Antlers Restaurant at 67 Wall Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The fears that we are in the first throes of a bear market are beginning to gain momentum. The fears are based on nebulous affairs sparked by a market action which would give any bull the screaming meemies.

* * *

The most widely accepted theory is the one started by Peter Hamilton and today forms the backbone of the Dow theory as espoused by Robert Rhea. It says in effect that new rallies which fail to go above previous high points are immediately suspect of a market turn. If this is followed by new declines which go lower than previous declines, the suspicion becomes intensified. The chances are the paraphrase is all wrong. But you get the idea.

* * *

I wish I could categorically disprove statements for and against the market for no other than a selfish reason that it affords me some pleasure to explode theories. But I have little to give you in their place, except my own opinions. And there's no guaranty that they'll be right.

Anyway here goes. Incidentally, allow me to wander off at this point to mention that the action of the market for the past three-four weeks was not unexpected. If I sound stuffy about it, I suggest you reread my columns of the past month or so. All this sounds like a preamble to one of those "If-I-was-right-before, I'm-right-now" things. I don't mean it that way at all. I've been humbled by this market too many times to become boastful or pompous about it.

* * *

I throw this at you, however, as part of a major pattern I thought I saw forming a few weeks ago. At that time I saw up tendencies when everybody cautioned against a reaction. Then when the majority opinion seemed to be that the market was going still lower, and then to be followed by a great big up, I flatly said that I saw exactly the opposite. No more down but an immediate up to be followed by a big down. You saw what happened. Then when it went up the forecasts of here-we-go-again were once again in the fore. Again I warned that the time to sell was when they were strong.

* * *

During the past week they went lower than they've been in a long time. But instead of running away with the mob, I sounded a new warning: That buying was best when the selling was widespread.

* * *

I don't know if we are in the first stages of a bear market or what. Frankly I don't care at this stage of the game. But the stocks which seemed so beautifully golden 10 points higher haven't dimmed their radiance because they're obtainable cheaper today.

* * *

If you plan any buying now's the time to do it. If you're interested in quick turnover, you'll have a chance between now and the end of June. Beyond that I don't want to go on record.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from page 13

The Gold Situation

it did not object to purely domestic tranactions in gold at premium prices unless they had the effect of undermining official exchange rates or adversely affecting the international financial position of indvidual members.

For the most part, member countries, by appropriate changes in their gold export or import regulations, attempted to meet the Fund's request and to abide by its gold policy. But all the possible loopholes were not or could not be rigidly closed. Of most importance in this connection was the fact that during 1948 and 1949 an apparently substantial fraction of semi-processed gold, ostensibly designed for industrial and artistic uses, tended to be diverted from legitimate uses to the free markets of the world at premium prices for hoarding purposes. The Fund, therefore, while reluctant to restrict trade in gold for bona fide uses in industry and the arts, requested members to exert closer control over the marketing of semi-processed gold so as to minimze the possibility of its becoming a significant medium for hoarding. Arrangements were worked out by the Fund with certain gold producing countries, notably South Africa, whereby certain safeguards were adopted to secure that semi-fabricated gold would be exported only for purposes of genuine industrial or artistic use.

Following the devaluations of September, 1949, which raised official gold prices in the devaluing countries and which increased confidence in the currencies concerned, the hoarding demand for gold as a hedge against further currency depreciation fell off sharply. Largely because of this, the premiums on free-market gold prices over official prices likewise declined markedly. Under these circumstances, the flow of new gold on to free markets and the diversion into private hoards fell off noticeably.

With the outbreak of the Korean war, however, free-market gold prices, especially in Far Eastern countries fearful of invasion, rose sharply under the impact of a resurgence of hoarding demand. In the latter months of 1950, with the deterioration of the military situation in Korea, which led to fears of a general war, and with worldwide inflationary developments, which raised hopes of further increases in foreign official gold prices, hoarding demand became more general, with further increases in free-market gold prices. These developments were inevitably accompanied by a renewed diversion of newly-mined gold and even of gold from official reserves into private hoards.

These trends have been continued since the turn of the year. In fact, on March 7, 1951, the Executive Board of the Fund announced that the existing arrangements and practices of several countries, including South Africa, were no longer deemed a satisfactory basis for implementing the Fund's gold policy, and that it had directed the Fund's staff to elaborate more effective methods of control. Just what will be done remains to be seen. But it is clear that unless some effective action can be taken, either by way of appropriately changing the gold regulations and practices of the individual countries concerned, or of narrowing the tempting differential between free-market and foreign official gold prices, a disturbingly large amount of gold will continue to be attracted into private hoards.

World Gold Production

Another facet of the gold problem calling for a few remarks is that of world gold production, which in recent years has been following a somewhat anomalous pattern. During the thirties the annual rate of world gold production (excluding Russia) had, in physical terms, approximately doubled—from 19.4 million ounces in 1930 to 37 million ounces in 1940—largely because of the widespread exchange depreciations of that decade which by 1938 had increased the average price of gold by about 70% as compared with 1929, with no proportionate increase in costs. Output rose not only in physical terms, but even more so in value terms in view of the increased prices for each unit of gold produced. So great was the expansion in gold supply, in fact, that there was growing talk of a world superfluity of the yellow metal.

During World War II, however, world gold production fell off sharply and declined to a level of only 21 million ounces in 1945 under the influence of a deliberate shift of resources and especially manpower to the war effort in South Africa, the United States, Canada, Australia and other leading gold producing nations. The recovery in world gold production thereafter has been extremely slow. By 1949 production had risen only to 23.6 million ounces, or to just 65% of the peak output reached in 1940. The postwar expansion in gold output has been retarded by a number of factors, including the wartime deterioration in mining equipment; the heavy pull on manpower and other resources from other industries at a time of full employment, the need for expensive large-scale capital outlays to rehabilitate and expand existing mines and to open mines that had been shut down during the war; and above all, at least until the devaluations of September, 1949, to rising costs in the face of fixed official prices for gold, which greatly reduced the profitability of gold mining. These difficulties have been only partly alleviated by special aid to gold producers in a number of countries, including subsidies, tax reductions, and permission to sell newly-mined gold, in whole or part, on free markets.

Although the devaluations, which raised official gold prices in terms of local currencies by 44% in the sterling area, 14% in the Belgian Congo, and 10% in Canada, enhanced the profitability of gold mining in these countries, world gold production in 1950 actually rose by only another million ounces over 1949 to a level of 24.6 million ounces. In fact, South Africa, Rhodesia and Australia, which of all the gold producing countries had devalued the most, failed to increase their output in 1950 at all. It may be that it will take some time before the higher official gold prices abroad can exert their full effect upon gold output. But meanwhile the continuing sharp rise in costs under the impact of world inflation has already eaten away a substantial part of the increase in gold prices and has to that extent offset the original benefits conferred on gold producers by the devaluations. Of late, in fact, there has been a renewed chorus of voices from gold-producing countries calling for further increases in official gold prices, or for increased freedom to dispose of gold on free markets at premium prices, as a means of alleviating the reemerging price-cost squeeze on gold producers.

I should now like to make a few observations concerning the suggestion, that has again been becoming prominent of late in certain foreign circles, that official gold prices, and especially the United States gold price, should be raised. Two ways of raising gold prices should be sharply distinguished. First, a large number of individual countries might increase their official gold prices (in terms of their own currencies) without any accompanying increase in the United States price of $35 per fine ounce—this is what was done in September, 1949—or, second, there might be a proportionate increase in the official gold prices of all countries, including the United States. Conditions governing either type of adjustment are provided for in the International Monetary Fund Agreement. In the first case, the exchange rates of foreign currencies would depreciate against the dollar in direct proportion to the increases in official gold prices; in the second case, exchange rates would remain unaltered. The second method, unlike the first, would raise the dollar value, not only of every unit of new gold produced, but also of existing foreign gold stocks. Both methods would enhance the profitability of gold mining and perhaps also narrow the spreads between free-market and official gold prices (and thus presumably the incentive to divert gold into free markets), at least to the extent that these spreads reflect anticipations of higher official gold prices. Both methods would have inflationary implications.

Such renewed pressure for higher gold prices as there has been of late has focused almost entirely on the second, multilateral method of raising gold prices. For there would appear to be nothing in the present balance-of-payments positions of foreign countries with the United States to justify a new round of devaluations against the dollar—which is what the first method would involve—or to lead one to expect that foreign countries in general would be willing to undertake, or the International Monetary Fund to sanction, such unilateral increases in official gold prices. Quite the contrary. As we have already seen, during the past year and a half foreign countries have greatly improved their balances of payments with the United States and have been able to acquire gold and dollar reserves in substantial quantities from us.

Suggestions for an increase in the United States gold price, as part of a multilateral, uniform increase in official gold prices, have always been resolutely opposed by the United States, as well as by the International Monetary Fund. This opposition seems to me to be well taken, and I can see nothing in the present situation which would in any way justify a revision in our attitude.

The Price of Gold

The most significant effect of a rise in the dollar price of gold would be to increase at a stroke, by a proportionate amount, the dollar value of existing foreign gold stocks and of new gold production, and thereby to provide foreign countries with a great fund of additional dollar purchasing power. While it is in our interests, for reasons already noted, that foreign countries as a group should be equipped with larger gold and dollar reserves, this would seem to be a most unsatisfactory way of achieving this objective, especially at the present time. The beneficiaries would include both friendly countries and countries which we do not want to help; and the greatest benefits would accrue to those foreign countries already holding the most gold and not necessarily to those with the greatest dollar needs. If we wish to help foreign countries to build up their reserves, a more logical way would seem to be to do so, as we are now, via our foreign aid program, which enables us to help those countries we wish to help and to the degree which we deem desirable. Another major objection to an increase in our gold price is that, at a time of world-wide inflationary pressures, it would add greatly to those pressures and aggravate the already difficult problem in this country and abroad of containing inflation. Vast new reserves of spending power would be created, both directly and indirectly, and the psychological effects would also be decidedly inflationary. At a time, moreover, when the Atlantic Community is engaged in a new and major rearmament effort, it is questionable whether any special incentive should be given to gold production; on the contrary, in the interests of the most effective pooling and utilization of existing resources, there is much to be said for even discouraging gold production and for transferring the resources so released to more urgent requirements. Finally, I believe that an increase in the dollar price of gold is also undesirable because our present price, unchanged since 1934, has been one of the few fixed points of reference in an otherwise changing world. The stability of our gold price has been of such great psychological value that it should not be lightly abandoned.

In concluding these remarks, I should like once again to revert to my earlier comments regarding the recent accumulations of gold and dollars by foreign countries. I should like to re-emphasize that those accumulations, and the corresponding losses of gold and dollars by the United States, far from being a cause for concern, should be viewed by us with satisfaction. Not only do they fundamentally reflect a genuine improvement in economic conditions abroad, but they also lay the groundwork for further significant progress towards the eventual achievement of the basic objectives of our postwar foreign economic policies, namely, general interconvertibility of currencies and freer multilateral, non-discriminatory world trade. How long the accumulation of monetary reserves abroad will continue, however, remains to be seen. There is already some evidence that the trend may not continue for long at its present rate. For one thing, there has of late been some softening of raw material prices, the high level of which has been one of the major factors increasing foreign dollar earnings since June, 1950. Secondly, once the expanded armament programs in European countries get under way there will be increasing demands for American goods, and resources may be progressively diverted from export industries. Finally, in a broader sense, once monetary reserves abroad have risen to a certain point, many foreign countries may find further accumulations less attractive than acquisition of additional American goods, and consequently cease accumulating and even draw down those reserves.

