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EDITORIAL

As We See It

The future historian will, we suspect, find all the latter part of the first half of the 20th century marked by a rather strange transformation of human thinking. He will not fail to observe the rapid growth of a certain collectivism which has tended more and more in recent years to tinge the thought of virtually all peoples. Equally obvious will be the rise and growth of a definite anti-colonialism (more often labeled anti-imperialism) particularly in those lands which for centuries were the haven of what are now termed "direct foreign investments." Nor will it likely be difficult to discern the inconsistencies and the conflicts which, although not always clearly exposed to view, really inhere in much of this modern way of thinking about things in the large. Nor should we be very greatly surprised if the historian a quarter of a century—or should we make it a half-century?—hence were moved to say with the noted Frenchman that the more all these things change the more they remain the same thing.

We are moved to this sort of philosophizing by recent developments in Iran and the unrest which seems to exist throughout most of that part of the world. Unrest or even uprisings in the so-called undeveloped regions are certainly nothing new. This is particularly true, of course, of those sections where foreign interests have in one form or another attained a dominant position in the economic or social sphere. But in this London-Teheran controversy, there are a number of new wrinkles. Here Iran is "nationalizing" or socializing the oil industry, and the "foreign exploiter" is not "bloated capitalists," but another socialized nation. The British Government as

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Our Foreign Policy—Dedication to Chaos

By EUGENE LYONS

Mr. Lyons calls it tragic that the same officials who got us into our terrible postwar mess are still in command, engaged in automatic salvaging of their own reputations. Asserting Far East theories of our diplomatic leaders exploded in their faces, and military high command surrendered territory, moral principles, and American interests needlessly, Mr. Lyons insists present challenge must be met by leaders with clean conscience, fresh approach, and minimum psychological identification with past cruel mistakes.

The conduct of American foreign policy in this time of crisis is in the hands of men cramped by an acute sense of embarrassment, if not guilt, for their share in creating the crisis. At every turn they are inhibited by a compulsion to conceal—and where that is no longer possible, to justify—past mistakes. This serious element of national weakness, though it has been noted by a good many analysts, has not received the emphasis itdeserves.

Eugene Lyons

It is not a matter of confession or crow-eating for its own sake, nor a carping refusal by critics to let bygones be bygones. It is a matter of functional efficiency. The need for face-saving, for maintaining an appearance of bogus "continuity" even when policies are reversed, leads to deviousness and double-talk, and tends to blunt our diplomatic weapons. It operates to block the avenues of action which require bold repudiation of the recent past, and to that extent imposes artificial handicaps on American policymakers.

The tragedy is that the same people, or at best the same kind of people, who through wishful thinking, ignorance or political egomania got our country and the world into the postwar mess are still in command, labor-

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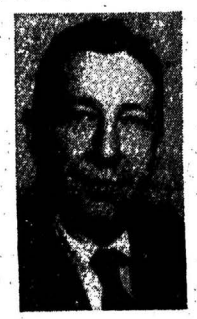
Taking the Crunch Out of Tax Bite via Municipal Bonds

By IRA U. COBLEIGH

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

Touching upon some of the ways of avoidance or reduction of annual tax debit on your income, and highlighting the sheltering qualities of certain municipal bonds.

While Macy's and Gimbel's, not to mention hundreds of their less illustrious counterparts throughout the country, have been carrying on a king-size price war—a clash for cash—perhaps it has escaped your notice that such lordly baubles of the financial elite as municipal bonds have also dropped down into a sort of bargain basement of their own.



Ira U. Cobleigh

It all started back in March—the 13th, to be exact—when the government bond market fell outta bed, got thoroughly unpegged, and the official 2½% long-term interest rate joined the dodo and the Stanley steamer out on the limbo of history. And what all this did to the municipal bond market shouldn't "happen to a dog" (much less a gilt-edged coupon-carrier).

It took a little while for the full impact of this dramatic change in national monetary policy to sink in, but during the first week in April (1951) "The Bond Buyer's" 20 (Municipal) Bond Index yield rose from 1.58% to 1.92%. This is an inverted way of saying that some of the choicest municipal issues in America dropped from $40 to $80 a bond in a single week. Why, all the City Hall scandals revealed by Kefauver never caused a municipal jolt to compare with this!

What does all this prove and why all the hoopla about municipal bonds anyway? Well, first off, municipal bonds (next to U. S. Government issues) are our safest investment (98% of 'em kept paying regularly, even in the depression 1930s). They are the promise-to-pay of states, cities, towns or other political subdivi-

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PICTURES taken at the Annual Field Day of the BOND CLUB OF NEW JERSEY appear on pages 17, 18, and 27 and 28 in this issue.

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

Younkers Brothers, Inc.—Ted C. Henderson, T. C. Henderson & Co., Des Moines, Iowa. (Page 2)

May Department Stores—David W. McKnight, Partner, G. H. Walker & Co., New York City. (Page 2)

TED C. HENDERSON

T. C. Henderson & Co., Des Moines, Iowa

Younker Brothers, Inc.

In selecting one of the stocks I like best at this time, I am again favoring an Iowa company, Younker Brothers Common Stock, because of the outstanding position it holds in the department store field in our state.


Ted C. Henderson

The State of Iowa was 10 years old when in 1856 Samuel Younker, one of Iowa's progressive pioneers opened his little general store in Keokuk, Iowa. In those days lumbering wagon trains and careening stage coaches stopped before the little store while passengers bought their supplies at Younker's. From that small beginning, Younker's has become a household word in Iowa. Younker Brothers, Inc., operates under the name of Younker's, is the largest department store in the City of Des Moines and the State of Iowa. No other store in the state is of comparable size. In addition to its main store, the company has stores in Sioux City, Ames, Mason City, Fort Dodge, Marshalltown, Ottumwa, and Iowa City.

As operator of the leading department store in the capital and largest city in the state, a large state-wide business has been built up by Younker's and a substantial portion of the sales of the Des Moines store is made to purchasers outside the city. Such business is aggressively promoted by appropriate advertising through the "Des Moines Register & Tribune" which is published by the Cowles Brothers, also publishers of "Look" and "Quick" magazines. The "Des Moines Register & Tribune" has a state-wide coverage, and the Sunday circulation runs over 550,000. The existence of this large outside market was an important factor in the decision to establish branch stores in important population centers through the state.

Younker's has occupied a part of its present location on Walnut Street, the main shopping thoroughfare of Des Moines for 50 years. The main store occupies principally two buildings of six and seven stories respectively, with connection structure, and has a full block frontage on Walnut Street between Seventh and Eighth Streets. The Store for Homes, to which the departments merchandising major items of household furnishings and appliances were transferred in 1946, is in a separate seven-story building across the street from the main store with which it is connected by subway. The two stores, which are operated as a single unit have 165 separate departments, all but seven (mostly of service type) operated directly by the company. Facilities include three restaurants which are open evenings as well as during store hours, and serve upwards of 100,000 guests monthly, and which constitute a much more important department of the business than is typically the case with department store restaurants. By reason of the dominant position of Younker's in the Des Moines retail field, its competition in that city is primarily from specialty shops which compete with individual departments rather than with the business as a whole.

As of Jan. 31, 1951, the company had $1,000,000 of 7% non-callable preferred; $3,194,200 of 5% preferred stock; and 400,000 of no par common shares outstanding.

The State of Iowa is in the heart of the farmbelt, and is one of the nation's leading agricultural states. Iowa has never had a complete crop failure. I do not think many will disagree with me that the farmer has not been in clover for sometime. Just recently the Bureau of Agricultural Economics, of the Department of Agriculture, forecast a record 1951 rise of 30% in net farm income due much more to higher prices than to increased output. If this forecast materializes, the farmer should have no fear from alleged price controls.

It is acknowledged many big name department stores located in large industrial centers will show larger earnings than Younker's in flush times. However, in times of recessions, the earnings of Younker's in the past have not been subject to the sharp decline in earnings experienced by those stores operating in the large industrial centers. I do not mean to infer just because Iowa is an agricultural state perpetual prosperity exists. I do want to point out very definitely that through the farm program the prices on agricultural products are pegged and consequently the income from these products is more stable and assured. This, in my opinion, adds greatly to the stability of Younker's earnings, and being in a farm state it can count on steady growth for years to come.

While seven branch stores are operated at the present time, other stores will be opened in other towns in the state, if and when the proper locations can be obtained. The present management is aggressive, experienced and very capable. This has been demonstrated through the excellent growth of Younker's in the past 11 years.

The current dividend on the common stock is $2.00 per share per annum, and based on its present market price of 33, will yield approximately 6%.

The common stock from 1942 to present has had a low of 3⅜ and a high of 34½. While this stock has had a spectacular rise in the last 11 years, further appreciation possibilities are by no means exhausted. The company, in my opinion, has reached a place where the full benefits of their expansion program will begin to be realized.

Earnings on the common stock for the last five years have averaged $4.82. Earnings for the fiscal year ending Jan. 31, 1951 amounted to $4.56 as against $4.02 for the previous year.

I like Younker Brothers Common Stock for conservative investors because of the top position they hold in the department store field in Iowa, and its location in the heart of the agricultural center of our country, which in my opinion is one of the most dependable segments in our entire economy. The stock is traded in the over-the-counter market.

DAVID W. McKNIGHT

Partner, G. H. Walker & Co., New York City

May Department Stores

The common stock I like best at this writing is *May Department Stores*, a time-tested equity investment. May has just reported record sales and earnings for the fiscal year ended Jan. 31, 1951. Net sales, including leased departments, were $417 million as compared with $393 million the year before while net income on a LIFO basis was $21.4 million as compared with $18.1 million. Earnings per common share were equal to $6.92 against $5.79. Cash dividends amounted to $3.00 per share and on June 5 stockholders approved a two-for-one common stock split. Dividends of 45 cents a share quarterly will be inaugurated on the new stock, affording a yield of 5.6%, a payout of slightly more than half of last year's earnings, allowing for the split. (Present price of new stock is 32.)


David W. McKnight

May operates 13 main stores, including three large branches as well as ten small branches. On the Eastern seaboard the company is located only in Baltimore, but it covers a good geographical cross section of the country from Pittsburgh to Los Angeles with a big store in both of these two cities as well as in Cleveland and St. Louis, each of which grosses in the neighborhood of $50 million a year. Postwar expansion has included the acquisition of Kaufmann's in Pittsburgh in 1946, and smaller stores in Youngstown, Ohio, and Sioux City, Iowa. Additional expansion in recent years has been by branch stores. At present a second Famous-Barr Co. branch is being constructed in the St. Louis area at Southtown and will be opened in the Fall of 1951. At about the same time there is expected to be completed at Lakewood Center, Calif., north of Long Beach, a third branch of the Los Angeles main store. The Lakewood project will be the largest suburban department store in the country with parking facilities for 10,000 cars.

Low Cost Operator

This company has always been a relatively low cost operator and the addition of branch stores, of course, has the advantage of spreading managerial, warehouse and advertising costs. There are other basic factors worthy of consideration, such as the management's financial policy which has been to keep the funded debt small and not indulge in the sale and lease-back of store property. Still other considerations are an especially good control over store

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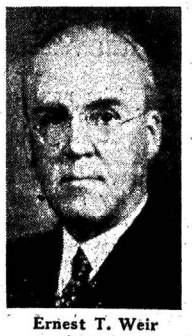
The Steel Industry, the Russian Menace and Good Government

By ERNEST T. WEIR*
Chairman, National Steel Corporation

After reviewing steel industry's expansion since beginning of World War II, Mr. Weir discusses problems of further expansion under current defense program. Says earnings of steel companies are exaggerated and calls for upward revision of depreciation allowances. Condemns partisan politics, but urges businessmen enter politics "as dominant force in our lives." Sees lack of responsible political leadership in both parties, but expresses belief, if war with Russia can be avoided, we will enter greatest period of economic and social progress in history. Outlines a businessman's program.

Today, Washington controls the distribution of almost one-half of the total steel produced. It is predicted that this control will extend to more than a half and perhaps to 75% of the total. Of course, allocations now apply in a very uneven manner to the various steel products, and in this respect it is likely that we will see considerable fluctuation from time to time. In view of this condition, any attempt to give a detailed estimate of future steel supply would be sheer speculation and of no help to you. The plain fact is that today no one knows what the future will bring.


Ernest T. Weir

To meet the situation, the steel industry has set itself to the task of building additional capacity to raise overall steel production to the point where it will cover any demand that may be reasonably expected. I might say that this taks is by no means a new one. It is merely a stepping up of the expansion that has been constant throughout the history of the steel industry. Steel has always built well ahead of demand—not just **average** demand but **peak** demand. The period from the beginning of the last war to the present time is the only one in which the steel industry has ever been called upon for all the steel it could produce. In all of my previous experience, I have never before seen any real shortage of steel. In fact, in most years steel operations were considerably below capacity. As recently as 1938, for instance, operations were only about 40% of capacity.

The war situation really began to develop in 1940. During the war, of course, a great percentage of the total steel produced went for strictly war purposes. We remember that the production of many civilian goods was drastically restricted or discontinued entirely. As a result, by the end of the war a huge, abnormal demand had built up for goods of all kinds. It was only natural that there would be shortages. Because steel is an important material or the principal material in so many modern products, the steel industry was placed under a spotlight, and it was criticized for shortages of everything from bobby-pins to automobiles. In my view, this criticism was entirely unwarranted not only for the reason that the cause of the shortages was entirely beyond the control of the steel industry, but also because of the truly remarkable job done by the steel industry in providing increasing quantities of steel to overcome the shortages.

In fact, the industry never stopped building even during the war. In 1940, the industry had a capacity of 81,600,000 tons. By 1946 this had grown to 91,890,000 ingot tons. From 1946 to Jan. 1, 1951, the industry added over 12 million tons, bringing the total to about 104 million tons. And it now has in progress construction programs that will add still another 13 or 14 million tons—all of which will be in operation by the early part of 1953. At that time—in 1953—this country will have an ingot capacity of about 118 million tons of steel—an increase of more than 36 million tons, or 45% over 1940. The effect of the tremendous steel expansion to date is constantly showing up in the production figures. We are now turning out more than two million tons of steel each week, and if this rate can be maintained, we will end the year with a total production of more than 104 million tons.

The year of peak production during the last war was 1943. In that year the military requirements for steel were around 23 million tons of finished steel—38% of the total. It is unlikely that in the present situation the military requirements will reach the proportions of all-out war—particularly since many naval and merchant ships, weapons and installations of all kinds that required large tonnages of steel are still in service. Unless we should have the misfortune of a full-scale war, with the additions already made to steel capacity and those yet to come, it is very difficult for me to see how there can be any genuine shortage of steel for any great length of time. In my opinion, if any shortages develop, the key factors will be

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*An address by Mr. Weir before the Annual Convention of the National Association of Purchasing Agents, New York City, June 5, 1951.

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Business Outlook and Its Impact on Banking

By E. SHERMAN ADAMS*
Lecturer in Finance, New York University

Dr. Adams reviews business prospects as affected by the defense program. Says within six months full impact of rearmament outlays will be felt and though total production will increase, public spending will rise faster, thus aiding inflationary pressures. Looks for continued expansion of bank loans, to check which, Reserve Board may be given power to raise reserve requirements, or may be granted authority to regulate risk assets of banks. Favors latter alternative, and holds, though interest rates may rise, Government bond market will be protected.

The events of 1950 jolted us into a realization of the dangers confronting Western civilization. Once awakened, the American people quickly reached a decision. We determined to build up the defenses of the United States and of our Allies to withstand the menace of Communist aggression. The implications of that decision for business and for banking are far-reaching.


E. Sherman Adams

We are in the process of transformation to a defense economy. The first phase of this transition, from last June to the present time, has been a period of inflationary boom. Most of the increased spending which has caused this boom has been done by individuals and by business concerns in anticipation of the effects of the rearmament program.

The public, fearing higher prices and shortages, has gone on two great buying sprees, one last summer and one early this year. This buying was financed in part by a sharp rise in personal incomes, in part by an expansion of consumer credit, and in part from past savings — redemptions of Savings bonds and the use of savings and demand deposits which had been lying dormant in the banks.

Spending by business has been the major factor in the upward surge of employment, production and prices. Plans for rearmament clearly foreshadowed a high level of business activity and the probability of higher prices and shortages, especially of capital equipment. As a result, plant expansion programs have been stepped up and business inventories have risen to the highest levels in history.

During this period, the defense program has been slowly getting under way. Production of military equipment and supplies has about doubled since last June.

This increased spending by business and by individuals plus growing military procurement, has had a considerable impact upon our strained productive resources. This has been reflected in an expansion of credit and an increase in the turnover of bank deposits. You bankers can see these results directly in your own operations—in the form of more loans, an expansion of your deposits, and an even greater increase in the activity of your deposit accounts. In recent months, bank debits have been running about 25% higher than a year ago, reflecting a much higher rate of spending. And since it has not been possible to increase production proportionately, this higher rate of spending has generated strong inflationary pressures.

At the moment, these pressures have eased. Government controls have had some effect and there has been a slackening in consumer and inventory buying. In certain lines, inventory accumulation went too far and some liquidation is now taking place.

Full Impact of Rearming to Come

This period of readjustment could conceivably last as much as several months longer. Its duration depend upon international developments and the reactions of individuals and businessmen to those developments. But in any event, this is only a temporary phase, a breathing spell. Over the coming year, probably within six months, the economy will be hit by the full impact of the rapidly accelerating expenditures for rearmament.

This will come at a time when business expansion programs are proceeding at a record pace. American industry will spend about $25 billion this year for new plant and equipment. Expansion plans for 1952 may be equally ambitious.

And as the nation converts more and more to war production, the overall trend of inventories will probably be upward, even if not at the spectacular pace of the past year. Despite the huge increase that has taken place, business inventories in the aggregate do not appear excessive when measured by past relationships to production, sales and unfilled orders. It is pertinent to recall that in 1941, a year of transition from peacetime to military procurement, inventories increased about 30%.

Consumer demand for goods will undoubtedly increase. Personal incomes recently reached a new high annual rate of $242 billion, more than 10% higher than a year ago. Government and private payrolls are continuing to expand—partly from rising wage rates, partly from more overtime work, and partly from additions to the labor force. All of these trends will be accelerated as the rearmament program gets into high gear.

How Far Can Production Go?

With the prospect of mounting expenditures by government, by business concerns and by individuals, the question naturally arises as to how much production can be increased. Today industry is already operating almost at capacity; the amount of unemployment is small; and many raw materials are in short supply. Some further increase in the labor force is possible and we will also probably see some lengthening of the average work week. Output per man-hour should improve somewhat but probably at a slower rate than usual because of the dislocations involved in shifting to war production and because of shortages of material and technical personnel.

In short, although total production will increase some, it will not increase as fast as total spending. Moreover, much of what is produced will be military rather than civilian goods.

It seems apparent, therefore, that as a result of these factors, there will be a strong tendency for prices to rise further. The extent to which prices actually do rise, will depend to a large extent upon the effectiveness of the government's stabilization program.

Without trying to analyze this program in detail, it must be agreed that its development to date has not been too reassuring. Agricultural prices have been permitted to skyrocket. Wage rates have been rising steadily and weekly earnings even faster. The familiar spiral of food prices and wages is already in full operation.

Moreover, even if we manage to achieve a pay-as-you-go policy for the Federal budget, the net effect of government spending for defense will still be decidedly inflationary. Higher corporation taxes will have little effect toward reducing business expenditures for plant, equipment or inventories. There is little prospect that additional taxes will be levied in a manner that will reduce private spending to the extent that government spending increases.

Since we are not actually engaged in an all-out war, government controls meet strong resistance, either from the public at large, or from businessmen, bankers, farmers, or organized labor. The chances are, therefore, that anti-inflation measures will be too little and too late to prevent some further rise in prices and living costs. No one can say just how serious this will prove to be. However, there is no reason to assume that prices will get completely out of hand.

Banking Outlook

What does the future hold for banking? How strong will the demand for bank credit be and what policies will be adopted by the monetary authorities to restrain further credit expansion?

The indications are that the demand for real estate credit will remain fairly high for the remainder of this year. During 1952, however, the volume of mortgage lending will probably be reduced due to growing shortages of building materials and the effects of Regulation X.

Similarly, the trend of installment credit will probably be downward as existing inventories of consumer durable goods are reduced and as the production of these goods is curtailed. Despite the opposition to Regulation W by various pressure groups, the Federal Reserve Board appears to be determined to maintain its curb on this inflationary type of credit.

The credit needs of business, however, during the next year or so, will probably increase, though not as sensationally as over the past year. Additional working capital will be needed to meet higher payrolls, taxes, and other costs, and to carry larger and higher-priced inventories. As during World War II, the larger banks will probably benefit most from demands for credit to finance defense production. However, there is no prospect at present that production in non-defense industries will be curtailed to anywhere near the extent that occurred during the war.

Demand for agricultural credit cannot be expected to increase greatly because of the strong financial position of most farmers. There may be many areas, nevertheless, where farmers will need more bank credit both for capital purposes and for operating expenses.

The Question of Commercial Expansion

If this analysis is correct and if total bank loans do expand further what action will be taken by the monetary authorities to restrain such expansion? It goes without saying that loans required to finance defense production should not be curtailed. The problem is how to discourage spending which is not essential to the rearmament program and which competes for scarce materials and manpower, thereby putting pressure on prices and wages. If monetary policy is to be used to help to divert our resources to military purposes, then the financing of non-military activities cannot remain on a business-as-usual basis.

The first question, naturally, is what will the Federal Reserve System do with its newly achieved flexibility with respect to open market operations and interest rate policy? The chief significance of the new pattern of government bond yields is that it imposes capital losses on investors who sell long-term securities to transfer their funds to other investments. This means that its restraining effects will be felt primarily by holders of long-term securities; namely, the insurance companies and the mutual savings banks. In the case of these institutions, the decline of government bond prices below par may eventually prove to be an important deterrent to the shifting of funds from government securities to other types of investments.

Most commercial banks, however, still hold substantial amounts of short-term government securities which they can liquidate with little or no loss to meet urgent local demands for loans. Higher rates on government securities, therefore, may exert some restraining effect upon bank lending policies, but cannot exert sufficient restraint to curb a really strong demand for bank credit.

Moreover, the Federal Reserve System cannot go very much further than it has already gone toward tightening general credit conditions by means of its open market and interest rate policies. The most compelling reason why it cannot follow such a course, entirely aside from its effects upon the debt management problems of the Treasury, is that it would interfere with the flow of credit needed to finance the rearmament program and other essential production.

Will Voluntary Credit Restraint Be Effective?

The next question is: How effective will the Voluntary Credit Restraint program be? In the past, efforts to curb bank lending on a voluntary basis have not been very successful. This time, however, the approach to voluntary control has been thought through more carefully than ever before. My own opinion is that this voluntary program can play an important role in preventing speculative loans and in encouraging conservative bank lending policies.

But even if this voluntary program is successful, bank loans may nevertheless increase. And if they do, even if they are all for

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*An address by Dr. Adams at the Bank Executives Forum, Florida Bankers Association, Daytona Beach, Fla., May 21, 1951.

The State of Trade and Industry

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

Some lines of manufacturing last week reflected an increase in output, but a fractional falling off in steel production had the effect of bringing over-all output to a point nearly even with the week preceding. However, nation-wide industrial output displayed a noticable rise above the level for the similar period one year ago. As for aggregate claims for unemployment insurance, the latest recorded week shows virtually no change from the previous period, but a sizable decrease below the level of last year.

Concern over adequacy of future pig iron supplies for the merchant trade is increasing, says "Steel," the weekly magazine of metalworking the current week. This is giving rise to renewed talk of possible early application of formal allocations though no move has yet been taken in that direction. As of the moment, the outlook at some foundry centers is for growing pig iron stringency. To date, foundry operations, now averaging 45 hours weekly, have been sustained by judicious distribution on the part of iron suppliers, greater use of scrap and resort to imported metal. Whether formal government allocation would result in any better supply conditions in existing circumstances is questioned by many in the light of the generally successful distribution policy of pig iron producers since shortly after the beginning of the present emergency.

Whether supplies will continue adequate to support high-level foundry operations in the months ahead in the face of a general shortage of metallics is the big question of the moment. Right now the outlook for pig iron adequacy is darkened by the scheduled blowing out of a number of blast furnaces for needed repairs over coming weeks. Also, imports, which have been providing the foundries a decided supply lift over past months, are tending to dry up. Already some casting shops are on short iron rations. All of them are working on virtual hand-to-mouth metallics inventories, scrap also being in short supply. This latter is highly significant in view of the fact that most foundries have been conserving pig iron by increased use of scrap. Some shops have cut their metallics mix to 20% pig iron.

Cutbacks in civilian durable goods and accompanying letdown in castings demand at best will only temporarily alter the pig iron supply situation.

Indications are that the third quarter will be the tightest period of steel supply for the civilian durable goods manufacturers, with some possible easing in conditions being experienced in fourth quarter.

It was announced on Saturday last, that the government had issued the first of a series of regulations governing third quarter use of scarce metals in the production of consumer durable goods. Effective July 1, the use of steel in consumer durables other than automobiles was ordered reduced by 30% from pre-Korean levels. In the second quarter, their steel cutback was 20%.

Motor car manufacturers are headed for a 35% steel use cutback, compared with a 25% reduction in June. Copper use for all consumer durables, including automobiles, is slated to get a 40% cutback from the pre-Korean levels during the third quarter and aluminum a 50% reduction. The second quarter cutbacks amounted to 30% for copper and 35% for aluminum.

On Monday of the current week it was reported that auto makers will be allowed to make about 1,200,000 cars in the third quarter—provided they can get the necessary materials. The National Production Authority issued an order restricting the industry's use of steel, copper and aluminum and gearing third quarter output to a level about a third under the like period last year. But, the agency noted, if manufacturers want to, they can make more lighter cars. However, the industry indicated a shift to lighter autos wouldn't be fair to dealers or employees of the different divisions.

Reaction of manufacturers to New York City's "fair trade" price war was speedy and to the point. Two producers of nationally known brands stated they would discontinue selling their products to Macy's New York, the world's largest department store. The firms were Goodall-Sanford, Inc., maker of Springweave and Palm Beach summer suits, and Eversharp, Inc., manufacturer of pens and razors. Macy's started the price slashing last Tuesday following a Supreme Court ruling that stores which had not signed price-fixing agreements under the fair trade laws did not have to honor the minimum prices. On Monday of this

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Texas IBA Group Elects Richardson

DALLAS, Texas—The Texas Group of the Investment Bankers Association of America at its 16th annual convention elected Dana T. Richardson, Underwood, Neuhaus & Co., Houston, Chairman for the ensuing year.

Dana T. Richardson

R. R. Gilbert, Jr., First National Bank in Dallas, and Waldo B. Knickerbocker McClung & Knickerbocker, Houston, were elected Vice-Chairmen. William C. Porter, Dittmar & Co., San Antonio, was named Secretary-Treasurer.

Members of the Executive Committee chosen are Thomas Beckett, Jr., First Southwest Co., Dallas; Robert A. Underwood, R. A. Underwood & Co., Dallas; Edward H. Austin, Austin, Hart & Parvin, San Antonio; Lewis F. Rodgers, Central Investment Co. of Texas, Dallas; and Chas. B. White, Chas. B. White & Co., Houston.

The 1952 meeting will be held in Galveston sometime in May.

Smith, Moore & Co. to Be NYSE Members

ST. LOUIS, Mo.—John H. Crago on June 14 will acquire membership in the New York Stock Exchange, and Smith, Moore & Co., 509 Olive Street, will become members of the Exchange. The firm is a member of the Midwest Stock Exchange and an associate member of the New York Curb.

Partners are: Mr. Crago, James M. Canavan, Edward E. Haverstick, Jr., Francis A. Dunnagan, general partners, and Robert B. Smith, limited partner.

Name Changed to Dreyfus Fund, Inc.

Announcement is made of the change of name of The Nesbett Fund, Inc. to the Dreyfus Fund, Inc. The fund is now managed by the Dreyfus Corporation, 50 Broadway, New York City.

Troster, Singer Wire To Edgerton, Wyckoff

Troster, Singer & Co., 74 Trinity Place, New York City, securities dealers, announce the establishment of a direct private wire from its office to Edgerton, Wykoff & Co., 619 South Spring Street, Los Angeles, Calif., members of the Los Angeles Stock Exchange.

Observations . . .

By A. WILFRED MAY

More on Stockholder Relations of Investment Funds

The following communications embody important reactions from two eminent authorities in the Mutual Funds industry—the executive officers of Blue Ridge and "M. I. T."—to our suggestion that the Funds ever be on the alert to fulfill responsibilities as expert collective stockholders (voiced in our column of May 3, last, "THE STOCKHOLDERS' MEETING, MR. AVERY AND THE FUNDS"). They differ in varying degrees from our own thesis as well as from the communications published in this space last week.

A. Wilfred May

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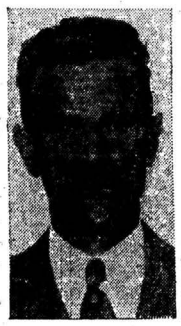
From the V. P. of Blue Ridge

DEAR MR. MAY:

As an officer of an investment fund I would like to enlarge on the discussion of the problem raised in your recent "Observations" on "The Stockholders' Meeting, Mr. Avery, and the Funds."

You argue effectively for the proposition that the Funds as collective stockholders should accept certain responsibilities, and exercise supervision to insure good management of companies in which they are owners, both as a matter of protection of their own interests and as a public duty. Considerable thought and experience leads to the belief that the responsibility is there and should be exercised, but that the extent of action should be extremely flexible and determined by the circumstances of each particular instance.



M. D. Popovic

It is obvious that the Fund managements, as informed professionals, acting as trustees for their stockholders, should be far more thorough in their voting of proxies than it is possible for an untrained layman to be. Therefore it is not a question whether, but only how much, effort should be spent and in what direction.

Some Reasons for Inaction

Before discussing advisable policy, some general thoughts on the negative side should be mentioned. There are a number of forceful practical reasons why a Fund should not be acting as a spearhead in attacking inefficient managements and policies. The principal one that comes to mind is that the investment managers have a wide field of selection and they would be wasteful of their own stockholders' money if they spent their time in quixotic pursuits of correction of wrongs in individual cases. It is much better for the stockholders to pull out by sale even at some loss than to have festering investments which take time to watch without definite promise of getting a just reward for the expended effort and money. Everyone with experience will know how wasteful it is even to exercise simple pressure by negotiations and proxies not to speak of the higher costs of fighting legal battles.

Practical Disadvantages of Unpopularity

It is also of some importance from the viewpoint of good will in the investment community not to build a reputation of being a trouble maker. It may lead to loss of opportunity to capitalize on developments by full and advance information obtainable to sell at a reasonable price, and being locked in, the Fund

Continued on page 16

Department Store Outlook in 1951

By MALCOLM P. McNAIR*
Lincoln Filene Professor of Retailing, Harvard University

Market expert, after discussing LIFO versus FIFO methods of inventory valuation, reviews aggregated operating results of leading department stores, and estimates Fall profits in 1950 were at least 2½ times as great as Spring profits. Says productivity of personnel improved very slightly in 1950, and little help was obtained by larger stores from greater efficiency. Finds soft goods business in doldrums, while early strength in general consumer demand in 1951 has not been maintained. Foresees resumption of inflationary pressures and tighter materials supply. Predicts 1951 dep't store sales will be higher.

LIFO Results

There has been a great deal of interest in LIFO. There were 41 companies which submitted reports to us both on LIFO and on FIFO. This number does not by any means comprise all the stores which at the present time are on the LIFO basis, because at the time when we were obtaining reports a considerable number of firms submitted their figures to us on the FIFO basis with the statement that they were considering LIFO, but had not yet completed their calculations.

Prof. M. P. McNair

The LIFO reports which we received fell into three categories. First, there were 29 reports of companies that were on LIFO with a January, 1941, base. Then there were 12 companies that made the shift from FIFO to LIFO on a January, 1950, base. (There were substantially more in this group, but not all of them had completed their LIFO figures in time to submit them.) Then, in addition, there were a number of companies whose use of a January, 1941, base had not been approved and who were, therefore, shifting definitely to LIFO on a January, 1950, base. For this last group the complicated problems of absorbing the old LIFO reserve and making the adjustments necessary to go on a new LIFO base were so difficult and handled in so many different ways that it was impossible to make any worthwhile comparisons.

Perhaps the best comparison is afforded by the figures of 17 department and specialty stores reporting on a January, 1941, LIFO base for all three years, 1948, 1949 and 1950. For these concerns there was relatively little difference in LIFO and FIFO profits in the year 1948. In the year 1949, however, with falling prices, the LIFO adjustment added approximately $4.7 million to their FIFO profits of $33 million; and then, in the year 1950, with rising prices, the LIFO adjustment subtracted $4.1 million from the FIFO profits of approximately $51 million. The equalizing effect of LIFO may be seen in the figures for net gain before taxes. For 1948, there was little difference between the FIFO and LIFO figures. In 1949, the FIFO profits before taxes were only 4.63% of net sales as compared with LIFO profits of 5.30%. Then, in 1950, FIFO profits were 5.84% against LIFO of 6.30%. It will be noted that the LIFO profits for the two years 1949 and 1950 were only 1% of sales apart, 5.30% versus 6.30%, whereas the FIFO profits were more than 2% of sales apart, 4.63% versus 6.84%. After taxes the equalizing effect was even more evident, since LIFO apparently in many instances either eliminated or reduced the application of the excess profits tax. At the end of the fiscal year 1950 the LIFO cumulative adjustment for this group of 17 companies stood at an average of 25.8% of their FIFO inventories, as compared with 26.3% in 1949 and 33.6% in 1948.

For the 12 companies that made the shift of LIFO on a January, 1950, base the initial effect of LIFO of course was to increase the ending inventory valuation for 1949. For these companies this increase amounted in the aggregate to 4.7% of the FIFO inventories. Then, at the end of 1950, with the much higher physical inventories because of the accumulation of goods during the year, the LIFO valuation was only 0.4% below the FIFO figure. In other words, there was some tendency for physical increments to inventory to offset price advance. As a result, LIFO profits before taxes for this group of firms were 6.2% of sales as against FIFO profits of 6.9%. There were at least two instances in this group in which the cumulative LIFO adjustment at the end of 1950 was still negative. In other words, the required writeup of inventory at the beginning of 1950 was not fully offset by the lower LIFO value at the end of 1950. In other words, these two firms presumably had a slightly higher taxable income on the LIFO basis than on the FIFO basis for the two years 1949 and 1950 taken together.

*An address by Professor McNair at the 31st Annual Convention of the Controllers' Congress of the National Retail Dry Goods Association, St. Louis, Mo., June 5, 1951.

Results by Federal Reserve Districts

Earnings before taxes were highest in the Philadelphia Federal Reserve District, next highest in San Francisco, and lowest in the Boston district. A greater rate of sales increase and a more favorable gross margin percentage accounted for the better performance in San Francisco; as between Philadelphia and Boston, the difference lay principally in the expense rate, which seemed to be arbitrarily affected by the composition of the samples. Such factors as the size of city, size of store, affiliation with ownership groups, and operation of branches are much more likely to exert influence on the expense rate than is the accident of geographic location.

Comparison of Spring and Fall Seasons

Normally, the fall season is the principal time for making profits in the department store business, and the marked change in the business situation which occurred after the middle of the year may have accentuated this tendency in 1950. In any event, the fall season produced greater sales increases, higher gross margin, lower expense rates, and anywhere from two and a half to six times as many dollars of earnings before taxes as did the spring season.

Productivity of Personnel

Because of the rapid change in the value of the dollar over this period since the end of World War II, dollar figures do not afford any very effective measure of productivity. As might be expected, the average gross sale and the sales per employee, per salesperson, per man hour, and per selling man hour, all displayed increases up through 1948, then fell off a little in 1949, but came back strongly in 1950. Although no great importance can be attached to these dollar changes, it is just conceivably significant that the relationship of salespeople to total employees, which has fallen steadily since 1945, turned slightly upward in 1950.

The evidence for increased productivity must be sought primarily in the data for sales transactions. Following the war the number of sales transactions per employee and per salesperson fell off as stores shortened hours and sought to restore their standards of service. Thus for the three years 1947, 1948, and 1949 the number of sales transactions per employee stood at only 3,400 annually against 3,800 in 1945. Then in 1950 the number moved up to 3,600, and, of possibly more significance, the transactions per man hour and per selling man hour likewise manifested a slight upturn.

Among the larger stores salespeople constituted only 41% to 43% of total employees as against figures of 53% to 58% for smaller concerns, the difference of course reflecting a substantially higher degree of division of labor in the larger enterprises. Under these circumstances it is naturally to be expected that dollar sales per salesperson should be much larger in the stores having a lower ratio of salespeople to total employees, and this was clearly the case in 1950, the two contrasting figures being $34,000 and $24,500. The real test, of course, is the dollar sales per total employee; and here, although much narrower, the difference was still in favor of the larger concerns, $13,900 against $13,400. Similar differences appeared in net dollar sales per man hour. Although transactions per salesperson were notably higher for the larger concerns, there was nothing to choose between the two groups when it came to number of transactions per total employee, the figure being 3,600 for both groups. A very slight advantage was manifest for the larger firms in transactions per total man hour, but the difference was too small to carry any weight. The conclusion, therefore, is that the larger retail enterprises with their more refined division of labor did not really show any greater efficiency in their use of personnel than did the smaller concerns.

In spite of the fact that the average value of the sales transaction was greater in the big stores, the measure of payroll expense did not reveal any advantage for these concerns. On the contrary, their percentage figures were higher both for selling payroll and for total payroll, though strictly on payroll of salespeople as distinguished from total selling payroll the large companies showed to some advantage. Since the number of transactions handled per total employee was the same and since the larger concerns wrote a higher average sales check, one reasonable inference is that the average compensation per employee must have been greater for the larger companies. Another and broader inference to be drawn from the entire comparison is that the larger department stores with their more elaborate division of labor have not yet achieved any real advantages over most of their smaller competitors.

I should now like to turn briefly to a review of the year 1950 and then to an appraisal of the outlook for the year 1951.

Review of 1950

As the 1950 fiscal year opened, sales were still running slightly below the corresponding month of 1949, and the performance of the first quarter was not impressive, confirming the pattern which had characterized early spring business for several preceding years. By May and June, however, sales increases over the same months of the preceding year again were being registered, owing to the influence of higher consumer income augmented by the National Service Life Insurance dividends. In July, as a result of the outbreak of Korean hostilities, department store sales jumped 30%. Nevertheless at the end of the spring season they were ahead by only about 3%. Since inventory adjustments had for the most part been completed during 1949, the spring of 1950 witnessed fewer markdowns and a consequent improvement in gross margin. At the same time, the expense rate was held in check and even pulled down fractionally. Therefore, at the end of the first half of the fiscal year 1950, department store profits before taxes, though relatively modest in amount, had bettered the rather drab performance of the spring season of 1949 by roughly 50%.