With Chilson, Newbery

KINGSTON, N. Y.—Chilson, Newbery & Company, Inc., 48 Main Street, announce the association with them of Floyd J. Argersinger in the Gloversville office of the company as assistant to his father, who manages that office. They will constitute Gloversville's first father and son investment team.

Club Celebrates 50 Years

City Midday Club, 23 South William Street, New York City, celebrates its 50th anniversary on May 15. In honor of the occasion, members of the club will be tendered a luncheon at the club house, according to an announcement by Buell Hollister, President.

Continued from page 3

The Nationalizers Become Nationalized—In Iran

into your house and steals only half your jewelry is as much a burglar as the one who takes it all.

The unfortunate Anglo-Iranian affair is, of course, far more important than the mere fact that the assets of the company may be worth a billion dollars. Its military and political aspects have been widely discussed in the press. The danger is that the seizure of this property may create a precedent for similar actions in various other countries. For example, if Anglo-Iranian can be seized, why not the Suez Canal? There are few goals the Kremlin would like to achieve more eagerly than the destruction of the overseas investments of the British and the Americans. Already Moscow has implemented its propaganda looking toward this objective.

Socialist Contagion

The lesson of the Anglo-Iranian affair is that any country with valuable assets overseas gives a hostage to fortune and invites imitation when it attacks invested capital at home. After all, the Iranian Parliament is only imitating the British example if it decrees that Iranian oil should be nationalized. Is it not therefore logical to state that whenever Washington acts unfairly toward American business in its domestic operations it may jeopardize the security of such important holdings as Aramco in Suadi Arabia, United Fruit in Central America and Anaconda in Chile. It is now widely agreed that "freedom is indivisible"; but it is only beginning to dawn on highly placed public officials in many capitalistic countries that lack of respect for private property and the wholesale violation of the sanctity of contract are extremely contagious.

In a note delivered on May 19 by the British Foreign Office to Iran the right of a sovereign power to nationalize privately owned enterprise within its borders is not questioned, nor is the amount and type of compensation paid to owners. On the other hand, there is a distinct implication that such sovereignty must not apply to a foreign corporation operating under a concession or contract. This is strange reasoning indeed since it establishes the rule that the legality of an assault on invested capital vanishes when an international border is crossed. **It is the philosophy which characterizes the Mann Act, in that illegality as such is not absolute but is a matter of geography.**

It would not be too late at this point for Washington to announce a firming up or clarification of our policy for protecting foreign investors. It is true that a few investment treaties have been signed with foreign countries in recent years, but these are far from being sufficient. They have received little if any publicity. Just now there is a drive on the part of the Point IV protagonists for the adoption of their program, and, unfortunately, too much emotionalism has crept into this campaign. If the Point IV people are serious in their claim that they really wish private capital to flow liberally into the under-developed areas of the world they could do nothing better than to stand up and voice their opposition to the Iranian action at this point. Otherwise, they will become vulnerable to the charge that they are merely promoting another "give away" program and building an international Welfare State to be operated by an overseas bureaucracy.

Iran, UN, and Point Four-ism

The UN has so far ignored the Iranian oil situation, but it is doubtful whether this attitude can continue indefinitely. It has a multiplicity of committees, bureaus and organizations dedicated to international economic improvement, such as the UN Technical Assistance Board, the Economic Commission for Asia and the Far East, the UN Educational, Scientific and Cultural Organization, the Food and Agriculture Organization, and others.

There is no doubt but what American technical assistance is badly needed by many under-developed countries where industrialization has not advanced very far. Quite frequently capital must be exported along with "know how" in order to create an effective combination. In many instances development work of this kind is a slow process and in our opinion neither the interests of the United States nor of the recipient country will be served if the capital is derived from the United States taxpayers rather than from the voluntary investment of American individuals and corporations. An important part of this process must be that the investment climate in the recipient country must be favorable for American risk capital. This is imperative, but unfortunately, it has not been sufficiently emphasized by well meaning but impractical promoters of international understanding.

San Fran. Bond Club Outing Huge Success

SAN FRANCISCO, Calif.—The annual spring party of the San Francisco Bond Club, held at the Santa Barbara Biltmore, was pronounced a huge success by all attending, May 18-20.

Members of the Entertainment Committee were: Jesse M. Levy, Jr., Chairman, Lawson, Levy & Williams; Ernest Blum, Brush, Slocumb & Co.; Daniel Collins, Holt & Collins; Harvey Franklin, American Trust Co.; Russell R. Hodge. Frank C. Shaughnessy & Co.; John Inglis, Blyth & Co., Inc.; Collins L. Macrae, Jr., Wulff, Hansen & Co.; Jo Tvler. R. H. Moulton & Co.; R. C. Van Houten, Heller, Bruce & Co.; and Ivan Wing, Weeden & Co.

Barry Re-elected

Eugene P. Barry, partner of Shields & Co., New York City, was re-elected a director and a member of the executive committee of Interstate Motor Freight System.

Jeffrey Granger Elected

Jeffrey S. Granger, of Sulzbacher, Granger & Co., New York City, has been elected President of the Brown University Club of New York.

Joins Stewart Co. Staff

(Special to THE FINANCIAL CHRONICLE)

MACON, Ga.—Irving J. Lovitt is now with Stewart & Company, 353 Third Street.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Douglas J. McCay has been added to the staff of Dean Witter & Co., 632 South Spring Street.

With Bache & Co.,

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Joseph L. Flagg has been added to the staff of Bache & Co., 21 Congress St.

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Where Is All the Steel Going?

which have continued, as revised each month during the first half of this year, with the exception of the month of May, when the requirement was reduced to the tonnage necessary for 9,000 freight cars. Total requirement of industry for freight cars for the first half of 1951 has averaged approximately 300,000 tons per month, with plates accounting for about 125,000 tons per month.

To give added impetus to this program, the steel producers were asked, regardless of glutted order books, to support this program by anticipating the formal directive and increasing December shipments on a voluntary basis. They did this to the extent of over 200,000 tons. If we understand correctly the proposed CMP plan of distribution, which becomes effective July 1, programs as such, with allotments made to you by the various steel producers, no longer will obtain. Your requirements will become a part of the total "set-aside" which the mills are required to make, and you will place your orders in the same manner as other defense needs are handled, that is to say for the earliest space available on any mill at the time your order is received.

Each month directives issued by NPA to the mills have covered tonnage deemed necessary for contract car builders, railroad-owned car shops, and component parts manufacturers, and producers of fastenings were added in May. Commencing in April, NPA established a program to provide the steel necessary for building locomotives, which again required a heavy contribution in plates.

The fact that plates represent so large a portion of the transportation requirements, added to those which are involved in ship repair, maritime vessels, and wellhead equipment, has brought about a critical industry situation necessitating curtailment in other products to meet the plate demand. For example, the load of plates which United States Steel Company is committed to furnish for government directed tonnage during the month of June is equivalent to approximately 96% of our plate shipments during January, when our shipments of this product broke all records in this commodity up to that time, except during World War II.

The fact of the matter is that, in addition to plates, NPA currently is directing the distribution of more bars than have ever been produced before. What this means is that the steel producers of this country at present are free to distribute only exceedingly small fractions of their output of these products for any uses other than those directed specifically by the government.

The net result of all this has been quite simple. Any consumer of steel who has had the foresight and good fortune to adapt his business to the requirements of contracts fitting within the purposes and objectives of directives issued by NPA—that is, for direct defense needs or any of the related programs—so far has had few worries about getting the steel he needed, because NPA issued the orders which directed steel producers to supply those needs. Beyond these categories, as you can realize readily today, chances to provide all the steel sought are slim indeed and undoubtedly will become slimmer as the defense effort expands. Fortunately for the railroads, the great bulk of their pressing requirements have been recognized, at least up to now, and I presume, adequately programmed.

It has just been announced by NPA that effective on July 1 CMP will be substituted for the rating procedures currently in use. Within the past few days regulations 1, 2 and 3 have been issued. Until Tuesday of this week, however, these regulations dealt primarily with broad principles. But on Tuesday, May 15, which incidentally was the normal lead date for July, the steel industry was advised, first, that the lead date for this single month had been cut to 30 days, and, second, the new DO "set-asides" to apply in the month of July were identified.

Exclusive of M-6, which is the warehouse order, and M-1, the non-integrated steel converter order (also with the exception of line pipe, which we will continue to accept on a DO rating), these new "set-asides," based on the original base period of nine months of 1950, are:

Structural shapes	75%
Bars — 45%, plus 15% for shell steel quality, or a total of	60%
Reinforcing bars	55%
Cold finished bars	50%
Hot rolled sheets	60%
Cold rolled sheets	40%
Galvanized sheets	40%
Hot rolled strip	25%
Cold rolled strip	25%
Rods	60%
High carbon wire	60%
Low carbon wire	50%
Oil country goods	110%
Pressure tubing	70%
Rails and accessories	10%
Wheels and axles	95%
Wire rope	60%

You will note that I have not mentioned plates. The reason is that plates are now set at 85%, but they are to be figured upon a new and different base. I am advised that NPA's realistic appraisal of the plate requirements for the month of July exceeds the current production of plates on the platemills of the industry by substantially more than 100,000 tons. This additional tonnage therefore must be secured from sheet mills. This is merely another way of saying that the sheet percentage set-asides are actually much higher than the figure which I quoted in terms of the actual sheet tonnage that will be left for civilian consumption.

This, then, is where the steel is going. I believe the days of eating our cake and having it too have passed. However, the danger is ever present that the pendulum will swing too far, for a sound military economy can be maintained successfully only if it is matched by a healthy civilian economy, however austere. In this emergency, which history may descibe as one of the greatest in our peacetime experience, there is a real need for government and business alike to keep their heads, and to keep their feet planted firmly on the ground.

Moulton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John O. Youngs has been added to the staff of R. H. Moulton & Company, 510 South Spring Street.

With Davis, Skaggs

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Arthur F. Hoggard has become connected with Davis, Skaggs & Co. 111 Sutter Street, members of the San Francisco Stock Exchange.

With Baldwin, White

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Walter E. Lewis is with Baldwin, White & Co., 30 Federal Street, members of the Boston Stock Exchange.

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 27	103.6	103.9	103.3	101.8
Equivalent to—					
Steel ingots and castings (net tons)	May 27	2,071,000	2,077,000	2,065,000	1,940,600
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	May 12	6,162,100	6,174,200	6,120,200	5,118,150
Crude runs to stills — daily average (bbls.)	May 12	‡6,460,000	6,283,000	6,127,000	5,427,000
Gasoline output (bbls.)	May 12	20,962,000	20,322,000	19,371,000	18,264,000
Kerosene output (bbls.)	May 12	2,485,000	2,773,000	2,691,000	2,047,000
Gas, oil, and distillate fuel oil output (bbls.)	May 12	8,035,000	8,453,000	8,492,000	7,177,000
Residual fuel oil output (bbls.)	May 12	8,956,000	8,959,000	8,834,000	7,707,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 12	134,522,000	135,764,000	139,431,000	125,851,000
Kerosene (bbls.) at	May 12	17,740,000	16,802,000	14,337,000	13,916,000
Gas, oil, and distillate fuel oil (bbls.) at	May 12	47,056,000	45,247,000	43,203,000	38,139,000
Residual fuel oil (bbls.) at	May 12	36,557,000	36,095,000	36,826,000	39,255,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 12	808,127	803,337	777,989	711,789
Revenue freight received from connections (number of cars)	May 12	684,567	701,382	691,086	603,176
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 17	$151,792,000	$294,770,000	$220,797,000	$206,029,000
Private construction	May 17	74,811,000	174,824,000	98,768,000	101,956,000
Public construction	May 17	76,981,000	119,946,000	122,029,000	104,073,000
State and municipal	May 17	45,157,000	90,851,000	69,376,000	91,963,000
Federal	May 17	31,824,000	29,095,000	52,653,000	12,110,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 12	9,620,000	*9,710,000	9,973,000	10,102,000
Pennsylvania anthracite (tons)	May 12	845,000	749,000	529,000	999,000
Beehive coke (tons)	May 12	135,700	*137,400	132,800	84,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 12	318	326	288	308
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 19	6,559,218	6,566,813	6,730,464	5,844,561
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	May 17	171	181	151	199
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 15	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	May 15	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	May 15	$43.00	$43.00	$43.00	$32.42
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 16	24.200c	24.200c	24.200c	18.200c
Export refinery at	May 16	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	May 16	139.000c	142.000c	147.000c	76.875c
Lead (New York) at	May 16	17.000c	17.000c	17.000c	10.500c
Lead (St. Louis) at	May 16	16.800c	16.800c	16.800c	10.300c
Zinc (East St. Louis) at	May 16	17.500c	17.500c	17.500c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 22	97.33	97.30	97.68	102.58
Average corporate	May 22	111.44	111.44	111.44	115.82
Aaa	May 22	115.24	115.24	115.43	120.84
Aa	May 22	114.46	114.46	114.08	119.20
A	May 22	110.15	110.52	110.52	115.43
Baa	May 22	105.86	106.04	106.21	108.52
Railroad Group	May 22	108.16	108.16	108.16	110.88
Public Utilities Group	May 22	111.25	111.44	111.25	116.80
Industrials Group	May 22	115.04	115.04	115.04	120.02
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 22	2.68	2.68	2.65	2.31
Average corporate	May 22	3.09	3.09	3.09	2.86
Aaa	May 22	2.89	2.89	2.88	2.61
Aa	May 22	2.93	2.93	2.95	2.69
A	May 22	3.16	3.14	3.14	2.88
Baa	May 22	3.40	3.39	3.38	3.25
Railroad Group	May 22	3.27	3.27	3.27	3.12
Public Utilities Group	May 22	3.10	3.09	3.10	2.81
Industrials Group	May 22	2.90	2.90	2.90	2.65
MOODY'S COMMODITY INDEX	May 22	497.0	498.0	516.3	387.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 12	203,058	379,141	199,937	186,417
Production (tons)	May 12	252,035	252,896	248,406	211,915
Percentage of activity	May 12	104	107	102	93
Unfilled orders (tons) at	May 12	732,449	771,457	726,783	377,831
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	May 18	153.8	153.9	154.8	120.5
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	May 5	38,178	31,997	30,980	33,804
Number of shares	May 5	1,154,695	960,080	896,196	1,057,132
Dollar value	May 5	$53,432,366	$43,603,485	$38,575,902	$42,327,446
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 5	34,320	29,541	25,798	37,284
Customers' short sales	May 5	261	222	728	258
Customers' other sales	May 5	34,059	29,319	25,070	37,026
Number of shares—Total sales	May 5	972,495	820,862	713,919	1,079,127
Customers' short sales	May 5	9,401	7,839	27,004	9,989
Customers' other sales	May 5	963,094	813,023	686,915	1,069,138
Dollar value	May 5	$41,932,600	$34,634,428	$29,017,008	$39,598,777
Round-lot sales by dealers—					
Number of shares—Total sales	May 5	259,080	242,450	198,160	343,520
Short sales	May 5	------	------	------	------
Other sales	May 5	259,080	242,450	198,160	343,520
Round-lot purchases by dealers—					
Number of shares	May 5	450,750	392,270	370,870	332,180
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 15	182.2	*182.8	183.1	156.1
Farm products	May 15	197.1	*198.1	201.2	165.0
Grains	May 15	184.7	188.3	189.5	172.8
Livestock	May 15	259.3	*260.4	268.0	220.3
Foods	May 15	187.5	188.8	186.8	160.4
Meats	May 15	274.4	277.8	273.2	235.6
All commodities other than farm and foods	May 15	171.2	171.4	171.8	147.7
Textile products	May 15	183.3	183.4	184.1	136.1
Fuel and lighting materials	May 15	138.4	138.4	138.9	132.2
Metals and metal products	May 15	189.5	189.6	189.6	169.5
Building materials	May 15	227.5	227.5	227.5	198.2
Lumber	May 15	358.9	358.9	358.9	†
Chemicals and allied products	May 15	144.1	144.4	144.5	116.5

*Revised. †Not available. ‡Includes 544,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of March:			
Total gas (M therms)	4,745,569	4,922,364	4,215,314
Natural gas sales (M therms)	4,377,588	4,533,443	3,829,047
Manufactured gas sales (M therms)	224,333	233,741	252,601
Mixed gas sales (M therms)	143,648	155,180	133,686
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	77,813	80,450	75,877
Shipments (tons of 2,000 lbs.)	69,113	70,845	73,383
Stocks at end of period (tons)	14,511	11,105	52,520
Unfilled orders at end of period (tons)	77,293	80,769	55,304
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of February (000's omitted):			
All building construction	$572,152	$758,917	$577,805
New residential	340,070	391,367	360,221
New nonresidential	164,650	270,314	157,244
Additions, alterations, etc.	67,432	97,236	60,340
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of April:			
Manufacturing number	119	115	153
Wholesale number	76	88	93
Retail number	365	377	398
Construction number	81	83	76
Commercial service number	52	69	44
Total number	693	732	805
Manufacturing liabilities	$5,894,000	$5,169,000	$7,980,000
Wholesale liabilities	2,200,000	2,211,000	3,807,000
Retail liabilities	5,647,000	5,605,000	7,179,000
Construction liabilities	2,268,000	3,292,000	1,455,000
Commercial service liabilities	1,055,000	1,375,000	819,000
Total liabilities	$17,064,000	$17,652,000	$21,250,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of March:			
Cotton Seed—			
Received at mills (tons)	37,108	56,343	213,182
Crushed (tons)	227,189	318,824	492,176
Stocks (tons) March 31	385,248	575,329	858,101
Crude Oil—			
Stocks (pounds) March 31	60,010,000	87,973,000	99,469,000
Produced (pounds)	75,456,000	103,897,000	162,217,000
Shipped (pounds)	104,192,000	121,061,000	177,438,000
Refined Oil—			
Stocks (pounds) March 31	225,820,000	204,544,000	271,007,000
Produced (pounds)	89,675,000	110,864,000	160,817,000
Consumption (pounds)	76,811,000	92,265,000	174,461,000
Cake and Meal—			
Stocks (tons) March 31	128,685	165,276	186,445
Produced (tons)	104,030	144,994	220,201
Shipped (tons)	140,621	178,852	230,161
Hulls—			
Stocks (tons) March 31	53,282	67,211	84,657
Produced (tons)	54,728	74,261	116,879
Shipped (tons)	68,657	94,566	133,274
Linters (running bales)—			
Stocks March 31	59,864	82,573	126,774
Produced	75,772	104,707	146,829
Shipped	98,481	142,774	192,128
Hull Fiber (1,000-lb. bales)—			
Stocks March 31	460	369	504
Produced	461	519	1,030
Shipped	370	714	2,255
Motes, grabbots, etc. (1,000 pounds)—			
Stocks March 31	5,078	5,180	6,307
Produced	1,815	2,367	3,053
Shipped	1,917	2,907	3,371
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of February (000's omitted)	25,966,117	26,689,735	22,203,216
Revenue from ultimate customers—month of February	467,200,400	474,794,000	416,129,500
Number of ultimate customers at Feb. 28	45,213,823	45,085,983	43,145,025
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of April:			
Deliveries (number of cars)	8,274	7,011	971
Backlog of orders at end of month (number of cars)	155,871	158,619	32,857
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of April (1935-39 average=100)	128.1	127.9	113.5
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of March:			
Death benefits	$153,724,000	$129,006,000	$152,034,000
Matured endowments	47,349,000	41,556,000	48,070,000
Disability payments	8,682,000	7,959,000	8,354,000
Annuity payments	22,689,000	22,573,000	21,704,000
Surrender values	62,476,000	53,161,000	63,116,000
Policy dividends	71,371,000	49,887,000	65,460,000
Total	$366,291,000	$304,142,000	$358,738,000
NEW YORK STOCK EXCHANGE—As of April 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,285,737	$1,303,605	$1,084,257
Credit extended to customers	44,824	54,023	50,581
Cash on hand and in banks in U. S.	375,073	391,325	310,958
Total of customers' free credit balances	879,267	918,245	678,232
Market value of listed shares	102,747,277	98,112,284	82,415,209
Market value of listed bonds	100,247,400	114,382,062	125,497,127
Member borrowings on U. S. Govt. issues	47,716	60,779	125,975
Member borrowings on other collateral	700,814	803,326	680,214
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of April:			
Net sales	------	------	------
Net purchases	$8,370,000	$482,674,850	$1,123,500
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of March (000's omitted):			
Exports	$1,280,500	$1,076,000	$860,000
Imports	1,099,600	907,000	664,987
WINTER RYE PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of May 1 (bushels)	23,263,000	------	22,977,000
WINTER WHEAT PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of May 1 (bushels)	682,196,000	------	750,666,000

*Revised.

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 Bosch Corp., Springfield, Mass.**
May 17 filed 98,000 shares of common stock (par $2). **Price**—At the market (approximately $15 per share). **Underwriter**—None. **Proceeds**—To Allen & Co. (owner of 198,000 shares, or 15.1% of outstanding shares).

American-Marietta Co., Chicago, Ill.
May 8 (letter of notification) 7,652 shares of common stock (par $2) to be offered in exchange for 15,304 shares of common stock (par $1) of Metal Disintegrating Co., Inc., on a one-for-two basis. **Underwriter**—None. **Office**—43 East Ohio St., Chicago, Ill.

• **Appalachian Electric Power Co.**
May 23 filed $17,000,000 of first mortgage bonds, due June 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for new construction.

Arizona Edison Co. (5/29)
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.

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.

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. Statement effective May 8.

• **Baruch Oil Corp., New York**
May 17 (letter of notification) 260,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For expansion and drilling costs and for working capital. **Office**—400 Madison Avenue, New York 17, N. Y.

Bigelow-Sanford Carpet Co., Inc. (Del.)
May 16 filed 100,000 shares of cumulative preferred stock, series of 1951 (par $100), of which 39,604½ shares are issuable to holders of 26,403 shares of 6% preferred stock on the basis of 1½ shares for each preferred share held. The dividend rate will be not less than 4½% nor more than 5%. **Price**—To be supplied by amendment. **Underwriters**—Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., and F. S. Moseley & Co. **Proceeds**—For general corporate purposes. Stockholders will vote June 19 on approving issue. ★

• **Black Gold Oil Co. of Nevada, Inc.**
May 14 (letter of notification) 96,000 shares of class A stock. **Price**—At par ($1 per share). **Underwriter**—Edward McGuire, Las Vegas, Nev. **Proceeds**—To complete an oil well now being drilled. **Office**—206 Beckley Bldg., Las Vegas, Nev.