In August and September, department store sales pushed up 18% and 11%, respectively, under the impetus of consumer "war scare" buying. The rather violently inflationary tendencies of this period beginning in July, 1950, were attributable not to actual government spending but to anticipation by consumers, retailers, wholesale distributors, and manufacturers. Consumers anticipated merchandise scarcities (prematurely, as it turned out) and higher prices. Retailers, distributors, and manufacturers of consumer goods anticipated greatly increased demand, higher prices, and eventual shortages of merchandise. Both consumer credit and utilization of bank credit by retailers, distributors, and manufacturers grew at a rapid pace. The output of consumer goods was stepped up, and eventually stocks began to grow rapidly. In the meantime, many manufacturers, particularly durable goods manufacturers, in both the consumer goods and capital goods categories, anticipated that substantial plant expansion would be required; and thus a renewed business plant and equipment boom got under way. Consumer buying, however, faltered perceptibly in October and November as customers perceived that there were no merchandise scarcities and as the war news from the Korean front became more favorable. Early Christmas business did not come with the rush that had been hoped for, but just before Christmas itself the buying tempo picked up under the impetus of renewed fears excited by the Chinese Communist invasion of Korea, and in January this new wave of scare buying pushed department store sales 33% ahead of January, 1950.

During this second half of the fiscal year, markdowns continued to be below the 1949 experience, and the cumulative markon moved up fractionally. In the meantime the dollar expenses had begun to forge ahead, particularly during the last three or four months of the year. Hence, even with the overall 6.5% rate of sales increase for the year the drop in the total

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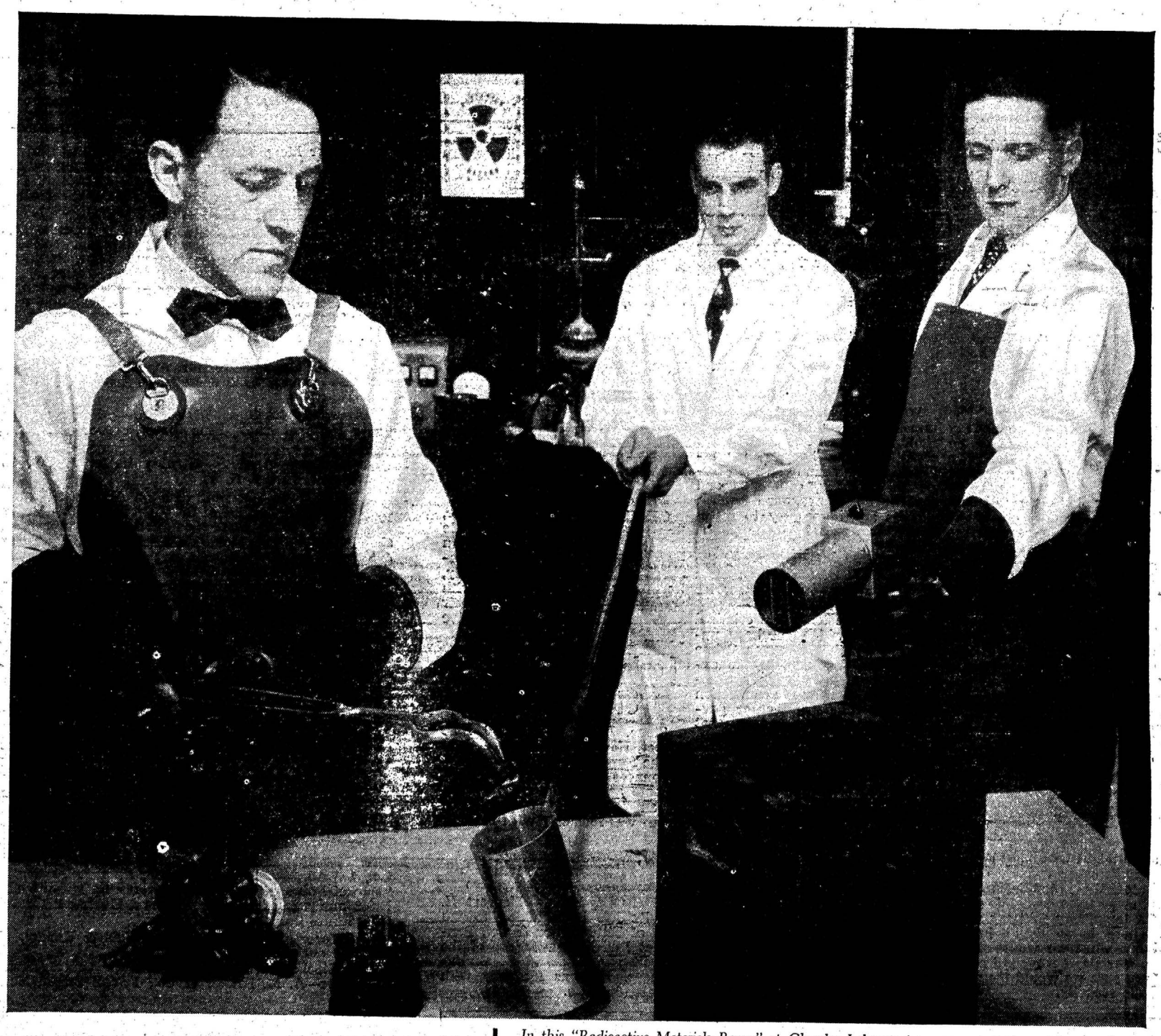

In this "Radioactive Materials Room" at Chrysler Laboratories, many stronger metals . . . better designs . . . smoother-running, longer-lasting parts have their beginning. Note the protective lead-and-rubber gloves and aprons, and the thick lead box in the foreground where "hot" parts are safely stored.

ATOMS FROM OAK RIDGE COME TO DETROIT

The men in the picture are handling "hot" or radioactive automobile parts. That's the reason for their long-handled tools, the radiation exposure meter held by the man at the right—and their caution. It's all part of a new kind of research at Chrysler Corporation.

Our engineers send engine distributor points to the U. S. Atomic Plant at Oak Ridge, Tenn., where they are made radioactive in the famous Atomic Pile.

Returned to Detroit, a "hot" point is mounted in a standard distributor, and given a test run as though in your car. Ordinarily it takes hundreds of hours of engine operation for points to wear enough to be measured. But in a few minutes of this test, some radioactive atoms are transferred from the "hot" point—enough to be measured accurately by sensitive Geiger Counters.

In this way, our engineers find out where wear first starts, and how and why, and thus learn how to develop improved points that will run much longer without replacement.

Similar tests, using "hot" piston rings, gears, bearings and the like, are helping us to develop longer-lasting parts for cars and other vehicles, and improved ways of lubricating them.

Chrysler Corporation was an auto industry pioneer in this peaceful use of atomic energy. It's one more example of the practical *imagination* that leads directly to the fine performance and long life of the products we make. And another reason why our experience and skills are always ready for a wide variety of challenging jobs—from cars and trucks and military vehicles to industrial engines, heating and cooling systems—and even railroad freight car trucks.

Practical IMAGINATION guides research at **CHRYSLER CORPORATION**

PLYMOUTH, DODGE, DE SOTO and CHRYSLER CARS and DODGE TRUCKS

Airtemp Cooling, Heating, Refrigeration • Chrysler Marine & Industrial Engines • Dodge Job-Rated Trucks • Oilite Powdered Metal Products • Mopar Parts & Accessories • Cycleweld

Making Secure Investments

By ROGER W. BABSON

Mr. Babson discusses problems in obtaining financial security against effects of war and inflation, and suggests locating in some small agricultural community and purchase of convertible bonds or preferred stock. Says if Russia does not attack this winter, we can expect to have some more years of cold war.

No one knows whether we will have another World War within the next few years or not. Russia will not start one this summer. Her crops must be gathered and the rivers frozen over first. The Chinese Communists waited until the Korean rivers froze so that their troops would not be dependent upon bridges. The same policy applies to Russia. The critical time will not be this summer but late fall and winter. If Russia does not attack this winter, it is reasonable to believe we will have some more years of cold war.

Roger W. Babson

Real security cannot be obtained by military force or by moving out of larger cities. There are many cases in history where the military force itself has turned against the government and taken over the country under a dictator of its own. Hence, in building airplanes, tanks, and other implements of warfare we may be equipping Revolutionists in our own country.

The Inflation Enemy

Another possible enemy of security is inflation, which the military—instead of preventing—are encouraging. England "won" both World War I and World War II. The same might be said of France and certain other countries. The people of these countries have turned away from economic security for temporary military security. There is no doubt in my mind but what we would "win" World War III if it should come; **but I am sure we would then lose economic security.**

Before World War I, England was very prosperous with her Colonial possessions and her worldwide holdings of shipping, insurance and other stocks. Today, England is broke. Her people have no economic security. If we enter into World War III, we might end up in the same way. Your money, Government Bonds and other investments might be worth only 30 cents on the dollar as our country would be burdened with a terrific debt. Therefore, use your influence for World Peace.

Fundamental Security

War and threat of war undermines character. From a security standpoint, certain character traits, such as honesty, for instance, are fundamental for prosperous industry, commerce and investments. Hence, our churches, schools and homes try to instill character assets into our youth. Security in peacetime depends primarily upon character and the development of the very factors of life which military service tends to destroy.

We criticise today the criminal underworld which has been uncovered by the Kefauver Crime Committee. We deplore the exposures which Fulbright's Committee has shown up in connection with the R.F.C. and other government agencies. We hear that Washington is honeycombed with graft and inefficiency. We wonder what the reason may be. If we will turn back the pages of history, we will find that the same conditions followed the Mexican, Civil, Spanish-American and World War I. The wretched conditions today are due to the breaking down of character, caused by World War II.

What to Invest In

For security, locate where you are not liable to be bombed. Buy a place in some small agricultural community 60 miles from a vulnerable city. Use this as a summer place and as a protection. Build up bank deposits in medium-sized, safe cities for reinvestment during the next panic. The nation's banking situation as a whole is excellent and you can safely buy stock in your local bank if it is safe from bombing. Good common stocks of companies safe from bombing should be good investments for the long pull, although they will fluctuate with general business conditions. In the case of corporate bonds or preferred stocks, you should buy only "convertibles."

The most important need for security is to invest in good health and character—together with a family of well-educated and spiritually-minded children. See that your children are taught not only industry, honesty and law-abidance, but also a sound religious faith which will stand by them when trouble comes. Furthermore, train them for some specific line of work, such as the medical, engineering and business professions, or the essential trades. In other words, invest in education.

Alm, Kane Adds Brady to Staff

CHICAGO, Ill.—Alm, Kane, Rogers & Co., 39 South La Salle Street, announces the association with them in their Trading Department of Edmund G. Brady, who was formerly associated with Hornblower & Weeks in their Sales Department for the past five years.

Louis Kraus Joins Stern, Lauer & Co.

Stern, Lauer & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, announces that Louis J. Kraus has become associated with the firm as an investment analyst. Mr. Kraus was formerly with Marx & Co.

Titus-Miller Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Herbert H. Schultz has been added to the staff of Titus-Miller & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges. He was formerly with Moreland & Co.

Dealer-Broker Investment Recommendations and Literature

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

Dividends for More Than a Decade — Brochure of common stocks traded on the New York Curb Exchange which have paid dividends for 10 years or more—New York Curb Exchange, 86 Trinity Place, New York 6, N. Y. Also available is a booklet showing the Curb Exchange ticker network.

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

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

Latin-American Business Highlights — Quarterly digest — Chase National Bank, Pine Street, corner of Nassau, New York 15, N. Y.

Market Outlook—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Natural Gas News—Current data on **Arkansas-Western Gas, Commonwealth Gas, Delhi Oil, Hugoton Production, Kansas-Nebraska Natural Gas, Kerr-McGee Oil Industries, Mississippi River Fuel, Mountain Fuel Supply, Petroleum Heat & Power, Republic Natural Gas, Southern Production, Southern Union Gas, Southwest Gas Producing, Tennessee Gas Transmission, Texas Eastern Transmission.**

New York City Bank Stocks—Special Report—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Outlook—Bulletin—Uno Equities, Inc., 30 Pine Street, New York 5, N. Y.

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

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

Profit Sharing Plans for Corporations—Bulletin—The Parker Corporation, 200 Berkeley Street, Boston 16, Mass.

Railroad Equipment Industry—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in "Market Pointers" is a list of interesting low-priced stocks. Brief analyses of **Sinclair Oil** and **Hollinger Consolidated Gold Mines** are also available.

Railroad Income Bonds—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Selected Stocks—List of suggestions for varying investment objectives—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Storm Shelter Investments—Study—Laird and Company, Nemour Building, Wilmington 99, Del.

Timing Factor—Explanatory folder plus free samples of complete service on stock timing—$1.00—Dept. B., Analyst Institute, 126 Lexington Avenue, New York 16, N. Y.

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

Air Reduction—Bulletin—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available in the same bulletin are data on **Canada Dry Ginger Ale, Firestone Tire & Rubber, Minneapolis & St. Louis Railway, Northern Natural Gas, Remington Rand,** and **Walworth Co.**

American Viscose Corp. — Memorandum — Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y. Also avail-

Continued on page 13

From the annual

REPORT OF BEAUNIT MILLS, INC.

and subsidiaries

HIGHLIGHTS

	for the Year Ended March 31	
	1951	**1950**
Net Sales	$95,746,000	$68,410,000
Net Income after Taxes	8,460,000	2,713,000
Earnings per Share of Common Stock	6.86*	2.17
Dividends on Common Stock	1,555,000	600,000
Working Capital	18,388,000	14,870,000
Net Fixed Assets	37,670,000	37,408,000
Net Worth	35,358,000	29,335,000

**Based on average number of shares outstanding during the year.*

Excerpts from President I. Rogosin's Message:

During the year, the Company has taken significant steps in further expanding the productive capacity of its rayon yarn and fiber operations. Sales of rayon yarns now account for over 60% of annual volume. We are maintaining the position of the Company as one of the leading producers of rayon yarns. After completion of the projects under way, production will be approximately 130,000,000 pounds of rayon yarns and fibers per annum.

AMERICAN BEMBERG EXPANSION Additional facilities have been constructed at our American Bemberg plant to double production from 14,000,000 to 28,000,000 pounds annually. A substantial part of this increase will be in staple fiber, commercial production of which will begin this Summer. This new staple, which has gone through an extensive period of rigid testing and evaluation, promises to play an important role in the field of fibers.

TIRE YARN EXPANSION We are constructing a new plant, adjacent to our rayon yarn plant at Coosa Pines, Alabama, to produce annually 36,000,000 pounds of viscose rayon tire yarn. The power and water facilities in existence at Coosa Pines have sufficient capacity to serve both the present and the new unit. The new plant should be in operation next Spring and in full production in the Fall of 1952. We are confident that we shall have a ready and profitable market for its entire production.

Our Technical Staff has succeeded in adapting our "Hofmann" continuous spinning process, developed and in operation at our American Bemberg plant, to the continuous spinning of viscose textile and tire yarn. We believe this to be the simplest, best, and most economical continuous process now in use. New machinery which we have designed for this purpose is being manufactured, and will be installed in the new tire yarn plant.

RESEARCH Research commands a prominent and highly active place in our efforts, and our expenditures in this respect are substantial. This phase of our operations will be vigorously continued and will be adapted to changing conditions as they arise. The different possibilities of the synthetic fiber field are being explored, as well as continuing activities directed toward the improvement of quality and productive methods.

The introduction of our Bemberg staple fiber and the installation of the viscose continuous process in the new tire yarn plant are two tangible and significant results of our research activities. These two developments have broad significance to the rayon industry as a whole, and promise to contribute importantly to the competitive position of the Company.

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BEAUNIT MILLS, INC.

RAYON YARNS AND FIBERS: 261 FIFTH AVENUE, NEW YORK 16, N. Y.
TEXTILE FABRICS: 450 SEVENTH AVENUE, NEW YORK 1, N. Y.

Pennsylvania Brevities

PTC Union Votes "No Strike"

PHILADELPHIA—Members of Local 234, Transport Workers Union (CIO), voted last week to accept Philadelphia Transportation Co.'s six-point program in settlement of a dispute arising from the company's announcement of conversion to one-man operation of trolleys on certain routes. Prior to the balloting, the union had threatened a complete tie-up of transportation facilities if the company proceeded with its plan even though the existing contract provided specifically for the extension of one-man operations and also contained a "no strike" clause.

The amicable settlement was the result of late conferences between PTC and union representatives in the course of which the company reassured the workers that, as a result of one-man trolley extension: (1) job security would not be affected; (2) no trainmen hired before Jan. 1 would be laid off; (3) six days work each week would be available to trainmen who wanted it; (4) those who preferred it might work five days; (5) no regular trainmen would be required to transfer from present depots, and (6) disagreements or grievances would be adjusted by arbitration.

* * *

Penna. Water & Power Co.

Steam generating capacity of Pennsylvania Water & Power Co.'s facilities at Holtwood, Penna., is to be tripled through the installation of a new 66,000-kilowatt unit. In addition, the company will modernize and enlarge its coal recovery operations on the Susquehanna River. The two projects with other lesser improvements and additions will involve the outlay of approximately $25,000,000, according to John A. Walls, President.

At a special meeting of stockholders to be held July 25, approval of a charter amendment will be sought whereby 78,507 of presently authorized but unissued shares of $5 preferred stock, no par, will be redesignated as $100 par value preferred stock, dividend rate unspecified. Rights of present preferred stockholders will be unaffected.

* * *

New Orders for Baldwin

Baldwin-Lima-Hamilton Corp. has received orders from the Pennsylvania Railroad for 14 diesel freight locomotives and 20 diesel switching locomotives at an aggregate cost of approximately $9,000,000.

Company has also received a $4,000,000 order from the U. S. Army Engineers for four 35,000 h.p. hydraulic turbines to be installed in the Old Hickory power plant on the Cumberland River in Tennessee. The turbines, largest in physical size ever produced in this country, will be built at Eddystone, Penna.

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Gulf Oil Profits Up

PITTSBURGH — S. A. Swensrud, President of Gulf Oil Corp., told stockholders at annual meeting that company sales in the first quarter were 21% ahead of the 1950 period. Earnings have improved, he said, because of higher sales volume and higher production although price advances have not kept pace with increased costs. He expects the betterment to continue throughout the balance of the year but at a lesser percentage ratio.

Stockholders approved an increase in authorized capitalization from 20,000,00 to 50,000,000 shares of common stock. The declaration of a 100% stock dividend is expected.

* * *

Plant Addition at Philadelphia

The Barrett Division of Allied Chemical & Dye Corp. has applied for certificates of necessity to cover $3,000,000 additional facilities for production of synthetic phenol at its Philadelphia plant.

* * *

I-T-E Circuit Breaker Co.

PHILADELPHIA—At a special meeting, stockholders of I-T-E Circuit Breaker Co. have approved increases in company's authorized indebtedness from $1,500,000 to $3,500,000 and an increase in preferred stock, par $100, from 15,000 to 30,000 shares. Though no new securities have been issued nor plans for their sale announced, the steps taken place the company in a position to obtain funds for additional working capital when and as needed. Present backlog of government and defense orders is very large and includes jet-propelled aircraft components and equipment.

Company Will Carry On

An "or else" suit brought by 16 stockholders of Pennsylvania Industries, Inc., of Pittsburgh, who sought to have the court compel the payment of arrears on the corporation's preferred stock, or, in the alternative, to bring about the dissolution of the company, was rejected last week by Judge Richard S. Rodney of the U. S. District Court of Appeals in Wilmington.

* * *

Snellenburg Co. Sold

PHILADELPHIA—The 78-year-old business of N. Snellenburg & Co., one of Philadelphia's largest department stores, was purchased last week by Bankers Securities Corp. The consideration was not disclosed.

Albert M. Greenfield, Chairman of the Board of the investment company, announced that the business would continue under the same management for the present with no major changes in personnel.

Similar Bankers Securities Corp. interests include Bonwit Teller & Co. (of Philadelphia); J. E. Caldwell & Co.; the Loft Candy Corp. and City Stores Co., which, in turn, owns Lit Brothers.

* * *

American Stores Co.

American Stores Co., grocery chain, reported record sales and earnings for the 52 weeks ended March 31. Sales rose 12.8% to $469,771,090 and net income increased to $7,114,748, or $5.46 per share, compared with $6,743,520, and $5.18 per share, respectively, in the previous fiscal year.

* * *

Out of Moth Balls

GLASSMERE—Negotiations are under way between the Navy and Aluminum Corp. of America to reactivate a million dollar aluminum powder manufacturing plant here which has been inoperative since 1945. Resumption of production, which may reach a capacity of over 33,000,000 pounds of "atomized aluminum" per year, is expected by fall. The product is used in torpedoes, bombs of the "blockbuster" type and as a rocket propellant.

* * *

Securities Exchange

Pennroad Corp., which is one of the larger holders of United Gas Improvement Co. stock (55,000 shares) is expected to tender its holdings in exchange for common stock of Philadelphia Electric Co. in accordance with the terms of a voluntary plan filed by U. G. I. with the Securities and Exchange Commission.

Unscrambling TV Color

Philco Corp. is not waiting for ultimate simplification or refinement of the CBS color televising system. Eleven new television receivers just introduced by the company incorporate an adapter designed to convert Columbia's color signals into black and white. The adapter will also provide reception on the ultra high frequency bands about to be opened to telecasting by ruling of the Federal Communications Commission.

The substitution of nylon and asbestos for copper and silicon steel normally used in the manufacture of condensers has been developed jointly by Philco Corp. and the Chicago Transformer Corp. The new method is expected to save up to 25% of the present metal content, reduce manufacturing costs and permit operation of resistance coils at temperatures 25 degrees centigrade above previous limits.

* * *

I. R. C. Reports Gains

PHILADELPHIA — Through April 15, sales volume of International Resistance Co. increased to $4,157,000, compared with $2,548,144 in the like 1950 period. Net earnings were 26 cents per common share, as against 18 cents.

Harry A. Ehles, Vice-President, recently said that demand for resistors from television and radio manufacturers had shown a tendency to slacken, but that heavy military orders were expected in the third and fourth quarters of the year. The company has acquired a small plant at Downingtown, Pa., to supplement its main facilities in Philadelphia.

* * *

New Goat Fodder Plant

HARRISBURG — W. C. Stolk, President of American Can Co., has announced the company will build a can-making plant at Lemoyne, Cumberland County, with a capacity of 400,000,000 food cans a year. The new facilities will serve fruit and vegtable growers in eastern and central Pennsylvania and the Appalachian areas of Maryland, Virginia and West Virginia.

* * *

Plant Expansion in Penna.

Pennsylvania leads all other states in the amount of industrial plant expansion aided by the government through tax benefits, according to figures released by the Defense Production Administration. The Keystone State's participation amounted to 15.9% of the national aggregate, with approximately one-eighth of the total centered in the metropolitan areas of Philadelphia and Pittsburgh.

* * *

Shifts Investments

Philadelphian-managed Wellington Fund, one of the country's largest open-end balanced-type investing companies, reports that it has substantially decreased its investments in volatile "war stocks" since the end of March. In so doing, realized profits on securities have amounted to $2,928,607 in 1951, with a further unrealized profit on investments of $12,707,904 existing on May 17.

Portfolio additions have been made in chemical, drug, natural gas, oil and utilities shares.

* * *

Steel Companies Merge

The boards of Pittsburgh Steel Co. and Thomas Steel Co. have approved the acquisition of Thomas by Pittsburgh through an exchange of securities. Subject to approval by Thomas stockholders, the agreement provides that each share of Thomas Steel will receive one-third share of 5½% prior preferred and one-third share common of Pittsburgh Steel. Holders of Thomas Steel 4¼% preferred will be offered an optional exchange into Pittsburgh stocks. Preferred shares not so exchanged will be called at 105.

* * *

Purolator Products, Inc.

The opening late this fall of a 40,000 sq. ft. plant at Ringtown, Pa., by Purolator Products, Inc., will render the company's 375,359 shares of outstanding common stock free of the Pennsylvania Personal Property tax.

To Be Warren & Co.

On June 1, the firm name of Gay & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, was changed to Warren & Co.

Now Proprietor

CHICAGO, Ill.—Leo J. Doyle is now sole proprietor of Doyle, O'Connor & Co., 135 South La Salle Street. Mr. Doyle has been President of Doyle, O'Connor & Co., Inc., since 1937.

Milwaukee Bond Club Annual Field Day

MILWAUKEE, Wis.—The annual field day and picnic of the Milwaukee Bond Club will be held Friday, June 15 at Oconomowoc Lake Club and the Oconomowoc Country Club. Free lunch will be served from 11:30 a.m. to 1:30 p.m.; guest fee $10.00. Further details may be obtained from Otto Koch, The Marshall Company, General Chairman of the outing.

F. O. Breitengross, The Marshall Company, and Albert J. Harbaugh, Gardner F. Dalton & Co., are in charge of golf. Lyle W. Hamann, Central Republic Co., and Thomas H. Twitchell, Jr., B. C. Ziegler & Co., will direct baseball. F. A. Newton, Loewi & Co., is in charge of cards, and William T. Riley, Jr., and Robert J. Riley of Riley & Co. are in charge of a special event.

Officers of the club are: Matthew H. Pahle, A. C. Allyn & Co., Inc., President; Otto J. Koch, Jr., Marshall Company, Vice-President; and Erwin G. Schleiger, Central Republic Co., Secretary-Treasurer. Members of the Board of Governors are: August L. Engelke, A. C. Best & Co.; Harold A. Franke, Milwaukee Company; H. Schuyler French, Marshall & Ilsley Bank; Charles W. Gerlach, Chas. Gerlach & Company; William T. Riley, Jr., Riley & Co., and Brenton H. Rupple, Robert W. Baird & Co.

Phila. Bowlers to Hold Outing June 8

PHILADELPHIA, Pa.—The annual banquet and outing of the Philadelphia Bankers & Brokers Bowling League will be held on Friday, June 8, 1951 at the Sandy Run Country Club. John W. Murphy of Hornblower & Weeks will be installed as President of the League for the 1951-52 season. The first Philadelphia-Baltimore Stock Exchange Trophy will be awarded to the team members of Walston, Hoffman & Goodwin, 1951 champions.

Boston Investment Club Dinner Meeting

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held June 12 at the Boston Yacht Club at 5:30 p.m. The speaker will be John Middleton, of White, Weld & Co., who will speak on natural gas stocks.

This will be the last meeting of the Club until fall.

A Survey of Business Problems

By ROY A. FOULKE*
Vice-President, Dun & Bradstreet, Inc.

Mr. Foulke reviews effects of Korean outbreak on significant segments of our economy, and describes sequence of overlapping steps by which the defense economy becomes meshed into civilian economy. Finds requirements of present defense economy different from those of World War II, and stresses effect of present defense orders being superimposed on high volume production of civilian goods. Concludes, basic problem is to support existing price and wage freeze by holding down volume of purchasing media.

I would like to divide this address into four parts. In the first part, I would like to outline briefly what has happened in certain significant segments of our economy as a result of the outbreak of the war in Korea and our consequent decision to create a defense economy. In the second part, I would like to describe the sequence of overlapping steps by which a defense economy becomes meshed into a civilian economy. In the third part, I would like to outline what are the more important business problems which arise in this process of meshing a defense economy into a civilian economy. In the fourth part, I would like to picture the underlying threat of inflation.


Roy A. Foulke

PART I

What Has Happened

Almost eleven months have passed since the North Korean Army rode their Russian tanks southward across the 38th parallel in the gray dawn of June 25, 1950. Just about six months have passed since Charles E. Wilson took the oath of office as Director of Defense Mobilization. Four months have passed since Eric Johnston became Economic Stabilization Administrator. Any business Rip Van Winkle who might have fallen asleep on June 24, 1950, and who had failed to awaken until today would be hard pressed to comprehend the tremendous changes which have taken place in our economy over the intervening approximate 11 months. I would like to enumerate nine significant changes:

(1) Retail prices are the highest in our history.

(2) Wholesale prices are the highest in our history.

(3) Weekly and hourly wages of industrial workers are the highest in our history.

(4) Electric power production is the highest in our history.

(5) Dollar expenditures for new plants and equipment are running at an all-time high.

(6) Dollar sales of manufacturers, wholesalers, and retailers are the highest in our history.

(7) Dollar inventories of manufacturers, wholesalers, and retailers are the highest in our history.

(8) Demand deposits of commercial banks are the highest in our history.

(9) Loans of commercial banks are the highest in our history.

That is quite an impressive array of new highs, all stemming from the outbreak of hostilities in Korea and our decision to build up our armed forces, our armament, and the armaments of the democratic countries of the world. In other words, our current economic condition in its many interrelated manifestations, is the direct result of increased expenditures, actual and potential, of the Federal Government for national defense.

It is the responsibility of the Office of Defense Mobilization to integrate the production of armament, equipment, and supplies with the continued reasonable needs of civilian life. The necessity of that integration must bring the realization that a sustained garrison state can only be based on a sound economy. This viewpoint was exemplified by a statement made by General J. Lawton Collins, Chief of Staff of the U. S. Army, before the House Armed Services Committee in October, 1949. At that hearing General Collins succinctly stated, "Certainly, if there is any single factor today which would deter a nation seeking world domination, it would be the great industrial capacity of this country rather than its armed might. But this industrial capacity is dependent upon a sound economy, which must not be thrown out of balance by excessive costs for military preparations." The emphasis should be placed on the second sentence in that quotation, "But this industrial capacity is dependent upon a *sound economy which must not be thrown out of balance by excessive costs for military preparations.*" A sound economy can, of course, be thrown out of balance by factors other than "excessive costs for military preparations" but this condensed view of the Chief of Staff of the U. S. Army indicates the recognition of the utmost importance of the maintenance of a healthy economy by the defense arm of the nation.

PART II

Meshing a Defense Economy With a Civilian Economy

For the fiscal year ending June 30, 1950, actual expenditures of the Federal Government for national security were $17.6 billion, for the fiscal year 1951 they are estimated at $27.1 billion, and for the fiscal year 1952 at $51.8 billion.[1] After 1952, barring all-out global war, it has been generally thought, until very recently, that our national defense costs would be on a maintenance plateau of $50-$55 billion a year for years to come. Estimates, however, have recently appeared indicating that defense costs might be revised upward to a figure between $70-$75 billion. Of the estimated expenditures of $51.8 billion for fiscal 1952, $40.4 billion are for the military services, $8.4 for international military and economic assistance, and the remaining $4.0 billion for atomic energy, stockpiling, defense production, defense housing, and related items. It is this aggregate of $51.8 billion in which we are interested and not just the $40.4 for the military service, as it is the aggregate expenditures which come into the market.

There is naturally an initial lag between appropriations and the placing of orders for armament, equipment and supplies. Then, there is a second lag on the part of industry to gear itself to fill defense contracts. Complex modern war equipment require months in the blueprint stage, and many more months and even years between the date of placing an order and the date of delivery. The sequence of steps in the production of modern war equipment, with considerable overlapping, is (1) the production of adequate machine tools, (2) stockpiling and the production of adequate supplies of raw materials, (3) the addition of production lines for military goods which are beyond those needed for currently scheduled output, but which would be needed in full-scale war, (4) the addition of basic industrial capacity which will support high levels of both military and civilian production during the defense period and which would be available, in an emergency, to support the needs of all-out war, and (5) simultaneously building up our armed forces gradually as adequate equipment comes off the assembly lines. In that order, the needs for Korea and any possible all-out emergency mesh with the ability of industry to produce the armament, the equipment, and the supplies along with the reasonable needs of our civilian economy.

In his first report to the President dated April 1, 1951, Charles E. Wilson, Director of Defense Mobilization, outlined the overall time element involved in these sequences. He stated that, "With the fullest degree of drive and unity, we can do this job by 1953. By that date our readiness to enter upon total mobilization should be sufficient, and production, in addition to meeting military needs, should support a civilian economy at or above pre-Korean levels." So, we have approximately two years of intense economic mobilization ahead of us, to become fully prepared for any emergency.

The requirements of the present defense economy are very different from those of World War II. In the first place we are building our armed forces, barring all-out global war, to 3,500,000 men and women and not 12,000,000 who were in uniform at the peak of World War II. In the second place we are producing primarily for all-out readiness and not for all-out war. In the third place our present defense requirements started from a level of production and actual capacity far higher than those of 1941.

On the other hand, however, it must be kept in mind that material for all divisions of the armed forces is much more complicated than that used in World War II. In World War II, for example, the B-17 was our standard heavy bomber. It weighed 24,700 pounds and had a range of 1,750 miles. The B-17 is now obsolete and out of production. Our new intercontinental bomber, the B-36, weighs 102,500 pounds and has a range of 10,000 miles. Our new tanks are 60% more powerful and 50% faster than World War II tanks. Our new 105-millimeter recoilless rifles are mounted on jeeps. Our 40-millimeter anti-aircraft guns are being replaced by new 75-millimeter Skysweepers. And guided missiles are reaching the production stage.

Every industrial business in the nation is or will be affected to some extent by the sequence of steps by which the defense economy is meshed into our civilian economy. Many have shifted in whole or in part to defense production. Many will be stimulated to great growth from the profits of overtime production. Many concerns will go out of business. All will feel the pressure of rising costs and higher taxes.

PART III

The More Important Business Problems

I have outlined briefly what has happened in certain important segments of our economy since the outbreak of the Korean War, and the sequence of overlapping steps which take place in meshing a defense economy with a civilian economy. Three important business problems arise in this process. These three problems are the problems of increased production, the channelling of adequate credit, and the mobilization of adequate manpower.

Increased Production—First is the problem of increased production. For most manufacturers of durable goods, switching from civilian to military production means large-scale retooling. Not until producers of planes, tanks, guns, electronic equipment, and similar military items obtain all of the machine tools they need, can defense production move along at full speed. It must also be kept in mind that the machine tool industry, in the aggregate builds its own tools to increase its own capacity. Once it gets started, capacity can grow at a rapidly increasing rate, as each addition becomes a source of further additions. In World War II, the machine tool bottleneck was not broken until the end of 1942. New orders for tools received during the first quarter of 1951 were over five times as great as the first quarter of 1950. In only three of four months of 1942, when the machine tool industry enjoyed the biggest boom in its history, was the rate of new order figure of the first quarter of 1951 exceeded. At the present time the entire industry has a backlog of orders which will take one and one-half years to fill at the present rate of production.

Almost on the same level as the production of machine tools is the problem of stockpiling and producing raw materials. A total of 73 materials, including rubber, cobalt, columbium, manganese, and tin, are covered by our stockpiling program. Our stockpile requirements are estimated to amount to $9.7 billion at last February prices. On March 1 approximately $3.2 billion of these scarce items were on hand. No materials stored in the stockpile are being currently drawn upon.

Weapons and production lines are made from metals. In a period of great military and industrial

Continued on page 33

*An address by Mr. Foulke at the Annual Commerce Conference and Spring Bankers Conference at the School of Commerce, University of Wisconsin, Madison, Wis., May 18, 1951.

[1] These are not the budgeted figures which are so widely quoted. These figures are the result of the reclassification of data by the staff of the Joint Committee of Congress on the Economic Report and quoted in the "Report of the Joint Committee on the Economic Report in the January 1951 Economic Report of the President," p. 32 (82nd Congress, 1st Session, Senate Report No. 201, March 1951).

What Can We Do About Inflation?

By H. E. HOAGLAND*

Professor of Business Finance, Ohio State University

Dr. Hoagland points out, though wars and preparation for wars are always inflationary because of a resulting substantial increase in demand for goods and services, much of the inflationary pressures of last decade have come from Governmental actions. Cites Federal housing aids and lending institutions, and says we may have already gone too far in depending upon inflationary effects of Governmental agencies to stimulate business. Advocates restriction of real estate loans, encouragement of saving, and increased taxation. Foresees higher interest rates.

All of us are concerned about the possibility of further inflation. We are concerned because we cannot foresee its progress nor measure its effects upon our future plans. In the time allotted to me this morning I plan to make two speeches. In the first I shall discuss briefly the kind of creeping inflation that we have experienced for the past two decades. In the second I shall talk about the kind of galloping inflation that we fear at the present time. In each I shall make some suggestions that have particular significance for the savings and loan business.

H. E. Hoagland

Price inflation is not very mysterious. When the demand for commodities is greater than the supply, prices tend to go up. In free markets adjustments take place rather promptly. An increase in supply will balance the demand again and prices will be kept under control.

In your own business you have participated in this experience many times. When the demand for mortgage money exceeds the supply of funds available for this purpose, you make loans at higher interest rates. Then you increase your advertising for new money and the resulting increase in savings tends to restore the balance and to keep interest rates from getting out of hand.

There are occasions when an abnormal increase in demand for goods cannot be met readily without serious dislocation of normal price arrangements. We cannot or will not increase production facilities fast enough to meet the additional demands upon our economic machinery. Wars and preparation for wars are always inflationary because they impose upon our economic system a sudden and sizable increase in demand for goods and services required for our national protection.

Insistent demands of this character are necessarily given priority over the needs of private consumption. Plant facilities and manpower normally devoted to the production of consumer goods are gradually converted to defense purposes. The resulting contraction of facilities available for the production of consumer goods curtails the flow of such goods destined for normal channels.

Meantime, increased employment to meet the needs of the accelerated program produces sharp increases in national income. Consequently we face the paradox of more money to spend and less opportunities to spend it. Under such circumstances, is it any wonder that prices rise?

Prices Tend to Outrun Income

One curious result of rapid price inflation is that very few people enjoy any continuous gain from it. When price inflation is on the march few of us ever really catch up with the procession. Prices always tend to outrun incomes. Subsequent increases in incomes arrive at a time when prices have made still further advances.

If we really understood what this kind of inflation does to us, we should be unanimous in our opposition to it. While we pay collective lip service to demands for curbing price inflation, individually we seem to like it. An increase in wages, salaries, and other income inflates our ego. It makes us appear to be more important. When we find that the increase in the number of dollars in our pockets cannot be translated into a corresponding increase in the volume of commodities we wish to buy, we may admit the delusion of our inflated incomes.

Our reactions are registered not only in our demands for greater compensation for our services but in other ways as well. Our unfavorable response to the deflation of prices which followed the collapse of the boom period of the roaring twenties caused us to turn against the political party in power at our national capital. In 1932 the majority of voters registered at the polls their dissatisfaction with economic conditions for whose creation the administration in office was not primarily responsible. Since 1932 we have kept in power the party that has been the sponsor of many inflationary programs. Through currency tinkering, subsidies, government insurance and guarantees, deficit financing, price supports, and other measures, we have experienced nearly twenty years of government-generated price inflation. The successive shots in the arm administered to our economic system by Washington have been assimilated without too serious shocks to our economic health.

Inflationary Governmental Actions

None of my listeners will question the effects of governmental actions which have resulted in inflationary advantages to your own operations. We need only mention the Home Owners Loan Corporation, the Federal Housing Administration, the Home Loan Bank system, the Federal Savings and Loan Insurance Corporation, and the home financing provisions of the G. I. Bill of Rights to recall to your minds some of the agencies which have helped to increase the demand for and the prices of real estate and to keep them at high levels during the past two decades. Certainly none would deny the inflationary effects of the succession of governmental programs intended to house Americans through the offer of various types of direct financial subsidies.