• **Bondstock Corp., Tacoma, Wash.**
May 21 filed 100,000 shares of capital stock. **Price** — At market. **Distributor** — Frank Russell & Co., Tacoma, Wash. **Proceeds**—For investment.

• **Bryant Air Conditioning Corp.**
May 22 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$4 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—915 North Front Street, Philadelphia, Pa.

• **Bug Drilling Co., Inc., Philadelphia, Pa.**
May 21 (letter of notification) 1,500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For drilling and operating expenses. **Office**—2717 Fidelity-Philadelphia Trust Bldg., Broad and Samson Streets, Philadelphia, Pa.

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.

• **Byron Jackson Co., Vernon, Calif. (6/12)**
May 18 filed 100,000 shares of capital stock (par $10). **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc. and Elworthy & Co. (of Los angeles and San Francisco). **Proceeds**—To construct and equip a plant in the Province of Ontario, Canada.

ITEMS REVISED EACH WEEK

The data in this compilation is brought up-to-date each week in accordance with later information made available by the SEC or other reliable sources. Where changes have been made during the past week, this is indicated by the symbol (★) appearing at the end of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

• **California Oregon Power Co.**
May 21 filed 250,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc., and The First Boston Corp. **Proceeds**—To repay bank loans and for new construction. **Offering**—Expected next month.

• **California Oregon Power Co.**
May 21 filed $6,000,000 of first mortgage bonds due June 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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). **Proceeds**—To repay bank loans and for new construction. **Offering**—Expected next month.

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.

• **Capital Feed & Seed Co., Phoenix, Ariz.**
May 16 (letter of notification) 27,500 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Underwriter** — None. **Proceeds**—For general corporate purposes. **Office**—312 South 15th Ave., Phoenix, Ariz.

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. Of the remaining 35,497 common shares, 20,348 shares are offered to Central Louisiana common stockholders of record May 1, 1951 at $26.50 per share on basis of one share for each 17 shares held, with rights to expire on June 4. **Underwriter** — None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock. Statement effective March 12.

Chester Telephone Co., Chester, S. C.
March 15 (letter of notification) 360 shares of common stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds** — For plant improvements. **Office** — 109 Wylie Street, Chester, S. C.

Chevron Petroleums, Ltd., Toronto, Canada
March 14 filed 900,000 shares of common stock (par $1) to be offered "as a speculation." **Price** — 50 cents per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To take up option and develop properties. **Offering**—Not expected before the middle of June.

• **Cleveland Electric Illuminating Co.**
May 23 filed $25,000,000 of first mortgage bonds due June 1, 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders 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. **Proceeds**—For new construction.

• **Codman & Shurtleff, Inc., Boston, Mass.**
May 18 (letter of notification) $50,000 of 5% 10-year notes and 2,000 shares of common stock (no par) to be offered in units of $100 of notes and four shares of stock. **Price**—$100 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—104 Brookline Avenue, Boston, Mass.

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 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.

• **Cornucopia Gold Mines, Spokane, Wash.**
May 14 (letter of notification) 229,800 shares of common stock (par five cents). **Price**—To be determined by directors, but not exceeding $1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—824 Old National Bank Bldg., Spokane, Wash.

Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel.

Cuban-Venezuelan Oil Voting Trust
March 29 filed 1,500,000 units of voting trust certificates representing one share of one and two cent par common 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.
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares were subscribed for by stockholders and 127,364 shares are to be offered to public. **Price**—To stockholders at $5 and to public at about $6.77 per share. **Underwriter**—Dealers may be underwriters. **Proceeds**—For investments in railroad and kindred securities. Statement effective April 11. **Offering**—Expected today. ★

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. **Offering**—May be made privately.

• **Deardorf Oil Corp., Oklahoma City, Okla.**
May 18 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—70 cents per share. **Underwriter**—None. **Proceeds**—To pay obligations. **Office**—219 Fidelity Bldg., Oklahoma City, Okla.

Dewey & Almy Chemical Co. (5/29)
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.

• **Drewrys Ltd. U. S. A., Inc., South Bend, Ind.**
May 14 (letter of notification) 6,915 shares of common stock (par $1). **Price** — $14 per share. **Underwriter**—Bear, Stearns & Co., New York. **Proceeds**—To Carleton S. Smith, the selling stockholder.

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.

Ekco Products Co., Chicago, Ill.
May 9 filed 35,000 shares of common stock (par $2.50) to be issued only upon exercise up to and including Oct. 22, 1955, of options to purchase such shares granted on Oct. 23, 1950, to certain employees (including certain officers and directors) of the company. **Price**—$13.78 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

• **Elkhorn Mining Co., Boulder, Mont.**
May 14 (letter of notification) 125,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—Cecil Nelson Randle, Boulder, Mont. **Proceeds**—For working capital. Office—Boulder Bank Bldg., Boulder, Mont.

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Elgin Sweeper Co., Elgin, Ill.
April 18 (letter of notification) 38,864 shares of common stock (no par, being 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.

● **Erie Resistor Corp., Erie, Pa.**
May 21 filed 84,000 shares of common stock (par $5), of which 19,593 shares are for the account of the company and 64,407 for selling stockholders. **Price**—To be supplied by amendment. **Underwriter**—Fulton, Reid & Co., Cleveland, O. **Proceeds**—For working capital.

Farmers Mutual Telephone Co., Madison, Minn.
May 9 (letter of notification) 2,600 shares of common stock and 1,200 shares of preferred stock. **Price**—$35 per share for common and $50 for preferred. **Underwriter**—None. **Proceeds** — To rebuild rural telephone system. **Office**—Cerro Gordo, Madison, Minn.

● **Franklin Custodian Funds, Inc., N. Y.**
May 16 filed 150,000 of Bond Series shares; 150,000 shares of Preferred Stock Series; 100,000 of Utilities Series shares; 100,000 of Income Series shares and 200,000 shares of Common Stock series. **Price**—At the market. **Underwriter**—Franklin Distributors, Inc., New York. **Proceeds**—For investment.

Frontier Refining Co., Cheyenne, Wyo.
April 30 filed $1,000,000 5½% convertible debentures due May 1, 1961. **Price** — At par (in denominations of $1,000 each). **Underwriters**—Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co., Inc.; all of Denver, Colo. **Proceeds** — To drill eight wells in San Juan County, N. M., and for working capital. Statement effective May 18. ★

● **General Electronics Distributors, Inc., Wheeling, W. Va.**
May 14 (letter of notification) 264.2 shares of capital stock. **Price** — At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—26 Tenth St., Wheeling, W. Va.

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 Public Utilities Corp., New York**
May 16 filed 504,657 shares of common stock (par $5) to be offered to stockholders at rate of one share for each 15 shares owned. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To repay bank loans and for general corporate purposes.

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.

Goebel (Adolf), Inc.
May 14 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At the market (about $5.25 per share). **Underwriter** — The First Guardian Securities Corp., New York. **Proceeds**—To Anthony De Angelis, President, the selling stockholder.

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.

Green River Steel Corp., Louisville, Ky.
May 10 (letter of notification) 342,500 shares of common stock to be sold to three individuals and six underwriting firms (latter includes A. C. Allyn & Co., Inc., Chicago, Ill., and Reynolds & Co., New York). **Price**—At par (25 cents per share). **Underwriter**—None. **Proceeds**—To construct steel plant. **Office**—Kentucky Home Life Building, Louisville, Ky.

NEW ISSUE CALENDAR

May 25, 1951	
Virginia Electric & Power Co.	Common
May 28, 1951	
Gyrodyne Co. of America	Common
Mays (J. W.), Inc.	Common
Tracerlab, Inc.	Common
May 29, 1951	
Arizona Edison Co.	Common
Dewey & Almy Chemical Co.	Common
June 1, 1951	
Kentucky Utilities Co.	Common
June 4, 1951	
Chicago, Milwaukee, St. Paul & Pacific RR. Noon (CST)	Equip. Trust Ctfs.
Idaho Power Co.	Preferred
New England Gas & Electric Association	Common
Wilton Woolen Co.	Common
June 5, 1951	
Georgia Power Co., 11 a. m. (EDT)	Bonds
Manning, Maxwell & Moore, Inc.	Common
Yale & Towne Manufacturing Co.	Common
June 6, 1951	
Buffalo Electro Chemical Co., Inc. 1:30 p.m. (EDT)	Common
Pennsylvania-Reading Seashore Lines Noon (EDT)	Bonds
June 8, 1951	
New England Telephone & Telegraph Co.	Common
June 11, 1951	
North Penn Gas Co.	Debentures
June 12, 1951	
Byron Jackson Co.	Common
Kansas Power & Light Co.	Common
Public Service Co. of New Hampshire Noon (EDT)	Bonds
Victoreen Instrument Co.	Common
June 15, 1951	
Squibb (E. R.) & Sons	Common
June 18, 1951	
Missouri Power & Light Co., 11 a.m. (CST)	Bonds
Texas Electric Service Co., 11:30 a.m.	Bonds
June 19, 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

Greer Hydraulics, Inc., Brooklyn, N. Y.
May 11 (letter of notification) 21,150 shares of common stock (par 50 cents). **Price**—$4 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—454 18th Street, Brooklyn 15, N. Y.

● **Greenbelt Consumer Services, Inc., Greenbelt, Maryland**
May 11 (letter of notification) 22,000 shares of class B common stock and 3,000 shares of class A common stock. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To pay mortgage on shopping center.

Gyrodyne Co. of America, Inc. (5/28)
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. ★

Hamilton Fire Insurance Co., Philadelphia
Oct. 2 (letter of notification) 64,000 shares of capital stock (par $5). **Price**—$4.50 per share. **Underwriter**—Jenks, Kirkland & Grubbs, Philadelphia, Pa. **Proceeds**—To increase capital and surplus in order to offer additional lines of insurance, including automobile casualty and liability coverage. Financing indefinitely delayed.

Hilton Hotels Corp., Chicago, Ill.
March 30 filed 153,252 shares of common stock (par $5) now offered to holders of common stock of Hotel Waldorf-Astoria Corp. in exchange for their holdings of such stock on a share-for-share basis; offer expires on May 28. **Dealer-Manager**—Carl M. Loeb, Rhoades & Co., New York.

Idaho Power Co. (6/4)
May 14 filed 35,000 shares of 4% preferred stock (par $100). **Price**—At par. **Underwriter**—Wegener & Daly Corp., Boise, Idaho. **Proceeds**—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.

● **Incas Mines, Inc., Pueblo, Colo.**
May 17 (letter of notification) $25,000 par value of common stock to be issued for $10,000 cash. **Underwriter**—None. **Proceeds**—To complete development work of mines. **Office**—303 Durant Bldg., Pueblo, Colo.

International Life Insurance Co., Austin, Tex.
March 30 filed $1,200,000 special stock debentures to be sold in units of $500 each by regular licensed insurance agents of the company. **Price**—At par. **Proceeds**—To increase capital and surplus.

Israel Steel Corp.
Jan. 2 (letter of notification) 15,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For corporate purposes and the purchase of merchandise (steel) for resale. **Office**—Care of Efrein & Metrick, 320 Broadway, New York, N. Y.

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. Statement effective March 14. **Amendment**—On May 8 SEC granted an exemption from competitive bidding. Preferred may be privately placed, but reported, temporarily abandoned. ★

● **KAABA Consolidated, Inc., Nighthawk, Wash.**
May 11 (letter of notification) 3,051,911 shares of common stock (par 25 cents) to be issued to Kaaba Silver Lead Mines, Inc., who in turn will distribute them among its stockholders.