While most of us approve the agencies mentioned above, except much of the public housing efforts, honesty compels us to admit their true character. Our business has benefited tremendously from the lifts it has received from insurance and guarantee of mortgages, insurance of our accounts, and the provision of a liquidity pool in the Home Loan Bank system. These agencies were authorized at a time when the pendulum had swung too far in the direction of deflation. Consequently we are inclined to classify the purposes of these agencies as REflationary instead of INflationary. They helped to correct a bad situation which had become intolerable and required bold measures to overcome. Nevertheless each of these, like other kinds of opiates, is habit forming. Now that we have them and have become dependent upon them, our major problem is not how to dispense with them but how to keep them in operation without disastrous results. Indeed we dare not think in terms of their complete elimination. But our dependence upon them should not be permitted to increase.

We would not have experienced last year the greatest building boom in our history except for the shifting of much of the risk of financing new housing units to some governmental agency. Of the total home mortgage debt outstanding at the present time, about 40% has been guaranteed or insured by Federal agencies. Of the new debt created last year a considerably larger proportion would be so classified. Because of our dependence upon this generous use of mortgage guarantee and insurance, much of last year's construction would not have been undertaken had its financing not been provided with governmental assistance.

Indeed successive governmental agencies have produced inflationary pressures that have justified previous governmental actions. For example, when the HOLC was authorized by Congress, it was variously estimated that its losses would cost American taxpayers from two hundred to five hundred million dollars. Due in part to the effect of the FHA upon the creation of higher real estate prices, it is now clear that the HOLC will liquidate with a substantial profit to the United States Treasury. In spite of the help given by the FHA, this profit should cause great rejoicing to all who have had any interest in the HOLC. Even Americans without a direct interest in its operations should be gratified that one governmental agency whose operations involved billions of dollars will soon close its books with a profit.

Then for a considerable time many of us had grave doubts about the actuarial soundness of the FHA. We questioned whether its reserves were large enough to cushion the shock of a possible depression. If not, its government-guaranteed debentures might add to the burdens of the American taxpayer. Then came the home financing provisions of the GI Bill of Rights. Its inflationary effects upon the prices of real estate bolstered the weaknesses in the FHA program in a manner to give assurance of the latter's current financial stability.

But must we always look to our national government for successive doses of inflationary medicine whenever we begin to experience the pains of deflationary indigestion? The end result of such a policy is not hard to forecast. As a firm believer in the advantages of private enterprise, I want to keep it as private as possible. The more it becomes dependent upon public aid, the less likelihood of its continuous survival.

Government Inflationary Pressures Should Be Curbed

Perhaps we have already gone too far in some directions in depending upon the inflationary effects of governmental agencies organized to stimulate business activity. While we regret the prescence of the conditions which resulted in the promulgation of Regulation X, for example, perhaps it represents a step in the right direction, regardless of the purposes for which it was imposed. Perhaps we should hesitate, as a normal procedure, to finance homes which cannot be financed except under substantially more liberal terms than the lowest levels of Regulation X contemplate.

The sobering effects of various elements of the current defense program should redirect our thinking along lines that restore more authority and responsibility to those who presumably control the energies of our private enterprise system. Business institutions abdicated their leadership during the dark days of the thirties and our government took over control on many fronts not thought to be political in nature up to that time. The pendulum has swung far toward bureaucratic control of our economic processes in the past two decades. Has it swung too far for our permanent good? At least it is high time to examine this question carefully.

In times of peace, governmental agencies of the kind we have been discussing tend to produce what is ordinarily called creeping inflation. By skillful manipulation of governmental policies it can be turned on and off at will. If a measure of deflation is desired, we can remove or minimize governmental assistance. To avoid the hardships of too much deflation, we can open the floodgates of governmental aid and, if need be, add new mechanisms for speeding up employment and the creation of jobs and of demand for goods and services.

Some of this kind of creeping inflation can be justified. When business declines to a point where unemployment is the order of the day it sometimes requires artificial stimulation to create an increase in demand for goods and services. Pump-priming efforts, if successful, may avoid worse conditions. But as soon as the pump is primed it is advisable to go easy with further stimulants.

Continued on page 32

*Address by Professor Hoagland delivered at annual convention of National Savings and Loan League, Los Angeles, Calif., May 17, 1951.

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

able is a memorandum on **California Packing Corp.** and **Halliburton Oil Well Cementing Co.**

Anchor Hocking Glass Corp.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available isa memorandum on **Great Northern Railway** and **Interstate Department Stores.**

Atlantic Refining Co.—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y. Also available is a memorandum on **Lion Oil** and on **Montana Dakota Utilities.**

Carborundum Company—Analysis—Vietor, Common, Dann & Co.,Ellicott Square Building, Buffalo 3, N. Y.

Central Public Utility—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Central States Electric—Bulletin—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is information on **Florida East Coast.**

Central Vermont Public Service Co.—Analysis--Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Federal Machine & Welder Company—Bulletin—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Franklin National Bank of Franklin Square—Memorandum—Blair, Rollins & Co., 44 Wall Street, New York 5, N. Y.

Good Humor Company of California — Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Gordon Weston Limited—Analysis—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

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

Kuhlman Electric Company — Analysis — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Miles Shoes, Inc.—Memorandum—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

National City Bank of New York — Analysis — C. Herbert Onderdonk Co., 165 Broadway, New York 6, N. Y.

Pabst Brewing Company — Report — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

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

Puts & Calls—Booklet—Filer, Schmidt & Co., 30 Pine Street, New York 5, 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.**

United States Radiator Corporation—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

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

From Washington Ahead of the News

By CARLISLE BARGERON

Notwithstanding that the Gallup Poll, that great and unerring barometer of American public opinion, has repeatedly stated that the American people have definitely turned their backs on such outmoded things as isolationism and have come cheerfully to accept global leadership, it appears they are tremendously naive in just what global leadership constitutes. So naive are they, indeed, that they are a pain in the neck to their leaders in the global leadership business.

Carlisle Bargeron

Take now, for example, their skepticism, their amazement over Secretary of State Acheson's explanation that when the State Department circulated its famous directive on Formosa to our consuls throughout the world and to the Voice of America propagandists, to the effect that our government was not worried over the expected fall to the Communists of Formosa, that it meant nothing to us, was not worth a shrug of our official shoulders; that when this directive was issued, it was not really our government's attitude at all, the government instead, was really concerned, Formosa was truly important, but this was just the way we were supposed to act.

Well sir, you know that fooled even Senator Taft who was saying that all we had to do to protect Formosa was to parade a few warships up and down the water between Formosa and the Chinese mainland and this would be plenty of insurance for Formosa and constituted only a normal activity on the part of the warships, but Truman said sarcastically that he was surprised to know that Senator Taft was a military expert. Then Truman, who is a military expert and a great international expert because he has hired as his Secretary of State, the best international lawyer around town who knows the names of myriad little foreign countries because he graduated from Harvard and is so intellectually sensitive as to be hurt by questions from Senators; then Mr. Truman so equipped, declared war upon Korea, 100 miles to the left of Formosa on the map, which none of our military leaders and so far as can be learned, nobody else had suggested. So you see how wrong we all were in taking the directive on Formosa seriously. Not only did Truman consider Formosa important but he also thought Korea important.

So you can see just how inept, how ignorant we plain people are in the various nuances of global leadership. It must make all of us feel silly ever to have offered any criticism. In this business of global leadership we have just got to close our eyes and recognize the infallibility of Truman and Acheson.

There is also the case of High Commissioner of Germany McCloy who has been "on the carpet" because all this time we have been fighting the "cold war" with Russia, West Germany has been gleefully exporting war and other goods to the enemy. Just normal trade as countries engage in.

I imagine that the High Commissioner was the most amazed man in the world when he was called upon to explain this and as yet his explanation has not been forthcoming. Because one of the first things told me by the international pundits shortly after we took over the global leadership was that while it was all right for our government to keep hurling threats and imprecations at Russia and her satellites, it was necessary for Western Europe to trade with them. Trade between Western and Eastern Europe was a normal and necessary business, I was told, and unless we were prepared to underwrite Western Europe for the rest of our lives, this trade had to be restored. Presumably, restoration of that trade is just what High Commissioner McCloy has been working for and undoubtedly he has felt a sense of gratification over his progress. Then out of a clear sky come the unschooled and unlearned in global leadership, pouncing upon his neck. It must make the High Commissioner wonder just what sort of a public it is that he is doing public service for.

We are so unrealistic in the game of global leadership, indeed, that we become incensed over Britain sending stuff to Red China through Hong Kong at a time when these Red Chinese are killing our boys. Come, come, now, let's not get sentimental. The business of global leadership is something mysterious and unexplainable and making little sense, something very difficult for the rank and file to understand but don't you realize that it is through such enterprises, such farsightedness on the part of Truman and those around him, that we have "prosperity"? You must have confidence in the brilliant minds that are ruling and thinking for us. Don't you realize that whereas it used to be often risky for the workingman to join a union, he can now not only join the "union of his choice" but has to? Don't you realize that this workingman has come to have such a voice in his government that his politically minded leaders demand that grain be given to India, although the workingman himself doesn't give a damn about India, scarcely knows where it is and his leaders don't know much about it either. But this must give him, and we are told it does, a sense of dignity, for his leaders to be demanding grain for India this way.

I do hope he can come to understand Truman and Acheson and the global leadership business and feel a sense of dignity about it, because if he doesn't, and I have a feeling he won't, the future is fraught with danger—for Truman and Acheson, and their leaders who have been playing ball with the Administration, too.

Griffin Now Partner In Frank Masterson

Frank C. Masterson & Co., 64 Wall Street, New York City, members New York Curb Exchange, announce that William Edward Griffin who has been associated with the firm for 15 years and is a member of the Curb Exchange, has been admitted to general partnership in the firm effective today (June 7).

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—George H. Mecke has become associated with Harris, Upham & Co. Mr. Mecke was formerly with Jones, Cosgrove & Co. and Geo. R. Miller & Co., Inc. Prior thereto he was with William R. Staats Co.

Canadian Securities

By WILLIAM J. McKAY

Despite the fact that the Canadian export season both visible and invisible is now well under way, the Canadian dollar remains curiously immune to its customary strengthening influence. As a consequence of the current boom conditions in the Dominion and the removal of import restrictions, Canadian purchases from this country are on an unprecedented large scale, but on the other hand the Canadian export trade is likewise booming. Pulp and paper production is constantly mounting and is meeting with an insatiable U. S. demand with even higher prices in the offing. Also following the agreement recently reached with the United Kingdom, Canadian sales to Britain, after a long period of serious curtailment will shortly be sharply increased. Furthermore development projects from Newfoundland to British Columbia are now entering a stage of activity that promises to break all previous records.

There appears therefore to be little reason for any concern with regard to the overall prospects of the Dominion's balance of payments, that is now being adversely affected by abnormal temporary factors. Among these is the one-sided implementation of the U. S.-Canadian Defense Pooling Agreement. So far Canada has placed important orders in this country but the anticipated reciprocation from this side has been conspicuous by its absence. In due course however this situation is expected to be adjusted in accordance with the original understanding that U. S. military purchases in Canada would at least offset those effected by the Dominion in this country.

A further important source of temporary weakness of the Canadian dollar is the current heavy buying of sterling for Canadian account. In accordance with the procedure laid down by the Exchange Control Board purchases of sterling in the Dominion can only be effected by prior purchase of U. S. dollars. As a consequence of this technical situation the present demand for sterling constitutes a direct depressant on the Canadian dollar.

As far as the Canadian authorities are concerned this can be regarded as a conveniently favorable development. Normally whenever a positive trend is established in sterling it is sympathetically reflected in the Canadian dollar. On looking back to the exchange movement that took place during the summer of last year it will be recalled that the persistent rumors of sterling revaluation encouraged the speculative purchases in this country of Canadian dollars. It will also be remembered that when it was decided to free the exchange the official comments at that time were extremely critical of the U. S. "hot money" influx. Thus bearing in mind the probability of a repetition of this undesirable bull movement it is natural that Canadian official efforts will be directed towards its discouragement. In the event of revaluation or freeing of the pound however there is little question that the Canadian dollar would follow its traditional course of adjustment to the higher level of sterling.

At the present time it would appear that the risk, from the Canadian official viewpoint, of an imminent adjustment of the exchange rate of the pound, is not to be lightly regarded. Although it is only recently that the subject has again received widespread attention, there is little question that sterling should have been adjusted to a more appropriate level immediately when it was apparent nearly a year ago that the British terms of trade had entered a period of progressive deterioration. In view of the subsequent intensive demand for British Commonwealth raw materials there would have been no adverse effect on exports. On the other hand imports at a lower cost would have been stimulated and in place of the present critical shortages Britain would have been able to accumulate a relatively cheap stockpile of essential foods and raw materials. As matters now stand, just as devaluation became a forced expedient, revaluation similarly is likely to be reluctantly decided upon as an inescapable step in the face of the brutal fact that no other measure can serve to correct the present damaging trend of the British terms of trade.

Even in the absence of an upward movement of the pound, the Canadian dollar at its present level would appear to be clearly undervalued. The operation of many abnormal factors has recently tended to offset the strengthening process that normally takes place during the summer season. It is probable also that a certain volume of Canadian exports has been deferred pending the imminent downward adjustment of the U. S. tariff rate on certain items. Furthermore this year will mark the beginning of a further era of dynamic Canadian expansion, notably in oil, and iron-ore development. Canadian production in these fields alone will ultimately bring about a striking change in the U. S.-Canadian balance of payments situation. It can be confidently predicted that at the present rate of Canadian economic progress the time is not far distant when the Canadian dollar will be quoted at a premium rather than a discount vis-a-vis the U. S. dollar.

During the week interest in the external section of the bond market was again mostly confined to the recent new Toronto and Ontario issues. There were a few offerings of internals in sympathy with the decline of the Canadian dollar to 6¾%. Subsequently however there was a sharp recovery to 6 3/16%. Following earlier strength stocks again resumed their recent downward trend led by the golds and Western oils. The least affected in the decline were stocks in the base-metal and paper groups following recent increases in newsprint and metal prices.

Continued from page 6

Department Store Outlook in 1951

expense percentage, as stated earlier, was less than ½ of 1%. Thus it was the increased dollar sales plus the enhanced gross margin percentage which were primarily responsible for producing a figure of a 30% increase in dollar profits after taxes. In the meantime inventory buildup was proceeding rapidly, largely because merchandise deliveries were being received at a faster rate than anticipated.

As pointed out in earlier reports in this series, two factors which have militated against soft goods business in recent years have been (1) the underlying tendency for consumers as their incomes increased to spend a higher proportion on those durable goods items such as automobiles, television, dish washers, and so on, which are deemed so essential a part of a higher standard of living, and (2) the pattern of bunched-up replacement demand in soft goods which was initiated by the heavy soft goods spending at the time when durable goods were not available. It is still true, of course, that the nondurable goods constitute much the larger part of consumer purchases, but the variations in the ratio have been notable—from 71.9% in 1941 up to 81.6% in 1944 and back to 68.9% in 1949. Although the total proportion of nondurable goods business is much greater than the volume of durable goods business, the relative proportion between the two is of substantial importance to department stores because so much of their volume is in the soft goods category, and because some of the important sectors of the consumer durable goods business, as, for instance, the automotive and building material lines, bypass the department store almost entirely.

Because of the presumed wave pattern in replacement demand, many observers were looking for better business in soft goods lines in 1950. This expectation, however, was disappointed. The ratios in the sale of nondurable goods to the total in 1950 ran 66.6% in the first quarter, 65.6% in the second quarter, 63.2% in the third quarter, and 66.2% in the fourth quarter. So far as the first half of the year is concerned, it is evident that the demand for consumer durables had by no means reached a point of satiation. What might have happened in the second half of 1950 if we had not entered on the period of defense mobilization is impossible to say. In the early part of 1950 many observers were of the opinion that consumer avidity for hard goods would evince some decline before the end of the year, followed by a renewal of interest in soft goods. With the advent of a semimobilization economy, of course, this shift did not occur, because consumer attention became riveted once more on those durable goods for which it was feared that metals and important component parts would soon become restricted in supply.

Although a majority of the hypotheses concerning the relatively poor showing in the soft goods business in 1950 ran along the lines just indicated, here and there some retailers laid part of the blame at the door of apparel and textile manufacturers whom they asserted to have been dilatory in bringing out new fashion changes "now that the New Look has long since become the old look."

Outlook for Remainder of 1951

Under the impetus of the renewed wave of scare buying the 1951 fiscal year started off with an increase of 18% in February; but thereafter demand slackened, and it became clear that department stores had considerably overshot the mark in advance ordering. Retail stocks mounted rapidly, and as the banks began perceptibly to tighten their credit policies some premonitory symptoms of inventory distress appeared. The rise in prices, both at wholesale and at retail, flattened out, largely because of the supply and demand situation, and not as a consequence of price controls. Altogether it appeared that the spring of 1951 was repeating the pattern of spring letdown that had characterized several preceding seasons. Also, the hard goods that earlier had been particularly in demand, e.g., television, were those for which buying enthusiasm seemed most noticeably to sag.

As of the present writing the best guess is that this situation will prove temporary. Even if the ever-present possibility of another wave of scare buying should not materialize, the basic economic pressures of the "garrison economy" in which we now find ourselves are pushing steadily to create and widen an "inflationary gap," i.e., a situation in which consumers will bring more money into the market place to spend on goods and services than there are goods and services available to meet that demand.

On the side of money demand, personal income for February, 1951, is stated as $241 billion at the annual rate, in comparison with $215 billion in February, 1950. The increase reflects the larger workforce (more members per family on payrolls), the somewhat longer hours in manufacturing, and most of all the higher wages, likewise the higher agricultural income. A guarantee that consumer income will be maintained at these high levels and even increased is afforded by the government defense orders which are now pouring out at the rate of more than $5 billion monthly. These orders setting the wheels of industry in motion on defense work are the reality of which the inflationary price developments of the last 10 months were the anticipation. At present there is no indication that Congress will boost taxes on personal income sufficiently for the remainder of 1951 to exercise much effect on disposable income; indeed, disposable income for the first quarter of 1951 is estimated at the annual rate of $216 billion versus $197 billion last year. Past experience testified that there is a close correlation between disposable income of consumers and their purchases of goods and services at retail, except under circumstances that cause the rate of saving to advance sharply. So far as can be foreseen for the remainder of 1951, barring the outbreak of global hostilities, there is not much prospect that consumers will save out of their incomes any appreciably larger proportion than they did in 1950. The inference then is clear that for the full year 1951 consumers will bring more dollars into the retail market place than they did in 1950.

On the supply side also pressures will be generated by the increasing diversion of materials to use for defense and defense-supporting purposes; and in this connection it is important to realize that the present capital goods boom, which is one of the manifestations of a garrison economy, siphons off materials and manpower from the production of civilian goods and services just as effectively as does the stepped-up output of the munitions of war. So far as the retail supply of goods is concerned, however, these pressures are likely to be felt only indirectly during the remainder of 1951. Present stocks in the hands of retail outlets as well as wholesale channels and manufacturers are likely to be adequate for any demands that will be made on them for the rest of this year, with perhaps here and there a few exceptions; also consumer inventories are by no means low. Nevertheless the publicizing of cutbacks in the production of many hard goods lines as the months pass will make for more lively buying at retail (and even before that time many of the retailers who are now staying out of the market will be flocking back in). Furthermore it may be expected that at some point either in 1951 or early in 1952 consumer interest and spending will swing once more to the soft goods side.

It is clear that consumers will spend more dollars in 1951, but this increased spending will not affect all types of retail outlets equally. As we noted in the year 1950, for instance, the relative concentration on hard goods caused the advance in department stores to be smaller than the rise in retail sales generally. On the other hand, stores in the food group, which receive almost three times as many consumer dollars as do department stores and mail-order companies, did not increase their 1950 sales by as great a percentage as did department stores. With higher food prices and the increased demand for better-quality food that accompanies a rise in money incomes, food stores may well exhibit a greater rate of sales increase in 1951 than they did in 1950. Another factor which complicates the prediction of department stores sales increases for 1951 is the high sales figures for July, August, and September of 1950 which stores will have to beat this year.

Gerald R. McDermott

Gerald R. McDermott, Manager of the municipal department of Harriman, Ripley & Co., Inc., New York City, passed away at the age of 58 after an illness of several months.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Kenneth W. Chambers and George B. Row are now affiliated with Waddell & Reed, Inc., 1012 Baltimore Ave.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William C. Messmann is now affiliated with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges.

With State Bond & Mtg

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Francis E. Schuelke has joined the staff of State Bond & Mortgage Co., 26½ North Minnesota Street.

Investment Outlook in Canada, And the More Promising Industries

By ARTHUR S. TORREY*
President, W. C. Pitfield & Co., Ltd., Montreal, Canada

Prominent Canadian investment banker reveals Canada's economic progress and important role played by United States capital invested in its industries. Furnishes interesting data on developments in Canadian mining, oil, timber and paper industries. Points out absence in Canada of capital gains taxes and recent legislation giving limited tax exemption of dividends paid by Canadian concerns.

Twenty-five years ago this month a young man two years out of college was working for Electric Bond and Share Co., then located at 71 Broadway. Many of you will recall the uninterrupted rise that the utility shares had from 1924 to March 1926. Electric Bond and Share and its subsidiaries were on everyone's tongue.


Arthur S. Torrey

The future looked pretty bright and opportunity for advancement seemed unlimited, but the young man in question had in May '26 a position offered to him in Canada. Knowing little except that Canada was the northern neighbour of the United States and that instead of forty-eight states there were nine provinces, he went for advice to Mr. Owen D. Young, then President of the General Electric Company, which company owned all of the outstanding shares of Electric Bond and Share. The advice given was simple. Mr. Young said, "If I were a young man I would not hesitate at all to spend from two to five years in learning something about the country that lies to the north of us or of those countries that lie to the south." So I took his advice and have been in Canada ever since. Many changes have taken place in those twenty-five years but if anyone were to ask me for similar advice today I would have to answer by saying that never for one moment has there been any regret, but unfortunately I am twenty-five years too old to reap the benefits that will accrue to Canada in the next few decades.

Canada in two world wars has, it is said, grown to manhood among the nations of the world. If this is so, it is because, like the United States, it was endowed with natural resources of all kinds in unprecedented amounts. Many of yours have been spent, while in Canada the surface has only been scratched.

Using the slang expression "What is it you have that we in Canada have not?", the answer would be, in natural resources, nothing, but what we do lack is manpower and capital. Both can be produced and with them opportunity to the entrepreneur and profit to the capital.

What else does Canada offer to make welcome the advent of labour and capital? First and foremost, it has and will, in my opinion, continue to have stable government, both federally and provincially; a mixture of two races, French and English, which at times causes pin pricks, but fundamentally gives it balance.

To be sure, we have government restrictions in some measure that are irksome, but in playing its part in the defense effort and the fight against inflation none of them unduly deprive the imaginative and the industrious from the major benefits of his labours.

Canada's Taxation

I would just add a few words about taxation in Canada. Like everywhere else it is, of course, high but, with no capital gains tax, our incentive is not entirely destroyed. We also have what is known as Section 95A, which, to me, is one of the best bits of tax legislation introduced in recent years. This permits a private or public company to capitalize surplus created prior to January 1, 1950 and to distribute same tax-free by payment of a 15% tax on that surplus. Also, subsequent annual earnings to the extent of dividends paid can be capitalized in a similar manner.

Our government also acknowledges that corporation taxes involve double taxation on corporate earnings and on dividends received by individual shareholders by allowing Canadian shareholders to deduct from their total tax an amount equal to 10% of the dividend received on shares of any company resident in Canada and subject to Canadian income tax.

Before dealing with specific groups of industry let me give a brief resume of capital movements over a period of years so you may see the trend that daily becomes more evident. Canadian securities generally are well known to investors in the United States. This familiarity is not of recent origin, it is a product of broad experience extending over a long period of years. As in any young and rapidly growing country, some of this experience has been good and some we wish had not happened or could have been avoided.

U. S. Capital in Canada

United States capital invested in Canada today approximates six billion dollars, of which about 50% constitutes direct investments in over two thousand companies and branches, the majority of which are engaged in manufacturing. The other 50% is in portfolio investments, including public issues of bonds and stocks; two-thirds in bonds and one-third in stocks.

The migration of United States capital to Canada has a continuous history of over one hundred years in the case of direct investment in business enterprises and over 75 years in the case of the purchase of Canadian stocks and bonds for investment purposes. In 1870 United States investors purchased bonds of the Province of Quebec and shortly after of the City of Winnipeg.

Today 40% of all United States foreign investments are in Canada and of the total foreign investments in Canada, 75% come from the United States. These United States investments in Canada pay a larger cash return than all other American investments abroad put together.

From the time of Confederation in 1867, to 1900 foreign investments in Canada totalled 1¼ billion dollars, of which 80% was British. From 1900 to 1913 this figure had grown to 2½ billion, of which three-quarters came from Britain.

The period of the first war, 1914 to 1918, brought about a definite change, that is, the end of the flow of capital from England. For about twenty years from 1913 British investment remained static, then began a gradual decline which continues up to this moment. Of course, present currency controls there prevent a reversal of this trend, much to the dissatisfaction of many.

So since the first World War the United States has become the chief source of new outside capital. At no time during the 1920's were capital movements a one-way operation. Capital imports from the United States financed much of Canada's large scale development in the 1920's, but in contrast to earlier periods a significant part of the new additions during this period of rapid growth was financed out of Canada's savings.

It was during this period that we saw the maximum use by Canadian debtors of multiple pay securities which are, as you know, bonds payable as to principal and interest at the option of the holder in any one of two or three currencies. Wide use of this payment feature gave the foreign purchaser protection against adverse changes in rates of exchange as well as a possibility of profit from the rate of exchange.

By 1930 over half of the funded debt of Canadian governments and three-quarters of the funded debt of Canadian corporations were payable solely or optionally in foreign currencies, with securities payable in two or three currencies leading the way.

With the outbreak of war in September, 1939, Canada introduced a system of foreign exchange control. This was done with reluctance, but was unavoidable in order to protect Canadian supply of United States dollars. To be sure, these United States dollars would not be dissipated in non-essential purposes, but conserved to finance the import of essential goods, and the prompt payment of capital obligation due in United States dollars.

These controls permitted a large volume of dealings in outstanding securities, but since 1939 up to just recently, when some two hundred million of provincial and municipal bonds have been sold in your market, offerings of new issues by Canadian debtors payable in United States were confined to refunding issues, with two exceptions. First, a Dominion of Canada issue in 1948, and second, financing of the Canadian Oil Pipeline Company in 1949.

None of these restrictions made it impossible for United States residents to purchase and sell Canadian securities. Many of you are familiar as to how this can be done. Time doesn't permit me to explain how, but I have with me copies of the Foreign Exchange Control Board Summary Regulations, should anyone care to have them.

In conclusion on this point, foreign investments in Canada total about 8 billion dollars, of which six billion come from the United States. Canada, on the other hand, has invested outside the country in overseas loans, United States dollars, and gold, about four and a half billion dollars, leaving a net foreign investment of about three and a half billion.

Perhaps earlier in my remarks I should have repeated the yardstick generally used in making comparsions between United States and Canada. It is simply that with an area greater than the United States, Canada has about one twelfth your population and one seventeenth your national income.

Canadian Securities

Now for a moment I would like to say a few words about Canadian securities in particular groups. In the time at my disposal I cannot attempt to do more than touch on some of our leading industries, participation in which is available to the investing public. The three groups selected are mining, oil, and forest products, the latter including both lumber and paper. Companies engaged in these industries, generally speaking, own the actual raw materials from which they manufacture their finished products and are, therefore, not greatly concerned with raw material prices.

The history of Canadian mining development, the old prospectors and pioneers of the earlier days, their successes and their failures, are for another occasion. There is no time for them here, so let us look at Canada's mining industry as it stands today. Canada is the world's largest exporter of base metals. Last year it produced 90% of all the world's nickel, 70% of its asbestos, and most of its aluminum. Canada is third in world production of copper and zinc, fourth in lead. Among precious metals Canada leads in platinum and radium, and is second in gold and third in silver.

All this is being done from the country's **developed** mineral areas. It is said by people who know far more about these things than I that not more than one-quarter of Canada's potential resources have been explored, although much has been done even in the past few years. Most of you are familiar with the recent huge high grade iron ore areas of Quebec and Labrador which are being developed. These deposits cover some 13,000 square miles (forty times the size of famed Mesabi Range) containing 400,000,000 tons of ore with more being developed all the time. Present plans for production estimate five million tons in 1955, ten million in 1956 and later to possibly twenty million tons. This development necessitates the building of a railroad some 370 miles into the northern wilderness and, until completed, every piece of equipment has and must be brought in by air. American capital, except for the Hollinger interests in Canada, has made this possible.

The Steep Rock iron ore property on Lake Ontario is another in which American capital has played an important part. Production here will reach three and a half million tons by 1954 with an eventual target of ten million tons.

Other new developments are the huge copper ore deposit of fifty-seven million tons in the Gaspe Peninsula and Titanium or Ilmenite in the Province of Quebec, some 500 miles down the St. Lawrence Gulf from Montreal. Here Kennecott Copper is committed to spend not less than

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*An address by Mr. Torrey before the Association of Customers' Brokers, New York City, May 29, 1951.

Continued from page 5

Observations . . .

fers to deal with a "good fellow" who does not raise embarrassing questions.

It should be pointed out that there are instances where action cannot be avoided. Sometimes it is profitable to go, at a proper discount, into companies which are mismanaged and which can have great potentials if a management change is effected by exercise of pressure. Also there are cases where it is impossible to sell at a reasonable price, and being locked in, the Fund management has to act forcefully to protect its interests. As to public relationship, while innocuous manners are preferred they are not respected, and a certain amount of independence and constructively destructive action is necessary to avoid being pushed around by the more aggressive groups. The Fund management, in protection of their stockholders' interest, therefore have to weigh the elements involved in each individual instance and act for their best interest on the basis of their considered judgment. In short, there should exist a flexibility to act in whatever manner the highest results promise to be forthcoming.

Two Categories of Factors

In general, the type of action that can be advisable is divisible under the two heads of practical considerations of immediate interest, and the longer range problems where in addition to tangible benefits there is a factor of one's duty to the economic system to which we belong.

The first or direct practical consideration is a simple matter and can be handled individually by each of the Funds, on basis of the best judgment of the managements. The size of investment and nature of difficulty will bring logical reaction.

Your reference to Mr. Avery and Montgomery Ward can be used as an example of such a case. Clearly, when Mr. Avery's personnel policies and his fixed ideas on economic trends started to interfere with the profitableness of the company, a decision was needed. In that particular instance it was better for most Funds to sell the stock than to attempt to force a correction. The market was broad and he was too entrenched to hope that disagreements or protests would be of any use, so sale at a few points discount from the fair value was a cheap way out of the dilemma.

As to the more intangible aspects of longer range profits and duty to the public, a sense of responsibility must be accepted and acted upon not for altruistic reasons but simply because as trained economists the Fund managers should be aware of the import of their activity or inactivity. They should at least express their opinions even at some expense and temporary discomfort. The action under this head can be either as individuals, but preferably through the means of concerted force through association with other trusts.

The Matter of Pensions

This applies to such broader matters as pensions, for instance. That is an excellent example of how silence and inaction worked against the stockholders. The Funds should have considered the matter thoroughly and established a fixed policy of action in their proxies a long time ago.

Any action when the movement started would have at least brought to focus the inequities and arrested the chain of events which are beginning to plague us all. The wild pressure for "security" on the part of everyone and the mounting pension obligations of the industry will be a big problem sometime in the future and the stockholders will pay for their thoughtlessness and inertia.

When the movement started in the '30s it came from certain entrenched management groups which simply found another way of increasing their pay. They set the example which was quickly followed and improved upon by the others so that now the pensions are universal and are in many cases completely unsound and unfair.

That early period was the time when the Funds should have examined the matter and set a formula of fairness. No pension plan should have been approved in their proxies unless it qualified under certain simple rules. For instance, no company should have been saddled with pension obligations for past services which amounted to nothing else but juicy retroactive salary payments. Also the amount of pensions should have been set at a reasonable level well below the maximum salaries earned by active officers in full productivity. Many pension funds have been set up out of tax-paid earnings because even the taxing authorities did not recognize them as fair current load. The stockholders were completely inarticulate. A slight disapproval by an informed and powerful group would have gone a long way towards elimination of some of the worse abuses.

In conclusion, it would seem that there is no doubt that both for direct and indirect benefits the Fund managers should exercise judgment in signing their proxies, but the action should be flexible and subject to individual appraisal in each instance; and on larger issues it should be a concerted action.

MILAN D. POPOVIC,
Vice-President, Blue Ridge Mutual Fund, Inc.

New York City

* * *

And From M. I. T.'s Griswold

DEAR MR. MAY:

The matter you raise of the responsibilities to be discharged by the Funds as collective stockholders, is one that interests me considerably.

The trouble with companies like ours making a point of speaking up at annual meetings is it is then too late. By the time the annual meeting is held the proxies are all in and the result will not be altered by any speeches that investment companies, or anyone else, may make. Investment companies can, therefore, do more good by arguing matters out with managements well in advance than by going to stockholders' meetings and protesting against the inevitable.

In spite of this we do go to some meetings, and on a few occasions we think we have been of some help to the management.

The longer I am in this business the more I believe that the most constructive way to prevent corporate abuses is through comments by the press, published **before**, not after, the annual meeting. For instance, The London "Economist" used to publish articles regarding new offerings as soon as the prospectus came out. I expect that the sponsors of new issues were, therefore, most careful not to have anything included in their prospectus that would justify adverse criticism by the press.

MERRILL GRISWOLD,
Chairman, Massachusetts Investors Trust.

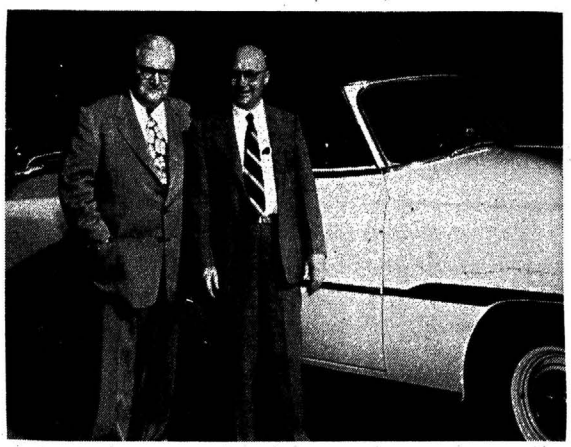
Boston, Mass.

Bond Club of New Jersey Annual Field Day

Officers of the Bond Club of New Jersey: Harry Miller, *Nugent & Igoe*, East Orange, N. J., Vice-President; Bill Roos, *MacBride, Miller & Co.*, Newark, Treasurer; C. Wallace Smith, *Smith, Barney & Co.*, New York City, President; Fred Brown, *White, Weld & Co.*, New York City, Secretary

Arthur Robinson, *Fidelity Union Trust Company*, Newark; Bob Krumm, *W. H. Morton & Co., Incorporated*, New York City; Robert M. Pyle, *Hornblower & Weeks*, New York City; James D. Topping, *J. D. Topping & Co.*, New York City; W. Farrar, *Schwabacher & Co.*, New York City; H. S. Krusen, *Shearson, Hammill & Co.*, New York City

Hal Murphy, *Commercial & Financial Chronicle*, New York City; Bill Roos, *MacBride, Miller & Co.*, Newark; Walter F. Coss, *B. J. Van Ingen & Co. Inc.*, New York City

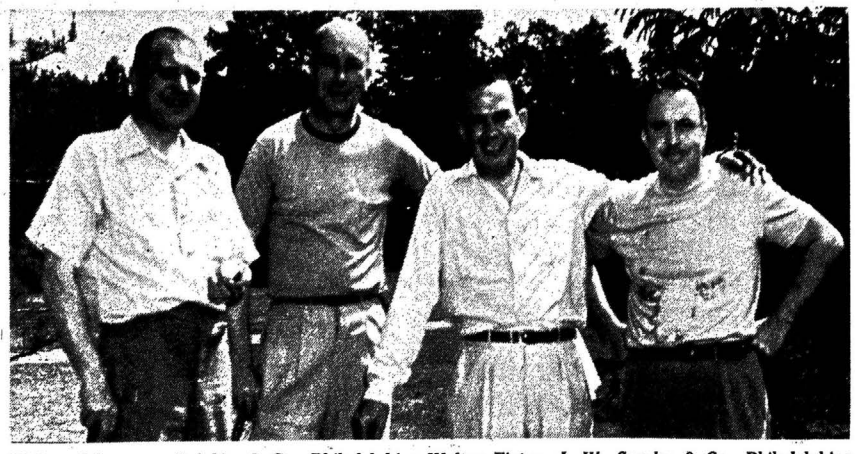


Harold Smith, *Pershing & Co.*, New York City; Cyrus Currier, *Mueller & Currier*, Newark

Chas. S. Bishop, *Central Hanover Bank & Trust Co.*, New York City; Royce N. Flippin, *Smith, Barney & Co.*, New York City

Harry D. Miller, *Nugent & Igoe*, East Orange, N. J.; Scott Russell, *Glore, Forgan & Co.*, New York City; Ed Kezer, *B. J. Van Ingen & Co. Inc.*, New York; Court Parker, *R. W. Pressprich & Co.*, New York City

Foy Porter, *Estabrook & Co.*, New York; Gill Morris, *National Newark & Essex Bank*, Newark, Paul Welzmiller, *J. B. Roll & Co., Inc.* New York City; Fred Brown, *White, Weld & Co.*, New York City



Walter Schumann, *Dolphin & Co.*, Philadelphia; Walter Fixter, *J. W. Sparks & Co.*, Philadelphia; Norton Rogers, *Rogers, Gordon & Co., Inc.*, New York City; Jim Musson, *B. J. Van Ingen & Co. Inc.*, New York City

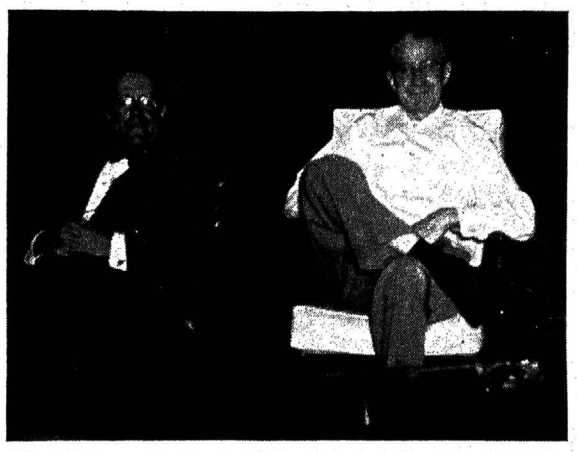
Ken Cronyn, *MacBride, Miller & Co.*, Newark; Edward McLaughlin, *Paine, Webber, Jackson & Curtis*, New York City; Ken Ebbitt, *Shelby Cullom Davis & Co.*, New York City; Robert W. Lane, *MacBride, Miller & Co.*, Newark

June 1st at Montclair Golf Club

(Continued on page 27)

Daniel L. Reiber, *National State Bank*, Newark; John Ryan, *Ryan, Hanauer & Co.*, Newark; Addison K. Barry, *National Newark & Essex Banking Co.*, Newark; Harold J. Kennedy, *E. F. Hutton & Company*, New York City

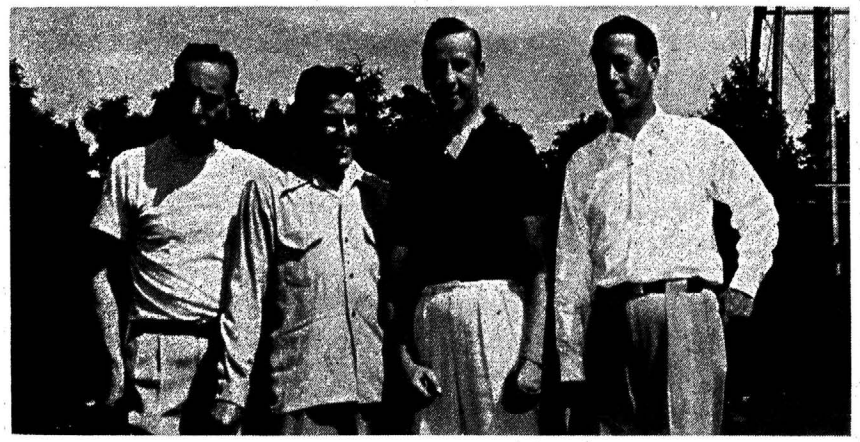
C. Wallace Smith, *Smith, Barney & Co.*, New York; J. F. Dolan, *Spencer Trask & Co.*, New York; Chas. S. Morley, New York City; Kenneth D. McLaren, *Corporation Trust Co.*, New York City—the oldest playing foursome at the New Jersey Bond Club outing



Albert P. Luscombe, *Peoples National Bank & Trust Co.*, Belleville, N. J.; Eugene A. Riordan, President, *Harrison-Kearney Trust Co.*, Harrison, N. J.