● **Kansas Power & Light Co. (6/12)**
May 22 filed 256,842 sares of common stock (par $8.75). **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To repay bank loan and for new construction.

Kentucky Utilities Co. (6/1)
May 14 filed 260,071 shares of common stock (par $10) to be offered to common stockholders of record June 1, 1951 at rate of one share for each seven shares held; rights to expire on June 18. **Price**—To be supplied by amendment. **Underwriters** — Blyth & Co., Inc., New York, and J. J. B. Hilliard & Son, Louisville, Ky. **Proceeds**—For property additions and new construction. ★

Kresge (S. S.) Co., Detroit, Mich.
May 10 (letter of notification) approximately 7,690 shares of common stock (par $10). **Price**—$39 per share. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich. **Proceeds**—To Estate of Anna E. Kresge, the selling stockholder.

Linnton Plywood Association, Portland, Ore.
May 10 filed 400 shares of common stock and 200 shares of preferred stock. **Price**—$5,000 per share for common and $2,500 per share for preferred stock. **Underwriter**—None, but John J. Oxley and J. A. Williams will solicit subscriptions. **Proceeds**—To improve plant site and acquire facilities and machinery.

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.

Manning, Maxwell & Moore, Inc. (6/5)
May 16 filed 150,000 shares of common stock (par $12.50), to be offered to stockholders of record who have not waived their preemptive rights at rate of 15/44ths of a share held, as of record about June 5, 1951. **Price**—To be supplied by amendment. **Underwriters**—Hornblower & Weeks and Clark, Dodge & Co., New York. **Proceeds**—To redeem $281,000 of preferred stock and for working capital.

Mays (J. W.), Inc., Brooklyn, N. Y. (5/28)
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., Inc., Baltimore, Md.
May 3 (letter of notification) 7,795 shares of non-voting common stock (no par) being offered to employees and stockholders up to and including June 6 subject to allotment. **Price**—$25 per share. **Underwriter**—Alex, Brown & Sons, Baltimore, Md. **Proceeds**—For working capital. **Office**—414 Light Street, Baltimore 2, Md. ★

● McGraw (F. H.) & Co., Hartford, Conn.
May 17 (letter of notification) 4,650 shares of common stock (par $2). **Price**—$9 per share. **Underwriter**—Granbery, Marache & Co., New York. **Proceeds**—For working capital.

● Mercantile Acceptance Corp. of California
May 18 (letter of notification) 4,881 shares of first preferred stock. **Price**—At par ($20 per share). **Underwriter**—Guardian Securities Corp. **Proceeds**—For general corporate purposes.

● Missouri Power & Light Co. (6/18)
May 17 filed $4,000,000 of first mortgage bonds due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. Inc.; Equitable Securities Corp. and Harris, Hall & Co. (Inc.) (jointly); Otis & Co., Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Carl M. Loeb, Rhoades & Co. and American Securities Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—To reimburse treasury for expenditures made for construction program and for general corporate purposes. **Bids**—Expected to be received up to 11 a.m. (CST) on June 18.

● Mitchum Pharmacal Co., Paris, Tenn.
May 18 (letter of notification) 290,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital.

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.

New England Gas & Electric Association (6/4)
May 16 filed 197,243 common shares of (par $8) beneficial interest to be offered to common stockholders of record May 31 on basis of one share for each eight shares then held; rights will expire on June 20. **Price**—Maximum of $15 per share. **Underwriter**—The First Boston Corp. to act as dealer-manager. **Proceeds**—To pay short-term notes and acquire stock of subsidiaries. ★

● New England Telephone & Telegraph Co. (6/8)
May 23 filed 777,850 shares of capital stock to be offered to stockholders of record June 8 in ratio of one share for each two shares held. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — To reduce outstanding temporary borrowings.

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. (6/11)
May 1 filed $2,700,000 of debentures due 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; A. C. Allyn & Co., Inc.; Drexel & Co.; The First Boston Corp.; Lehman Brothers; Smith, Barney & Co.; Equitable Securities Corp.; Union Securities Corp. **Proceeds**—To repay bank loans.

Northern Illinois Corp., DeKalb, Ill.
May 7 (letter of notification) 3,080 shares of $1.50 cumulative preferred stock (no par) being offered to certain stockholders of record April 20, 1951, subject to allotment. The subscription privilege will expire on June 14, 1951. **Price**—$23.50 per share. **Underwriter**—None. **Proceeds**—For working capital to be used to make 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 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.

Olympic Radio & Television, Inc.
April 16 (letter of notification) 8,800 shares of common stock (par $1). **Price**—At the market. **Underwriter**—None, but Van Alstyne, Noel & Co., New York, will act as broker. **Proceeds**—To two selling stockholders.

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 Western Oil Corp.
May 10 filed 200,000 shares of capital stock (par $4). **Price**—At the market (based on quotations on New York Stock Exchange at time of sale). **Underwriter**—None. **Proceeds**—To J. Paul Getty, President of the company, who is the selling stockholder.

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 200,000 shares of common stock. **Price**—At Par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes.

Peabody Coal Co.
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.

ITEMS REVISED EACH WEEK

The data in this compilation is brought up-to-date each week in accordance with later information made available by the SEC or other reliable sources. Where changes have been made during the past week, this is indicated by the symbol (★) appearing at the end of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

● Peoples Gas Light & Coke Co., Chicago, Ill.
May 22 filed $25,000,000 of first and refunding mortgage bonds, series H, due June 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Proceeds**—To repay bank loans, for new construction and for additional investment (estimated at $7,700,000) in equity securities of Texas Illinois Natural Gas Pipeline Co., a subsidiary.

● Pepsi-Cola Bottling Co. of Washington, D. C., Inc.
May 11 (letter of notification) 5,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None, but Ferris & Co., Washington, D. C., will act as broker for over-the-counter sales. **Proceeds**—To Bernard B. Schwartzman, the selling stockholder.

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.

Public Service Co. of New Hampshire (6/12)
May 11 filed $3,000,000 first mortgage bonds, series F, due June 1, 1981. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Otis & Co.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Carl M. Loeb, Rhoades & Co. **Proceeds** — For construction program. **Bids** — Present plans are to mail bidding papers on or about June 1 and to open bids at noon (EDT) on June 12. ★

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**—A. H. Vogel & Co., Detroit, Mich. **Proceeds**—To three selling stockholders. **Office**—443 West Congress Street, Detroit 26, Mich.

● Sangamo Electric Co., Springfield, Ill.
May 21 filed 111,000 shares of common stock (par $10). **Price** — To be supplied by amendment. **Underwriter**—Paul H. Davis & Co., Chicago, Ill. **Proceeds**—For working capital.

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.

● Saul (B. F.) Co., Washington, D. C.
May 14 (letter of notification) $22,500 of promissory notes secured by first deed of trust on certain property. **Underwriter**—B. F. Saul Co., Washington, D. C. **Proceeds**—To reimburse latter firm for moneys advanced to M. & R. Contractors, Inc., 1028 Connecticut Avenue, N. W., Washington, D. C. ★

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.

● SeaPak Corp., St. Simons Island, Ga.
May 14 (letter of notification) 25,000 shares of common stock (par $1). **Price** — $6 per share. **Underwriter**—French & Crawford, Inc., Atlanta, Ga. **Proceeds** — For working capital.

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.

● Southeastern Public Service Co.
May 22 filed 20,000 shares of 6% cumulative convertible preference stock, series A (par $25). **Price**—To be supplied by amendment. **Underwriter**—Bioren & Co., Philadelphia, Pa. **Proceeds** — For additional investment in stock of subsidiaries.

Southwestern Investment Co.
April 30 filed 15,000 shares of $1 cumulative sinking fund preferred stock (no par) to be offered first to stockholders from May 21 to June 5. **Price**—$20 per share. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Proceeds**—For working capital.

Southwestern Investment Co.
April 30 filed 22,288 shares of common stock (no par) to be offered first to stockholders from May 21 to June 5. **Price**—$20 per share. **Underwriters**—Schneider, Bernet & Hickman, Dallas, Texas; G. H. Walker & Co., St. Louis, Mo.; and Dewar, Robertson & Pancoast, San Antonio, Texas. **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.

● Squibb (E. R.) & Sons, New York (6/15)
May 22 filed 300,000 shares of common stock (par $1), to be split up on a two-for-one basis following approval of stockholders on June 22 of a proposal to change each $1 par share into two 50-cent par shares. **Price**—To be supplied by amendment. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Proceeds**—For plant additions and improvements.

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.

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.

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 Electric Service Co. (6/18)
May 17 filed $11,500,000 of first mortgage bonds due June 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp., Glore, Forgan & Co. and White, Weld & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Hemphill Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly). **Proceeds**—For new construction. **Bids**—Expected to be received up to 11:30 a.m. on June 18.

Thomson-Diggs Co., Sacramento, Calif.
May 9 (letter of notification) 6,000 shares of capital stock (no par). **Price**—$50 per share. **Underwriter** — None. **Proceeds**—For corporate purposes. **Office**—1801 Second St., Sacramento 4, Calif.

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.

Tracerlab, Inc., Covington, Ky. (5/28)
May 10 filed 175,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Lee Higginson Corp., Boston, Mass. **Proceeds**—To retire outstanding bank loans incurred in connection with acquisition of a controlling interest in Kelley-Koett Manufacturing Co., manufacturers and distributors of X-ray apparatus and equipment; and for working capital. ★

Trans Caribbean Air Cargo Lines, Inc.
May 8 (letter of notification) 20,000 shares of capital stock (par 10 cents). **Price**—At market, approximately $2.37½ per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—O. Roy Chalk, President, the selling stockholders.

● United States Steel Corp., Hoboken, N. J.
May 21 filed 1,300,000 shares of common stock (no par) "to be offered from time to time to certain key employees" under an incentive plan. **Proceeds**—For general corporate purposes.

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● United Wholesale Druggists of Portland, Inc.
May 11 (letter of notification) 794 shares of capital stock (no par). **Price**—$50 per share. **Underwriter** — None. **Proceeds**—To purchase merchandise for resale to retail druggists. **Office**—322 N. W. 14th Ave., Portland 9, Ore.

Utica Cutlery Co.
May 4 (letter of notification) 1,000 shares of capital stock being 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 Mining Co., Van Dyke, Mich.
May 15 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—Titus Miller & Co., Detroit, Mich. **Proceeds**—For exploration and drilling of mining claims. **Office** — 23660 Van Dyke Ave., Van Dyke, Mich.

Veterans Broadcasting Co., Inc.
April 19 (letter of notification) 26,575 shares of capital stock. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To construct a television station. **Office**—17 Clinton Ave., South, Rochester 4, N. Y.

● Victoreen Instrument Co., Cleveland, O. (6/12)
May 22 filed 374,000 shares of common stock (par $1), of which 221,000 are to be issued by the company and 153,000 for account of John A. Victoreen, Chairman of the Board. **Price**—To be supplied by amendment. **Underwriters**—Barrett Herrick & Co., Inc., New York, and A. H. Vogel & Co., Detroit, Mich. **Proceeds**—For new equipment and working capital.

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.

Western Gold Mines, Inc., Carson City, Nev.
May 8 (letter of notification) 30,000 shares of capital stock (par 10 cents). **Price** — At the "market" but not exceeding $3.50 per share. **Underwriter**—J. Arthur Warner & Co., Inc., New York, N. Y. **Proceeds**—For exploration and development of Utah properties.

Wilton Woolen Co., Wilton, Me. (6/4-9)
May 14 filed 195,800 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill., and George A. McDowell & Co., Detroit, Mich. **Proceeds**—To 11 selling stockholders. ★

Yale & Towne Mfg. Co., New York (6/5)
May 16 filed 102,197 shares of capital stock (par $25) to be offered to stockholders at rate of one share for each five shares held on or about June 5; with rights expected to expire June 20. **Price**—To be supplied by amendment. **Underwriter**—Morgan Stanley & Co., New York. **Proceeds** — To repay bank loans and for new equipment.

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.

ITEMS REVISED EACH WEEK

The data in this compilation is brought up-to-date each week in accordance with later information made available by the SEC or other reliable sources. Where changes have been made during the past week, this is indicated by the symbol (★) appearing at the end of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

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.

● Bell Aircraft Corp.
May 16 it was announced stockholders will vote May 28 on approving a proposal to borrow $2,500,000 on bonds to mature serially. The proceeds will be used to finance construction of a $3,000,000 helicopter plant near Fort Worth, Texas.

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.

Calvan Consolidated Oil & Gas Co., Ltd.
April 3 it was stated registration is expected week of May 28 of 1,000,000 shares of capital stock. **Price**—About $5 per share. **Underwriters**—Hemphill, Noyes, Graham, Parsons & Co., New York, and Gardiner, Watson & Co., Toronto, Canada.

Carolina Natural Gas Corp., Charlotte, N. C.
Feb. 20 a fourth amended application was filed with the SEC for authority to build a natural gas pipeline system to serve certain areas in North and South Carolina. Estimated cost of the proposed facilities is $3,595,295, to be financed by the sale of first mortgage bonds and the issuance of junior securities. Underwriters may include R. S. Dickson & Co., Charlotte, N. C.

Central Maine Power Co.
April 3 company estimated that outside cash requirements for 1951 for construction and other purposes will be about $10,000,000. No definite plans for permanent financing have yet been formulated, and in the interim company plans to obtain necessary funds through short-term bank borrowings.

Central & South West Corp.
April 10 it was announced company plans to issue and sell approximately 400,000 shares of common stock (par $5) late in 1951 or early in 1952. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); Kuhn, Loeb & Co.; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly). **Proceeds**—To be used to assist subsidiaries to finance a part of their construction program. Stockholders voted on May 15 to increase authorized common stock from 8,000,000 to 10,000,000 shares.

● Chicago, Milwaukee, St. Paul & Pacific RR. (6/4)
Bids will be received by the company at Room 744, Union Station Bldg., Chicago 6, Ill., on or before noon (CST) on June 4 for the purchase from it of $5,300,000 equipment trust certificates, series NN, to be dated June 1, 1951 and to mature in 20 semi-annual instalments of $265,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

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.

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.
May 15, the company stated: "Since it now appears that the System's construction program for 1951 will be somewhat curtailed by material shortages arising from the National Defense program, it is presently expected that no public financing will be required during 1951."

● Columbus & Southern Ohio Electric Co.
May 16 J. B. Poston, President, announced that company plans an early offering of $10,000,000 first mortgage bonds. **Underwriters**—Last issue of bonds were placed privately on July 1, 1948 through Dillon, Read & Co. Inc., New York. If competitive, probable bidders may include Halsey, Stuart & Co. **Proceeds**—For expansion program.

Commonwealth Edison Co.
May 22 Charles Y. Freeman, Chairman, announced that the company's scheduled construction program for the 1951-54 period calls for the expenditure of about $450,000,000, of which it is estimated that $200,000,000 will be provided out of cash resources at the end of 1950. This means that additional capital of about $250,000,000 will be required through 1954. Neither the timing nor the nature of this new financing have yet been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co. ★

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.

Cooper-Bessemer Corp., Mt. Vernon, Ohio
May 5, it was announced that arrangements for adequately financing the company's increased volume of business have been approved by the directors.

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., Kansas City, Mo.
May 15 company requested SEC authorization to issue and sell $5,400,000 first mortgage bonds due 1971. **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. **Offering**—Expected late in June or early in July.

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. (6/19)
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.
May 14, it was announced company is presently considering the issuance of approximately $15,000,000 of additional first mortgage bonds later in 1951, in addition to registration of 35,000 shares of 4% preferred stock (par $100). Bonds will probably be placed privately, and proceeds used for additions and improvements to the company's properties.

Iowa-Illinois Gas & Electric Co.
May 9, it was announced stockholders have approved an authorized issue of 100,000 shares of preferred stock (par $100). An offering of part of this issue may be made later this year. The proceeds are to be used to finance the company's construction program.

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 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.

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.

Lees (James) & Sons Co.
May 16 it was announced stockholders will vote June 10 on approving a $10,000,000 increase in indebtedness. Company expects to sell $6,000,000 of 20-year bonds, carrying interest at less than 4%. Proceeds will be used to pay off short-term bank loans. Traditional underwriter: Morgan Stanley & Co., New York.

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 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 Corp.
May 4, Joseph M. Bell, Jr., President, announced that the company's $66,500,000 construction program for the three years through 1953 involves new financing of $41,500,000 in addition to the $10,500,000 provided thus far this year through the sale of 2.80% first mortgage bonds, in accordance with contracts entered last August. Traditional

Ohio Power Co.
underwriter: The First Boston Corp., New York.
May 15 it was stated that this company, a subsidiary of American Gas & Electric Co., will need $36,000,000, perhaps more, which it expects to raise some months hence through the sale of new securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). Proceeds will be used for construction program.

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.**
May 17 it was stated company has applied to the Missouri P. S. Commission for authority to issue and sell to the public $20,000,000 of sinking fund debentures due 1971, and to issue 60,000 additional shares of common stock to key employees under a stock option plan. **Underwriters**—For debentures, to be determined by competitive bidding. Probable bids may include Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Halsey, Stuart & Co. Inc. (jointly). **Proceeds**—For construction program.

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.

● **Pennsylvania-Reading Seashore Lines (6/6)**
Bids will be received by the company at Reading Terminal, Philadelphia, Pa., on or before noon (EDT) on June 6 for the purchase from it of $4,000,000 first mortgage bonds, series A, to be dated July 2, 1951 and to mature July 1, 1976. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co.; Drexel & Co. **Proceeds**—To retire $1,926,000 of 4% bonds due July 1, 1951 and $2,200,000 of 5% bonds due May 1, 1954.

● **Pfizer (Chas.) & Co., Inc.**
May 18 it was announced company plans issuance and sale to common stockholders of 444,015 additional shares of new common stock (par $1) on a 1-for-10 basis, following proposed 3-for-1 split-up of presently outstanding 1,480,050 shares of common stock (par $1) which will be voted upon on June 21. It is also proposed to sell to the public an issue of 150,000 shares of cumulative convertible second preferred stock. **Underwriters**—F. Eberstadt & Co. Inc. **Proceeds**—To reimburse the company for plant expansion programs already approved and under way for further expansion and for working capital.

Pitney-Bowes, Inc.
March 29 it was announced company plans to sell additional convertible preferred stock from time to time for "new money."

Potomac Electric Power Co.
May 10 it was announced company has arranged to borrow up to $10,000,000 from 17 banks and expects to fund these loans through sale of permanent securities this fall or early in 1952. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc.

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 Corp.**
May 16 it was announced that stockholders will vote June 6 on increasing authorized common stock from 1,250,000 to 1,750,000 shares. It is planned to offer later this year about 150,000 shares for subscription by common stockholders on a 1-for-7 basis and 50,000 shares to employees under a payroll reduction plan. **Underwriter**—The First Boston Corp. **Proceeds**—For expansion program.

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).

Staley (A. E.) Manufacturing Co.
May 8 stockholders voted to cancel the pre-emptive or preferential right of common stockholders to purchase or subscribe for the company's unissued securities. According to A. E. Staley, Jr., President and Chairman, cancellation of this right enables the company to meet security market situations better in any future sales of unissued common stock. Common stockholders of record May 23 will receive a 100% stock dividend on June 6. This follows an increase in common stock authorized from 1,000,000 to 2,000,000 shares (par $10).

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.

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Textron, Incorporated
May 10, it was announced stockholders on June 8 will vote on authorizing the creation of a new issue of 250,000 shares of 4% preferred stock (par $100). On May 23, they will vote on increasing authorized common stock from 2,000,000 to 3,000,000 shares. Traditional underwriter: Blair, Rollins & Co. Inc., New York. Proceeds are to be used for expansion program.

● **United Gas Corp.**
May 22 company filed with the SEC an "overall financing program" which provides for an offering of 1,065,330 shares of its common stock (par $10) for subscription by stockholders on a 1-for-10 basis, with an oversubscription privilege; the issuance and sale at competitive bidding of $100,000,000 of first mortgage and collateral trust bonds, of which it is planned to initially sell $50,000,000; and the refinancing of bank loans aggregating $25,000,000 due Dec. 31, 1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Equitable Securities Corp.; Harriman Ripley & Co., Inc. and Goldlman, Sachs & Co. (jointly); The First Boston Corp. **Proceeds**—To purchase bonds and debentures of United Gas Pipe Line Co.

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.

Valley Gas Pipe Line Co., Inc., Houston, Tex.
May 9 FPC dismissed application of company proposing the construction of a $144,500,000 pipeline project to carry natural gas from Texas and Louisiana to markets in Indiana, Ohio and Michigan. The company had planned to build 1,500 miles of line.

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.

Washington Gas Light Co.
March 8 it was announced that company may issue approximately $9,000,000 of bonds or obtain bank loans (or some combination thereof) during 1951 and apply the proceeds toward its construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jontly); Equitable Securities Corp.; Alex. Brown & Sons.

Our Reporter's Report

This was the dullest week in some time in the corporate new issue field, with today's scheduled offerings providing bankers their only important business.

True there were a number of smaller secondary undertakings, but even these were more limited in scope than had been the case recently.

Potential issuers, whose financial officers these days keep in pretty close touch with conditions in the investment market, presumably were inclined to sit back and await some indication of what the Treasury has in mind by way of handling its substantial maturities over the next few months.

Doubtless these people still had fresh in their minds the fact that Secretary Snyder had decided to forego his option to refinance a large issue recently by simply letting the call date pass.

Now he faces the task of providing for something over $15,400,000,000 of maturing issues which fall due between June 15 and the beginning of August next. Market observers are anxious to get a line on just how the Treasury intends to go about this business, and probably will tread cautiously between now and June 15 when the Treasury must provide for payment of $1,600,000,000 in called 2¾% bonds.

The government market, ranging pretty much in narrow price limits, has not been doing much to provide anything in the way of a clue to what Secretary Snyder may have in mind. It is a case of wait and see.

National Dairy Products

Today's offering of $30,000,000 National Dairy Products 25-year debentures proved the week's largest, and more than that, only corporate debt undertaking.

Prospects were, according to people interested in this offering, that it would find good reception and move out in satisfactory manner.

The company proposes to use the resulting proceeds for plant and equipment and to increase its general corporate funds.

City of Toronto

Bankers here were slated today to make public offering of $20,000,000 of consolidation loan debentures of the City of Toronto, due serially from 1955 to 1981 inclusive.

Interest rates would range from 3% to 3⅜% and it was indicated offering prices would be set to provide yields of from three to around 3.40%.

Proceeds will be used for financing advances to the Transportation Commission for Capital improvements.

Can Be Sure of That

The chairman of Commonwealth Edison Co., Charles Y. Freeman, in outlining the company's budget requirements this week, advised stockholders that "it is unlikely because of the unsettled condition of the money market in recent months that future expansion funds will be obtainable on as advantageous a basis as those of the last several years."