Ed Hinckley, *Adams & Hinckley*, Newark; R. F. Vanderhoff, *Fidelity Union Trust Company*, Newark; J. Albert Leek, *Coffin & Burr, Incorporated*, New York City

R. M. Keator, Jr., *Lord, Abbett & Co.*, New York City; O. D. Griffin, *Griffin, Kuipers & Co.*, New York City; I. C. Ayers, *Emerson Cook & Co.*, New York City



H. D. Biddulph, *Bloomfield Savings Bank*, Bloomfield, N. J.; James J. Gustat, *Halsey, Stuart & Co., Inc.*, New York City; F. Norman Lillig, *First National Bank of Paterson*; Chet Bardsley, *Salomon Bros. & Hutzler*, New York City

John P. Ryan, *Goldman, Sachs & Co.*, New York City; Edward Winpenny, *Wilmington Group*, Wilmington, Del.; Jack Sachau, *Blyth & Co., Inc.*, New York City; Norman Brassler, *Paterson Savings Bank*, Paterson, N. J.

F. S. Astarita, President, *Montclair Trust Co.*, Montclair, N. J.; S. M. Weissenborn, *Parker & Weissenborn, Inc.*, Newark; R. A. Hitchings, Vice-President, *Fidelity Union Trust Company*, Newark; J. W. Kress, *Howard Savings Institute*, Newark

M. V. Poole, *Geo. B. Gibbons & Company, Inc.*, New York City; E. H. Hills, *Eldredge & Co., Inc.*, New York City; D. E. Fitzpatrick, *Phelps, Fenn & Co.*, New York City; L. Walter Dempsey, *B. J. Van Ingen & Co. Inc.*, New York City

Continued from first page

Taking the Crunch Out of Tax Bite via Municipal Bonds

sions, and fall generally into two main classes: (1) General obligations—a virtual first mortgage on all land, buildings and personal property in a community — with interest payments and maturities met out of taxes levied by that community; and (2) Revenue Bonds, usually issued to build a tunnel or a bridge; or to build or buy a municipal electric, gas or water system. The specific revenues from these projects are then applied directly to interest, sinking fund and bond redemption.

But a key quality of **all** municipals today is the fact that their interest is **fully** exempt from Federal income tax (and usually from income taxes in the state of issue). This exemption accomplishes two purposes. First, it means much lower interest costs to borrowing cities and states, and second, it provides a tax-free return, regardless of the size of the annual income of the buyer.

Obviously the importance of this tax-free deal increases with the altitude of your income. Right now, starting at $16,000 taxable income, the government takes away 50% of the next $2,000, 53% of the next two grand, and if by patience, thrift, industry (or the fact that a distant uncle laid off a couple of million in your direction) your taxable income oscillates between $80,000 and $90,000, then Uncle Sam will settle for 84% of this section of your pelf. And in this last plushy instance, a municipal bond yielding 2.50% equals 15.60% yield from a taxable security. So you see why "tax exempts" are tycoon bait!

Let's go back to the other end of the ladder, however — $16,000 taxable income. Even here a tax-exempt yield of 2.50% is the equal of 5% taxable income. Thus, if you're in this bracket, or beyond, you'll want to know more about municipals. And even if, presently, you're below this notch, don't give up—don't go away mad! For one of two things can happen —maybe both. Either your own fortunes may soon upgrade you into the zone where you and Internal Revenue begin to split 50-50, or the next tax bill will reach down by a few thousand to where you live!

Which brings me back where I started—today's apparent bargains in municipals. These may suggest your purchase: (1) because the recent heavy price dip in this field makes 'em look cheap; (2) because you need the exemption now, or (3) because your own income curve, or the prospect of much higher taxes may impel you to secure now a tax-free privilege that may be worth a great deal more in years to come.

Just so you can have some sort of a shopping list, I've jotted down below some items that appear attractive and diverse:

These values were picked out from the market of June 1, 1951 and are samples of what's around. Just to indicate the price jolt they've had, consider that early in March, Seattle 2's above were offered around a 2% basis. Thus they've dipped $100 a bond in six weeks! So it could be that now is a good time for your municipal shopping. There are fine municipal houses in all our large cities, and they'll all be glad to give you a wide list of offerings, plus judgment and guidance in the selection of particular issues tailored to your needs or wishes.

In general the best yields are found in the long-term bonds; and it's smart to buy noncallable bonds, where possible; or at least a remote call date, since, when you buy tax exemption, you want to be able to hang onto it. Another item—whereas most U. S. Government issues are taxable, the bonds of territories are exempt from both **Federal** and **State** income taxes. The Puerto Rico, Hawaii, and Fairbanks bonds listed above qualify in that class. Of course, Fairbanks is no great shakes of a city today—hence the high yield on the bonds. But you never can tell; Fairbanks might become the San Francisco of the north and then just think how elegant its bonds would be!

There are two more peculiarities about municipals I ought to touch upon. First, by custom, they're nearly always sold and quoted (over the counter) on a yield to maturity basis; but dollar prices will cheerfully be given to you, on request. Secondly, appended to each delivery of a municipal bond, there is an "opinion." Now this is not what you think—it's not the solemn quality judgment of some financial poohbah that the bonds are excellent, fair, or just plain lousy. It's the handiwork of attorneys, and allows that there is such a town or city, that the aldermen met, or the people voted to approve the issuance of the bonds in question, and that the securities appear to be legal and valid obligations. There are a few law firms that specialize in these "opinions" and their approval linked to a bond has come to be sort of like "Sterling" on silver.

Perhaps it ought to be stated that municipals aren't the only tax-shelter around. You can work in a foreign country, and if you can prove you really live there, (aren't just visiting) and work a full calendar year there, then your salary earned in that country is Federal tax exempt. You can get alimony and if it's confirmed by a court order, that's tax exempt too. You can get run over by a truck and the damages you collect are exempt, though you may not then enjoy same. Ditto the "so-much-a-week" income from an accident policy if you had one when you were flattened.

You can buy an annuity and a percentage of its income is tax-free.

Reverting to securities, there are certain companies whose operations now are importantly the sale of securities or liquidation of assets at a loss. The dividends resulting from these sources are tax exempt; so quite a few people have been latching on to United Corp., Electric Bond and Share and Pennroad to receive exemption benefits. There are some fine "break-downs" on these and similar situations now available at a number of brokerage offices.

Then, of course, you can sell everything, put the money in your checking account, and draw out so much a year to live on—totally tax exempt. But a creeping inflation, and your own longevity may this way make you sad and broke at an inconvenient time of life.

So, while there seems to be no perfect flight from taxes, which we have all come to view as both increasing and inevitable, a few kind words can surely be said for judicious purchase, at current depressed levels, of selected long-term municipals to help take the crunch out of the tax bite—present or future.

	Rate	Due	Priced to Yield About
Oklahoma Turnpike Authority	3½%	Aug. 1, 1984	3.40%
Chicago Transit Authority	3¾	July 1, 1978	3.75
Seattle (Wash.) Munic. Lt. & P.	2	Mar. 1, 1980	2.50
State of New York	1¼	Jan. 1, 1996	1.80
Puerto Rico Water Res. Author.	2.70	Jan. 1, 1974	3.00
Territory of Hawaii	1.80	Mar. 1, 1969	2.00
Fairbanks, Alaska, Municipal Utility Revenue	4½	Jan. 1, 1975	3.90

Continued from page 2

The Security I Like Best

operating expenses as well as an ability to increase inventory turnover. A large degree of autonomy is allowed individual stores and while buying policies are coordinated, the final decision in a purchase participation lies with the individual store buyer. Company executives are paid on the basis of a fixed salary plus bonuses on a ratio of about 40-60. Promotions are made from within the organization wherever possible. At present the average age for executives of the company's 13 largest stores is 50 years.

No Inventory Problem

May is essentially a soft goods merchandiser with about 80% of sales concentrated in such lines. At a time when the inventory problem for retailers is commonly considered a paramount one, it might be noted that the company on March 31 had an inventory of $69 million against $52 million the year previous, while its outstanding orders were $23 million against $15.8 million. These figures are considered by the management to be realistic in the light of current sales and sales expectancy trends. Net working capital Jan. 31, last, amounted to $94.5 million, an increase of about $8 million over the year previous.

Good EPT Base

The 1951 outlook for May is considered to be satisfactory. Sales in the first quarter ended April (not published) are estimated at 6% above last year with profits also higher. The pattern during the 1951 second quarter is expected to be one of sales even with 1950, or one or two percentage points higher and up 4% to 5% in the third and fourth quarters. On the full year a gain of 5% in dollar sales is considered a conservative expectation.

While the intermediate term earnings will be restricted by the high level of corporation income taxes it should be noted that May has a fairly good exemption base, with respect to the excess profits tax, of $5.00 a share net. Excess profits taxes paid last year amounted to $1.3 million or 45 cents per common share. It is my thought that net income for the company, despite higher taxes and costs, should be maintained near the current level or perhaps slightly higher during the present defense spending period, meaning that sales and earnings, before taxes, should gain considerably. I consider the stock to be an outstandingly attractive holding in the department store group for conservative funds and the yield of 5.6% seems quite secure. In connection with dividend policy it should be noted that the management has tended to increase the regular payment when warranted rather than disburse extras and in each year since 1910 a common dividend has been paid.

With Courts & Co.

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—William N. J. Gordon has become affiliated with Courts & Co., 111 Corcoran Street.

Securities Salesman's Corner

By JOHN DUTTON

The Program Sale

(Article 5—Conclusion)

Since the main issue is to find the investor's problem, the facts you have gathered will give you the clue to its solution. These facts should be boiled down into the simplest, most understandable form, so that during your second call on your prospect you will be able to show him graphically how he can do the things which will redound to his benefit. Be careful and avoid complicated charts and too detailed explanations. In fact if you can put the whole story on one sheet of paper, so much the better. If you deliver an elaborate manuscript your prospect is likely to ask you to leave it with him for study, and nearly always if you do that you will find that it will be fatal. Your sale must be made on your second call—if you don't get it then it will be quite unlikely that you will ever close the case.

What You Should Present To Your Prospect

The elements of every sound investment program are: **Proper diversification.** Set up a box showing the industries in which your prospect should have representation. Check off those where he is **Not Represented.**

Correct distribution of his funds —Divide your sheet into **Reserve Type Assets** and list cash, savings, building and loan, life insurance cash values, short-term mortgages, government bonds, municipal bonds of short maturities, high grade corporate bonds of short maturity. Next have a section which lists **Semi-Reserve Type Assets** and list preferred stocks of investment calibre and medium grade bonds there. Also have a section for **Fluctuating Assets** and list the net value of other real estate (except home), speculative preferred and common stocks. Indicate the percentages in each category at the top of the respective columns.

Such an anlysis designates where improvements can be made. If there is too much or too little in reserves, you can show your prospect in black and white just where he stands and what must be done to improve it. If he has half of his investment account in two or three industries, and there are twenty more good ones where he can spread his risk—there it is.

You might also grade his stocks as to quality. One of the methods used by investment advisors is to create categories and number them such as, Conservative 1; Semi-Conservative 2; Speculative 3; Very Speculative 4. Each stock or bond listed on your master sheet should have its number beside it. Then you can make up your totals at the top of the page. This would show the market value of each category. A man who thinks he is a conservative investor might not know that he has over half of his stock fund in the speculative class and therefore his risk is comaratively too great. It would be advisable to back up your own opinions (if your statistical department is limited). This could be done by using the material and classifications prepared by a recognized statistical organization.

On a second sheet, which you should keep in your possession unless you need it, compute the average rate of return on the list as a whole. You may be able to show how yield can be improved as well as safety by making the moves you suggest for improvement, and the accomplishment of the investor's objectives. Also obtain a record of the low price during 1932 or 1937 of each one of the securities in the account. In case your prospect says that he isn't worried about market values and that his stocks are all good, you can show him what has happened to his **Good Stocks** in the past. Never create arguments and always let him get his ideas off his chest. Agree with him and then tactfully present your case. Don't knock him down —remember, you are there to lead and to guide—you can only do this with **His Cooperation.**

In conclusion, remember—you have found out his objectives, which may be more security, more income, capital appreciation, protecting his heirs, retiring some day, having more peace of mind, or just better investment results over a period of years. It is only a matter of the proper proportioning of our assets and putting them into the right kind of property that will do this job. Show this and then do one more thing—convince your prospect that after he has his house in order, you will watch it for him, and help him to keep it that way. Do this and you not only will make a substantial sale, but you will have something far more valuable—you will have a customer!

Teleprompter Stock Sold by Bankers

An offering of 49,000 shares of common stock (par $1) of Teleprompter Corp. at $5 per share has been all sold, is was announced yesterday (June 6) by L. H. Rothchild & Co. and Coffin, Betz & Co., underwriters.

Of the total offering, 20,000 shares were sold by stockholders. The balance of 29,000 shares was sold by the company and the proceeds from these shares may be used for the completion of a production program and acquisitions, and the balance for general corporate purposes.

Teleprompter is an invention originally conceived as a practical answer to the cueing of actors and other performers in television and motion picture production, visual education, public speaking and other related fields.

Mutual Funds

By ROBERT R. RICH

Trusts and Funds

"The shares of mutual investment funds should be used by trustees for trust investment in every trust account where it can be shown that they provide diversification, investment performance and economy of administration superior to what can otherwise be afforded by the trustee with the means at his disposal. They are being so used in many cases. It is to be hoped that law and statute in all the states will eventually and explicitly make a virtue of canonizing what is already a fact."

From Alec Brock Stevenson's Book "Shares in Mutual Funds"

Explaining Socialist Fallacies To the Younger Group

Edward E. Hale, who writes us occasionally from Vance, Sanders & Company, in Boston, has an omnivorous curiosity that can ferret out almost anything. Recently, he sent us a letter written to the Foundation for Economic Education by Thomas J. Shelly, a teacher of economics and history at Yonkers High School, New York. Mr. Shelly said, in his letter:

"As a teacher in public schools, I find the socialist-communist idea of taking 'from each according to his ability,' and giving 'to each according to his need' is now generally accepted by most of our pupils. In an effort to explain the fallacy in this theory, I sometimes try this approach:

"When one of the brighter or harder-working pupils makes a grade of 95 on a test, I suggest that I take away 20 points and give them to a student who has made only 55 points on his test. Thus each would contribute according to his ability and—since both would have a passing mark—each would receive according to his need. After I have juggled the grades of all the other pupils in this fashion, the result is usually a 'common ownership' grade of between 75 and 80—the minimum needed for passing, or for survival. Then I speculate with the pupils as to the probable results if I actually used the socialistic theory for grading papers.

"First, the highly productive pupils—and they are always a minority in school as well as in life—would soon lose all incentive for producing. Why strive to make a high grade if part of it is taken from you by 'authority' and given to someone else?

"Second, the less productive pupils—a majority in school as elsewhere—would, for a time, be relieved of the necessity to study or to produce. This socialist-communist system would continue until the high producers had sunk—or had been driven down—to the level of the low producers. At that point, in order for anyone to survive, the 'authority' would have no alternative but to begin a system of compulsory labor and punishments against even the low producers. They, of course, would then complain bitterly, but without understanding.

"Finally I return the discussion to the ideas of freedom and enterprise—the market economy—where each person has freedom of choice, and is responsible for his own decisions and welfare."

A COMPREHENSIVE SALES training manual for the Mutual Investment Fund Industry has been prepared by the National Securities & Research Corporation, it was announced by Henry J. Simonson, Jr., President. The manual contains a number of important case histories to guide prospective salesmen and thoroughly explores numerous methods in which "Mutual Funds" can be accurately and concisely presented to potential investors. The manual is titled, "What Every Salesman Should Know About Mutual Investment Funds."

It is aimed at clearing up some of the mystery of Mutual Funds and traces the growth of the industry during the last decade. During this period, investments in Mutual Funds have risen from less than half a billion dollars to more than two and one half billion dollars. There are now more than one million individual investors in these funds.

The manual also briefly traces the development of the industry and then goes on to explain in simple, easy-to-understand language, just what the salesman must know to succeed. Without mentioning any of the Mutual Funds by name, the Training Guide gives a number of concrete examples of the pitfalls that confront the salesman. It goes on to tell him what he can say and what he cannot say. It explains what an investment fund is, the various types of funds, the costs of purchasing, the risks involved and a large number of other important facts that should be understood by the salesman.

An important section of the manual recites in simple language the laws and regulations applicable to funds by reason of the Securities Act of 1933, the Exchange Act of 1934 and the Investment Company Act of 1940. Part I of the manual contains a list of statements that salesmen may not make about mutual investment funds and explains why. Part I concludes with a glossary of 92 words and terms which are the vernacular of the mutual fund industry.

Part II of the manual tells salesmen how to get sales results and gives many sales points of value in the offering of mutual investment funds.

Part III contains a number of Chapters on effective sales ideas such as, the best source of leads, how the build a prospect list, how to contact prospects by advertising and direct mail, and how to handle inquiries. It concludes with actual sales presentations that have resulted in substantial sales.

The training manual has been reviewed by the National Association of Securities Dealers, Inc., under the Statement of Policy, a digest of which is included, written in a simple understandable manner.

For information on available copies, write directly to National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

FULLY ADMINISTERED Fund ended the first half of its current fiscal year in the most defensive position in its history. Nearly 60% of the Fund's assets was in cash, Government bonds and highest quality public utility bonds, the other 40% in dividend-paying common stocks of good quality.

In the semi-annual report of investment management, submitted to the Board of Directors of Group Securities, Inc., at their meeting on June 4, Mr. Harold X. Schreder summarized the reasons for the conservative position: "Despite our conviction that further inflation over the long-term is inevitable, and our intention of investing our buying reserve in stocks benefiting from inflation (when we feel that their prices are attractive) the balance of the cross-currents in the market today suggests caution for the short-term."

KEYSTONE CUSTODIAN Funds reported through its underwriter a 72% increase to more than 1,900 in the number of trustees and institutions holding shares in its investment funds in the last five years.

The amount invested showed a 100% gain to more than $20,000,000. It is the largest growth in this category of investors for any similar period in the investment company's history.

About half of the total comprises accounts of corporations, insurance companies, estates, profit sharing funds, colleges and schools, churches, hospitals and libraries. Trustees for private trust funds account for the other 50%. The increase here, Keystone officials said, undoubtedly reflects the wider investment latitude granted trustees by a large number of states in recent years. They noted that of the 30 states having the "Prudent Man" rule, 15 have adopted it since 1946 and that eight of the nine states that have specifically approved trustees' use of investment company shares have done so since the beginning of this year.

That trustees and institutional holders of shares in the Keystone Funds are located in 45 states is attributed to a greater willingness on the part of those creating trusts in the "Legal List" states to grant discretionary powers to trustees. However, specific authorization to use Keystone Fund shares has been written into trust instruments in many instances.

MANHATTAN BOND Fund, investing only in bonds, in its 27th interim report to shareholders, commented on the conflicting forces which existed in the bond market in the past six months. "The major force—a constructive one—has been the level of business activity and corporate earnings," according to the report. "The minor and opposing force has been the effort by the Federal Government to restrain business borrowings." The government, in permitting a decline in the prices of Government bonds beginning in March, encouraged a rise in the general level of interest rates, increasing interest costs to business borrowers.

This action on the part of government authorities did not exert lasting influence on the price of medium-quality bonds, which the Fund holds. Net asset value per share of Manhattan Bond Fund was $7.99 on April 30, or 25 cents higher than on Oct. 31, end of the Fund's previous fiscal year, and 62 cents above the April 30, 1950, figure. This contrasts sharply with the action of prices of most high-grade bonds over the same periods, as declines in their prices were the rule.

On April 30 assets of Manhattan Bond Fund amounted to $30,835,750 and there were 15,560 shareholders.

WELLINGTON FUND has just published a folder on how inflation reduces the purchasing power of the dollar.

The eight-page pamphlet entitled, "This is Money . . . But What Can It Do for You?" reproduces a worthless 100,000,000 German mark bill on its frontispiece. Copies may be obtained without obligation from Wellington Fund, 1518 Walnut Street, Philadelphia.

COMBINED NET ASSETS of the ten Keystone Funds on April 30, 1951, were $221,324,500, it is disclosed by the semi-annual reports of the Keystone Funds B2 and S3 made public. This total represents an increase of $13,546,100 over the combined assets of $207,778,400 on the corresponding date last year.

Net assets of the Medium-Grade Bond Fund B2 increased to $21,628,350 at the close of April, 1951, from $16,744,257 a year earlier. Net asset value per share increased to $25.12 from $23.83 during the 12 months.

The Keystone Speculative Common Stock Fund S3 reports net assets of $9,485,805 on April 30, 1951, equal to $17.40 per share on 545,051 outstanding shares.

TOTAL NET ASSETS of Bullock Fund, Ltd., amounted to $11,647,680, or $24.12 per share, on April 30. Three months earlier, on Jan. 31, total net assets were $9,944,381, or $23.32 a share.

D. MOREAU BARRINGER thinks it likely that the power of the mutual fund industry to cushion a market decline has by no means been spent. The Delaware Fund Chairman, in his weekly letter, pointed out that investment companies revealed a considerable proportion of cash and cash equivalents at the year-end and again at the quarterly report period.

"Since the function of an investment company," he observed, "is to invest, these holdings represent buying power that definitely plans to come into the market at some level. Some of this buying," he noted, "may already

have been functioning in keeping off the market the weight of many of the secondary offerings of preferred and common stocks which have appeared."

Mr. Barringer called attention to how readily in recent markets selling pressure lightens with a little decline in price, and how difficult it has been to buy any appreciable amount of stocks at or near their lowest quotations on a day of sharp decline. "Perhaps," he said, "our own mutual fund industry has a lot to do with this."

ARNOLD BERNHARD, President of The Value Line Fund, pointed out that the Fund's net assets as of May 31, 1951, were $5,948,000, an increase of $5,448,000, or 1089% since March 1, 1950, when the Fund's shares were first offered.

FUTURES Distributors reports it has registered with the Pennsylvania Securities Commission and is now approaching Pennsylvania dealers asking them to participate in the sale of Futures shares. Selling commission is 8%, of which 6% is reallowed to dealers.

Futures, Inc., claims it is a mutual fund but not an investment company, since it trades in commodity futures and commodities rather than securities, selling short and long.

The fund feels that "It is an established fact that positions in commodity futures can provide a positive hedge against inflation or deflation — superior in many respects to securities, real estate or any other type of investment." The fund's management feels that Futures shares "can add to the over-all safety of almost any investment account."

The management also states, however, that "Futures, Inc., by itself, is speculative in character," which seems to be borne out by the reported fact that, roughly, a 10% move in the Dow-Jones commodity futures index is likely to result in a 50% move in the net asset value of the fund. These fluctuations of course work both up and down.

THE TRUSTEES of Investment Trust of Boston report substantial increases in total assets and shares outstanding. From the previous year-end report dated May 31, 1950, the gross assets of the Trust increased from $956,589 to $3,283,307, a gain of 243%; shares outstanding increased from 61,216 to 269,498, a gain of 340%; shareholders increased from 131 to 917, a gain of 600%; net asset value increased from $8.72 to $9.77, a gain of 12.04%; and the dividends paid per share increased from $0.40 to $0.60, a gain of 50%.

The Trustees announce that they have elected to qualify the Trust as a regulated investment company under the Federal Internal Revenue Code. The effect of such qualification will be to relieve the Trust from Federal Income Taxes for the fiscal year ending May 31, 1951, and for all future years, on all income of the Trust which is distributed to shareholders.

As a regulated investment company it will no longer be necessary to deduct from the market value of the Trust's assets a tax reserve equivalent to 25% of unrealized appreciation. As a result of this change, the liquidating value of the Trust's shares will be increased by the amount of the tax reserve.

The Trustees also announce an optional plan which will permit shareholders to re-invest their quarterly dividends in additional shares of the Trust, or to acquire additional shares each month by making monthly investments through the State Street Trust Company of Boston.

On the Advisory Board of the Trust are: William B. Snow, President of Suffolk Savings Bank; H. S. Payson Rowe, Treasurer of John Hancock Mutual Life Insurance Company; Francis W. Capper, Vice-President of Boston Safe Deposit and Trust Company; Charles Codman Cabot, partner of law firm of Herrick, Smith, Donald, Farley & Ketchum. The Trustees of the Trust are: Ernest Henderson, Chandler Hovey, Robert L. Moore, George B. Henderson and Joseph Furst.

A SIDELIGHT on the art of investment is contained in a report of Affiliated Fund, one of the few mutual funds with the right to borrow money and invest it in securities.

In seeking its objectives, the management points out, borrowed money is used when it seems opportune to do so and a portion of assets are placed in cash, bonds and preferred stocks when it believes that such a course is in the best interests of shareholders. At April 30, 1951, Affiliated was not using any borrowed money but had all but 6.4% of its $123,463,491 net assets invested in stocks. During the past six months the most important changes were reductions in the holdings of oil stocks and increases in holdings of electric light and power, food and retail trade stocks.

"Many of these changes," says the management, "took place in the latter part of April while prices of oil stocks were reaching new highs, and these sales accounted for a good part of the net profits which we realized. We continued the sale of such securities in May and, as of May 15 our investments in oil stocks represented about 20% of our assets (compared with 29.9% on Oct. 31, 1950). We intend to hold this position for the time being."

Eberstadt, Enstrom Appointed Directors

W. N. Enstrom Ferdinand Eberstadt

The election of Ferdinand Eberstadt and William N. Enstrom as directors of Warner-Hudnut, Inc. was announced by Elmer H. Bobst, President of the company.

Mr. Eberstadt is Chairman of the board and President of F. Eberstadt & Co., Inc., which recently arranged the first public offering of common stock of Warner-Hudnut, Inc. He is President and a director of Chemical Fund Inc. and a director of Braniff Airways, Emerson Radio & Phonograph Corp., James Talcott, Inc., Monarch Machine Tool Co., American Barge Line Co., Jeffersonville Boat & Machine Co. and Valspar Corporation.

During World War II he was Vice-Chairman of the War Production Board and later prepared the Eberstadt report recommending unification of the three military departments. He also served as assistant to Bernard M. Baruch on the United Nations Atomic Energy Commission and as head of the Security Committee of the Hoover Commission on reorganization of the executive branch of the government.

Mr. Enstrom is Chairman of the board of Irving Trust Company, New York, where he has spent virtually all of his business life. For many years he was connected with and later was in charge of the Irving's foreign business, a position for which he was qualified through years of experience in the financing of foreign trade.

A. A. Harmet Co. In New Quarters

CHICAGO, Ill.—A. A. Harmet & Company (not Inc.) have moved into a larger and refurnished office at the same address, 208 South La Salle Street, Chicago 4, Illinois. The new room number is 1075. Telephone—CEntral 6-9744, and teletype—CG 301, numbers are the same.

Alfred A. Harmet and John J. Colnitis have been with this company since its formation 12 years ago. Including prior connections, they have been associated in the security business for over 30 years.

Railroad Securities

Great Northern

Railroad stocks in the past couple of weeks have again been the victims of widespread jitters among both speculators and investors. Recurring rumors that a peace was about to be negotiated in Korea tend to bring considerable selling into the rail group. Apparently there are quite a few people who are willing to go along on the theory that a settlement in Korea would bring about a slackening of the defense effort despite the fact that all signs, and all logic, point in the opposite direction. These periodic peace scares have come at a time when publicity in the press relating to railroads has been quite consistently adverse.

One of the things the railroads have to contend with marketwise is the extended hearings that must be held whenever there is a request for rate increases. Such hearings have been going on in Washington in recent weeks. It is natural that when railroad executives are presenting their case for an increase in freight rates they will tend to stress the very real burden that the rising spiral of wages and other costs have imposed upon them. These statements as to the strangling effect of inflationary forces on profits of the industry are widely quoted in the newspapers and statistical services. Naturally they tend to dampen speculative enthusiasm for railroad securities.

As a final factor in the present instance, recent railroad earnings reports have been very mixed. On their face they would tend to bear out the contention of management in the rate hearings that it has been impossible to keep pace with the rising costs. Particularly in April many railroads reported fairly sizable year-to-year declines in earnings. To some extent the drop in net has been real, based on the slowing down in freight movement incident to the changeover from civilian to military production. This is merely temporary. On the other side of the picture there is little question but that part of the drop in net has been due to extraordinary maintenance outlays. In part this has been due to a desire to get in shape to handle future heavy military shipments.

Granting the mixed nature of recent traffic and earnings reports, there are quite a few railroads that continue to show results well above those of a year ago. One of these has been Great Northern. Last year this railroad, which has long been regarded as one of the top investments in the field, got off to a very poor start. Strikes and weather (including one of the latest openings of the Great Lakes on record) combined to cut traffic to unusually low levels and at the same time boost the costs of operation. As a matter of fact, the situation was such that the directors reduced the dividend temporarily from $1.00 quarterly to $0.75.

The early months of the year are always seasonally poor ones for Great Northern. This is natural inasmuch as it depends heavily on grain and iron ore, the latter generally moving only when the Great Lakes are open to shipping. Operating deficits are normal for the first three months of the year. Even this year the road had no net operating income for the period. Last year in April there was an operating loss but this year, with iron ore moving in volume, the operating profit was more than enough to offset the cumulative loss of the three opening periods.

For the four months through April, 1951, the company reported a net operating profit of $2,765,082, in sharp contrast to the net operating deficit of $6,566,405 sustained a year earlier. The year-to-year improvement in net income after all charges (net income of $272,740 against a net loss of $8,894,455) was equivalent to $2.97 a share on the only class of stock outstanding. Obviously comparative results during the balance of the year will not be so spectacularly favorable. Also, the road will presumably run into an excess profits tax liability in 1951. Even at that it seems only reasonable to expect that the full year's results in 1951 will top the 1950 earnings of $9.11 a share by an appreciable margin. On this basis, many analysts have again been recommending the shares as having outstanding attraction in the better grade investment section of the rail list.

Halsey, Stuart Group Offer Equip. Tr. Ctfs.

Offering of $5,300,000 Chicago, Milwaukee, St. Paul & Pacific RR. series NN 2⅞% equipment trust certificates maturing semi-annually Dec. 1, 1951 to June 1, 1961, inclusive, was made June 5 by Halsey, Stuart & Co. Inc. and associates. Issued under the Philadelphia Plan, the certificates were offered subject to approval of the Interstate Commerce Commission, and were priced to yield from 2.20% to 3.00% according to maturity.

The certificates will be secured by equipment estimated to cost not less than $7,100,000.

Other members of the offering group included R. W. Pressprich & Co.; Otis & Co.; A. G. Becker & Co. Inc.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co. Inc.; First of Michigan Corp.; The Milwaukee Co.; Gregory & Son, Inc.; and McMaster Hutchinson & Co.

Stanley Heller & Co. Opens New Branch

Stanley Heller & Co., established 1927, members New York Stock and Curb Exchanges, have announced the opening of a fully equipped uptown branch office, centrally located at 601 Madison Avenue, between 57th and 58th Streets.

The requests of many of the firm's customers for a conveniently located midtown office has helped to implement their own long-range expansion program. In addition, Stanley Heller & Co. also maintain completely staffed and equipped seasonal offices in Palm Beach, Florida.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The retirement of Ralph Peters, Jr., President of the **Corn Exchange Bank Trust Company, of New York,** was announced on May 31 by Dunham B. Sherer, Chairman of the Board of Di-

John R. McWilliam E. Herrick Low

rectors. The retirement of Mr. Peters was at his own request to enable him to devote more time to his personal affairs. He will continue as a director and committee member, thus retaining his active interest in the bank. John R. McWilliam, Executive Vice-President, was elected President, and E. Herrick Low, one of the Senior Vice-Presidents, was elected First Vice-President and a Director. Mr. McWilliams has devoted his entire business career to the bank, having entered its employ in 1906. He has been Executive Vice-President and a Director since 1941. Mr. Low has been identified with the bank since 1929 when he became a Vice-President.

* * *

It was made known on May 29 that New York State Supreme Court Justice Thomas J. Tuff in Mineola, N. Y., on that day decided that Section 258, sub-division 1, of the New York State Banking Law, is unconstitutional and denied an injunction sought by the Attorney General of New York to restrain the **Franklin National Bank of Franklin Square, Long Island,** from using the words, "saving," "savings," or their equivalent. This statute, it is stated prohibits any financial institution, except savings banks or savings and loan associations, from using these words in its banking or financial business. The action, brought in May of 1950, alleged that the bank since 1947 had used these terms in its dealings with the public and, as such, had violated that section of the New York State Banking Law. The bank, in its reply, admitted the use of the words, but contended that the State statute directly conflicted with the United States Constitution and the Federal Banking Laws, and interfered with the operation of all National banks as Federal instrumentalities, and also discriminated against National banks in favor of State savings banks and State and Federal savings and loan associations. Concerning his findings on the New York statute, Judge Tuff said:

"I am satisfied that National banks, as they use the words 'saving' and 'savings' in advertising and publicizing that they may receive 'savings deposits,' are exercising an implied and incidental power conferred upon them by acts of Congress. The restrictive nature of the N. Y. Banking Law defeats the purposes for which Congress created defendant. That defeat could be entire were defendant obligated to suspend for lack of enough savings deposits with which to operate its business. The New York statute is unconstitutional."

Arthur T. Roth, President of the Franklin National Bank, commenting on the decision said:

"This archaic law has, for many years, placed commercial banks in an untenable competitive position with savings banks and savings and loan associations, because depositors are confused by substitute words for savings such as 'special interest accounts,' 'thrift accounts,' and 'compound interest accounts.' This decision," he said, "removes the unfair competitive disadvantage under which National banks have been laboring. It brings about equality in banking practices and should be of great benefit to the public."

* * *

Announcement was made on June 5 by the **City Bank Farmers Trust Company, of New York** trust affiliate of **The National City Bank of New York,** of the appointment of David C. Powers as Trust Officer. At the regular weekly meeting of the National City Bank Board of Directors, Frank T. Mitchell was appointed Assistant Vice-President.

* * *

The title of the **Central Hanover Bank and Trust Company, of New York,** will be shortened on June 30, when the corporate title of the institution will be changed to **The Hanover Bank.** Plans to this effect were noted in these columns on Nov. 23 last year, page 2000, and on Jan. 25, this year, page 452. At their Jan. 17 meeting the stockholders took action toward increasing the capital from $21,000,000 to $24,000,000. In its current announcement concerning the shortening of its title the bank says:

"The Hanover Bank was first established at Hanover Square, New York, a century ago. In 1929 it was merged with the Central Union Trust Company to form the Central Hanover Bank and Trust Company. Now for the purpose of simplification and to conform to common usage, the shorter corporate title has been adopted."

* * *

Promotion of Harold M. Sherman, Jr., to be Vice-President in charge of general organization for the **Guaranty Trust Company, of New York,** was announced on June 5 by William L. Kleitz, President. In his new function Mr. Sherman will have charge of personnel and internal operational matters. He has been associated with the commercial banking department since joining the company in 1930; was appointed Second Vice-President in 1942 and Vice-President in 1949.

* * *

Under a program of enlargement and extension of facilities **Chemical Bank & Trust Company, of New York,** is beginning the expansion of its office at 379 Madison Avenue and 46th Street, N. Baxter Jackson, Chairman, announces. This project marks the bank's sixth major branch office improvement since World War II to meet increased banking requirements of the New York area. The existing premises will be substantially enlarged to occupy about 20,000 square feet with new entrances from both Madison Avenue and East 46th Street, and a new mezzanine. Construction is scheduled for completion at the end of 1951. During the course of construction, dust-proof partitions will permit the transaction of normal business with a minimum of inconvenience to customers and staff. The Madison Avenue office at 46th Street is one of Chemical Bank's 17 branches in the New York City area. The 18th branch will be opened soon in the new 100 Park Avenue Building at 41st Street.

* * *

Manufacturers Trust Company, of New York, has acquired the Harbor State Office of the **American Trust Company, of New York,** located at 45 Fourth Avenue, near 9th Street, Manhattan, it was announced on June 4 by Horace C. Flanigan, Chairman of the Board of Manufacturers Trust Company, and Harvey L. Schwamm, President of the American Trust Company. Transfer of the office will take place as of the close of business on June 8, and on Monday, June 11, it will open as the 108th banking office of the Manufacturers Trust in Greater New York. "Open House" will be observed for the first three days as an office of Manufacturers Trust. The office is the successor to a private banking business established in 1898 at Second Avenue and Eighth Street by Emil Kiss, which was moved to the present location in February, 1925, and converted into a State bank under the name of Harbor State Bank in 1928.

Mr. Flanigan, of Manufacturers Trust Company has also announced that Wesley B. Harris, who is in charge of the bank's Life Insurance Loan Division, has been appointed an Assistant Secretary of the company. Mr. Harris became associated with the Manufacturers Trust in 1935, when the latter acquired the **Mortgage Corporation of New York.** It was also announced that James F. Cavanagh of the bank's Securities Department has been appointed an Assistant Secretary.

* * *

James M. Pedowitz has been elected an Assistant Vice-President and Counsel in charge of the Jamaica office of the **Title Guarantee and Trust Company, of New York,** it was announced on June 4 by William H. Deatly, President of the company. Mr. Deatley stated that Mr. Pedowitz has been continuously associated with the company since 1935, except for a period of five years while in the armed services of the United States. For the past five years he has been counsel in the company's Mineola office.

* * *

The election of Henry Reuter, John B. Milligan, and DeWitt C. Tintle, Jr., as Assistant Treasurers of the **Marine Midland Trust Company of New York** has been announced by James G. Blaine, President. Mr. Reuter continues his association with the Foreign Department and Mr. Milligan and Mr. Tintle remain connected with the bank's Chambers Street Office.

* * *

The New York Agency, at 67 Wall Street, of the **Standard Bank of South Africa, Ltd.,** announced on May 31 the receipt of the following cablegram from the Head Office in London, regarding the operations of the bank for the year ended March 31, 1951:

"The directors of the Standard Bank of South Africa, Ltd., have resolved to recommend to the shareholders at the Annual General Meeting to be held on July 25 next, the payment of a final dividend of nine shillings per share together with a bonus of four shillings per share both payable in British currency and subject to income tax at nine shillings and six pence in the pound, making a total distribution of 20 shillings per share for year ended March 31, 1951; to appropriate £150,000 to writing down bank premises and £400,000 to officers' Pension Fund, carrying forward balance of £170,873. The bank's investments stand in the books at less than market value, as at Mar. 31, 1951, and all other usual and necessary provisions have been made. The register of shareholders will be closed from July 4 to 17, both dates inclusive."

Argo Croll is the New York agent of the bank.

* * *

The Board of Trustees of the **Fulton Savings Bank, of Brooklyn, N. Y.,** announced on May 29 the election of Paul W. Connelly, Jr., as Trustee. Mr. Connelly is active in land development, construction and real estate operations.

* * *

At special meetings on May 31 the stockholders of the **Corn Exchange National Bank & Trust Co.** and the **Girard Trust Co.,** both of **Philadelphia** approved plans for the merger of the two institutions under the name of the **Girard Trust Corn Exchange Bank,** which will be operated as a State bank, with membership in the Federal Reserve System and the Federal Deposit Insurance Corp. The consolidated institution is expected to begin functioning on June 18. References to the proposed consolidation have appeared in these columns Feb. 8, page 647, April 5, page 1438 and May 17, page 2062. As noted in the Philadelphia "Inquirer" of June 1, the merger plan provides that stockholders will receive one share of stock in the new bank for each share of stock held in either bank. In addition, the merger authorizes the issuance of 136,875 new shares of stock in the combined bank.

From the "Inquirer" we also quote:

"David E. Williams, President of Corn Exchange, at that bank's special meeting, announced that the new shares would be offered to stockholders at $35 a share. Smith, Barney & Co. will head group underwriting the offering. Mr. Williams will be Chairman of the Board of the merged institution; James E. Gowen, Girard Board Chairman, will be Chairman of the Executive Committee and Geoffrey S. Smith, President of Girard, will be President. The new bank will have a 25-member board of directors."

* * *

The Peoples National Bank & Trust Co., of Monessen, Pa., has enlarged its capital from $125,000 to $225,000; part of the increase, $62,500, was brought about by a stock dividend, while the further addition of $37,500 resulted from the sale of new stock. The increased capital became effective May 11.

* * *

The Farmers National Bank, of Beaver Falls, Pa., reports under date of May 14, a capital of $300,000, increased from $100,000 by a stock dividend of $200,000.

* * *

The election of two new members to the Newport News advisory board of **The Bank of Virginia, of Richmond,** is announced by the bank. They are John William Jones and Henry David Peltz. Mr. Jones is a former member of Newport News City Council and a past President of Virginia Real Estate Association. Mr. Peltz, the son of the late Joseph A. Peltz, who was long active in Newport News business life, is a leader in civic, community and business affairs.

* * *

The capital of the **South Side National Bank in St. Louis, Mo.,** was increased as of May 14 from $400,000 to $500,000 by the sale of $100,000 of new stock.

* * *

As the result of the sale of $500,000 of new stock, the **Dallas** increased its capital May 3 from **National Bank of Dallas, Texas,** $1,500,000 to $2,000,000.

* * *

In announcing the death on May 27 of Sol Dreyfuss the **Republic National Bank of Dallas, Texas,** stated that his death ended a long career that will be felt greater perhaps by the bank than other organizations that he participated in. He was elected a member of the Board of Directors of the Republic Bank shortly after it was organized and his services as a Director, it is said contributed much to the growth of the bank. Born in Dallas, Mr. Dreyfuss was President of Dreyfuss & Son clothing store. In 1910 he and his father, the late Gerald Dreyfuss, opened Dreyfuss & Son which has grown from a single floor structure to a six-floor retail establishment.

Sports Program for Bond Club Field Day

One of the most comprehensive sports programs ever arranged for the Bond Club Field Day has been set up for this year's outing of the Bond Club of New York at the Sleepy Hollow Country Club next Friday, June 8, P. Scott Russell, Glore, Forgan & Co., Field Day Chairman, announced. The day's events will provide fun for participants and spectators alike, and will include golf, tennis, baseball, horseshoe pitching, horse racing, a hole-in-one contest, trick shot exhibitions and water sports. Topping the crowded schedule will be the annual Bond Club golf tournament to be played over two courses at Sleepy Hollow. This year's event will bring some of Wall Street's best golfers into competition on opposing teams—the "Bulls" captained by Bond Club President Clancey Bartow, Drexel & Co., and the "Bears" led by Vice-President Jim Lee, Lee Higginson Corporation. To provide for a larger number of players and a faster game, the tournament will be played on a two-ball foursome selected drive basis. At stake will be the traditional Bond Club trophies—the Ex-Presidents' Cup for low gross, the Candee Cup for low net, and the Christie Cup for match play against par. Twice the usual number of cash prizes will be awarded.

While the golfers are swarming over the fairways, Wall Street tennis players will pair up for a round-robin doubles tournament. The two surviving teams will meet in a finals match in the afternoon.

Horse racing, which was revived last year and proved to be one of the most popular events, will again be a feature of the Field Day Sports program. This year's racing will be of the harness variety, with entries by leading underwriters and prominent bond men as drivers.

Baseball this year will find bond men on the sidelines rather than on the diamond. The game will be played by two championship girls soft-ball teams—the Raybestos Brakettes of Stratford, Conn., and the Arians of Linden, N. J.

Joe Kirkwood, famous trick-shot golfer, will give an exhibition and there will be a hole-in-one contest for golfers who do not enter the tournament. Deck chair occupants at the swimming pool will be able to watch a variety of informal swimming races and a water ballet.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Under the influence of a major refunding operation, the government market is moving in a restricted sphere, with most of the attention being paid to the nearer-term end of the list. The "rights value" for the called obligations bodes well for a successful exchange of the 2¾s and the July 1¼s into the 9½-month 1⅞%. The less-than-one-year obligation seems to be gaining in popularity and indications are it is going to be a very desirable security for many institutions. The switches which have been made out of the called issues have not been sizable and the proceeds have gone mainly into Treasury bills. Non-financial corporations have been the main sellers.

The intermediate and longer governments have been on the outer circle, so to speak, although this does not mean there has been some activity in these obligations. Bidders for the eligibles have been on the cautious side because funds are not too plentiful, while at the same time they are more interested in the shorter obligations. The partials, however, appear to have plenty of buyers, whenever they appear in attractive amounts. The restricted bonds have been in a mildly defensive position, despite somewhat enlarged takings here and there by certain funds. The shortest and longest maturities seem to be the favorites.

Refunding Terms Attractive

The mid-year refunding operation had a salutary effect upon the market for Treasury obligations, although only minor price changes have been registered. The terms of the refunding were to the liking of the financial community and a successful conversion is in the offing. Federal has given some protective encouragement to the money markets in order to give a modest fillip to the picture. Nevertheless, it is not expected the takings by the Central Banks of the maturing issues will be important enough to have a marked influence upon the credit restrictive program. While there has been switching into Treasury bills and other short-term obligations because of the need for maturities other than what would be available in the new 1⅞% issue, there has also been buying of the called obligations that are convertible into the new 9½ months security to such an extent that it very largely offsets the sales which have taken place in the maturing obligations. This is more or less a normal procedure, when important operations are going on in the money markets.

Demand for Treasury bills has been very sizable, with corporations in a really competitive mood as far as this security is concerned. The liquidity preference and uncertainty over the course of the money markets has developed into a seemingly strong desire to keep as short as possible. On occasions in the past, when the obsession for shortness of maturities was at its height, the more distant maturities of governments have been entering a buying range.

Liquidation of Restricteds to Increase

Although the refunding operation is occupying the center of the stage right now, there has been a moderate backing and filling on slightly enlarged volume in the longer end of the list. Liquidation of the securities which have to be eliminated in order to provide funds for other commitments has been slowed, but nonetheless, some of it is still being done. It is expected that the sales of the restricted bonds will be stepped up in the not too distant future, because there are indications non-bank holders of these securities must continue to obtain funds through the liquidation of Treasury obligations. How many of these bonds will have to be disposed of is largely a matter of conjecture, but certain of these institutions report that eliminations in the last half of the year are not likely to be very much under what they were during the first six months of 1951. However, by the latter part of the year, it is believed, these institutions will have their houses pretty well in order unless unforeseen developments come into the picture and throw calculations out of kilter.

Pension funds and trust accounts, it is reported, have been showing an increasing interest in the ineligibles, especially the last two maturities. The buying by these funds, plus some scattered purchases by eleemosynary institutions, and a few of the smaller insurance companies, have helped to keep demand and supply in better balance and the market on an evener keel. To be sure, Federal has made some selective but not too sizable purchases here and there. Nevertheless, the outside buyers that have been appearing in the market of late seem to have a more confident attitude toward the higher income obligations. While they do not profess to have the ability to pick the bottom down to the last 32nd, there is a growing feeling that the greater part of the down side adjustment has taken place. This opinion is being further backed by the larger commitments that are being made, as well as by the statements that more sizable purchases will be made if quotations should recede more.

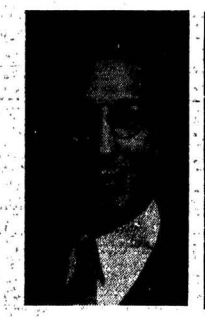
The Wilson Credit Report

The so-called "Wilson Report" with recommendations to further limit credit through new controls has been received in what is termed an "anti-climactic mood." A good part of the sting for the time being at least has been taken out of the credit picture by the action of the monetary authorities in eliminating pegged prices of Treasury obligations. This made the availability and accessibility of Reserve Bank credit and the monetization of the Federal debt more risky and more difficult. Also voluntary credit restraints seem to be catching on but more time is needed to see if this method cannot accomplish its purpose in a more substantial way. As a result of what has already taken place in the credit structure, there does not seem to be much likelihood that legislation will be adopted at this time, based on the recommendations of the "Wilson group."

Schaffer, Necker Co. Opens in Philadelphia

PHILADELPHIA, Pa.—Announcement is being made of the formation of Schaffer, Necker & Co. with offices in the Packard Building, Philadelphia, to deal in state, county, municipal and revenue bonds, specializing in City of Philadelphia issues.

Russell W. Schaffer



Carl Necker

Charles Schaufler

General partners of the new firm are Russell W. Schaffer, who previously had been Vice-President and director in charge of the municipal bond department of Rambo, Close & Kerner, Inc. until last October, when he formed the firm of Schaffer & Co.; Carl Necker, Charles A. Schaufler and Linford B. Cassel, Jr., all formerly general partners of the municipal bond firm of Moncure Biddle & Co., Philadelphia, which has been dissolved.

Formation of the new firm was previously reported in the "Financial Chronicle" of May 31.

New England G. & E. Stock Offered; First Boston Dealer-Mgr.

The New England Gas and Electric Association on June 4 made an offering to its shareholders of 197,394 additional common shares at $13 per share on the basis of one share for each eight shares held on May 31, 1951.

Supplementary rights to subscribe on a share-for-share basis for any shares not subscribed under the primary warrants are also offered. Warrants must be exercised by 3 p.m. (EDT) on Friday, June 20. There are presently outstanding 1,579,153 common shares of beneficial interest in the association which is a Massachusetts Trust.

The association has named The First Boston Corp. as dealer-manager for the group of dealers who will actively further the exercising of the warrants.

The net proceeds are to be used to repay bank loans and the remainder set aside for the purpose of acquiring, under preemptive right, additional common stocks of subsidiaries.

With Paul Rudolph Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Denise V. Hughes has joined the staff of Paul C. Rudolph & Company, 127 Montgomery Street. Miss Hughes was previously with Capital Securities Company.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Fire losses in the United States have been increasing for over a year.

Despite the fact that the April fire losses as estimated by the National Board of Fire Underwriters showed a decline of 11.9% from those of March, the total for the four months of the current year was $272,294,000 as against $251,236,000 or a gain of 8.3% over the similar period of 1950. These losses compared with $242,858,000 for the first four months of 1949.

This upward trend of fire losses is a reflection of rising prices for goods and services generally. While the number of fires has a tendency to increase during periods of high industrial activity, the higher losses of the past year are primarily the result of higher costs.

Prices of building materials and labor have gone up, particularly since the beginning of the war in Korea. This has meant that the cost of repairing or replacing damaged facilities has also increased. In other words, even though actual physical damage may be the same, the losses in terms of replacement, which is the cost to the insurance companies, is higher.

Fire losses, as estimated by the National Board of Fire Underwriters, so far this year on a monthly basis, together with losses for 1950 and 1949, are shown below.

	1951	1950	1949
January	$68,686,000	$58,823,000	$57,926,000
February	69,136,000	58,340,000	62,424,000
March	71,507,000	72,465,000	67,218,000
April	62,965,000	61,605,000	55,290,000
Four months	$272,294,000	$251,233,000	$242,858,000
May	------	$58,765,000	$54,162,000
June	------	57,116,000	51,787,000
July	------	52,980,000	49,592,000
August	------	49,878,000	50,150,000
September	------	45,922,000	49,678,000
October	------	49,953,000	48,914,000
November	------	55,790,000	53,116,000
December	------	66,820,000	67,279,000
12 months	------	$688,457,000	$667,536,000

Losses are currently in a seasonal downtrend. Normally this trend continues into the summer months and reverses itself as the heating season resumes.

In view of current prices and costs it seems likely that losses will continue to run ahead of a year ago. It may be that losses for the full year will be close to the record total of $711,114,000 reported for 1948.

In as much as approximately 50% of premium volume of fire insurance companies is concentrated in the fire lines, the fire loss trends and totals are especially important to these companies.

Of course, the fire lines written by most insurance companies include a number of other types of insurance coming under the classification of "extended coverage." This includes damage to property resulting from such things as lightning, hail, windstorm, explosion, riot and civil commotion, aircraft, land vehicles, and smoke and smudge.

Within the strictly fire lines, the outlook for the current year is for an increase in losses. However, this development should not be particularly burdensome for most companies as underwriting results for the past two years has been relatively favorable.

In the other part of the fire line, extended coverage, some improvement may be shown. Results last year from this phase of operations were adversely affected by the explosion at South Amboy in the early part of the year and by the windstorm throughout the North East section of the country in November. Such disasters are most unusual and not likely to be repeated in the immediate future. This should mean that underwriting gains resulting from this part of the fire line should help to offset the higher losses expected in straight fire insurance.

Thus, even though fire losses are rising and likely to show an upward trend at least over the next several months, prospects are the underwriting operations from this phase of the insurance business will show a generally satisfactory result for the year.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Thomas H. Golden has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was formerly with Bankamerica Company.

Joins William R. Staats

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alonzo W. Anderson has become associated with William R. Staats Co., 111 Sutter Street. He was formerly with Mitchum, Tully & Co. and Schwabacher & Co.

President's Credit Policy Committee Reports

Charles E. Wilson John W. Snyder W. McC. Martin, Jr. Leon H. Keyserling

Four-man committee, under chairmanship of Defense Mobilization Director Wilson, recommends as emergency measure, legislation to empower Reserve authorities to impose additional bank reserve requirements and a broadening and intensification of Voluntary Credit Restraint Program. Would withhold mandatory controls until problem becomes more serious.

Director of Defense Mobilization Charles E. Wilson has submitted to President Truman the report of a committee composed of himself, as Chairman, along with Secretary John W. Snyder, representing the Treasury, William McC. Martin, Jr., Chairman of the Federal Reserve System, and Leon H. Keyserling, Chairman of the Council of Economic Advisers; which committee was formed at the suggestion of the President in a memorandum of Feb. 26, to study methods for control of private credit expansion and, simultaneously, to maintain stability in the government bond market.

The official text of the Committee's report follows:

The President's memorandum of Feb. 26, 1951, to the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Director of Defense Mobilization, and the Chairman of the Council of Economic Advisers stated: "I am requesting the Secretary of the Treasury, the Chairman of the Federal Reserve Board, the Director of Defense Mobilization, and the Chairman of the Council of Economic Advisers to study ways and means to provide the necessary restraint on private credit expansion and at the same time to make it possible to maintain stability in the market for Government securities."

The present problem of restraining the expansion of credit must be attacked under conditions differing vastly from those of any other inflationary period in the nation's history. To a large degree, the problem is fashioned by the continuing influence of the tremendous accumulation of public debt during World War II, and by the imminent task not only of refunding the large portion of that debt which matures in the near future but also of undertaking new financing. Conditions in the market for government securities become, therefore, a compelling consideration. Within this framework, nonetheless, restraints must be exerted on overall credit expansion, particularly for nondefense purposes, in order to keep combined government and private demands within the bounds of available supplies of goods and services and yet not interfere with the maximum possible expansion of output in vital lines.

We submit to you in the present report: (I) a brief review of current problems of credit control, as they have emerged in the postwar period and as we face them in connection with the national defense effort; (II) a review of the accomplishments in these fields since your memorandum of Feb. 26; (III) a summary of credit controls available under permanent, expiring, and proposed legislation; and (IV) our conclusions and recommendations with respect to further needed actions.

I

Current Problems of Credit Control

During World War II, because of the large government deficits, banks and other financial institutions and many other investors bought large quantities of government securities. In the postwar period, Federal Reserve use of traditional instruments to restrain credit was conditioned by the objective of maintaining a market for these securities without a substantial and general increase in interest rates. This latter objective limited the effective use of open-market operations for purposes of counteracting inflation. The possible restrictive effect of increases in reserve requirements was also limited by the large holdings of government securities by banks and other institutions.

General credit control again became a matter of national concern when new inflationary pressures developed after the initiation of the expanded defense program. Various measures were adopted by the Federal Reserve and other government agencies in this period to restrain credit expansion. Nevertheless, the needs of public debt management, the large available supply of liquid assets, and the increased accent upon full employment and production, continued to limit the Federal Reserve System's pursuit of a more effective policy of credit limitation.

The period since the outbreak in Korea has been characterized by anticipation on the part of consumers and business concerns of the effects of the expanded national security program. This anticipatory buying was financed in a variety of ways. Credit expansion was one of the available means which financed the enhanced demand, and the support policy was one of the factors which facilitated credit expansion. Commercial banks and other financial institutions were in a favorable position to extend credit, since they could always sell government securities and the Federal Reserve System stood ready to make purchases whenever other investors were not ready to buy at prevailing prices. While any feasible Federal Reserve policy could not have prevented individuals and business concerns from financing their purchases, a stronger policy of credit restraint could have made it more difficult and would have reduced the total amount. Part of the credit extended, of course, was necessary, and as a result the American economy today is better stocked and better tooled for tackling a large defense production program than it was at the time of the Korean outbreak.

The fact that some credit extension serves a highly useful purpose in the defense effort, while other is less useful or even harmful under present circumstances, makes it desirable to use credit controls as selectively as possible. While selective credit controls, such as consumer credit, real estate credit, and credit for securities markets, have a continued usefulness in the mobilization period, general credit curtailment, or a general rise in interest rates, does not have so selective an impact in relation to defense priorities. General credit control is, however, essential to reinforce the effectiveness of the voluntary and other efforts of restraint. The objective of a discriminating credit policy is further aided by government agencies through loan guarantees, tax amortization, and direct financial aid to defense-related activities. Supplemented by such programs, general credit controls are an effective instrument in the program of mobilization and stabilization. They must, of course, be reconciled with the government's requirements for refunding and new financing.

Credit policy will be modified in character and intensity as the mobilization effort passes through various stages. We are now shifting from the preparatory to the production phase of the defense effort. In the preparatory stage, private credit expanded while government budgets showed a surplus. Expenditures for the defense programs have now commenced to increase substantially, and as long as these expenditures are not financed on a pay-as-we-go basis the Treasury will be faced with the need for deficit financing in addition to large refunding operations. There is at the same time no certainty that private demand for investment and credit will subside. At the peak of defense production direct controls of materials may curtail private credit demands. But physical controls are still in the developmental stage and their full effect cannot be foreseen. We are facing, therefore, a period in which we have to deal with both the problem of Federal financing and the need for controlling private credit expansion.

The large existing inventories and the fluctuations in the public's appraisal of the seriousness of the international situation may create a temporary relaxation in the demand for credit. Such a relaxation, however, may be of short duration only, and the slightest darkening of international relations may set in motion another wave of buying.

Even if requirements of national security should remain high for a considerable time, we hope that an increase in total output may, after a few years, permit a relaxation or modification of physical controls. We would then enter another stage, still fully within the period of mobilization, during which some expansion in the production of consumer goods and in private investment might lead to a renewed growth in demand for private credit. In that event, our chief reliance must be on fiscal, monetary, and credit policy.

II

Accomplishments

There has been a substantial record of accomplishments since the President appointed this Committee on Feb. 26, 1951.

On March 4, the Treasury and the Federal Reserve System announced that they had reached "full accord with respect to debt-management and policies to be pursued which would affect the successful financing of the government's requirements and, at the same time, would minimize monetization of the public debt."

On March 4, the Treasury announced the offering of a new investment series of 2¾% long-term non-marketable bonds in exchange for the outstanding 2½% marketable bonds of June 15 and Dec. 15, 1967-72. Subsequently, during the time allowed investors for the exchange, more than $13.5 billion of the outstanding amount of $19.7 billion of 2½% marketables were offered in exchange for the new non-marketables. Of the total exchange, $5.6 billion were owned by the Federal Reserve banks and government investment accounts, and of these approximately 20% was acquired in the few weeks prior to the Treasury's announcement and during the period in which exchange was permitted.

Since March 5, prices of outstanding government securities have been permitted to decline, a number of the issues falling below par. An important result of this action has been the effect in the markets for mortgages and new capital issues.

It is still too early to appraise conclusively the effectiveness of this measure. It may be noted that, beginning in April, the rate of expansion in bank loans began to slacken. But this change may also reflect seasonal factors in the demand for credit, the softening of consumer demand that became apparent in that month, and voluntary credit restraints then undertaken, as well as the decline of security prices. It appears that new commitments by insurance companies and savings banks to purchase mortgages have been reduced. Some plans for new securities to be issued have been withdrawn or postponed and others have had to be revised, although the total volume of new issues has continued very large. The new tone in the market may have an important effect upon many new offerings that were, or might otherwise have been, contemplated.

On March 9, a Program for Voluntary Credit Restraint was instituted by the Board of Governors of the Federal Reserve System, pursuant to Section 708 of the Defense Production Act of 1950, after consultation with the Office of the Attorney General and with the Federal Trade Commission. This program is now in full operation and includes major financial institutions throughout the nation. The program has set up a National Committee as well as regional committees covering all sections of the country.

The National Committee has issued three bulletins, the first dealing with means of restraining inventory financing, the second with the principles to be followed in financing capital expansion programs, and the third with State and local government financing. These bulletins, together with the Statement of Principles of the Program, have been distributed to all financing institutions participating in the Program to provide a common guide for combating inflationary loan expansion in their respective fields. Other bulletins, as may be appropriate and helpful, will be issued from time to time. Meanwhile financing institutions are requesting the regional committees for opinions as to the desirability under present conditions of loans in debatable classes. These opinions are being relayed to all committees to insure uniform policy nationwide.

While there has not yet been time to build up a body of statistical information to enable the Committee to analyze thoroughly the effects of the Program, there are indications that the initiation of the Program has had a salutary effect on the trend of credit.

Endorsements of the Program and pledges of wholehearted cooperation have been received from many representative industry groups. Under these circumstances, those connected with the Program are most encouraged, and it is the Committee's view that the authorization for this unique cooperative effort as one means of restraining the further expansion of private credit should be continued.

On March 12, the Director of Defense Mobilization appointed five task forces from among the personnel of the Treasury, Board of Governors of the Federal Reserve System, the Council of Economic Advisors, and the Office of Defense Mobilization to implement the joint studies of these agencies undertaken in response to the President's memorandum.

On March 23, the Director of Defense Mobilization wrote the Secretary of Commerce, referring to the President's memorandum of Feb. 26, 1951, and suggested that the Business Advisory Council of the Department of Commerce undertake a program to complement the Voluntary Credit Restraint Program. The implication of the letter was that efforts of lending institutions to limit credit expansion would be more effective if borrowers exercised restraint in their requests for financing. As a result, the Business Advisory Council has undertaken a continuing nationwide program to bring to the attention of lenders and borrowers the fact that the success of the Voluntary Credit Restraint Program rests equally on both of them.

On May 7, the Director of Defense Mobilization wrote the Governors of all States, the Mayors of all major cities and financial officers of principal counties and other political subdivisions. He requested that all State and municipal projects, which necessitated borrowing and which were postponable, be postponed. In particular, he asked that every proposed borrowing by a State or municipality of $1 million or over, before being consummated, receive the approval of one of the regional committees appointed under the Voluntary Credit Restraint Program.

III

Credit Controls Available Under Permanent Legislation, Expiring Legislation and Proposed Legislation

The following summary indicates the more important actions for credit restraint that can be taken under existing legislation, that can be employed if expiring legislation (notably the Defense Production Act of 1950) is extended, and that could be initiated if new legislation were passed in conformance with the recommendation made by the Committee. Such a classification clarifies the problem and indicates the responsibilities of the several branches and agencies of the government in implementing a program designed to achieve credit restraint and stability in the market for government securities.

(1) Permanent Legislation—

(a) The Federal Reserve System has power to change rediscount rates.

(b) The Open Market Committee of the Federal Reserve System has the authority to conduct open-market operations in government securities and such transactions can be undertaken with a view to stabilizing the market for such securities and tightening or relaxing credit conditions.

(c) Existing legislation would permit the Board of Governors of the Federal Reserve System to raise reserve requirements of central reserve city banks very slightly above existing levels.

(d) Under existing legislation the Board of Governors can amend Regulations T and U so as to raise margin requirements for listed securities to 100%, and restrict withdrawals and sub-

stitutions of securities in margin accounts.

(e) Section 5 of the Trading with the Enemy Act of 1917, as amended, and Section 4 of the Emergency Banking Act of 1933 authorize the President, by Executive Order, to regulate and limit the issuance of credit. While these powers should not be exercised except in an extraordinary emergency, the statutory authority appears to be sufficient.

(2) Expiring Legislation—

(a) Section 708 of the Defense Production Act of 1950 provides the legislative basis for the present Voluntary Credit Restraint Program.

(b) Regulation X of the Board of Governors of the Federal Reserve System, which governs the extension of real estate construction credit, stems from authority granted the President under Section 602 of the Defense Production Act of 1950; he in turn is permitted to utilize the services of the Federal Reserve System in this connection. Present authority would permit the Board of Governors to restrict the use of real estate construction credit substantially more than has already been done. Should the proposed change in the Act be enacted (H.R. 3871 and S. 1397, 82nd Congress, 1st Session, Section 106), it would be possible to restrain the use of real estate credit in the purchase of existing structures.

(c) Section 601 of the Defense Production Act of 1950 authorizes the Board of Governors of the Federal Reserve System to exercise consumer credit controls in accordance with Executive Order 8843 (Aug. 9, 1941). Regulation W of the Board of Governors restricts the use of consumer credit; the use of such credit could be tightened substantially beyond the degree currently permitted.

(3) Proposed Legislation—

(a) As noted above, Section 106 of H. R. 3871 and S. 1397 would permit restrictions on the use of real estate credit in connection with the purchase of existing structures.

(b) Section 611 of H. R. 3871 and S 1397 would permit the President, whenever he determined that speculative trading on boards of trade causes or threatens to cause unwarranted changes in the price of any commodity, to prescribe rules governing the margin to be required with respect to speculative purchases or sales for future delivery. The provisions of Section 21 of the Securities and Exchange Act of 1934 are made applicable in administering and enforcing this provision.

(c) Reserve requirements of commercial banks have been raised virtually to the limits of existing authority.

It is recommended that, as an emergency measure, legislation be sought to empower the Reserve authorities for a limited period to impose additional reserve requirements, either increasing the authorized percentages or in some other appropriate way that will have a minimum adverse effect on the government security market. The refunding and new issue operations of the Treasury in the last half of this calendar year alone amount to in the neighborhood of $50 billion. Under these circumstances, it is imperative that any additional requirements for bank reserves imposed by the Federal Reserve should be such that they do not have a disruptive effect on the market for government securities. In view of the emergency such requirements should apply to all insured banks. The feasibility of permitting non-member insured banks to hold the additional reserves in balances with their correspondents should be explored.

The Task Force on supplementary reserve requirements has considered various plans for reenforcing existing bank reserve requirements and has reported that two plans offer the greatest promise, namely: (1) The loan expansion reserve plan, and (2) the primary (securties feature) reserve plan, which provides for additional required reserves and gives a bank, under conditions to be prescribed by regulation, the option of holding the additional reserves in the form of cash or government securities.

The provisions of these plans may be summarized as follows:

Loan Expansion Reserves— Every insured bank receiving demand deposits, other than a mutual savings bank, would be required to maintain additional reserves equal to a percentage, to be prescribed by the Board of Governors of the Federal Reserve System, of that part of its loans and investments in excess of a certain prescribed base.

In computing loans and investments, all assets of the bank would be included except (1) cash, (2) balances due from banks, (3) direct obligations of the United States, and (4) such special types of assets as the board might prescribe from time to time.

*Primary Reserves and Government Securities—*Either in substitution for or in addition to the requirement discussed above, an insured bank receiving demand deposits, other than a mutual savings bank, might be required to maintain additional reserves equal to a limited percentage of its demand deposits, in addition to the deposit balances now required.

Such percentages could be different with respect to banks in central reserve cities, reserve cities, or elsewhere.

In lieu of such a deposit balance, a bank under certain conditions could count government securities either at an amount equal to the dollar amount of the deposit balance which the securities replace or at some lesser figure. For example, the board might prescribe that, for reserve purposes, $1.50 or $2.00 or $2.50 in securities might be equivalent to $1.00 of cash.

Within a few days the Board of Governors will ask the Congress to consider definitive legislation providing for supplementary requirements.

IV

Conclusions and Recommendations

Conclusions—

The measures thus far adopted make up the beginning of an effective program of credit restraint. There is, however, no assurance that these measures will prove sufficient to deal with the inflationary situation that may be anticipated as the national security program expands. Additional measures are needed to contribute to the anti-inflationary program and at the same time maintain stability in the market for government securities.

In general, the additional measures which should be taken are: the extension and reinforcement of the Voluntary Credit Restraint Program, whose work this Committee wholeheartedly endorses; the enactment of legislation to permit continuation and some broadening of selective credit controls; an emergency increase in the authority of the Board of Governors to require, in case of need, supplementary reserves for all insured banks. With a view to the possibility that all other anti-inflationary measures fail, or that needed powers may not be obtained in time, plans should be readied for the imposition of mandatory limits on total credits extended by banks and other financial institutions (excepting essential loans) if, in an extraordinary emergency, such controls should become necessary.

Recommendations—

(1) That Section 708 of the Defense Production Act of 1950, which provides the legislative basis for the Voluntary Credit Restraint Program, be extended.

(2) That close liaison be maintained between the Office of Defense Mobilization and the Voluntary Credit Restraint Committee. The Voluntary Credit Restraint Committee cannot exercise the most informed judgment regarding lending policy unless it is guided by up-to-date criteria of the shifting requirements of the defense program.

(3) That the cooperation of such bodies as the Council of State Governors and the United States Conference of Mayors be enlisted by the Voluntary Credit Restraint Committee to help postpone issues of State and municipal securities to finance deferrable expenditures.

(4) That the appropriate government agency consider whether financing institutions, not now included in the Voluntary Credit Restraint Program, be included in it.

(5) That government loan and loan guarantee agencies should follow policies consistent with those of comparable private lending institutions as set forth in the Statement of Principles of the National Voluntary Credit Restraint Program. If the policies of the two groups of lenders are not coordinated the Voluntary Program might be undermined. This subject is more fully treated in the forthcoming report of the Director of the Budget, the Director of Defense Mobilization and the Chairman of the Council of Economic Advisers on the policies of government lending agencies that was requested by the President to complement the work of the present committee.

(6) That Section 601 of the Defense Production Act of 1950, which provides authority for Regulation W of the Board of Governors restricting the use of consumer credit, be extended.

(7) That Section 602 of the Defense Production Act of 1950, which furnishes the legislative basis for Regulation X of the Board of Governors regulating the extension of real estate construction credit, be extended and that the proposed change in the Act (Section 106 H.R. 3871 and S. 1397, 82nd Congress, 1st Session), which would make it possible to restrain the use of real estate credit in the purchase of existing structures, be enacted.

(8) That Section 611 of H.R. 3871 and S. 1397 be enacted, which would permit the President, whenever he determines that speculative trading on boards of trade causes or threatens to cause unwarranted changes in the price of any commodity, to prescribe rules governing the margin to be required with respect to speculative purchases or sales for future delivery.

(9) That the Congress be urged to act promptly and favorably on the proposals for emergency additional bank reserve requirements, when these are advanced by the Board of Governors of the Federal Reserve System.

(10) That mandatory control of credit be imposed only if the problem to be solved is most serious, and only after a demonstration that more moderate measures are too slow in their impact, or too uncertain in operation, or are otherwise inadequate. While we do not propose the imposition of such mandatory controls at this time, detailed plans for their imposition, in the unfortunate event they become necessary, should be prepared.

(11) We have pointed out in this report that credit controls must play an important role in a program of economic stabilization that is in accord with the necessities of the defense program and the government's financial requirements. We wish to point out with equal emphasis that neither selective nor general credit controls can, in themselves, assure such economic stabilization. Economic stabilization requires, first and most importantly, a pay-as-we-go tax program. Any failure in this respect aggravates immeasurably the problems of economic stabilization. Even with adequate fiscal and credit policies there still remain inflationary pressures during the expansion of the security program. During that period, therefore, direct controls, such as allocations and price and wage controls, are essential. Only in a rounded program in which each control measure contributes its share can we accomplish the purposes of mobilization and stabilization.

C. E. WILSON,
The Director of Defense Mobilization, Chairman

JOHN W. SNYDER,
The Secretary of the Treasury

WM. McC. MARTIN, Jr.,
The Chairman of the Board of Governors of the Federal Reserve System

LEON H. KEYSERLING,
The Chairman of the Council of Economic Advisers

Says Inflation Is Still the Danger

National City Bank of New York, in its June "Monthly Bank Letter," warns accumulated retail inventories and weakening of soft goods markets may be only temporary, and it would be foolhardy to take risk of letting inflationary pressures again get out of hand.

In its review of business conditions, contained in the June issue of its "Monthly Bank Letter," the National City Bank of New York warns the danger of runaway inflation is still the nation's most serious danger, despite a let-up in the inflationary psychology.

"In the circumstances," says the bank, "some think it is a mistake to maintain regulations designed to restrict demand, and that the result will be unnecessary unemployment and business loss. This view, however, underrates the strength of the factors sustaining business now, and also give insufficient weight to future dangers. The current easing should be considered beneficial and gratifying, rather than a threat to activity and employment, and we believe most people so consider it. The inflation already has been costly. It would have been worse if anti-inflationary measures had not been taken. Inventories would have been larger, debts greater, price distortions and inequities more extreme, and the business situation more vulnerable.

"The weight of economic opinion is that inflationary forces are still dangerous, and that it would be foolhardy to take the risk that they may get out of hand again. Even in April, a relatively quiet month, new orders received by the manufacturing industries exceeded shipments. Defense orders are being placed at the rate of a billion dollars a week, and Mr. Wilson says defense expenditures will reach that figure by the end of the year. The immense industrial activity that is in sight will be pouring out purchasing power, but not all the goods produced will be available for those who get the purchasing power.

"The attention given to accumulated retail inventories, and to the weakening of the markets for soft goods, may be exaggerated. For three months department stores have been buying less than they have sold, according to Federal Reserve Board statistics. Considering the typically short cycles of soft goods fluctuations—especially in a time when overall production and employment are sustained by the heavy expenditures on defense and business plant and equipment—this is getting the correction well under way. Competent judges consider the outlook for fall apparel business good.

"Moreover, stores have accumulated durable goods more than soft goods, according to the inventory analyses which the Reserve Board publishes. As respects the supply of metals for consumers' durables, the wolf is now appearing, after the earlier false alarms. The essential fact is that the supply of materials, and probably of manpower also, will not permit continuing the output of consumers' durables at recent rates. It is fortunate that demand is subsiding naturally, due to temporary market saturation. Otherwise the inflationary problem would be, to that extent, less manageable."

Van Alstyne, Noel to Admit Arrowsmith

J. E. Arrowsmith

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit John E. Arrowsmith to partnership on June 14. Mr. Arrowsmith has been with American Securities Corporation as Manager of the institutional department.

Berk, Greenberger Co. New NYSE Firm Forming

As of July 1, Berk, Greenberger & Co., members of the New York Stock Exchange, will be formed with offices at 42 Broadway, New York City. Partners will be Frank J. Bennett, Exchange member, Bernard Berk, Robert H. Berk, Eugene Greenberger, Joseph Klein, Henry Mintz, general partners, and Harry Moskowitz, limited partner.

Bernard Berk and Eugene Greenberger are retiring from partnership in Joseph Faroll & Co. on June 30. Joseph Klein is retiring from Faroll & Co. on the same date.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Howard D. Hickman, Jr. has been added to the staff of Wilson, Johnson & Higgins, Central Bank Building.

Britain Considers Guaranteed Purchasing Power Bonds

By PAUL EINZIG

Noting decline in saving and investment in Great Britain, Dr. Einzig comments on proposal that loans be offered with a guaranteed purchasing power. Discusses pros and cons regarding this type of securities, and suggests that they constitute a limited hedge against inflation.

LONDON, Eng.—The decline of saving and the increase of dis-saving is causing much concern in Britain. The Treasury sought to reverse the trend at the beginning of this year by raising the interest rate on Savings Certificates and Defense Bonds. For a short time after the change the weekly statistics of savings showed small net increases, but during recent weeks withdrawals once more exceeded savings. This means that, in addition to the inflationary pressure caused by rearmament, there is also inflationary pressure due to the spending of liquidated savings. Nor does it seem likely that a further increase of the interest rates would make any material difference in this respect. The public is reluctant to save because of the widespread conviction that in doing so it would stand to lose as a result of the rising trend of prices. An additional percent or two percent per annum is not likely to make any difference to this attitude, seeing that prices rise a good deal more than that. Those who can afford it make advance purchases rather than save part of their earnings, and they even dig into their old savings in order to spend their money before prices rise further.