To that observation, investment bankers, especially those who handled its last $49,000,000 issue, would say "positively." That issue was brought out some weeks ago at a price of 101.335 and is now quoted at 93½ bid and 94 asked.

The big Chicago Utility has plans to spend $450,000,000 in the next four years of which it proposes to raise some $250,000,000 in the open market. There are indications that it may be preparing for another issue later in the year, but thus far, Mr. Freeman said, no decision has been made on type of issue or timing.

An Important Date

For holders of American Telephone & Telegraph Co.'s 3⅛% convertible debentures, due 1959, it would be a good idea to mark June 19 on the calendar.

That is the last day on which conversions into capital stock can be made at the current price of $130 a share. A recent check showed that only about $30,600,000 of the original offering of around $400,000,000 remained unconverted.

The conversion price, starting on June 20, jumps to $140 a share under the provisions of the indenture.

COMING EVENTS
In Investment Field

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 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Club.

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 (New York City)
Municipal Bond Club of New York annual meeting at Sleepy Hollow 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 22, 1951 (New York City)
New York Security Dealers Association Annual Outing at the Hempstead Golf Club, Hempstead, Long Island.

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.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Business Man's Bookshelf

Discretionary Trusts: Tax and Administrative Advantages — Franz Martin Joseph—reprinted from Trust and Estates, Fiduciary Publishers, Inc., New York, N. Y.

Exchange Restrictions, Second Annual Report on—International Monetary Fund.

Looking Forward— Arthur F. Burns—31st annual report—National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—paper.

New York Laws Affecting Business Corporations, annotated and revised to April 16, 1951—United States Corporation Company, 160 Broadway, New York 38, N. Y.—paper—$2.50.

Opportunities in Finance—Sam Shulsky — Vocational Guidance Manuals, Grosset & Dunlap, New York, N. Y.—paper—$1.00.

Petroleum Facts and Figures—9th edition—American Petroleum Institute, 50 West 50th Street, New York 20, N. Y.—paper—$2.50.

Risk & Return, or How to Live With Wall Street — Robert Lee Sharp & Wallace H. Matlock—Illustrated by George Clark—Borden Publishing Company, 3077 Wabash Avenue, Los Angeles 33, Calif.—Cloth—$5.

Stock Exchange Year-Book 1951-Volume I (London)—Thomas Skinner & Co., Ltd., Gresham House, Old Broad Street, London, E. C. 2, England—and 111 Broadway, New York 6, N. Y.—cloth —$10.00.

Studies in Income and Wealth —Volume XIII—Conference on Research in Income and Wealth —National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—cloth—$6.00.

United States Coins: A Guide to Values — Wilfrid Dellquest — M. Barrows and Company, Inc., 114 East 32nd Street, New York, N. Y.—cloth—$2.00.

Joins Redden & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Sherwood R. Hughes is now affiliated with Redden & Company 812 Olive Street, members of the Midwest Stock Exchange.

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The Security I Like Best

change in the earnings per share as volume expands.

While the quantitative factors, namely, the statistics about the company, are on the plus side, this is also true of many other securities at this time. The primary reason for my optimism about the company is the intangible factor of management. In the case of Miles we have a happy combination of proven operating people who also have a substantial stake in the ownership of the company.

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Mutual Funds

deflationary or inflationary forces may temporarily predominate. The diversification of investments on May 17, 1951, was as follows:

Common stocks ----	$104,925,915	60.92%
Appreciation bonds and preferreds----	716,250	0.41
Convertible seniors--	1,989,462	1.16
Investment bonds and preferreds ---	29,548,850	17.15
Govt. bonds and cash	35,065,977	20.36
	$172,246,454	100.00%

National Mutual Funds' sales were $29,687,000 in the fiscal year ended April 30, it was declared by H. J. Simonson, Jr., President of National Securities & Research Corp. Net assets on April 30, 1951, were $83,080,412, an increase of 33% from the figure a year earlier.

AT THE ANNUAL Meeting of Institutional Shares, Ltd., shareholders approved an amendment to the Certificate of Incorporation of the company permitting it to invest in the stock of any insurance company which had a capital and surplus aggregating not less than $5,000,000. Previously, investments were restricted to the stocks of 23 insurance companies as comprised the original list authorized in 1936.

DURING THE six months from Oct. 31, 1950 to April 30, 1951, total net assets of Guardian Fund increased from approximately $337,000 to $794,000, and net asset value per share increased from $10.28 to $11.54.

New York Stock Exch. Weekly Firm Changes

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

Transfer of the Exchange membership of Frank Lewisohn to Frank J. Bennett will be considered on May 24.

Transfer of the Exchange membership of Charles A. Kollstede to Jack W. Schiffer will be considered by May 24.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership: William Nelson, II, Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tennessee, and John H. Crago, Smith, Moore & Co., St. Louis, Missouri.

DIVIDEND NOTICES

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, May 15, 1951, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable June 30, 1951, to Common stockholders of record at the close of business on June 8, 1951.

S. A. McCASKEY, Jr.
Secretary

CARLISLE CORPORATION

The Board of Directors has declared a dividend of 10 cents per share on the outstanding capital stock of the Corporation, payable June 5, 1951, to stockholders of record May 25, 1951.

FURBER MARSHALL, *President*

ADVANCE ALUMINUM CASTINGS CORP.

Chicago, Illinois

The Board of Directors declared a regular quarterly dividend of 12½ cents per share, and an extra dividend of 12½ cents per share, on the common stock of the corporation, payable June 1, 1951, to stockholders of record at the close of business on May 15, 1951.

ROY W. WILSON
President

FOREMOST DAIRIES, Inc.
Jacksonville, Florida

The Directors of Foremost Dairies, Inc., Jacksonville, Fla., have declared the following quarterly dividends:

6% PREFERRED STOCK
75c Per Share
4% CONVERTIBLE PREFERRED STOCK
50c Per Share
COMMON STOCK
25c Per Share

Each Dividend is payable July 2, to Stockholders of record at the close of business, June 11.

LOUIS KURZ, Secretary

Bayuk Cigars Inc

A dividend of twenty cents (20c) per share on the Common Stock of this Corporation was declared payable June 15, 1951 to stockholders of record May 31, 1951. Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
May 18, 1951

PHILLIES
America's No1 cigar

DIVIDEND NOTICES

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held May 23, 1951, declared a dividend of 75 cents per share on the Class A Convertible Preferred Stock payable June 19, 1951, to stockholders of record June 12, 1951.

C. CAMERON, *Treasurer.*

May 23, 1951.

E.I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Delaware, *May 21, 1951*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable July 25, 1951, to stockholders of record at the close of business on July 10, 1951; also 85¢ a share on the Common Stock as the second interim dividend for 1951, payable June 14, 1951, to stockholders of record at the close of business on May 28, 1951.

L. DU P. COPELAND, *Secretary*

KENNECOTT COPPER CORPORATION

120 Broadway, New York 5, N. Y.

May 18, 1951

A cash distribution of One Dollar and Twenty-five Cents ($1.25) a share has today been declared by Kennecott Copper Corporation, payable on June 29, 1951, to stockholders of record at the close of business on June 1, 1951.

ROBERT C. SULLIVAN, *Secretary*

INTERSTATE POWER COMPANY

DUBUQUE, IOWA

PREFERRED DIVIDEND

A quarterly dividend of 58.75 cents per share has been declared on the 4.70% Preferred Stock ($50 Par Value), payable July 1, 1951, to stockholders of record at the close of business June 20, 1951. The transfer books will not be closed.

COMMON DIVIDEND

A dividend of 15 cents per share has been declared on the Common Stock, payable June 20, 1951, to stockholders of record at the close of business June 4, 1951. The transfer books will not be closed.

OSCAR SOLBERG,
Treasurer

May 16, 1951

CHEMICALS · TEXTILES · PLASTICS
CELANESE
CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

An initial dividend of 82½ cents for the period April 25 through June 30, 1951, payable July 1, 1951 to holders of record at the close of business June 5, 1951.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1951 to holders of record at the close of business June 5, 1951.

COMMON STOCK

75 cents per share, payable June 23, 1951 to holders of record at the close of business June 5, 1951.

R. O. GILBERT
Secretary

May 22, 1951.

DIVIDEND NOTICES

PITTSBURGH CONSOLIDATION COAL COMPANY

CONSOL

The Board of Directors of PITTSBURGH CONSOLIDATION COAL COMPANY at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on June 12, 1951, to shareholders of record at the close of business on May 31, 1951. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

May 21, 1951.

DIVIDEND NOTICE

THE MINNEAPOLIS & ST. LOUIS RAILWAY COMPANY

The Board of Directors of this Company on May 9, 1951, authorized the payment of a dividend of Twenty-five (25¢) Cents per share on all shares of common stock outstanding as of the close of business June 1, 1951, such dividend to be payable June 15, 1951, to the holders of record of shares of said stock at the close of business on June 1, 1951.

By order of the Board of Directors.

JOHN J. O'BRIEN, Secretary

MERCK & CO., Inc.

RAHWAY, N. J.

Dividends of 50¢ a share on the common stock and 87½¢ a share on the $3.50 cumulative preferred stock have been declared, payable on July 2, 1951, to stockholders of record at the close of business June 12, 1951.

JOHN H. GAGE,
Treasurer

May 22, 1951

MIDDLE SOUTH UTILITIES, Inc.

DIVIDEND

The Board of Directors has this day declared a dividend of 30¢ per share on the Common Stock, payable July 2, 1951, to stockholders of record at the close of business June 8, 1951.

H. F. SANDERS,
Treasurer

New York 6, N. Y.
May 21, 1951

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 168

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 17

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable June 30, 1951, to stockholders of record June 5, 1951. *Checks will be mailed from the Company's office in Los Angeles, June 30, 1951.*

P. C. HALE, *Treasurer*

May 18, 1951

DIVIDEND NOTICES

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 134

A QUARTERLY DIVIDEND of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, June 18, 1951, to stockholders of record at three o'clock P. M., on Monday, May 28, 1951. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., May 17, 1951.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 145 of fifty cents (50¢) per share on the common stock payable July 16, 1951, to stockholders of record at the close of business on June 15, 1951.

GERARD J. EGER, Secretary

O'okiep Copper Company Limited

Dividend No. 18

The Board of Directors today declared a dividend of ten shillings per share on the Ordinary Shares of the Company payable June 1, 1951 to the holders of Ordinary Shares of record at the close of business May 25, 1951.

The Directors authorized the distribution of the said dividend on June 12, 1951 to the holders of record at the close of business on June 5, 1951 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to $1.39 per share, subject, however, to any change which may occur in the official rate of exchange for South Africa funds prior to June 1, 1951. Union of South Africa non-resident shareholders tax at the rate of 7½% will be deducted.

By Order of the Board of Directors,

H. E. DODGE, *Secretary.*

New York, N. Y., May 17, 1951.

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

COMMON STOCK

A regular quarterly dividend of 37½¢ per share on the Common Stock has been declared, payable June 20, 1951 to stockholders of record at the close of business June 8, 1951.

The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

May 21, 1951.

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 25 cents per share on the Company's capital stock, payable June 15, 1951, to stockholders of record at the close of business May 28, 1951.

RICHARD T. FLEMING,
Secretary

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 32 cents per share on the Common Stock of the Company, payable July 2, 1951 to stockholders of record at the close of business May 31, 1951.