Dr. Paul Einzig

To remedy this state of affairs, it has been suggested in various quarters in Britain and other countries that loans with a guaranteed purchasing power should be issued. This was done on various occasions in the past, during periods of advanced inflation experienced in Germany and other countries after the first World War, and again in Hungary and other countries after the second World War. On each occasion the proposed remedy was only resorted to when, owing to the speed with which the national currencies were depreciating, the governments concerned would have been entirely unable to borrow unless they guaranteed the purchasing power of the loans. There seems to be no reasons, however, why such loans should not be issued during a period of moderate inflation.

The main arguments against such issues may be summed up as follows:

(1) In view of the repudiation of the "gold clause" in the United States and elsewhere during the 'thirties, the public would be inclined to distrust any "purchasing power clause" that would be inserted in the loan contracts.

(2) The insertion of such clauses by governments would be regarded as an indication that these governments themselves anticipated a further depreciation of the currencies.

(3) In case of a substantial rise in prices between the issue of such bonds and their maturity the issuing governments would incur heavy losses.

(4) Guaranteed purchasing power clauses would deprive the governments of the advantage of benefiting by a depreciation of the currencies. They would obviate a reduction of the real burden of the increasing public debts through currency depreciations.

Beyond doubt the repudiation of the "gold clauses" is still widely remembered, and the purchasing power guarantees would not therefore be accepted without a certain amount of doubt. It is for the governments concerned to devise some way in which to allay fears by giving a solemn undertaking not to introduce in any circumstances legislation to repudiate the "purchasing power clauses."

So far from regarding the insertion of such clauses as an indication that the government is pessimistic about its own currency, many people would probably regard it as an indication of the government's confidence in the future of the currency. At any rate, it would indicate that the government considers it a fair risk to undertake to pay more in terms of the national currency if prices should rise further.

The losses that would be incurred through a further rise in prices would be in the long run more nominal than real. For public revenue would sooner or later adjust itself to the new level of prices, so that the government would be able to pay larger nominal amounts on account of its loans with guaranteed purchasing power without thereby increasing the proportion of such payments to total revenue.

Beyond doubt it would be a mistake to convert the whole of the public debt into loans with guaranteed purchasing power. In doing so the government would abandon the chance of a reduction of the real burden of the public debt the nominal amount of which has risen very considerably since 1914 and is likely to rise further. But for the depreciation of the monetary units since 1914 the burden of the public debt of most countries would have become unbearable by now. There is no need, however, for converting all outstanding loans into loans with guaranteed purchasing power. It would be sufficient to confine the formula to new issues needed for financing and re-financing during the rearmament drive. It would be well worth while for the governments to shoulder the additional burden due to the issue of such bonds in return for relieving pressure due to inadequate saving or dis-saving during the period of intensified rearmament.

The bonds with guaranteed purchasing power would of course command a substantial premium against corresponding bonds without such guarantee. Presumably holders of the latter would want to switch into the former, so that bonds without guaranteed purchasing power might tend to depreciate to some extent. Their decline would be moderate, however, because the total of bonds with guaranteed purchasing power would represent a small fraction of the total of public debt, and a relatively moderate amount of switching would raise the prices of guaranteed bonds to a level at which holders of bonds without guarantee would no longer consider it worth their while to switch over.

One of the great advantages of the issue of bonds with guaranteed purchasing power would be that it would provide a new medium for hedging against inflation. The provision of such an alternative might materially reduce hedging by means of acquiring goods of every description, and to that extent it would tend to moderate the rising trend of prices due to the anticipation of future inflation.

Continued from page 4

Business Outlook and Its Impact on Banking

productive purposes, the result would be the creation of new deposits and the injection of additional money into the spending stream. If that happens, it is entirely possible that new controls may be imposed upon bank credit. Whether we like the prospect or not, we may be confronted with the problem of trying to decide which of several possible new methods of credit control would be most useful and least objectionable.

Two of the most likely possibilities are: (1) are enlargement of the power of the Federal Reserve Board to raise bank reserve requirements in relation to deposits, and (2) giving the Reserve Board some kind of authority to regulate the risk assets of commercial banks, perhaps in the form of the so-called loan-reserve plan which would require banks to maintain special reserves against increases in their total non-defense loans.

Which of these two methods of control would be the less objectionable? To answer this question, let us first consider what the effects of the regulation of risk assets might be.

First and foremost, the Federal Reserve authorities would really be in a position, for a change, to regulate the flow of bank credit to private borrowers for purposes other than defense production. They could actually accomplish in a comparatively direct and certain manner what they have heretofore merely attempted to accomplish by much indirection and great uncertainty.

The impact of the regulation of risk assets upon the level and structure of interest rates might be revolutionary. For many years, most interest rate have been determined largely by the market yields of government securities. If the Reserve System were to regulate banks' risk assets, rates for various types of risk credit could easily become divorced from government security yields.

Even if the government bond market were to remain stable, therefore, bank lending rates could rise substantially in response to a strong demand from private borrowers. Similarly, yields for corporate and municipal securities might rise appreciably even though Treasury borrowing rates remained unchanged.

Effects of Regulation of Bank Risk Assets

In short, the regulation of risk assets would operate without interfering with the government securities market, and other interest rates would be free to rise to much higher levels than has seemed possible for many years. Monetary management would be released from the severe limitations now imposed upon it by the magnitude of the national debt, by the Treasury's financing problems and by the credit needs of the defense program.

Bank earnings would probably benefit. The underlying reason why bank lending rates have been so low in recent decades is because the volume of bank credit has been so freely expansible. The regulation of risk assets would provide an effective brake upon the supply of bank credit available to private borrowers for the first time since the early 1920's.

In contrast with these possible effects of the regulation of risk assets, substantial increases in reserve requirements based on bank deposits would have several disadvantages. In the first place, they might interfere with the extension of credit needed to finance essential production. Secondly, they would cause serious inequities and hardships in the case of many individual banks and borrowers.

Higher primary reserve requirements would penalize every bank regardless of its lending and investment policies and they would badly squeeze certain banks and certain localities. Their impact upon a particular bank would depend largely upon its ratio of loans to deposits. The ratio between loans and deposits varies greatly by regions, by communities and by individual banks. Thus banks in Vermont, where the ratio of loans to deposits is high, would be severely affected long before the banks in South Dakota, for example, felt any pressure whatever. And individual banks throughout the country which have been doing a conscientious job of serving the credit needs of their communities, would be tightly restricted, while their less enterprising neighbors would be free to expand loans without effort and without restraint.

Finally, if the Federal Reserve System were to be given additional power to raise the primary reserve requirements of banks in relation to their deposits, there would be a real danger that this authority might become permanent and that the trend over a period of years might be toward ever higher reserve requirements. In contrast, the regulation of risk assets would obviously be an emergency control which could be eliminated much more easily once the emergency had passed.

In short, if we are forced to choose between these two alternatives, it may be that the regulation of risk assets woul be more useful and less objectionable as an emergency measure than an enlargement of the authority of the Federal Reserve System to regulate bank reserve requirements in relation to deposits.

Outlook for Interest Rates

What do all of these considerations add up to in terms of the outlook for interest rates?

In the first place, it should be recognized that we do not have, and will not have, a truly free market for United States Government securities. The government securities market is still a managed market, and will continue to be, even though it is more free and less closely managed than it was in the past. With its huge portfolio of United States Government securities, which exceeds the total volume of member bank reserves, the Federal Reserve Banks cannot possibly avoid influencing the level and pattern of government security yields. Moreover, the Federal Open Market Committee in formulating open market policy must of necessity give important consideration to the financing needs of the Treasury. Finally, the Federal Reserve authorities cannot permit a decline in bond prices to tighten credit conditions to such an extent that essential production might be disrupted.

It is apparent that government security prices will fluctuate more freely and over a wider range in the future than in the past decade. Nevertheless, the Federal Reserve System will not abandon its policy of supporting the government bond market when it feels that such support is needed, and it will continue to regulate the range within which price fluctuations may take place. My own opinion is, therefore, that there is little chance of any further substantial increase in Treasury borrowing rates.

This does not necessarily mean that other interest rates may not rise further than they have. As mentioned previously, the adoption of the loan-reserve plan, or some other type of regulation of risk assets, could divorce other interest rates from government security yields. However, even if such a control is not adopted, private lending rates may go higher as a result of strong demands for credit and capital. Many financial institutions are currently meeting demands for credit by liquidating their remaining holdings of short-term securities which can be sold with little loss. As these holdings of short-term issues become depleted, however, these institutions will be more and more reluctant to shift from governments to other types of assets. This may result in a further hardening in private lending rates, including the yields of corporate and municipal bonds.

Prospect for Bank Earnings

What about the outlook for bank earnings? In 1950 bank earnings were at a record high, 13% higher than in 1949. Today bank loans are far above the average for 1950, and even more important, bank lending rates are higher and are still moving upward. Barring the enactment legislation which might lead to a substantial increase in primary reserve requirements, therefore, the outlook for bank earnings at present appears to be exceptionally good.

What about the longer term outlook for banking business? It is obviously impossible to say just what will happen to banking after the conversion to a defense economy. In general, however, there is no reason to fear a drastic decline in bank deposits. The financing requirements of Federal, state and local governments will continue to be substantial and bank holdings of government and municipal securities will doubtless remain very large. When controls over consumer credit and real estate lending are eventually relaxed, increases in these types of loans may tend to offset any decline that may occur in bank loans to business.

In short, there is every reason to believe that the American banking system will be able to adapt itself to the changing conditions which lie ahead in the defense economy, that the services which banks render will continue to be needed by the community, and that banks will continue to survive and prosper in the years to come.

J. R. Werges With John G. Kinnard Co.

MINNEAPOLIS, Minn.—John G. Kinnard and Company, 71 Baker Arcade, has appointed J. R. Werges of St. Paul, Minnesota, as General Sales Manager in charge of Mutual Investments.

Mr. Werges was, for many years, associated with the Irving J. Rice Company of St. Paul, Minnesota.

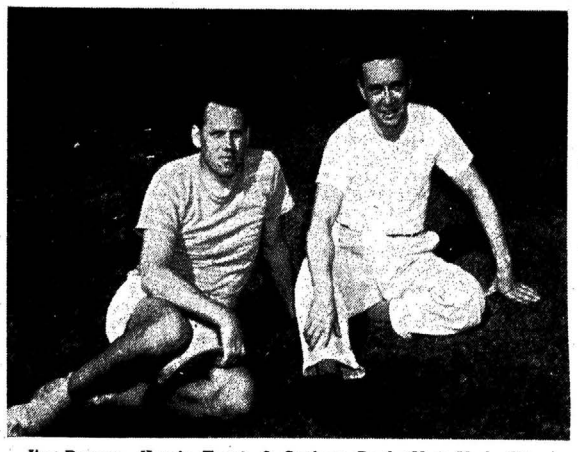
More Bond Club of New Jersey Pictures

(Continued from page 18)

Ed Fishwick, *Mutual Benefit Life Insurance Co.*, Newark; W. M. Whitesell, *Mutual Benefit Life Insurance Co.*, Newark; Robert A. Bivins. *Chase National Bank of the City of New York*; Alex Seidler, *National State Bank*, Newark

Richard F. Saffin, *Boland, Saffin & Co.*, New York City; Frederick J. Sautter, *Boland, Saffin & Co.*, New York City; Howard B. Dunning, *C. P. Dunning & Co.*, Newark; Floyd H. Johnson, *Boland, Saffin & Co.*, New York City

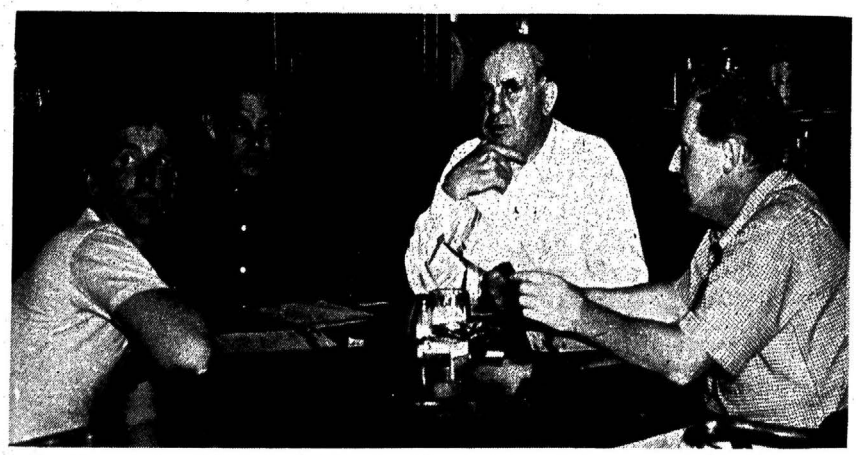
Ray Vanderhoff, *Fidelity Union Trust Company*, Newark; H. C. Ballou, *Shearson, Hammill & Co.*, New York City; Richard H. Monaghan, Newark



Jim Ranson, *Harris Trust & Savings Bank*, New York City; Jim Gilbert, *Hornblower & Weeks*, New York City

H. P. Schaub, Jr., *Harry P. Schaub, Inc.*, Newark; Gordon Boyd, *Mutual Benefit Life Insurance Company*, Newark, Donald E. Lane, *Merrill Lynch, Pierce, Fenner & Beane*, Newark

J. Kirk Hopper, *Equitable Securities Corporation*, New York City; Horace C. Sylvester, III, *Hall & Company*, New York City; Halsey C. Brewster, *Allcn & Company*, New York City; John C. Clark, *Chase National Bank of the City of New York*



Jim Johnston, *Bramhall, Barbour & Co., Inc.*, New York City; Walton R. Dunn, *Mackey, Dunn & Co., Inc.*, New York City; Walter L. Brown, *B. J. Van Ingen & Co., Inc.*, New York City; C. M. Haight, Jr., *Tripp & Co., Inc.*, New York City

Roald A. Morton, *The Blue List*, New York City; E. A. M. Cobden, *Kean, Taylor & Co.*, New York City; Ludlow Van Deventer, *Van Deventer Brothers, Inc.*, Newark; Chas. J. Waldmann, Jr., *Kean, Taylor & Co.*, New York City

L. McDonald, *Public Service Electric & Gas Co.*, Newark; Larry Carey, *The Trust Company of New Jersey*, Jersey City, N. J.; Van Middlesworth, *Public Service Electric & Gas Co.*, Newark; F. J. Kugelmann, *National State Bank*, Newark

Taken at Annual Field Day

Philip Van Deventer, *Van Deventer Brothers, Inc.*, New York City; Wilmer Slaight, *Granbery, Marache & Co.*, New York City; J. Kirk Milnor, New York City; F. R. Cole, *F. R. Cole & Co.*, Newark, N. J.

W. K. Van Hise, *Parker & Weissenborn, Inc.*, Newark; Chick Spring, *Outwater & Wells*, Jersey City, N. J.; Jim Currie (retired); Harry Zimmer, *Commercial Trust Company*, Jersey City, N. J.

William Boland, *Boland, Saffin & Co.*, New York City; Frank B. Quinby and C. G. Colyer, honorary members of the Bond Club of New Jersey (both are retired); Arthur Robinson, *Fidelity Union Trust Company*, Newark

John Agnew, *Eastman, Dillon & Co.*, New York City; A. S. Currie, *First National Bank of Paterson*, N. J.; R. W. Crum, Vice-President, *National State Bank*, Newark; T. A. von Glahn, *Salomon Bros. & Hutzler*, New York City

Bill Roos, *MacBride, Miller & Co.*, Newark; Ken Cronyn, *MacBride, Miller & Co.*, Newark; Henry Hegel, *Federal Trust Co.*, Newark; Chas. E. Reed, *Kean, Taylor & Co.*, Newark

Carl Egner, *Clark, Dodge & Co.*, Newark; Chas. Thomas, *Kean, Taylor & Co.*, New York City; J. P. Rutter, *American Insurance Co.*, Newark; F. A. Von Hoffman, *L. F. Rothschild & Co.*, New York City

Glenn D. Thompson, *National State Bank*, Newark; Carl A. Preim, *R. W. Pressprich & Co.*, New York City; C. B. Campbell, guest

Joe Rush, *Reynolds & Co.*, New York City; Craig Mitchell, *Blyth & Co., Inc.*, New York City; Deane Pruden, *MacBride, Miller & Co.*, Newark; Thomas G. Kenyon, *Carteret Bank & Trust Co.*, Carteret, N. J.

Public Utility Securities

By OWEN ELY

Central Maine Power Company

Central Maine Power Company serves about two-thirds of the population of Maine, in the central and southwestern sections where most of the state's industries are located. While Maine industries are not especially large in the aggregate, nevertheless, the state leads all others in the production of newsprint and some other pulp products. Other important industries are cotton and woolen textiles, and boots and shoes. There has been considerable talk about New England's industries migrating to the south and other regions, but this does not appear to be typical of Maine. Industries in that state have spent some $60 million in research and expansion since the war, in order to maintain their competitive positions. The decision of Saco-Lowell Shops, a large textile machinery manufacturer which has plant locations in both the north and the south, to build a new modern plant in Maine is an example.

In addition to these basic industries, Maine is also gaining considerable industrial strength in its many diversified smaller industries, such as woodworking, metal processes, and the growing food-processing business. Maine's agriculture and its recreational business are also important fields. Moreover, Maine has benefited by the recent tendency of large industry to decentralize both existing and new plant facilities. Maine industries produce much the same type of product for both war and civilian needs and therefore do not face as great a problem of retooling as other industrial areas. Bath Iron Works, for example, is regularly in the business of building fighting ships and is well geared to meet increased defense order needs. Industrial production in Maine is continuing at a high level, and may reach the billion dollar mark for the first time in 1951.

Central Maine Power Company is primarily a hydro-electric company. It has 34 hydro-electric plants, with total rated capacity of 191,000 kilowatts, located on the Androscoggin, Kennebec and Saco rivers. The first two are well provided with storage at their headwaters, and rank favorably among the best regulated rivers from a hydro standpoint. The company is the only power user on the Saco River and can closely regulate its flow for system needs. The Kennebec River is of most importance, 53% of the company's total hydro capacity being located on that river. In 1950, the company completed a storage reservoir on Dead River, a tributary of the Kennebec, which added about 12 billion cubic feet to the storage available for river operation and increased total storage about one-third. It is estimated that this development increased the firm capacity by about 17,000 kilowatts (or more for short periods). The increase in annual production resulting from this development will, of course, vary with water conditions. The company is also acquiring rights in other hydro sites which may be developed later, and is also considering further increases of storage capacity.

Under normal water conditions it is estimated that the company's present hydro plants will produce about 928,000,000 kilowatt-hours annually. This is about 71% of present annual output. From mid-1947 through 1950 less than normal water conditions existed during certain parts of the yearly periods, necessitating heavier steam operation and use of less efficient standby units. Since November, 1950, the situation has been reversed and better-than-normal water conditions have existed, up to the present time. For the first four months of 1951 hydro generation was about 64,000,000 kilowatt-hours ahead of estimates for normal production, with corresponding benefits to earnings.

The adverse effect of unfavorable water conditions on future earnings has been reduced by several recent factors. In the rate adjustments of 1948 a fuel clause was included in most industrial power rates. The Dead River storage development will improve minimum flows on the Kennebec. And the steam units now being added will improve the balance between hydro and steam on the system and reduce operation of less efficient plants. One 30,000 kilowatt steam unit will be ready in the spring of 1952 and another early in 1953.

In view of rising costs the company is preparing an upward revision of rates, and new schedules may be filed in the near future in order to obtain a rate of return in the neighborhood of 6% on the rate base. In the 12 months ended April 30, with the aid of plentiful water, the company earned $1.60 on the common stock, compared with $1.49 in the previous period; however, earnings for the month of April were below last year's figure.

President William F. Wyman in his recent talk before the New York Society of Security Analysts stated that "the operating income estimate for 1951 cannot have final significance until the question of rate adjustments has been determined, and the Federal income tax rate applicable has been established. From our studies and estimates, we have reached the conclusion that the proposed rates will bring existing operations into proper balance, and satisfactorily support additional capital needs of the company. Interpreted in terms of future earnings on common stock, including additional shares which will be issued, and assuming conditions now reasonably foreseeable, the company's earnings should continue at a minimum rate of $1.50 per share with more favorable results possible during certain periods."

The stock has been quoted recently over-counter around 17, and pays $1.20 to yield about 7%.

De Coppet Doremus Admit

De Coppet & Doremus, 63 Wall Street, New York City, members of the New York Stock Exchange, on July 1 will admit William Campbell Gay, member of the Exchange, and J. George Zipp to partnership. Mr. Gay was formerly a partner in Gay & Co.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: George B. Hyslop retired from partnership in A. M. Kidder & Co. May 31. Philip L. Carrett will retire from partnership in Gammack & Co. June 15.

Continued from page 15

Investment Outlook in Canada, And the More Promising Industries

twenty-five million dollars, exclusive of smelting expenditures at Sorel, Quebec.

Again copper and nickel in northern Manitoba, where just this past week Sherritt Gordon announced plans to spend some thirty million dollars to develop its Lynn Lake nickel deposits. Here also American interests, the Newmont mining group, have agreed to provide one-third of the necessary moneys.

In addition, I should speak of sundry base metal developments in British Columbia all on a big scale, but will only mention in passing the huge aluminum plant already in existence in Arvida, which is one of the great engineering developments of the age. This same company recently announced a five hundred million development and construction program on our West coast. It may be of interest that the electric power developed by the Aluminum Company at Arvida, and all used by them, exceeds the total amount produced at Grand Coulee.

The task of bringing all these properties into actual production will be a great one and undoubtedly profitable, but one which at the moment is beyond Canada's financial resources. Fortunately we have sufficient undeveloped water power to support these mineral developments, particularly in the provinces of Quebec and British Columbia.

Canada's Oil Industry

Canada's oil industry dates back only a few years. There have been small amounts produced in New Brunswick and Ontario but the principal interest is in Western Canada—chiefly in the Province of Alberta.

Although oil was first discovered in Alberta in 1936, the present development did not begin until February, 1947 when Imperial Oil Limited (almost 70% owned by Standard of New Jersey), after spending $23 million and drilling a total of 170 miles of "hole," finally brought in a successful well in Leduc, Alberta, a few miles south of Edmonton.

Following this discovery, the industry developed by leaps and bounds. In Leduc alone there are now more than 600 producing wells. The success of this area awakened interest in other fields and success followed success.

The Red Water field, discovered late in 1948, already exceeds Leduc in size, and 12 other producing areas have come into being since that time. There are today more than 2,200 producing wells in Alberta with new ones being brought in at the rate of about ten a week.

Production of Alberta oil up till last month was limited to the local demand of the Prairie provinces. Late in April, the first tanker load of Canadian crude left the eastern end of the newly built Intreprovincial Pipeline, which runs from Edmonton, Alberta, to Superior, Wisconsin—a distance of 1,127 miles. The allowable production was promptly raised to 140 thousand barrels per day and, for the week ended May 7th, the allowable figure jumped to 152 thousand barrels per day. This is still far below the maximum efficient producing rate of the wells, so even wider markets are needed. The first step is already under way . . . by increasing the existing pipeline's capacity from 95 thousand barrels per day to 130 thousand barrels. The next step will, I am sure, be the building of a pipeline over the Rockies to the West Coast.

Oil men feel that, in spite of the important growth of the past few years, we are still in the early stages of development and that somewhere in the west lies a great oil area far surpassing anything so far discovered. I am not in a position to say whether this is the case or not, but it is now established that there are sedimentary structures of marine disposition occupying a basis extending from the United States border to the Mackenzie River delta. The area of this basin is 891 thousand square miles—larger than the States of California, Kansas, Oklahoma, Louisiana and Texas, which are the chief oil producing States in this country.

A further potential source of oil that seems fantastic lies in the so-called Athabaska tar sands—a 3,000 square mile area lying about 200 miles north of Edmonton. These sands, it is estimated, contain over 200 billion barrels of petroleum . . . far more than all other known reserves in the world. The only problem is how to get it out. Several processes have been tried and pilot plants set up but no commercial method of extraction has yet been found. The oil is there, however, waiting for someone.

With oil, of course, comes natural gas and here another industry will in time rival oil in importance as it has here in the United States. Already a chemical industry has taken advantage of this cheap gas—your Celanese Corporation of America is now building a $30 million plant at Edmonton. Alberta's gas reserves are now estimated at 7 trillion cubic feet, of which some 4½ trillion can be exported commercially and I am sure that the Alberta Government will soon permit such export to the west coasts of the United States and Canada. Pipe-line charters are already being sought to bring gas as far east as Montreal.

So, with the annual investment in the industry now running at more than $100 million per annum, you can realize the ever-increasing need for more. I could go on indefinitely with the possibilities in oil but time is running out and a word on forest products is most important.

The Lumber and Pulp Industry

The conversion of forests into finished products, such as lumber, pulp, paper and a wide range of other materials, is not new to any one of you. It was not long ago, that many were of the opinion that plastics, metals and other substitutes would replace in a large part the multiple uses of wood and wood products. In some instances, this has been true but in the meantime more and new uses have been demanding more and more the cutting of standing timber.

Lumbering, really an industry in itself, is, of course nation-wide but the greatest stands of timber and largest mills are located on the West Coast in British Columbia where 4½ billion board feet of timber—worth $390 million—were scaled last year . . . over half the total cut for the whole of Canada.

The shares of three of the leading British Columbia lumber companies are actively traded on Canadian Stock Exchanges, and by virtue of these companies large timber holdings are looked upon as excellent inflationary hedges.

Important as the lumber industry is, the greater part of our timber land goes into manufacture of pulp and paper to make Canada's largest manufacturing industry.

Fifteen or twenty years ago, the business of making paper was one of keen and even cut-throat competition and the depression of the '30s forced many of the largest companies into reorganization. Of recent years, the improvement has been little short of spectacular and today, without exception, the leading Canadian companies are in a sound financial position, well established on a stable and satisfactory earnings basis and operating to capacity. By illustration of this improvement, a leading manufacturer of fine papers has built up its reserves and resources in the past 10 years to the equivalent of $97 per share. It sells on the Stock Exchange at $94. One of the big newspaper companies has improved its position by $36 per share, in the same period, and it sells for $36. I suppose you know that 3 pages out of 5 of every newspaper printed throughout the world each day are on newsprint produced in Canada.

The industry established new records of production and sales in 1950 and is operating at an even higher level at the present time to meet the ever-increasing demand for its products. A considerable amount of money is being invested to increase the over-all producing capacity of the country but the shortage of steel and the large capital investment needed to start up a paper mill prevent any large-scale expansion. Existing newsprint companies, for example, have a capital investment averaging probably $30,000 for each ton of daily production. It is estimated that, based on today's costs, it would cost some $90,000 per ton of daily capacity to start a new mill from scratch and that a mill built on such terms would not be profitable at present newsprint prices. The same situation applies to other pulp and paper manufacturers, so that, if other plants are to be built, even higher pulp and paper prices will be necessary to justify the larger capital required.

At present, then, the industry is in no need of any further money, especially risk capital. The shares of existing pulp and paper companies do, however, in my opinion, offer participation in a thriving Canadian industry.

I would like to tell you something of the many supporting industries such as steel, chemical and others as well as dealing specifically with some of the individual companies but time does not permit, although I will be pleased to answer any questions later—if I have the knowledge to do so.

History and geography, together with economic realities, have bound the United States and Canada together for a long time and, in the future, will bind us even more closely to each other. We share a common origin, a common language, and similar traditions, were partners in two world wars, and we must go forward together—strengthening our friendship and developing our mutual interests.

With Protected Investors

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Langdon W. Post has been added to the staff of Protected Investors of America, Russ Building.

Thomas Mackey Opens

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Thomas S. Mackey is engaging in a securities business from offices at 3170 S. W. Eighth Street.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Gerald R. Jobin has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 568 Central Avenue.

Continued from page 3

The Steel Industry, the Russian Menace and Good Government

lack of other critical materials and lack of manpower.

Steel Industry Expansion No Simple Matter

From the fact that it is stated so glibly from time to time that this country should have such and such a steel capacity—the precise figure depending on the opinion of the speaker of the moment—you would get the idea that the expansion of steel capacity is a simple and easy matter. Emphatically, this is not the case. Expansion puts very heavy burdens on steel industry — both physical and financial burdens. This fact is not generally appreciated and is not understood even by many steel fabricators who apparently think that the expansion of steel capacity is comparable to the enlargement of production facilities in their own lines. In most cases, if a fabricator has available manpower, all that he requires to expand production is more floor space and additional machines and equipment. You might say that plenty of problems are involved in filling these requirements—and I will agree with you because we have them every day in our finishing operations which are essentially the same as fabricating operations. But our really tough problem is to provide the facilities that make the raw material for the finishing operations—in other words, the primary steel.

To do this, we must first find and develop raw materials—the coal, limestone and particularly, the iron ore, as I will show later on. Then we must provide facilities to transport and handle these raw materials at the rate of four tons for every ton of finished steel we ship. After that, we must build coke ovens, blast furnaces, bessemers, open hearth furnaces, soaking pits and blooming mills, as well as many auxiliary facilities.

All of this is preliminary to making the finished steel in the operations which compare with those of the fabricator. It is this preliminary part of steel expansion which is the big job and involves the big cost. For the steel industry as a whole, the investment in expansion from 1940 through 1952 will amount to $6 billion, 147 million. For National Steel Corporation alone, investment during the same period will be $375 million. And I want to point out that practically all of this huge investment in the steel industry represents private capital—with help neither asked from nor given by the government.

Industry's Financial Situation Not Completely Satisfactory

While on this matter of investment, I would like to say that the financial situation of the steel industry can not be considered at all satisfactory. This may be surprising to you in view of the reports of steel company earnings that you read on the financial pages. I dislike to say it, but part of what you read is fiction. The earnings of steel companies—our own included—do not tell the whole story. This is due to the method of taking depreciation resulting from the government policy to allow tax deductions for depreciation on the basis of original cost only. Yet the cost of plant and equipment has advanced at least 2½ times over prewar. All property must be replaced on this higher cost basis. Where is the money to come from? It is perfectly proper to expect that new money will cover a portion of the total financing required for new construction. But you can not expect new money to **replace** existing facilities, and it will not be forthcoming. There is only one source of money for replacement. It must come from proper depreciation charges. The earnings shown today are misleading to the very substantial extent that they include money that should be charged to depreciation, because it must be spent for replacement and therefore is not available for any other purpose. If this factor were properly recognized, earnings would drop to a point which would show that steel prices today are not commensurate with the real costs of investment and operation.

Raw Materials Difficulties

A moment ago, I referred to the difficulties faced by steel companies in maintaining adequate reserves of raw materials—and particularly iron ore. Always until the present time, there has been an ample supply of iron ore in this country. It presented no great problem. Now the picture is entirely different. At the very time that we are expending steel capacity to such a tremendous extent, we must provide against the exhaustion of the rich Lake Superior ores which have been the backbone of American steel production for more than 60 years. Understand, these ores will not be depleted this year or next year. But the enormous and continuing to drain from the beginning of the last war to the present time is bringing the day uncomfortably close. No steel company can take chances with iron ore. It must see that it has reserves for many years ahead—and even 50 years is not too far ahead—because if you have the finest and biggest plant in the world, you still can not produce steel in it unless you have the raw materials. The search for ore is taking two main routes. First, progress is being made in the developing of methods for working taconite — a low grade, hard rock ore which has been considered an uneconomic source heretofore but which holds the potential of a very large supply of ore within the United States. Second — and presently more important—we are looking the world over for new reserves of high grade ore.

You have all heard, I am sure, of the discovery and development of ore in Venezuela, Africa and Labrador.

The Labrador project—in which National Steel is largely interested —is being carried forward actively with a program that involves the present spending of $200 million and eventually will run into many millions more. This development will require not only the usual mining installations, but also living quarters for employees, a 365-mile railroad, docking and loading facilities, and the construction of large ocean-going ships for the transportation of iron ore. The Labrador field is expected to ship its first ore in 1955. This is a good illustration of the long-range preparations that are essential to steel production and of the necessity to acquire and develop costly property years before there can be any possible return from it. It costs a lot of money each year to carry these necessary reserves of raw materials.

There is another extremely important raw material I would like to mention—iron and steel scrap. It is merely junk to most people, but to steelmakers, scrap is a vital resource, and it has become a mighty scarce article. Actually, the steel industry is receiving more scrap in terms of tons than in former years but not enough to support the high and increasing production from new capacity. A scrap inventory that will support operations for 60 days is considered normal. Now the average inventory of scrap in the entire steel industry is down to 21 days. Some individual mills are operating on almost a day-to-day basis. The situation has become most serious. There is scrap in the country. Extraordinary efforts must be made to get it flowing to the mills. Additional blast furnaces, with the necessary coke plants, are being built to increase the production of pig iron. But this takes time, and today, we have an emergency. Unless steps are taken to increase the supply of scrap—and soon—steel production is going to suffer. You gentlemen can help in a very important way to prevent that from happening. The industrial plants of America are the great source of iron and steel scrap — and also non-ferrous scrap. I appeal to you to go back to your offices and have your plants combed for every available piece of scrap. Get it moving to the steel mills through the normal channels at the earliest possible moment. The rusty junk that you send out of your plants will help to insure the continuing flow of shiny new steel to your receiving platforms. I cannot emphasize too strongly the importance of your cooperation in this matter.

Gentlemen, the steel industry has a great historical record of always taking care of the demand for steel—of always building in advance of demand. Even now, despite the interference of war and the great dislocation of our domestic economy, it is living up to that record. I can assure you that it will continue to do so. As a result, whatever the difficulties, this country will have plenty of steel for all essential uses. I know you will excuse my saying that I am proud of the record of our own company, which in proportion to size, has one of the largest expansion programs among all major steel companies. And beyond that, I am proud of the entire steel industry with which I have been intimately associated since I was a boy of 15. It is a great industry with a great record.

The Great Problem

Of course these problems of the steel industry which I have been discussing — and the problems which each of you have in your own company and your own industry—are only part of the great problem of our times. That problem is how to arrive at a basis on which we can live in reasonable peace and security with ourselves and with the other nations of the world. Industry will have an important and perhaps a decisive part to play in the solution of that problem—but still only a part. If the man who lead industry—and by that I mean its entire management—content themselves with doing a good industrial job and nothing more, they will fall short—far short—of accepting the full responsibility which is theirs at this particular moment in history.

This great problem of our time is essentially a political problem. Politics have become the dominant force in our lives. We see that force exerted all the way from the small village and township through the levels of the large cities and counties, the states and the nation. In the great debate over international policy, we have seen that military policy, although it may have been sound from a purely military standpoint, has had to give way before the greater weight of world political considerations—and properly so because civilian control must always be the ultimate authority in the United States.

Politics today determine what shall be produced and who shall produce it; what shall be consumed and who shall consume it; what we shall eat and wear, and finally—on the great issue of war or peace—whether we shall live or die. The policies of today is a far cry from the yesterday that most of us can remember—when the main issue was which man and party should move into the City Hall, the County Courthouse, the Governor's mansion or the White House. The issues of the past were important, of course, but even at the height of partisan emotion, we knew that the outcome of elections would not have a noticeable effect at our desks or work benches, or in our homes. Those were the days when about the only contact of the average person with the Federal government was the Post Office.

Starting with World War I, however, the force of politics has become so broad in scope and so deep in penetration that now it is a controlling factor in the life of every individual. The comparison between the old politics and the new politics is the comparison between the horse and buggy and the jet plane. Yet far too many of the businessmen I know —who apply jet plane thinking to their own businesses and who "beef" about what government is doing to the country—are living in the horse and buggy days so far as their own political awareness and activity are concerned. And in my opinion, it is a crying shame. The average businessman has gotten where he is because he has **more** than average ability. He has the mental capacity for factual analysis that leads to sound conclusions and right actions. Obviously, his batting average has to be pretty good to keep him moving up—or at least keep him where he is. These talents are exactly the ones that must be applied to political activity if the tremendous power now contained in it is not to become an actual danger to the welfare of the people of this country.

Why should businessmen withhold their talents from politics? What is it that makes these men, who are so conscious of their responsibility in their own jobs, think that they can shrug off their political obligations? Many of them do not even vote. And as for any more active participation, the response of the great majority is "That's not my game; that's for the politicians." The truth is, in my opinion, that the average businessman is a political neuter because politics is a strange field to him; because he begrudges the time and effort he would have to give to it, and because he has the idea that the public is "anti-business" and thinks the safest thing to do is stay in his shell. And, in my opinion, none of these reasons is valid.

Political influence is influence with people. There is not a single businessman who does not have influence with many people—many more than he thinks. If the great body of American businessmen would take an active interest in politics—starting right in their own communities and their own states—they could be one of the greatest and most constructive forces in the country today. They would bring to politics the factual approach that has become a matter of habit with them in their business life. They would not be likely to become submerged in factionalism. Their main interest in politics would be to develop practical facts necessary to secure clean and reasonably efficient and economical government. They would endeavor to get into office the kind of men who had the inclination and the ability to produce government of that kind. I am convinced that the widespread, active, and continuing participation of businessmen in the affairs of both political parties would be followed by a marked improvement in the caliber of politics, politicians and government—from the community right on up to the national level. And, certainly, such an improvement is a sadly needed thing today.

Very often we hear the word "politics" used in a disparaging manner. It has become a "bad" word. Actually, there is nothing wrong with politics per se. Its simple purpose is to provide the mechanics through which a people can establish an orderly and satisfactory basis of life. Politics' evil reputation arises from confusion between the legitimate purpose of politics and the purposes of politicians. There is a very wide difference.

In many cases politicians will take a stand before the public on important matters not because of deep conviction growing out of study and understanding of those matters, but simply because they think the position is the one best calculated to bring political advantage to themselves or their party. And such actions are considered as part of the game; they are brushed off as "just politics." In my book they are not "just politics," they are snide politics. You know, after I used that word in preparing my notes for this talk, I decided to look it up in the dictionary. It meant something to me, and I wanted to be sure it would mean the same thing to you. I learned that it was a slang word, which was news to me, and then Webster goes on to define "snide" as follows: "spurious; deceptively inferior; tricky; mean; base." This gives you a wide assortment of meanings to select from. As for me, I accept all of them as applying to the kind of politics I have been talking about.

Republican Party Shortcomings

As a lifelong and active Republican, I regret to say that, in my opinion, politics of an entirely improper order have been played by members of my own party in the MacArthur incident. In the first place, the entire matter had a political origin, because it started with the letter which Congressman Martin secured from General MacArthur and used for political purposes. Then as soon as General MacArthur made his statement of policy, a certain group of prominent Republicans leaped in immediately to endorse his position, and they have continued to do so. Now, so far as I am concerned, there were at least three things wrong with this course of action.

First: Insofar as it was an attempt to ride along with the tide of emotion and sympathy with which the public naturally greeted the return of this great soldier and great American, it was snide politics in all the meanings of the word I gave a moment ago.

Second: These Republicans have the same right as all other Americans to express personal opinions, but I do not know of a single case in which any of these statements was designated as an expression of personal opinion. The members of this group were all prominent Republicans. As such, their ardent statements undoubtedly made the **MacArthur** policy the **Republican** policy in the minds of a large segment of the public. The fact is, of course, that no member of this group, nor this group as a whole, has the right to commit the Republican Party to any policy. As a Republican, I resent the party's being committed by inference as it was in this case, and I am sure that many other Republicans feel the same way.