RICHARD BULLWINKLE
Secretary

May 18, 1951

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable July 2, 1951, to stockholders of record at the close of business on June 11, 1951.

J. H. MIRACLE
Secretary

May 23, 1951

WEST INDIES SUGAR CORPORATION

60 E. 42nd Street, New York 17, N. Y.

COMMON DIVIDEND NO. 21

The Board of Directors has this day declared an *extra* dividend of fifty cents (50¢) per share payable on June 12, 1951 to stockholders of record June 1, 1951.

The regular quarterly Common Dividend No. 20 of fifty cents (50¢) per share, previously authorized, will *also* be paid on June 12, 1951 to stockholders of record June 1, 1951.

EDWARD F. GALM, *Secretary*

May 22, 1951

a.c.f.
AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET NEW YORK 8, N. Y.

The Directors of American Car and Foundry Company today declared, out of the earnings for the fiscal year ended April 30, 1951, a dividend for the year of 7% upon the par amount of the preferred shares outstanding, payable in four installments, each of 1¾%, payable respectively, (1) Preferred dividend No. 176, on June 29, 1951 to stockholders of record at the close of business June 15, 1951; (2) Preferred dividend No. 177, on October 1, 1951 to stockholders of record at the close of business September 14, 1951; (3) Preferred dividend No. 178, on January 2, 1952 to stockholders of record at the close of business December 14, 1951 and (4) Preferred dividend No. 179, on April 1, 1952 to stockholders of record at the close of business March 14, 1952.

Checks will be mailed by the Guaranty Trust Company of New York. The transfer books will remain open.

C. ALLAN FEE, *Secretary*

May 17, 1951

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One of the paradoxes of the current effort for economy is that the overwhelming majority of the Congress appreciates that the legislative machinery is inadequate, antiquated, and entirely unable to cope with the spending arguments of a vast, almost uncontrollable Administration—but that practically nothing can be done about it.

And nothing can be done about it because every concrete step to set up machinery to control executive spending arouses "jurisdictional disputes" between the House and Senate, and between one committee and another.

For instance, the Senate is hot for the idea of a single appropriation bill, a control device of some if not great value. The House, however, is dead set against it, and this will probably fail.

Senator John L. McClellan (D., Ark.), the Chairman of the Expenditures Committee, is the author of another major proposition which is currently receiving attention and hearings.

McClellan's central idea is that there should be some where a Congressional staff of about 50 genuine experts each of whom would specialize intimately on a segment of government activities. These staff members, who would be in the pay of Congress, would make it their business to know all about the activities of the bureau or department assigned to each for watching. In this way the staff members could prepare advance reports for appropriation committee members on how a department was spending its money, and what factual background there was to an appropriation request.

These staff members then could "prompt" the appropriations committee members with questions which would get to the core of the official presentation of a case for more money. Such a staff could find out about such things as unspent appropriations rapidly spent, as they usually are, in anticipation of a fiscal-year end, overstaffing, and a multitude of other wasteful practices.

McClellan's proposal, however, is opposed both by the appropriations committees of both Houses, and by the House in its jealousy over its initiative in handling appropriations.

The Arkansas Senator would also have the staff "watchdog" appropriations to see that they are spent in accordance with Congressional intent. This immediately overlaps the function of the General Accounting Office, a Congressional appendage which has constantly fought a continuing drive of the Administration either to take away its independent audit, or to neutralize its "irritating" operations.

* * *

Long before the third quarter arrives July 1, "non-essential" steel-using industries are expected to find that the actual steel available to them will be very substantially less than the two-thirds of the sums used during the first half year, it was indicated here.

At a press conference last week officials indicated that the overall strictly civilian use would, for the third quarter, be cut down to about one-third below the amount consumed during the first six months.

However, requirements for military and essential civilian needs, as presented to NPA, amounted to 135% of the estimated steel supply, without taking account of the "non-essential" automobile, appliance, and other industries. Hence something has to give somewhere.

In fact the official requirements will be pared down, but even with a paring of as much as one-third in the initial requirements, the "non-essential" industries would have to be cut by about 45% as a whole below their use during the first half of the year.

* * *

It is believed that official plans for steel industry expansion are now on a realistic basis which would square favorably with the plans of the industry.

Despite reports that officials are cutting back on steel expansion, there is no thought, it is said, of reducing the expansion program below the target of some 117 million tons of capacity which the industry plans to achieve by a couple of years. This figure of 117 million tons pretty well coincides with projects actually started or well projected by established steel producers.

What will be cut out, it is reported, are expansion plans of a more nebulous character by outfits of less than established backing. These are the projects upon which tax amortization certificate deals are being rechecked carefully, and probably will be denied.

Real reason for limiting the expansion program to this realistic basis is not so much the much talked "iron ore shortage" as the steel shortage itself. It takes a ton of steel to add three tons of steel production capacity.

Despite the ever-present threat of a scrap shortage to continued maximum steel production, officials, it is said, are not contemplating seriously a request to boost the ceiling price on iron and steel scrap. They feel that a higher price, while it might help, would probably fail to bring in the 3 million tons of purchased scrap which the industry this year needs over 1950's acquisition of 29 million tons from this source. The best solution is to organize drives for collection of scrap from farms and other places where it is likely to be.

* * *

Underneath the surface of news, a real battle has been put on to increase interest rates on both FHA- and VA-guaranteed and insured loans so as to foreclose what some officials fear is a trend toward a smaller volume of mortgage money—a trend, incidentally which officials for publication have played down.

This battle has been lost, however, it is authoritatively reported. For some time to come FHA mortgages will not pay more than 4¼%, and VA's more than 4%. Furthermore, the Federal National Mortgage Association, "Fanny May," will not step back into the market in a big way to try to keep the market blooming at present rates.

Later this year, IF there should not prove to be sufficient mortgage money at present rates of return, enough, that is, to sustain a sharply-curtailed volume of home construction, then consideration may be given to boosting the interest return a little on FHA's and VA's.

* * *

Congress and the Administration appear to be combining once more to provide the annual demonstration of the old axiom that 2,300,000 Federal employees can't be wrong—when they want a raise.

The Administration last week proposed to boost annual pay from $165 to $800 per employee. The weighted average of all increases would add 6.9% to the payroll. In the Senate, however, a bill under active consideration would boost pay by 10%.

It is not that Federal employees have been neglected in respect to pay raises since the war. Aggregate pay increases since War II of the classified or civil service employees has ranged from a minimum of 25% in the highest paid brackets of Federal employees to 83% in the lowest pay grade. Among custodial employees, or janitors, elevator operators, etc., the pay increases voted by Congress have run up to 105% of War II levels. The current postal deficit is almost matched by the increases in pay Congress voted postal employees.

In case anybody hasn't heard why the Federal employees are so generously treated, it is because 90% of them are outside "voteless Washington" and in states where they are privileged to vote against unsympathetic Congressmen. California, for instance, has in excess of 250,000 Federal employees to the 240,000 in the nation's capital.

* * *

If anybody wants a first class example of how a bureaucrat can openly lobby against economy, send for the statement of May 16 by Raymond Foley, Administrator of the Housing and Home Finance Agency, Washington, 25, D. C., numbered "HHFA-OA-No. 163." In this little gem of a release Mr. Foley tells the world in intimate detail just how far along public housing projects are in scores of cities, and how many subsidized housing units would be lost by the action of the House in cutting the public housing program down to 5,000 units in fiscal 1952.

This release shows crystal clear how vigorously HHFA moved to line up as many cities as possible on the gravy train, in order to make it embarrassing ever to cut public housing. HHFA did this even to sacrificing any substantial actual production. It also discloses that Congressmen who notwithstanding voted to cut down public housing, exhibited an unusual courage.

Incidentally, Mr. Foley also declared that if the action of the House were sustained it would be a "bitter blow" to families of veterans, servicemen, and defense workers.

Until Ray said that, everybody thought subsidized public housing, in which a great part of the rent is paid by the Treasury, was for people of low incomes only, not for defense workers who are preponderantly able to pay their way, and veterans, who have their own forms of subsidized housing.

* * *

It's a pretty good bet that the latest drive of the labor organizations to jiggle the Bureau of Labor Statistics cost-of-living index will get nowhere this year, despite hearings on the subject before a House Labor subcommittee.

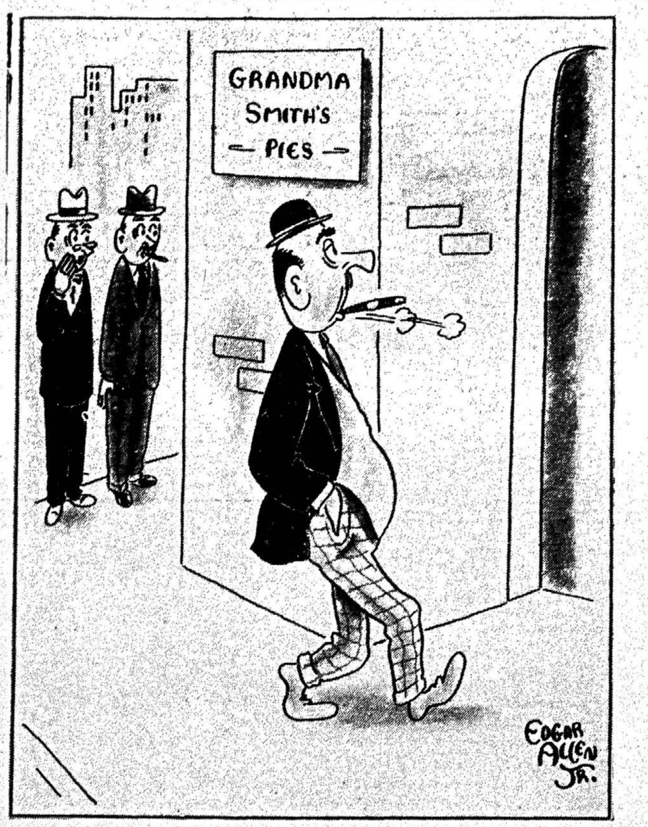
Even before the cost-of-living escalator clauses were written into union contracts, the labor crowd carried on a running fight with BLS to get the index "adjusted" with a view to showing that the true cost of living, as labor saw it, was higher than the BLS figured. The purpose of this move was to provide an official justification for the constant drive for higher wages.

This drive succeeded only to the point of getting a former BLS Commissioner fired by a former Secretary of Labor who was friendly toward labor.

The current drive is to include income taxes in the cost-of-living index. Even if the committee reports out a bill, which is doubtful, it will be killed in the House.

(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



"Confidentially, that's Grandma Smith!"

Bankers Offer National Dairy Products Debs.

Goldman, Sachs & Co. and Lehman Brothers head a group of 107 underwriters which is offering publicly today (May 24) $30,000,000 National Dairy Products Corp. 3⅛% debentures due 1976 at 99¾%.

Proceeds of the financing will be used for general corporate purposes, including the carrying of increased inventories and receivables in connection with the expansion of operations and the generally higher price levels, and for plant and equipment replacement and additions.

The new debentures will be entitled to a sinking fund providing for the retirement of not less than 2% nor more than 4% of the debentures for each of the years through 1964 and not less than 3% nor more than 6% for each of the years 1965 through 1975. They are redeemable otherwise than by operation of the sinking fund at prices scaled from 102¼% to 100% in the last year. If redeemed by operation of the sinking fund, the redemption price is 100%.

Two With Slayton

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Alma G. Aucoin and Eugene H. Searles have become associated with Slayton & Co., Inc. of St. Louis.