Third: The immediate endorsement of the MacArthur policy was not taking a considered position; it was taking sides. I can not imagine you, gentlemen, or any other American businessmen doing a comparable thing with regard to any major business mat-

ter. You would want to have all the facts before making your decision. Certainly it would have been far better if these Republican leaders would have waited until all the evidence was in and then, after most thorough study, to have established their carefully reasoned position.

Of course, the Administration followers have been just as bad. With few exceptions, the line-up on this most serious matter has been strictly political. It has been a case of attack on one side and defense on the other of a political position—with an eye to future elections. Gentlemen, this thing is too big for ordinary political thinking and action—much too big. What is involved is the whole future of the American people and, in fact, because of our country's dominant position in world affairs, the whole future of mankind.

Political Leadership Lacking

In my view, the political leadership on both sides is not measuring up to its responsibilities. They have been running behind the public. There is no question that there is widespread disgust among the American people with present politics and political leadership, and with good reason. They see the hopeless waste and inefficiency in government . . . the continual increase in the cost of government which is rapidly coming to the point where it will be simply impossible for the people to pay for that cost out of their earnings . . . the hidden cost of government in the form of inflation which is eroding the dollar and threatening actual financial disintegration . . . and finally, the complacent acceptance of downright immorality in government. The people are confused because our leadership on both sides seems incapable of establishing an understandable and constructive policy for our country. It seems to me that the growing lack of confidence in our present political leadership is the reason why so many Americans fail to vote, even in national elections. This reaction is understandable, but it is negative, and it establishes conditions that are most favorable for control by small-bore, professional politicans. What is most needed is a greatly expanded interest and active participation in politics—not a retreat from politics.

All over the world there is a glaring disparity between the aspirations of peoples and the actions and policies of their political leaderships. The one thing most wanted by people everywhere is genuine and lasting peace. The thing they dread and hate is the thought of war. We know that is the case here. Certainly it must be even more true in the case of other countries—including Russia—all of which have directly experienced such terrors of war as we have not. Yet, despite this universal desire for peace among the peoples of the world, the political leaders of the world's principal countries seem entirely incapable of laying down a peaceful foundation for a working arrangement among nations. In view of this, the only alternative of other countries and our own, apparently, is again to make preparations against the outbreak of general war—preparations dictated by fear—fear of the other fellow's intentions. Peculiarly in Europe—as I found on a trip last fall — it is felt that if war comes it is much more likely to result from some action of the United States rather than Russia. They know that neither the American people nor its leadership want war, but they fear that we will blunder into some incident that will pull the trigger. This explains much of the European attitude toward our present situation in Korea. They believe that Russia definitely does not want war. This is not because they attribute any sweetness and light to the viewpoint of Russia's rulers. It is based on analysis of the underlying practical factors of Russia's situation.

Here is the basis for their reasoning: When we of the West look at Russia, we think in terms of her strength. That is because we always hear of the number of divisions she has, her tanks, artillery and airpower, her great land mass, and her position in Central Europe and Asia. Against this we compare our relative military unpreparedness. If we can imagine ourselves behind the Iron Curtain, however, and look from East to West, we get a different picture—and one that Russia sees more clearly than we do. She knows that military power today is primarily a manufactured product—a product of industry, if you will. Stalin, himself, admitted that in the last war. Russia knows that the total resources and industry under her control are vastly inferior to that of the West and that the great repository of industrial strength is in the United States—beyond reach of Russian landpower. Her production of steel, coal and oil, for instance, is only a fraction of that of the West. She knows how quickly the West can convert industrial power into military power through a technology and trained manpower with which she cannot hope to compete. In addition, she has serious internal difficulties. We know of them only in general outline, but we know they are there.

Against this background, assume that Russia started a war and succeeded quickly in occupying most of the Continent of Europe. What then? She could expect instant retaliation from us—particularly in the air. She would have to cope with resistance movements in every country from the Atlantic back to and including her homeland with an army spread thin over a vast area. And on this shaky foundation, she would have to undertake history's greatest military operation—the crossing of two vast oceans to overcome and occupy the United States. This would be necessary, because if this war ever starts, it will be the final showdown — and so long as the United States remains a military power, Russia can never draw a safe breath. In Russian eyes, do you think this looks like an easy task, or one that assures success? And how do you suppose Russia's rulers appraise the consequence of failure?

There are two other factors of a different nature. The first is that Russia has never won an offensive war. The second is the central belief of Communist doctrine that communism eventually will prevail through the world, because capitalism will fall of its own weight. Under this belief, military force is not a necessary instrument for attainment of Russia's aims, and Russia, therefore, can afford to wait.

For these reasons, Europeans believe that Russia is actually on the defensive. They believe her position is dictated by weakness, not strength, and by fear, not confidence. Admittedly, this creates a perilous situation. A leadership which is characteristically distrustful and is motivated by fear and weakness is unpredictable and likely to lash out first if it thinks it is in danger. Even so, Europeans believe that Russia is much more disposed than we suspect to arrive at some basis for world peace. It may not be all the West would want, but it at least would be a starting point out of the tension and release from the burden of military preparation that now weighs down the world. Would not a peace even of this kind be preferable to a war which would destroy western civilization and plunge the world into an era more terrible than the Dark Ages? Obviously, we must continue to build and maintain our defenses so long as there is any possible danger of war, but also we should take world initiative in exploring every possible avenue toward peace.

I am convinced if we can avoid war, if we can establish peace—we will enter the greatest period of economic and social progress in all history. The world over, there are signs that peoples have awakened to the potentials for human betterment that started with the Industrial Revolution. With modern transit and communication, there are no remote areas anymore. The day of colonialism is past. From Asia, for instance, we hear repeatedly of the stirring among the peoples of all countries there, of rising nationalism, of the discontent with their present lot, and of the demand for better conditions of life. India has been a forerunner in this development and, according to reports, is an accurate indicator of the new attitude throughout the Orient. Pain and unrest may go with the birth of this new spirit for awhile, but the movement will be forward. The peoples of those countries will become better producers and better consumers, and with their teeming populations, even a slight improvement in their economic status would make an enormous contribution to the betterment of world conditions. And in this, the United States would have much both to give and to gain.

In view of this two-sided picture of the world's future — one dark and one light; one war and desolation, and one peace and human betterment — the United States, as the world's leading nation, bears a grave responsibility. It should be the world's great champion for peace—and it should be made known as such to all the peoples of the world. And in saying this, we again come back to the proposition that this can not happen unless we have political leadership that is capable of thinking and acting in terms of this magnitude.

As it is, we hear too little from our leadership that is positive and constructive. We are told that we must prepare to endure 5-10-20 years of tension . . . of expanding government and government costs . . . of widening government controls . . . of high taxes . . . of military service for our youth . . . of a garrison state economy. Think what this will mean. It will mean that by the end of 20 years—if it does end then—we will have two whole generations of Americans who have never had the opportunity to know the real America. They will have no experience with the real individual independence that made this country great, but on the contrary, they will accept as an accustomed thing the detailed control over their private lives by a powerful central government.

Gentlemen, it is our solemn obligation to see that the America that was given to us is preserved for those who will come after us. The only way it can be lost is through bad political action. By the same token, the only way it can be preserved is through good political action.

I repeat what I have said before, because it can not be overemphasized: The only way that this country can cope with the world situation as it is today is with political leadership that is equal to that situation. The only way we will get political leadership of that standard is through alert and determined political action by the people of this country. Businessmen have a particular responsibility to help bring this about. The capacity for leadership they have demonstrated in building and producing imposes on them the obligation to take the lead in preserving the fundamental conditions that have made it possible to build and produce in the way they have. In Russia and some other countries, industrial management can do a pretty fair technical job. But that is all it can do, and it must function strictly within the limits laid down by political leadership. The American businessman does not have to operate under such limits—not yet. On the contrary, he can help establish the limits of political leadership. If he fails to exercise this American birthright, is he not placing on himself voluntarily the limitations which his European counterpart must accept under compulsion? Isn't he inviting the extension of government power?

What Businessmen Can Do

Now, there are a number of things that every businessman can do.

He can vote.

He can persuade his family and friends to vote.

He can find out who is really electing his community officials and his congressman—the better elements or the gamblers, racketeers, and professional politicians. If he finds that it is the latter, he can join an organization formed to change the condition, and if none exists, he can take the lead in forming one.

He can keep abreast of important national issues . . . make up his own mind on them . . . be outspoken . . . and help form the public opinion that usually determines what is done about them.

He can follow the actions of his representatives and senators . . . let them know when he disapproves of what they are doing and—just as important—let them know once in awhile when he approves their actions.

He can refrain from seeking for his own business aid from governmen which increases both the cost and the power of government.

He can influence his community organizations which support the idea of governmental economy in general to support it in particular when it comes to federal spending in that community.

Any businessman who will do these things will be at least 10 times as active as the present average. If the general run of businessmen did them, they would become a potent and a constructive influence. I want to say that I am not asking you to do anything that I do not do myself. I have taken a long and very active interest in political matters and make no bones about it. I intend to keep on doing so. I have never thought that my position in the business world canceled either my rights or my obligations as an American citizen.

So long as his motives are right, the public not only accepts but welcomes the business leader in the political field. The closer he is to the people and the better they know him, the more true this is. For example: Weirton, West Virginia, the home of Weirton Steel Company, became a city just four years ago through the merger of a number of adjacent communities. The combined population is over 30,000. At the urging of many citizens, Mr. Millsop, the President of Weirton Steel Company, decided to be a candidate for Mayor. Some of his friends told him he was putting himself out on a limb. They thought it unwise and perhaps dangerous for the head of the largest company in the district to run for political office. Well, the people of Weirton did not think so. They elected him by a 5 to 1 majority. The city has since been operated on what is probably the most businesslike basis of any municipality in the country. Just a few weeks ago, the primary was held in the second municipal election. Mr. Millsop was again a candidate and he received more than 87% of the total votes cast. The people of Weirton know that he has only one interest in the job, and that is to give Weirton the cleanest, most economical government possible. And that is the kind of leadership the people want. The fact that he is the community's biggest businessman has proved no handicap at the polls.

In conclusion, gentlemen, I know you have heard other speakers on other occasions who have urged businessmen to take a greater interest in political activity. Probably you have paid very little attention to them. I sincerely hope that that will not be the case on this occasion—**because in these most serious days—above all others in our history—there is so much at stake.** We can only have good government through **good** politics. And only through good government can we hope for peace in the world. Of course, political activity takes time, takes thought, takes effort. But as you leave here, ask yourself seriously: Do I not owe this obligation to myself, my family, my community, and my country?

Morgan Stanley Underwrite Yale & Towne Stk. Offer'g

The Yale & Towne Manufacturing Co. is offering its shareholders the right to subscribe for 102,197 additional shares of capital stock at $38 per share, at the rate of one share for each five shares held of record on June 5, it was announced by Gilbert W. Chapman, President. Transferable subscription warrants will expire at 3 p.m. (EDT) on June 20.

Morgan Stanley & Co. heads an investment banking group which is underwriting the offering.

Of the net proceeds, Yale & Towne will apply $1,000,000 to the payment of its presently outstanding bank loans, and the remainder will be placed in the company's general funds to finance its substantially enlarged volume of business, to acquire machinery and equipment, and for other general corporate purposes.

Yale & Towne has eight manufacturing divisions, five of which are located in the United States, at Stamford, Conn.; Philadelphia, Pa.; Salem, Va.; Berrien Springs, Mich., and Chicago, Ill.; and one each in Canada, England and Germany.

A substantial supplier to the armed forces in World War II, Yale & Towne has recently obtained government contracts for the manufacture of a large volume of trucks, hoists and certain ordnance products.

For the first quarter of 1951, Yale & Towne has reported net sales of $22,764,333, as compared with sales during the same period in 1950 of $13,916,293. Net income after taxes for the three months ended March 31, 1951, amounted to $950,030, as compared with $467,946 for the corresponding quarter in 1950.

Glore, Forgan Co. Admits Manero

The admission of Alfonso Manero as a general partner in Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange and other leading securities exchanges, was announced June 1. Mr. Manero will be in charge of the firm's foreign department which he joined in 1933. Prior to his present association, he was with the foreign departments of The National City Bank of New York and The National City Company.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Jack Cusson has become connected with Bache & Co., 126 South Salisbury Street.

Continued from first page

As We See It

capitalist is now facing some of the problems and vexations which have plagued private capitalists from time to time since economic colonialism began.

Foreign Capitalist

Of course, this "foreign capitalist" has an army and a navy at his disposal, which, in other circumstances, he might well use to protect his interests. Of course, the socializers in Teheran could not, without the aid of foreign technicians, operate their oil industry. Of course, in other circumstances, the "foreign capitalist" in this case could in all probability bring this sort of thing to a fairly quick end by leaving the Iranians to learn for themselves how much their vast oil riches are really worth without help from abroad. Of course, if this matter could be regarded as simply a dispute between Socialist Britain and socializing Iran, the matter might be left to the parties involved to work out for themselves as best they might. If the Iranians prefer nothing to whatever they can get out of the British, the choice, in other circumstances, might be regarded as their own affair.

Unfortunately, the situation is not so simple as that. So far as the Iranians are concerned, the trouble is, as the trouble has been in such situations since the memory of man runneth not to the contrary, that the departure of the British "exploiters" does not and cannot give any assurance whatever that other foreign "imperialists" will stand aloof. The Iranians may or may not realize it, but so rich a prize as their oil deposits will not be overlooked or ignored by the remainder of the world—and when the shouting has died down it may well be discovered that the next foreign "exploiter" is exacting a price greater than that which Britain could have been persuaded to accept. And Britain, of course, knows full well that, should they decide either to use force to protect their interests in Iran or merely permit the Iranians to learn from bitter experience that the foreign capitalist in this case has not been merely a parasite, she would run the risk of being opposed or replaced by another foreign "exploiter" whose ability to thwart her either on the field of battle or in the economic sphere is incomparably greater than Iran's.

Collectivism vs. Collectivism

In this particular instance it is not France but another collectivist government, Soviet Russia, which would like nothing better than to have Britain ousted from Iran—except to have her own minions there in the place of the British. It happens also that the Kremlin, long recognizing the development of anti-colonial feeling throughout Asia and a good deal of Africa, has been perfecting a technique of taking over through puppet regimes which shout patriotic oratory from the housetops day and night. It is an old technique but it has been perfected and adapted to current world conditions. What we have at bottom here in Iran is, then, the same old struggle, less between imperialist and the "exploited," than between two imperialists whose interests and ambitions clash at many points.

Here is a basic state of affairs which runs through virtually all of Asia and in one degree or another through much of the other "undeveloped areas" of the world. Japan was able to make a good deal of profit from it under her banner of "Asia for the Asiatics." Russia is playing the same theme now to a fare thee well. It has, of course, added a few wrinkles of its own. All her puppets are "liberators," and all her organizations are "people's" armies or parties. Thus in one degree or another, apparently, she is succeeding in causing her victims to forget her role as imperialist and exploiter in the decades that have passed. Domination by the greatest tyrant of all history is now a liberation of the people. Incredible as it may seem, such an absurdity is making headway in many Asiatic lands.

Now another strange aspect of all this is the fact that all over the world the impression appears to be gaining ground—or, at all events, to have gained much ground—that collectivism, whether we call it socialism, communism, or merely "managed economy," somehow offers a solution of the world economic and social problems. We find the notion flourishing in such old and long established economies as Britain and France, to say nothing of a number of others of a comparable sort; we find that in undeveloped, or backward, countries (we now hear them called Point Four countries) the same prescription seems to be popular. It is rampant in Asia, of course, as attest the Iranian affair, the trend of events in China, and the drift almost everywhere else on that continent. It all fits in well with the Kremlin line, and gives that historically famed imperialist a definite advantage in many instances.

A "Breakdown?"

It is sometimes said that all this is a result of a "breakdown" or a "failure" of private capitalism or individualism in economics. But where is the evidence? Exploitation there certainly has been—but why should anyone suppose that exploitation will be absent when Communist puppets, or even Socialists or governmental managers, take over? The real economic achievements of history—whether measured by the creation of wealth or by its distribution—are to be found in private economies. Russia has been trying, and under the leadership of able men, for more than three decades to get within hailing distance of private enterprise. It still has a long, long way to go. The "achievements" of British socialism have been mostly the fruit of our Quixotic generosity. And so it goes.

It doesn't make sense, but there it is. Those who are managing our affairs, and particularly those now hatching out ambitious "Point Four" programs, would do well to take heed.

Continued from page 12

What Can We Do About Inflation?

Normal economic processes should be permitted to guide our productive plans.

Pressures of the Defense Efforts

Let us turn our attention now to a consideration of the inflationary pressures growing out of the present defense efforts. As soon as the Korean incident occurred we were forced to reexamine our international policies and to chart a new course of action for national defense. Our complacency about "Good Old Joe" soon gave way to a more realistic appraisal of our chances for avoiding mortal combat with a potential enemy sworn to destroy our way of life. The results of this appraisal were not pleasant. To avoid having too little too late we launched an extensive program of preparedness against another Pearl Harbor; or, if we are fortunate, against an all-out war which our potential enemy will hesitate to start if he thinks our newly prepared strength will prevent him from winning.

The setting aside of a sizable proportion of our productive capacity and of critical materials for preparedness purposes has had an electrifying effect upon prices. The necessary hoarding by our national government has been accompanied by less necessary hoarding by individual citizens. While the conversion from a peace-time economy to a defense economy has been taking place, we have stepped up the tempo of production of consumer goods. Inventories are larger than usual in spite of advance buying at all levels. Prices have responded by sharp increases.

As more of our productive capacity is devoted to defense purposes, we need not fear too greatly the consequences of at least some of our present large inventories. They can easily be absorbed in the period ahead when a smaller proportion of our economic efforts will be devoted to the creation of consumer goods. Our greater concern hinges upon the answer to the question, "What will happen to prices as the supply of goods decreases and the amount of purchasing power increases?" We have experienced and have survived nearly 20 years of creeping inflation, augmented by the sharper increases in post-war prices. Can we survive comfortably an uncertain period of galloping inflation which threatens our economy as a result of the current defense program? What are the possible remedies that may be applied to prevent the catastrophe of a fully-regimented defense economy of rigid price and wage controls and rationing?

One widely acclaimed proposal calls for increases in productive capacity sufficient to meet all consumption needs concurrently with a fulfillment of all defense requirements. As a long-range program this proposal has an appeal. It also suffers from certain limitations. At best it will take time to reach this goal. Furthermore the requirements of an expanded productive capacity would demand the use of materials that are already in short supply. Also if expanded production results from increased overtime and higher wages and profits it will tend to defeat its purpose by stepping up purchasing power to match the increase in the amount of goods produced. If the increase in production could be brought about by the elimination of featherbedding of all kinds, it would be most effective.

The aftermath of an excessive increase in productive capacity—beyond the needs of probable future demand for consumption goods — might be very serious. Over-capacitation in important lines might result in future deflation that even a solicitous government could not prevent or substantially ameliorate. It might even result in the winning of the war by our potential enemy without the necessity of fighting a single battle. Indeed his greatest opportunity for dominating our economy would probably follow an economic collapse in this country. Our people are not likely to succumb to the promises of a foreign economic system as long as they enjoy the realities of a system which produces the highest standards of living the world has ever known. But if the substance of fat pay envelopes is supplanted by the shadow of a severe depression, Americans too may become a prey to the siren songs of alluring promises as have other discontented peoples all over the Communist-dominated world.

Decreased Consumption Needed

Along with our efforts to increase production we must decrease consumption in the period immediately ahead. In making this statement I appreciate that I am not voicing a popular appeal. Nevertheless, we can and must "wear it out, make it do, and get along without" some things we would like to have. Our government's needs are more urgent than our own. If all Americans as individuals had the will to lick this "old debbil" inflation we could do it successfully and without too great hardship. In the long-run the cost would be much less than that of alternative policies.

Along with individuals our government too must avoid expenditures that can be postponed. Even in the defense efforts it is essential to eliminate wastes that feed the fires of inflation. We are not likely to curb inflationary pressures if individual sacrifices are offset by excessive spending by governmental agencies. The real needs of the government must be met as promptly as possible. The whims of bureaucrats — both civilian and military—that do not represent real needs must be suppressed. While the collection of taxes is being used to help control inflation, their expenditure should not be used in a manner to invite inflation that can be avoided.

Because Americans are not schooled to the degree of self-restraint needed for voluntary rationing, more controls will undoubtedly be required. These are of various kinds. The government may discourage future purchases by further tightening of credit controls. The controls already in effect are meeting increasing opposition in spite of the fact that they are not fully accomplishing the purpose they are intended to serve. Both credit and materials controls affecting the construction industry are likely to be increased rather than to be eased as soon as the defense program really gets rolling.

Price and wage controls certainly cannot be depended upon to do the job alone. The gestures made to date in these directions are chiefly gestures. No one can blame wage earners for demanding greater compensation to offset higher prices. Nor can we blame producers of goods and services for asking higher prices when their major cost elements are increased. But the merry-go-round of higher wages to meet higher prices and of higher prices to enable employers to pay higher wages does not solve our problem. Incidentally, if any of my listeners have any serious hope of abandonment of rent controls at an early date, forget it. Look for more controls in this area rather than less.

Increased Taxation

Another method of sopping up purchasing power that has a double barrelled advantage is to increase taxes at least enough to permit a pay-as-you-go policy in meeting the added cost of the defense effort. Through the device of a balanced budget we can avoid further inflation due to continued deficit spending. While this recomendation may appear naive to those who look upon a national deficit as a virtue instead of a vice, I happen to belong to the school which thinks that all costs of the defense program—short of those needed to pay for an all-out war should one come—should be met from current incomes. Curiously enough, most people apparently agree with me. Nearly everybody who has expressed a judgment on this question advocates a pay-as-you-go policy in meeting the costs of the defense effort. However, most of us are inclined to word this policy in terms of "YOU-pay-as-WE-go."

In addition to meeting the defense costs from current taxes, thereby avoiding the further inflationary effects of deficit financing, we can use taxation to reduce purchasing power in the face of a declining supply of consumer goods. To accomplish these results we cannot rely solely upon taxing the rich. If we took away all their incomes we would not be able to pay the costs of the defense program from this source alone. And we would affect the prices of most consumer goods hardly at all because the rich buy so little of the available supply. To really use taxation to help control inflation

we must also asssess those who would otherwise bid up prices by spending their incomes for commodities that they can do without as long as such goods are in short supply. Equal sacrifice may be a good slogan for obtaining tax revenue: it is not a sound basis for controlling inflation through taxation.

Again realism compels the conclusion that no Congress would have the courage—or the foolhardiness—to raise personal income taxes on all classes of people high enough to take from them all available purchasing power above the amount required to pay for bare necessities. Dictatorships unhesitatingly follow policies that accomplish this result. Free people will not stand for such programs, even though they might be temporarily defensible.

Another means of controlling inflation is to reduce available purchasing power by deferring its expenditure until goods whose purchase can be postponed are in greater supply. In other words, what is saved from current earnings serves a double: it reduces the inflationary pressure of current demand while available supply is short; and it puts the saver in a more advantageous position to make purchases at a later date when the supply of goods is greater.

The business represented here today has always impressed me as having as a major objective the building of good citizenship through the encouragement of thrifty habits. The thrifty family is made up of more stable citizens than those who spend currently all that they earn. Now is a particularly good time to encourage thrift. The emphasis you place upon savings helps the people who own your accounts. It is also a major factor in helping to control inflation since your use of such funds will not affect the prices of consumer goods as much as if they were spent directly. Furthermore, the person who can be induced to save voluntarily a part of what he earns has a more friendly attitude toward his problems than if he were compelled to do something that he has not determined to do of his own volition.

Policy on Real Estate Loans

Another way by which the institutions represented here today may help to control inflation is to be more selective in the granting of real estate loans. By taking advantage of the various governmental aids available to you during the past two decades, you have greatly liberalized your lending policies. Liberal mortgage loans constitute a major factor in raising real estate prices. Less liberal loans help to keep prices from advancing. Now is a good time to make less liberal loans than some of you have made in recent years.

Let me hasten to add that I am not being inconsistent in suggesting that you encourage savings at the same time that you discourage too liberal mortgage lending. Your competition for mortgage loans is currently less aggressive than it has been. Since the recent abrupt change in governmental policy toward interest rates on government bonds, some of your competitors for mortgages are slanting their investment programs toward the bond market—government and corporate—with a commensurate decrease in probability of purchasing mortgages. Because your mortgage competition will be less aggressive in the period immediately ahead, you can afford to be more selective in approving loan applications.

Of course, it is within the power of your national government to reverse current trends. Liberalizing the purchasing policies of "Fannie May" (F.N.M.A) would tend to stimulate rather than to retard the making of G I and FHA loans. Granted that it would not be logical for one governmental agency to support the market for mortgage loans while another agency is removing its support of the government bond market, it can still be done. Only time will tell whether or not it will be done.

Now is a good time to let "Fanny May" recede into the background of home mortgage financing. Some of us have been fearful of its ultimate effects for some time past. The more home mortgages it buys the more questions will be raised in Congress about the alternative that we have consistently opposed. Congressmen are bound to question the desirability of a governmental agency acquiring a sizable proportion of home mortgages at 4% or higher when it could make direct loans to veterans and others at a lower rate of interest. Moderate use of "Fanny May" as a clearing agency to be used by lenders whose demand for home financing assistance exceeds their ability to meet from available lending funds can be defended. General use of this agency as a dumping ground for low interest rate mortgages can easily result in direct lending by a governmental agency.

Proposals have been made for upward adjustment of interest rates on GI and FHA loans. A small increase in interest rates on these types of loans would be inflationary. Such increases would not discourage prospective borrowers from requesting insured and guaranteed loans. If such increases made financial resources available when otherwise they would not be offered in the real estate financing markets, the results would be inflationary.

Those of you who follow a practice of charging variable interest rates on the mortgages granted by you have probably already adjusted your sights upward somewhat. You are making a smaller number of conventional loans at your lowest rates and a larger number at somewhat higher rates than was your habit earlier. This process will undoubtedly continue. Without any announcement of a major change in policy you can follow a flexible program, making adjustments as changing conditions require them. The lending needs in your community, the amount of your available funds for lending purposes, and the nature and intensity of your competition will bear careful and constant study by you. Now is not a good time to announce long-term policies which cannot be changed easily and quickly as conditions warrant.

With respect to the volume of new construction in the current year, some of us have been misled by the high level of building starts since January 1. It takes time to convert a peacetime economy to one with greater emphasis upon defense production. While this conversion is taking place, production of consumer goods—both soft goods and durable — continues at a high level. Gradually critical materials and manpower are shifted to defense purposes as the latter program gets under way. The squeeze on many types of building materials is just beginning to take effect. It will become progressively greater in the months ahead until we have passed the peak of demand for defense purposes. Just when that will be cannot be accurately foretold at this time. After this peak has been reached, a sizable but somewhat smaller proportion of our productive capacity will be required to meet the continuing needs of the defense program. Thereafter a larger amount of our economic efforts will be available for the production of consumption goods, including houses.

We shall not, in 1951, approach the very high record of housing starts made in 1950. Measured by most standards, however, the production of housing units during the current year will be a creditable one. Both material and labor costs are high and tend to edge higher. The higher costs of new units will help to justify similar high prices for older properties. A word of caution should be said on this subject. Immediately after the close of World War II the prices of older houses were more inflated than the prices of new properties. The latter were governed largely by costs. The former contained a considerable element of occupancy premium. People were desperate for places to live and paid almost any price asked, provided it could be financed; and provided the housing accommodations were immediately available. The most insistent demands for houses have been met. Buyers are now shopping for the best buys in their markets. As a consequence, they will pay less occupancy premium than was true a year or more ago. Consequently, in your lending operations, primary consideration should be given to neighborhood influences and prospects. As the new supply of housing units enters the market, the less desirable older properties will lose some of their appeal and will be harder to move from the market. Neighborhoods play a major part in determining desirability of particular properties.

No doubt you are wondering what all this adds up to with respect to your dividend policies in the period ahead. Most of you are quite well acquainted with my thoughts on this subject for some years past. Here are my current thoughts. As a group, savings and loan associations are already paying more than their competitors for the use of short term money. In most of your institutions the investor who leaves his money for a few months or a year or two is paid much more than he would be paid by any of your competitors, including your national government. At any specific time short-term corporate bonds always pay much lower effective rates of interest than do long-term bonds issued by the same corporation. Even the effective rates on long-term corporate bonds decline as the bonds approach their maturity dates. In all financial markets the owners of funds committed for a short time only expect and receive less return than if they are committed for longer periods.

Interest Rates

The Federal government is noted for its attempts at precise adjustment of the price it pays for money to the time for which it contracts to use it. Its short-term coupon bonds and notes are issued at much lower rates of interest than its long-term bonds. Its E, F, and G bonds are all calculated to penalize their holders who cash them before maturity. The longer they are held the higher the interest rates paid to their holders. The recent compromise with institutional owners of bonds maturing in 1972 for an increase of interest rate from 2½ to 2¾% carried with it a postponement in the maturity date of non-negotiable bonds to 1980.

In the face of very general recognition of the need to pay higher rates for long-term money in nearly all financial markets, savings and loan associations tend to pay a premium for short-term funds and to penalize those who leave their accounts intact for longer periods of time. Unless we take steps to correct this situation we shall suffer the loss of some of the funds which benefit our institutions most. Whether you operate under a state or a Federal charter you should be permitted to offer competition for the kind of funds you most desire to attract and hold. This means permission to pay higher rates of return for long-term money than for that which stays with your institution only a brief period of time. You need not raise all dividend rates in the period ahead but you will probably be required to offer somewhat greater inducements to those whose accounts you most want to have on your books.

The above analysis is based upon the assumption of an indefinite continuation of the cold war, outside of the Korean area. Not being a military strategist I make no claim to being able to forecast what is likely to happen to international relations in our dealings with those who dislike our way of life. To the layman an indefinite period of preparedness appears certain. Should it be succeeded at any time by an outbreak of hostilities on a global scale then we must anticipate the imposition of kinds of control and of regimentation that we have never known in this country. If we are permitted to become strong militarily we may be able to avoid an all-out third world war. Our potential enemy respects only one thing—strength. If we become strong enough soon enough the dreaded third world war may be avoided. If we are fortunate enough to be spared such a conflict we must not make serious economic mistakes that would result in the domination of our economy by an ideology that is completely at variance with our own.

Given sufficient time to prepare we shall not fear to face the enemy on the field of battle. Time may not be on our side in the economic arena. As pointed out earlier in this paper, our greatest danger of losing the American way of life lies in the potential discontent of masses of unemployed during a future period of severe depression. Then we could lose our way of life without a test of arms. The period ahead will be difficult; should be interesting; and, we believe, will bring continuous success to the economic patterns which have made our country great.

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A Survey of Business Problems

expansion, the availability of metals set the scope and the pace. Most metals are now in short supply. To overcome these shortages great efforts are being made to increase production, expand imports, and expand exploration. The three most important metals, of course, are steel, copper, and aluminum.

During the first three months of this year military requirements took 12% of our total steel production. Reports emanating from Washington last week indicate the proportion might rise to 50% by the end of 1951. The shortage of steel has developed in spite of the highest production rate in our history. In 1940 the steel ingot capacity of the nation was 81 million tons. In 1945 the capacity had been lifted to 95 million tons, and today it is 105 million tons with more capacity on the way.

Defense requirements are now consuming 12% of our production of refined copper. This proportion will increase to over 20% by the end of the year. When the defense program was initiated, our domestic copper mines and processing plants were operating at near capacity. Domestic production, which accounts for two-thirds of our total supply, exceeded in 1950 any previous year except the peak years of World War II. Nevertheless demand exceeded production by 15% and was met only by drawing on inventories.

During World War II military production accounted for approximately 90% of our aluminum consumption. Military requirements this year are expected to utilize 25% of our total supply. In June, 1950, the industry's pig capacity was 750,000 tons. By March, 1951, capacity had increased to 800,000 tons, and by 1953 should reach 1,300,000 tons.

After production comes allocation.

Adequate Credit—The immediate result of our decision to support the Republic of Korea in its fight against aggression—and it was immediate—was a wave of consumer scare buying in July. That scare buying was largely in items which had become scarce during World War II. A second wave of consumer scare buying occurred in January, 1951.

The jump in retail sales in July, 1950, led immediately to the placing of increased orders by retailers with wholesalers and manufacturers for two reasons, first to keep retail inventories in line with higher sales, and second to anticipate higher prices. Sales of all retailers in 1950 reached $139 billion, the highest on record and 7.6% greater than the previous high of 1948. Sales of all wholesalers in 1950 reached $100 billion, the exact figure of the previous high year of 1948. Sales of all manufacturers jumped to $235 billion, the highest on record and 10% greater than the previous high of 1948.

The larger inventories and sales of manufacturers, wholesalers, and retailers led to increased bank borrowings to carry larger receivables and larger inventories. Loans of commercial banks were $44.8 billion at the end of June, 1950 and were $52.8 at the end of December, 1950, an increase of $8.0 billion in the last six months of the year. During the first quarter of this year, loans of commercial banks increased another $1.2 billion and reached a new all-time high of $54.0 billion.

Adequate bank credit is available to satisfy all legitimate needs of business for the production and distribution of defense material and civilian goods. In addition to loans made for these purposes, however, billions of dollars have been granted by commercial banks to businessmen to carry inventories in excess of reasonable needs, to make a possible profit on rising prices, to businesses to acquire real estate and plants, and to individuals to purchase homes, automobiles, televisions, radios and durable goods on the instalment basis.

During World War II many concerns which went over largely or completely to the production of war equipment and supplies either as a prime contractor or a subcontractor were unable to obtain adequate bank credit, even on a secured basis, because of their obviously extended financial condition. To break this bottleneck the Federal Government evolved successive methods of seeing that adequate credit was available in such situations. Initially, direct loans were made by the Army, the Navy, and the Maritime Commission in the form of progress or partial payments and advance payments. Then came V, VT, T and 1944-V loans and commitments.

A similar program has been developed in the present emergency so that prime contractors and subcontractors in extended financial condition and unable, because of that fact, to obtain bank credit would be able to obtain adequate financing from the government. Federal programs now include direct loans, loan guarantees, long-term procurement contracts,

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

There are two possibilities facing traders in the current market. The first one is that the current reaction, the one that got underway on Monday, will wear itself out around the lows of last month. The second is that these lows will be just another stopping point before they start spilling down all over again.

* * *

I'm quite aware that giving you these possibilities places you between two millstones. It's a case of you're damned if you do and damned if you don't. But if you're trying for profits — and who isn't—you have to be prepared for losses.

* * *

This doesn't mean that the first possibility or the second one will come about. To confuse you still more there is even a third one to add to your grey hairs. The market may simply turn dull and lay around for weeks tiring everybody out.

* * *

Having given you three choices, I'll now go into my own little dance. Not having the slightest idea which of the three possibilities will come about I suggest two courses. If you follow the first one you won't lose a dime. Neither will you make one. This would mean that you get out of them here and go fishing or whatever is your equivalent of fishing.

* * *

If you know that buying them always includes a risk (unless you're buying for income, in that case you don't need this column) then the method to follow is to do your buying at present levels and add to holdings on the way down. However, to cut potential losses, don't carry positions beyond the lows of last month. If you'll check your stocks and compare their prices with those made on the initial break, you'll get the figures.

* * *

If you want some encouragement that the market will go up then take a long look at the Dow theory. Just as the refusal of the rails to duplicate the highs of the industrials on the last up-swing was indicative, according to followers of the theory, that no bull market was beginning, so have the industrials refused to follow the rails when the latter made a new low.

* * *

I'm not pointing to this as a barometer of any future rise. I'm just calling it to your attention as something to bolster your morale in case you have butterflies in your digestive tract.

* * *

I've been asked what I think of the long pull. All I can tell you is what I read and you can read the oracles as well as I. I have all I can do to figure them from week to week without going batty trying to worry about them for longer periods.

[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.]

C. F. Cassell Adds

CHARLOTTESVILLE, Va.—Joseph D. Dew has become associated with C. F. Cassell & Co., Inc., 114 Third Street, N. E., members of the Midwest Stock Exchange, as salesman.

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A Survey of Business Problems

and the installation of government owned equipment and plant extensions.

Finally, the RFC is still doing business at the old stand and I suppose is willing—if not anxious—to receive applications for loans and to carry on a socialized lending program for which there is no real need in our economy today.

Manpower—By the end of March, 1951 we had 62,300,000 men and women in our civilian work force. Of these, 60,200,000 were employed, the largest number ever at work in the month of March. Unemployment was down to 2,100,000 which is only slightly above frictional unemployment. The rise in employement in defense production so far has been moderate, largely because of the time it takes to translate defense plans and appropriations into actual production and jobs. The initial employment increases occurred chiefly in industries already engaged in production of munitions and related items, such as aircraft and ordnance.

During this initial phase of the defense program, however, employment on defense orders has been very largely superimposed on the continuing high volume of goods being produced for the civilian economy. The major part of the employment impact of the defense program upon civilian industries still lies ahead. Between 3 and 4 million additional defense workers will be needed. These workers will be obtained from transfers from civilian activities, reduction in the number of unemployed, the addition of new workers, and simultaneously some increase in hours. In this process temporary pools of unemployed will develop as large plants shut down to re-tool to produce armament, equipment, and supplies.

PART IV

Underlying Threat of Inflation

Wholesale Prices — Wholesale prices during World War II were under control of OPA from April, 1942, to June, 1946. Over that period of 50 months the index of wholesale prices compiled by the Bureau of Labor increased from 83.2 to 112.9, or 35.7%. Between June, 1946, and March, 1937, the index went from 112.9 to 150.0, or 32.9%. In the nine months immediately following the elimination of controls, the percentage increase in the index expanded almost as much as during the 50 months that controls were in existence. After a slight dip, the upward trend continued until in August, 1948, the level of wholesale prices was at its highest level in 169 years; that is, since 1779.

The sellers' market which had existed for nine years now turned into a buyers' market. For 16 months, that is, from August, 1948, to December, 1949, the index of wholesale prices dropped. By December the drop had amounted to 11.1%.

In January, 1950, a recovery in wholesale prices started to take place. After the war exploded in Korea, the trend continued upward at a faster rate. In the third week of last September the wholesale index reached the previous peak of August, 1948. After a slight downward reaction in October, the index continued upward each week without a break and for the week of March 24, 1951, stood at 183.9, a new all-time high and 21.8% above the week of Dec. 10, 1949.

Consumer Prices — Consumer prices followed a pattern somewhat similar to wholesale prices. A new high was reached in August and September, 1948, when the index stood at 174.5 for both months. Consumer prices then went down and in February, 1950, registered a moderate drop of 4.5%. The index has expanded steadily since February, 1950, and in October, 1950, broke through the previous high. For last March, consumers' prices were at a new all-time high of 184.5 and were 10.8% above the index of February, 1950. It is obvious that these high prices represent potent reasons for the current indigestion of inventories at the retail and wholesale levels.

Observations — Since the Revolutionary War we have had four periods of substantial price inflation in our history, and we are now in our fifth. Each of these five periods of inflation has been the result of, and took place during and following a war, the Revolutionary, the War of 1812, the Civil War, World War I, and World War II.[2] The cost of these struggles was paid largely by deficit financing, that is, by funds which were borrowed by the government in one way or another, and in that process, a very substantial increase in purchasing media was forced into circulation.

The process was elementary during the Revolutionary War; the Continental Congress and the various States just issued paper money until no more could be floated. The value of the Continental currency eventually dropped to one cent on the dollar, and the currency of the various States from 40 to 1 in Maryland, to 1,000 to 1 in Georgia and Virginia.

During World War I, and World War II, demand deposits which comprise the bulk of our purchasing media were created basically in two ways, (1) by crediting loans to deposits, and (2) by the purchase of securities, primarily Federal securities. During the abnormal conditions of a war and a period of deficit financing, and when securities of the Federal Government cannot be sold in sufficient quantities to insurance companies, savings banks, building and loan associations, other investing institutions and individuals, then they are sold to commercial banks. In purchasing these securities, a bank simultaneously increases its aggregate deposits. In this way, deficit spending finds its way into the volume of purchasing media and a consequent depreciation in currency and increase in the level of wholesale prices.

In one of his more popular books, "The Money Illusion," published in 1928, Irving Fisher pointed out that higher costs of living are actually due to increased quantities of money. In other words, higher prices in many commodities at the same time are not due to shortages in those commodities but to a drop in the value of money due to an increased supply of money. There might well be world shortages in certain basic items such as wool, rubber, tungsten, cobalt, beryllium and columian at this time, but if there is any truth in Fisher's extensive studies, the lifting of wholesale prices and consumers' prices to new all-time highs during more recent months, it is due to an increased supply of money.

Between June, 1950, and December, 1950, combined inventories of manufacturers, wholesalers, and retailers expanded $7.4 billion. Between June, 1950, and December, 1950, outstanding loans of commercial banks expanded $8.0 billion, and the greater portion might well have been used to carry heavier inventories. At any rate, the purchasing media of the country, that is, currency and demand deposits also increased $8.0 billion during the last six months of 1950.

On Jan. 26, 1951, the General Ceiling Price Regulation was issued, freezing all prices, except prices of agricultural products, at the highest point they had reached during the previous five-week period. Since then, we have had a steady stream of price and wage interpretations and regulations.

For a large variety of consumer goods, the original general price freeze has been replaced by a series of detailed regulations. These regulations limit and regulate the amount which can be added to the cost by manufacturers, wholesalers, and retailers to cover their selling expenses and profit. For example, one such regulation known as Ceiling Price Regulation No. 7 (CRP 7, for short) applies to apparel, household furniture, musical instruments, radio and television sets, notions, housewares, glassware, jewelry, watches, clocks, and a number of other items. Five separate regulations apply to the sale of beef from the packer through the retailer and so on.

The freezing of prices and wages is a man-made decision. It attacks a symptom and not the basic cause of high prices. The freezing of prices and wages is a mighty force, for a while, to hold back increases but will not by itself, prevent further increases. The longer a price and wage freeze remains in force—if basic causes are not attacked simultaneously—the easier will increases creep up in the forms of black markets, inferior materials, reduction in sizes, elimination of unprofitable items, introduction of new items, and combining the sale of more profitable with less profitable items.

While the increase in the level of wholesale prices was fairly substantial during the days of the last price control (i.e., between April, 1942, and June, 1943), the simultaneous great increase in the volume of purchasing media of the country was laying a basis for a still greater and faster rise as soon as controls were lifted. This great increase in purchasing media was brought about primarily by monetizing Federal deficits during the war years.

The basic problem immediately ahead of us is to support the existing price and wage freeze by holding down the volume of purchasing media. That can be done by (1) maintaining the highest possible banking reserve requirements, (2) by the voluntary careful scrutiny of all applications for banking loans and refusing to make those which are being sought to carry excessive inventories, or other types of speculation, (3) by continuing credit controls on consumer sales, primarily the amount of the down payment and the duration of credit to be extended on instalment accounts, and (4) by covering the cost of our defense expenditures on a pay-as-you-go basis to prevent deficit financing, that is, the imposition of higher taxes all along the line. While the implementation of each of these four policies is essential, the last is by far the most important. The greatest economic brake on inflation is to raise in one way or another, sufficient funds to pay all expenses of the Federal Government, no matter how great those expenses may be in the immediate years ahead.

* * *

Probably the greatest student during the 19th Century of the underlying surges of all history, was the English scholar, Lord Acton. In the words of Herbert Paul,

2 "Historically speaking, inflation is a usual accompaniment of war and of post-war readjustments. During the last century and a half at least, in connection with every great war in Europe, with the possible exception of France in the Napoleonic Wars, the principal belligerents have all experienced serious inflation."—Edwin W. Kemmerer, The A B C of Inflation, p. 3 (McGraw-Hill Book Co., Inc., New York, 1942).

Lord Acton was "a prodigy of learning." Throughout his life he planned to write a "History of Liberty" and for that purpose he collected a personal library of 60,000 volumes. That "History of Liberty" was never written!

"By liberty" Lord Acton wrote, "I mean the assurance that every man shall be protected in doing what he believes is his duty against the influence of authority and majorities, custom and opinions." Then he elaborated, "Liberty is not a means to a higher political end. It is the higher political end. . . . A generous spirit prefers that his country should be poor, and weak, and of no account, but free, rather than powerful, prosperous, and enslaved. It is better to be the citizen of a humble commonwealth in the Alps," and then he made a veiled reference to the Russia of the Czars which remains only too true of the Soviet Union of today, "than a subject of the superb autocracy that overshadows half of Asia and of Europe."

Here in America circumstances in our colonial days were more propitious for the development of individual freedom and liberty than in tradition-bound Europe. In Europe the idea of personal freedom struggled out of feudalism of the middle ages and probably reached its pinnacle during the first quarter of the 19th Century, sometime after the French Revolution. In the United States, the materially higher pinnacle of personal freedom probably took place with the Emancipation Proclamation.

With the progress of the industrial revolution, however, there came about an increasing maldistribution in wealth, the substitution of indirect for direct taxation, unemployment and in periods of depression, extreme difficulties on the part of substantial numbers of people to provide subsistence for themselves and for their families. So evident were these fundamental economic maladjustments that many men abandoned the struggle for freedom and liberty and turned back; here was born the counter-revolution against freedom and liberty, a counter-revolution in favor of shelter and security to be provided by the all-powerful State. That is expressed in the Marian slogan "From each according to his abilities, to each according to his needs."

For the past 100 years, or so, the counter-revolution has been steadily gaining strength throughout the world. In this counter-revolution are the basic roots of Communism, Socialism, Fascism, Statism, the New Deal and the Welfare State. Most politicians of the Western World, without knowing what they have been doing, have cultivated this desire for shelter and security to be provided by the all-powerful State at the expense of freedom and liberty of the individual. No longer do we believe with Thomas Jefferson that the government is best which governs least. There is growing evidence that we believe the government is best which governs most.

In Soviet Russia, of course, the counter-revolution has reached its ultimate goal. There, as wards of the State, every individual has some shelter and security, and no real freedom. There government governs most.

The feeling is universal that Russia is our great enemy. There is no question that Russia is our obvious enemy, but our greatest enemy is an idea, a mental concept. That idea is communism with its retreat from freedom and liberty of the individual. If the Great War should materialize, and Russia and her satellites were vanquished, communism, would still be here; the long-run problem of the counter-revolution would still be with us. Moreover, in the process of carrying on that war, we, ourselves, would continue down the road of the all-powerful Welfare State.

Our short-term problem is to win both the hot and cold wars which are upon us. Our long-term problem is to be the vanguard of the race of free men which means a radical realignment of the economic policies of the State. To re-achieve our freedoms we must look forward to the elimination of governmental interference in the free-market relationships of agricultural products, raw materials, and finished goods in all their closely knit manifestations. Natural laws must be discovered and followed in economics just as they have been discovered and followed in the material sciences. Indirect taxation must give way to direct taxation.

One hundred and seventy-five years ago, "The Wealth of Nations" was published in England. That volume played a great part in the struggle for freedom and liberty. Seventy-two years ago a book with the provocative title of "Progress and Poverty" was published in the United States. That volume made a science out of economics and pointed the way to the laws of nature by which freedom and liberty would reach their ultimate goal. That study is one of the world's great classics in logic, ethics, and economics. Let me commend its study to you in this day of great problems as it holds on high the twin torches of freedom and liberty.

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The State of Trade and Industry

week price cuts spread to Newark, Baltimore, Memphis, Omaha and San Francisco, but consumer buying power lacked the enthusiasm experienced in New York.

Steel Output Scheduled to Rise Mildly This Week

Production miracles are becoming commonplace in the steel industry, according to "The Iron Age," national metalworking weekly, marking as it does the 14th week during which the industry has operated at or above its rated capacity. Further, a survey by "The Iron Age" shows that steel companies plan to maintain their fast pace right on through the summer months.

In past years there were very good reasons such as vacations, need for maintenance and hot weather that caused steelmaking traditionally to slump during the hot summer months—even when demand remained high.

But this year steel companies are making every effort to maintain near-capacity operations. Even mills that formerly closed down during a plant-wide vacation period expect to keep going full blast.

However, the steel companies could not do this without the cooperation of the steelworkers and their union. Although the labor contract assures vacations for steelworkers, the union has agreed that they may stay on the job if they wish, this trade journal points out.

In one company where workers had a choice of working or vacationing over 95% chose to work—and accept "bonus" vacation pay, this trade paper discloses. This is a good deal higher than the industry average, but more and more workers are expected to stay on the job as they see their fellow employees drawing extra pay. Steel companies also expect to pay a lot of overtime this summer to keep output up.

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 103.2% of capacity for the week beginning June 4, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 102.7% a week ago, or an increase of 0.5 of a point.

This week's operating rate is equivalent to 2,063,000 tons of steel ingots and castings for the entire industry, compared to 2,053,000 a week ago. A month ago the rate was 103.7% and production yielded 2,073,000 tons. A year ago it stood at 101.3% of the old capacity and amounted to 1,931,000.

Electric Output Declines in Holiday Week

The amount of electrical energy distributed by the electric light and power industry for the week ended June 2, 1951, was estimated at 6,447,741,000 kwh., according to the Edison Electric Institute.

The current total was 207,958,000 kwh. under that of the previous week, 812,807,000 kwh., or 14.4% above the total output for the week ended June 4, 1950, and 1,426,721,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Make Further Mild Gains in Latest Week

Loadings of revenue freight for the week ended May 26, 1951, totaled 811,799 cars, according to the Association of American Railroads, representing an increase of 2,324 cars, or 0.3% above the preceding week.

The week's total represented an increase of 30,873 cars, or 4% above the corresponding week in 1950 and an increase of 26,975 cars, or 3.4% above the comparable period of 1949.

Auto Output Adversely Affected by Holiday and Labor Disputes

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 123,556 units, compared with the previous week's total of 158,212 (revised) units.

Responsible for the decline were suspensions by all northern plants in observance of Decoration Day and shutdowns by Studebaker and some Lincoln-Mercury plants for the remainder of the week, "Ward's" said. Labor disputes at various Chrysler divisions, principally Dodge, cost the corporation an estimated 5,000 units, the agency added.

For the United States alone, total output was 113,844 units against last week's revised total of 150,697 units, and in the like week of last year 138,402. Canadian output in the week totaled 9,712 units compared with 7,521 units a week ago.

Total output for the current week was made up of 86,077 cars and 27,767 trucks built in the United States and a total of 7,012 cars and 2,700 trucks built in Canada.

Business Failures Fall in Holiday Week

Commercial and industrial failures declined to 132 in the holiday-shortened week ended May 31 from 191 in the preceding week, Dun & Bradstreet, Inc. reports. Casualties were about 20% lower than in 1950 and 1949 when 168 and 165 occurred respectively. They were down sharply, 47%, from the prewar total of 249 recorded in the similar week of 1939.

Food Price Index Continues to Reflect Irregular Movements

Food price movements continued to be irregular the past week and the wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped another cent to stand at $7.16 on May 29. This represented the lowest level in the past four weeks, and compared with $5.94 at this time a year ago, or a rise of 20.5%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Decline of Previous Week Arrested

The Dun & Bradstreet daily wholesale commodity price index, held in a narrow range last week as individual commodities continued to fluctuate irregularly. The index finished at 320.38 on May 29, up slightly from 319.13 a week previous, and comparing with 265.74 on the corresponding date last year.

Grain futures developed strength as the week progressed but lost some of the gains at the close.

There was some selling of wheat on rumors of peace for Korea but the market strengthened following passage of the wheat-for-India bill by both houses of Congress.

Other bullish developments in wheat included an improvement in demand for flour and a sharp falling off in country shipments of wheat in the Southwest. Corn moved steadily upward, influenced by a decline in receipts at terminal markets and a further tightening in cash markets. Corn seeding was reported near completion in the main belt and the crop is expected to get off to a good start. Oats followed the pattern set in wheat and corn, with strength in late trading following early weakness.

Although trading in flour was quiet at the week-end, substantial bookings of hard wheat bakery flours were noted in the first part of the period for July and August delivery. Buying of other flours remained cautious and mostly for nearby needs.

Raw sugar turned easier at the close after a mid-week rise to new high levels for the current movement.

The decline was attributed to profit-taking and hedge selling induced by the unsettled international situation. Cocoa futures maintained a firm undertone, influenced by a continued scarcity of offerings from primary markets and tightness in the actual market. Lard declined in sympathy with further weakness in vegetable oils induced by the favorable war news from Korea. After dropping to the lowest levels since January, hog values firmed up at the close, aided by small week-end receipts.

Spot cotton prices remained at or near ceiling levels the past week while futures, particularly the new crop deliveries, declined rather sharply. The weakness stemmed from active selling stimulated by continued favorable weather and crop advices, rumors of peace for Korea, and easiness in securities and other outside markets. Mill and export price-fixing on the scale down helped to cushion declines to some extent. Sales in the 10 spot markets declined sharply last week to 37,100 bales, from 52,700 a week earlier, and 111,100 in the corresponding week last year. Mill consumption of cotton during April, as reported by the Bureau of the Census, averaged 39,800 bales per day. This was larger than the trade had anticipated, and compared with a daily rate of 45,600 bales for March, and 36,100 for April last year. Total consumption of the staple for the first nine months of the current season amounted to 8,232,000 bales, a gain of 23.2% over the 6,683,000 in the corresponding period a year ago.

Trade Volume in Latest Week Enjoys Slightly Improved Pace

With one shopping day lost throughout most of the nation in observance of Memorial Day, consumer spending dipped slightly during the period ended on Wednesday of last week. The total dollar volume spent, however, was moderately above the level for the similar holiday-shortened week a year ago, states Dun & Bradstreet, Inc., in its current summary of trade. Outside of New York, where buying was somewhat stimulated by the lowering of fair-trade minimums by some stores, there was no perceptible response to the recent Supreme Court ruling pertaining to the legality of the fair-trade agreements.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 3% to 7% above a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England +4 to +8; East and Pacific Coast +2 to +6; South +3 to +7; Midwest +1 to +5; Northwest and Southwest +5 to +9.

There was a very slight rise in wholesale buying in the week following an increased retailer demand for many promotional and seasonal items. The total dollar volume ordered was somewhat above the level for the similar period in 1950. Buyers attending various wholesale centers declined moderately in number during this holiday-shortened week, in comparison with the number attending last week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 26, 1951, increased 3% from the like period of last year. This compared with an increase of 4% in the previous week, and an increase of 5% for the four weeks ended May 26, 1951. For the year to date department store sales registered an advance of 11%.

Retail trade in New York the past week advanced close to 10% above the like period a year ago as a consequence of the price war resulting from the Supreme Court's fair trade decision.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of May 26, 1951 advanced 4% from the like period of last year. In the preceding week an increase of 3% was registered above the similar week of 1950. For the four weeks ended May 26, 1951, an increase of 5% was recorded above that of a year ago, and for the year to date, volume advanced 11% from the like period of last year.

Continued from first page

Our Foreign Policy— Dedication to Chaos

ing to undo their own mischief. Even if we give them full marks for sincerity in the effort to extricate us from the mess, they would still be under political and psychological pressures to cover up mistakes, to discount disastrous appeasements, to deny palpable treason in their midst with cries of "red herring."

The Latest Demonstration

We have just witnessed another striking demonstration of this basic weakness. On May 18, Assistant Secretary of State Dean Rusk made a speech refreshing in its realism. He offered a sane, sound and clear appraisal of our position in China, labeling the Communist regime a puppet of the Kremlin and pledging American support to the legitimate Nationalist Government and the people of China in ridding themselves of the Red incubus. His pronouncements, self-evidently too fundamental to have been made on his own, was given additional weight by two other speakers on the same occasion, Senator Douglas of Illinois and John Foster Dulles, whose sentiments were entirely consistent with Mr. Rusk's.

Virtually the entire nation, partisans and foes of the Administration alike, accepted the words at face value—as a sharp break with previous American policy in China. From every direction came expressions of relief that the murky atmosphere had finally been cleared; that there was an end to equivocation. Many commentators applauded Mr. Rusk's moral courage in recognizing publicly, at least by implication, that we had blundered in our earlier estimates both of the Communists and of their enemies in China.

But the jubilation was short-lived. The State Department hastened to inform the world that no reversal, no new beginning, was intended. Mr. Acheson explained that his Assistant had merely restated the old and continuing policies. Thus, the familiar atmosphere of confusion and ambiguity was quickly restored. The momentary suspicion that we had reached a clear policy grounded on definitive judgments of the present situation was scotched. Whether the United States is still pursuing the policies of the past, when we regarded the Chinese Communists as independent of Moscow and "wrote off" the Nationalists, or consider the new regime a servile satellite of the Polish or Bulgarian model, is again anyone's guess.

Why this new dedication to chaos? There are a number of plausible secondary answers, such as the hope of a deal with Peiping to end the Korean stalemate, and the need to reassure Britain and other proponents of appeasement. But at bottom the quick warning that nothing has changed amounts to a disingenuous insistence that nothing needed changing, for, believe it or not, American policy has been right all along—and particularly at the points where it seems, to the common sense of the uninitiated, to have been stupid. The State Department, as Arthur Krock of the New York "Times" put it in discussing the Rusk episode, "resorts automatically to face-saving" when the wisdom of its past behavior is in question.

"Throughout the top tier of the State Department," Mr. Krock wrote, "are men who for years have advocated toward China a course directly contrary to the one outlined in Mr. Rusk's speech." Denial of the plain purport of that speech came almost as a conditioned reflex. Somehow the circle must remain squared, by making inescapable changes without disowning those men and those years.

Anxiety Over MacArthur

To concede that the Rusk pronouncement cancelled out the old assumptions on which we proceeded in China to the point of full catastrophe, obviously, would look like vindication of critics like General Wedemeyer, Pat Hurley, William C. Bullitt, Joseph E. Grew and mere citizens contemptuously dismissed as a "China lobby." Worse, it might be viewed by the public as an admission that General MacArthur's judgment, particularly with reference to the value of Nationalist potentials, is correct and has been accepted by our government. The anxiety to withhold credit from MacArthur while taking over some of his proposals is face-saving in another dimension.

Thus, our foreign policymakers are in effect the prisoners of their past. Nations can make 180-degree turns in policy and have done so all through history—but it does not come so easily to individuals. Every vital revision of official views must therefore be carefully dressed up to hide the fact that it is really revisionary. The one thing that might restore confidence in officialdom—a forthright acknowledgement of basic miscalculations and blunders—is precisely what the "top tier" in Washington cannot bring itself to undertake.

It would seem obvious to the naked eye that the shabby bargains with Stalin which turned Eastern Europe and then China over to the Communists can not be effectively undone until they are recognized as unwise and repudiated. But it is too much to expect that the men of Teheran and Yalta, Cairo and Potsdam, would do so, human nature being what it is. It is only natural that they should shield not merely their own reputations but, more important, should seek loyally to safeguard the historical prestige of colleagues like Franklin D. Roosevelt and Harry Hopkins.

Bankrupt Leadership Still In Charge

Our present leadership is condemned to function within the limits of the legends of Mr. Roosevelt's political and General Marshall's military sagacity. Years after the theory that Mao Tse-tung and his cohorts were simply agrarian reformers exploded in their faces, the group that nurtured this propaganda nonsense is still in charge of the salvaging operations. The panicky eagerness of some of these men to hold on to their power, indeed, may be explained in part by that compulsion to hush up the past.

In any business organization whose affairs had been so thoroughly fouled up, those responsible would be removed from their jobs as the first step in dealing with the bitter consequences. A parliamentary government of the European type, under similar circumstances, would have had small chance of surviving. But in our country the very magnitude of their errors apparently forces the Administration to retain and even promote the most culpable officials as a species of insurance against reckless revelations.

Mr. Truman was a bewildered and uninformed man when destiny deposited him in Potsdam. He was carried along willy-nilly by the impetus and in the direction of his predecessor's policies and commitments. Necessarily he had to shoulder responsibility for everything that went before and make the Roosevelt delusions about our Soviet ally his own. It required more than two years of Kremlin double-crossing and insults to exhaust that impetus.

Had logic rather than political expediency prevailed, the President would have broken cleanly with the unsavory past, dismissing those most directly responsible for gutting the victory and turning our sacrifices into a Homeric joke. He would have recalled the men who had been pushed out and pushed around for being right—for distrusting Stalin and his associates, including American associates. He would have surrounded himself with new people, unencumbered by any impulses to pretty up recent history.

Mr. Truman Played Politics

Unhappily for the world he did not do this. The politician in his make-up ruled out cold logic. He not only retained but elevated many of those who had a personal stake in keeping the picture blurred. It is no accident, surely, that the two officials among the living who best personify the wartime confusions on Communist Russia, General Marshall and Dean Acheson, are respectively the heads of our military and foreign policy establishments. With the President they comprise a triumvirate dedicated, in the nature of the case, to defending the Great Blunders even while dealing earnestly with the result: the "deadly danger," in Mr. Truman's recent phrase.

Mr. Acheson's Great Alibi

When Mr. Acheson was made Secretary of State in January, 1949, Administration spokesmen hailed his appointment as a guarantee of "continuity" in American foreign policy—this at a time when a bold reversal rather than continuity was indicated by common sense and in practice, as a matter of fact, was unavoidable. Small wonder that Mr. Acheson proceeded forthwith to produce the notorious White Paper—a compendium remarkable for its omissions, selectivity and alibis—whitewashing the China policies of which he had himself been the chief architect.

He entrusted the task, understandably from his vantage point, to Philip Jessup, another leading champion of the "agrarian reformers" fiction. Then the same Jessup, long and intimately associated with Frederick Vanderbilt Field, Alger Hiss, Owen Lattimore and the rest of the Sovieteering cabal in the Institute of Pacific relations, was assigned the special job of formulating new China policies. We thus got "continuity" with a vengeance, on the neat theory that pyromaniacs make the best fire chiefs.

According to the sworn testimony of former Assistant Secretary of State Adolf A. Berle, the "pro-Soviet group" in the department in 1944 was captained by Acheson, "with Mr. Hiss as his principal aid in the matter." It was this group that jockeyed the "anti-Soviet group"—Grew, Berle himself, Hornbeck, Hurley and others—out of the department. They have remained "out," while Acheson has risen to the head of the department. There, I believe, we have the telltale element in the equation that has helped bring Communist control of all China, aggression in Korea, Red Chinese intervention against us at one end, and the prevention of Nationalist Chinese intervention at the other end.

General Marshall's role in the wartime blundering was less obvious than Acheson's, but no less significant. Our military high command under his leadership was so conscious of America's need of Russia that it overlooked Russia's far more desperate need of America.

Our Surrender

Therefore, it surrendered territory, moral principles, and American interests needlessly. Therefore, it ruled out Anglo-American invasion of the Balkans, and from the Balkans also Central Europe—the strategy that would effectively have dammed the Muscovite tide across that continent. Therefore, it handed over to the Kremlin commanding positions in Manchuria behind China's back, in payment for a Soviet declaration of war on Japan that we no longer needed and which Stalin could not have been prevented from making in any case.

Later it was General Marshall who undertook the ill-fated attempt to foist the Communists upon the Chinese Government, and who helped disarm that government for resisting the attempt. In the perspective of time, now that Mao Tse-tung's total subservience to Stalin is being spelled out in blood on Korean battlefields, the Marshall mission seems the very symbol of sterility and defeatism in our Asia policies. But to assure "continuity" of the disastrous approach, the General was made Secretary of State, then Secretary of National Defense.

The current predicament of the free world calls for an honest, humble, unequivocal repudiation of past mistakes, regardless how they may have been motivated. It calls for action to restore some faith in American intentions among the peoples, from Czechoslovakia to China, who feel that they have been let down or even betrayed by our statesmen. Moscow having violated every basic undertaking in the Yalta, Teheran, Cairo and Potsdam agreements, we have ample legal ground, let alone moral justification, for denouncing those agreements. We are launched on an expanding program of what is called psychological warfare, the primary purpose of which is to make friends and allies of the populations in the Soviet sphere. But those peoples, the Russians especially, remember all too vividly how we used bayonets to drive unwilling Soviet citizens back to Stalin's torture chambers and concentration camps; how we surrendered General Vlasov and other anti-Soviet leaders to the Kremlin's executioners; how we fell down on solemn assurances to obtain free democratic elections in Poland and other countries. The memory of these American blunders and failures stands higher than any Iron Curtain between us and those whom we would reach through the methods of psychological warfare.

In diplomacy, as in war, new strategy demands new commanders. The challenge confronting America can best be met by leaders with a clean conscience, a fresh approach, a minimum of psychological identification with cruel mistakes. It is being met, unfortunately, by men staggering under a load of personal involvment in the crisis and tripped up continually by their need to defend their own methods and motives. So far as the President is concerned, there is, of course, no real cure for this situation. But the leverage of an alerted public opinion can and must be brought to bear with respect to the rest of the Teheran-Yalta-Potsdam group still in places of power. The task of this crucial period is, in all conscience, tough enough without making it tougher through inhibited and guilt-ridden leadership.

With Joseph F. Jordan

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald T. Steele has become associated with Joseph F. Jordan & Co., 79 Milk Street. He was formerly with Coburn & Middlebrook, Inc., R. H. Johnson & Co. and prior thereto was wtih Schirmer, Atherton & Co.

Kentucky Utilities Stock Underwritten

Kentucky Utilities Co. is offering to holders of its common stock, subscription rights to purchase 260,071 additional shares of common stock at $14.50 per share on the basis of one new share for each seven shares held of record May 23, 1951. Blyth & Co., Inc., and J. J. B. Hilliard & Son are joint managers of an underwriting group which will purchase from the company any shares remaining unsubscribed after 3 p.m. (CDT) on June 18, 1951.

The company will use the proceeds from the financing in connection with its present program of additions, extensions and improvements made or to be made to its properties.

With further increase anticipated in the number of electric customers, which figure rose 41% in the past five years, the company estimates that its expansion program for 1951-1952 will cost approximately $29,000,000, of which about $11,000,000 will be expended in 1951. By the end of 1952, Kentucky Utilities Co., which supplies electric service in central, southeastern and western Kentucky, will have increased its rated kilowatt capacity from 214,290 to 304,290 kw., with an additional 60,000 kw. generating unit scheduled to begin operation the following year.

Operating revenues for the 12 months ended March 31, 1951, amounted to $23,832,616 and net income after preferred dividends was $3,290,007, or $1.81 per common share.

NY Municipal Forum Nominates Officers

Dr. Frederick L. Bird of Dun & Bradstreet has been unanimously selected to serve as President of The Municipal Forum of New York for 1951-1952, it has been announced by the Forum's Nominating Committee. The election of Dr. Bird and other officers will take place at the annual meeting of the Forum on June 28. The Committee also announced the following unanimous nominations: Vice-President, John N. Mitchell of Caldwell, Marshall, Trimble & Mitchell; Secretary, Fred D. Stone, Jr., of Marine Trust Company of Western New York; Treasurer, Charles A. Peine of Tucker, Anthony & Co., and for the Board of Governors, Winthrop S. Curvin of Smith, Barney & Co. and Joseph L. Kaszubski of the New York City Housing Authority.

The annual meeting will follow by two weeks the first national conference of the Forum on Public Housing Financing at which will be outlined by officials of the Public Housing Administration and the National Association of Housing Officials details of the financing of the new Federal-aid program.

Bond Club to Feature Harness Racing

Something new in harness racing is promised for the Bond Club Field Day at the Sleepy Hollow Country Club on June 8, according to Jansen Noyes, Jr., Chairman of the Field Day Horse Racing Committee.

The Bond Club version of the "Hambletonian" will be run over a special raceway conveniently located on the Sleepy Hollow Club grounds. There will be six entries in the names of major underwriting firms and prominent bond men will be selected as drivers. Three races have been scheduled, each with two heats and a run-off if required.

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)	June 10	103.2	102.7	103.7	101.3
Equivalent to—					
Steel ingots and castings (net tons)	June 10	2,063,000	2,053,000	2,073,000	1,931,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	May 26	6,163,250	6,177,100	6,154,000	5,118,000
Crude runs to stills — daily average (bbls.)	May 26	¶6,430,000	6,405,000	6,236,000	5,591,000
Gasoline output (bbls.)	May 26	21,102,000	20,847,000	19,876,000	18,704,000
Kerosene output (bbls.)	May 26	2,534,000	2,650,000	2,698,000	2,327,000
Gas, oil, and distillate fuel oil output (bbls.)	May 26	8,580,000	8,353,000	8,061,000	7,201,000
Residual fuel oil output (bbls.)	May 26	9,045,000	9,148,000	8,747,000	7,421,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 26	130,819,000	132,742,000	137,474,000	122,757,000
Kerosene (bbls.) at	May 26	19,832,000	18,725,000	15,635,000	16,075,000
Gas, oil, and distillate fuel oil (bbls.) at	May 26	51,344,000	48,826,000	43,859,000	40,607,000
Residual fuel oil (bbls.) at	May 26	37,365,000	37,223,000	36,080,000	39,308,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 26	811,799	809,475	824,662	780,920
Revenue freight received from connections (number of cars)	May 26	681,913	682,489	702,581	675,862
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 31	$373,745,000	$177,115,000	$270,573,000	$205,798,000
Private construction	May 31	201,519,000	80,789,000	166,513,000	100,340,000
Public construction	May 31	172,226,000	96,326,000	104,060,000	105,458,000
State and municipal	May 31	83,508,000	69,840,000	70,210,000	94,824,000
Federal	May 31	88,718,000	26,486,000	33,850,000	10,634,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 26	9,757,000	*9,655,000	10,460,000	10,228,000
Pennsylvania anthracite (tons)	May 26	857,000	782,000	725,000	1,042,000
Beehive coke (tons)	May 26	134,400	*139,300	139,700	115,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 26	290	285	293	282
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 2	6,444,741	6,652,699	6,559,700	5,631,934
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	May 31	132	191	163	168
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 29	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	May 29	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	May 29	$43.00	$43.00	$43.00	$37.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 30	24.200c	24.200c	24.200c	20.200c
Export refinery at	May 30	27.250c	27.250c	24.425c	20.425c
Straits tin (New York) at	May 30	139.000c	139.000c	142.000c	78.125c
Lead (New York) at	May 30	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	May 30	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	May 30	17.500c	17.500c	17.500c	13.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 5	97.35	97.44	97.62	102.52
Average corporate	June 5	111.07	111.25	111.62	115.62
Aaa	June 5	115.04	115.24	115.63	120.63
Aa	June 5	114.27	114.46	114.46	119.20
A	June 5	110.15	110.15	110.70	115.24
Baa	June 5	105.34	105.52	106.04	108.34
Railroad Group	June 5	107.80	107.80	108.16	110.70
Public Utilities Group	June 5	111.07	111.07	111.44	116.80
Industrials Group	June 5	114.66	114.85	115.24	120.02
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 5	2.67	2.67	2.66	2.31
Average corporate	June 5	3.11	3.10	3.08	2.87
Aaa	June 5	2.90	2.89	2.87	2.62
Aa	June 5	2.94	2.93	2.93	2.69
A	June 5	3.16	3.16	3.13	2.89
Baa	June 5	3.43	3.42	3.39	3.26
Railroad Group	June 5	3.29	3.29	3.27	3.13
Public Utilities Group	June 5	3.11	3.11	3.09	2.81
Industrials Group	June 5	2.92	2.91	2.89	2.65
MOODY'S COMMODITY INDEX	June 5	489.3	491.6	514.1	396.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 26	209,194	206,161	202,342	187,300
Production (tons)	May 26	244,937	257,930	248,326	209,350
Percentage of activity	May 26	102	106	105	93
Unfilled orders (tons) at	May 26	638,760	680,105	646,878	333,486
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 1	152.5	153.2	153.9	120.6
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	May 19	36,502	35,027	29,067	29,697
Number of shares	May 19	1,076,763	1,054,901	856,153	918,137
Dollar value	May 19	$43,960,115	$48,829,178	$38,528,573	$39,906,201
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 19	28,568	30,853	27,239	35,199
Customers' short sales	May 19	315	208	202	189
Customers' other sales	May 19	28,253	30,645	27,037	35,010
Number of shares—Total sales	May 19	814,654	869,592	749,387	983,165
Customers' short sales	May 19	11,750	7,758	7,066	7,179
Customers' other sales	May 19	802,904	861,834	742,321	975,986
Dollar value	May 19	$35,102,075	$37,121,079	$31,433,463	$37,448,207
Round-lot sales by dealers—					
Number of shares—Total sales	May 19	237,940	262,910	223,650	339,310
Short sales	May 19	------	------	------	------
Other sales	May 19	237,940	262,910	223,650	339,310
Round-lot purchases by dealers—					
Number of shares	May 19	451,050	410,080	328,800	277,160
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 29	182.4	182.4	183.4	156.8
Farm products	May 29	199.8	*198.1	201.1	166.8
Grains	May 29	184.0	183.0	188.1	171.9
Livestock	May 29	267.6	267.0	269.9	225.4
Foods	May 29	188.1	*187.3	188.6	161.4
Meats	May 29	275.4	274.7	279.1	238.7
All commodities other than farm and foods	May 29	170.9	171.1	171.6	147.9
Textile products	May 29	182.9	*183.3	183.6	136.2
Fuel and lighting materials	May 29	138.5	138.5	138.3	132.5
Metals and metal products	May 29	189.4	189.5	189.6	170.4
Building materials	May 29	227.3	227.4	227.5	199.8
Lumber	May 29	358.9	358.9	358.9	‡
Chemicals and allied products	May 29	141.6	*142.1	143.9	116.0

*Revised. ‡Not available. ¶Includes 547,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Total domestic production (bbls. of 42 gallons each)	205,404,000	181,672,000	165,799,000
Domestic crude oil output (bbls.)	187,624,000	166,041,000	151,213,000
Natural gasoline output (bbls.)	17,774,000	15,622,000	14,569,000
Benzol output (bbls.)	6,000	9,000	17,000
Crude oil imports (bbls.)	14,971,000	13,096,000	14,614,000
Refined products imports (bbls.)	11,725,000	13,143,000	12,332,000
Indicated consumption domestic and export (bbls.)	233,623,000	219,085,000	216,492,000
Decrease—all stocks (bbls.)	1,523,000	11,174,000	23,747,000
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of March (in thousands)	$129,172,000	$101,414,000	$104,035,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of April:			
New England	$22,374,199	$22,698,922	$19,627,615
Middle Atlantic	58,073,503	88,247,516	98,742,832
South Atlantic	32,519,020	30,672,841	41,605,035
East Central	79,621,489	114,095,197	96,407,895
South Central	68,367,098	74,073,694	69,215,152
West Central	29,430,523	24,386,887	39,652,228
Mountain	20,299,028	14,580,381	13,188,647
Pacific	61,818,270	62,875,122	67,539,252
Total United States	$372,503,130	$431,630,560	$445,978,656
New York City	27,351,774	49,584,940	57,723,455
Outside of New York City	345,151,356	382,045,620	388,255,201
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of April	7,653	7,649	8,375
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES—Month of March (millions of dollars):			
Manufacturing	$36,400	*$35,500	$29,100
Wholesale	11,400	11,200	9,200
Retail	18,400	17,800	14,200
Total	$66,200	*$64,500	$52,500
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of March (000's omitted)	$1,049,600	$219,300	$818,400
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on May 5	23,127,000	23,134,000	23,113,000
Spinning spindles active on May 5	19,903,000	20,953,000	20,069,000
Active spindle hours (000's omitted) April	11,699,000	10,436,000	8,764,000
Active spindle hours per spindle in place Apr.	504.6	554.2	473.0
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-1939 AVERAGE = 100—Month of April:			
Sales (average monthly), unadjusted	228	244	*223
Sales (average daily), unadjusted	232	230	*228
Sales (average daily), seasonally adjusted	252	*230	*237
Stocks, unadjusted	306	306	*238
Stocks, seasonally adjusted	297	299	*231
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of April:			
Earnings—			
All manufacturing	$64.22	*$64.33	$56.93
Durable goods	68.89	*69.01	61.01
Nondurable goods	58.01	*58.40	52.17
Hours—			
All manufacturing	40.80	*41.00	39.70
Durable goods	41.70	41.80	40.70
Nondurable goods	39.60	*40.00	38.50
Hourly earnings—			
All manufacturing	$1.574	*$1.569	$1.434
Durable goods	1.652	*1.651	1.499
Nondurable goods	1.465	*1.460	1.355
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of March (millions of dollars):			
Inventories:			
Durable	$17,000	$16,700	$13,500
Nondurable	19,400	18,800	15,600
Total	$36,400	$35,500	$29,100
Sales	23,400	22,700	17,800
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSOC.) — Month of April:			
Total number of vehicles	639,313	755,022	559,311
Number of passenger cars	503,079	617,399	455,193
Number of motor trucks	135,415	136,794	103,850
Number of motor coaches	819	829	268
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of March (in billions):			
Total personal income	242.5	*241.3	219.3
Wage and salary receipts, total	160.4	158.7	133.6
Total employer disbursements	164.0	*162.1	136.4
Commodity producing industries	72.6	72.0	57.7
Distributive industries	44.1	*43.7	39.6
Service industries	20.0	*19.8	18.1
Government	27.3	*26.6	21.0
Less employee contributions for social insurance	3.6	*3.4	2.8
Other labor income	3.5	3.5	3.3
Proprietors' and rented income	47.1	47.7	40.2
Personal interest income and dividends	19.5	*19.3	18.0
Total transfer payments	12.0	*12.1	24.2
Total nonagricultural income	223.8	*222.4	203.7
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1914 = 100—As of March 15:			
Unadjusted—			
All farm products	311	313	237
Crops	276	283	215
Food grain	245	254	224
Feed grain and hay	221	222	174
Tobacco	437	440	389
Cotton	359	351	236
Fruit	202	204	193
Truck crops	265	333	168
Oil-bearing crops	386	379	230
Livestock and products	343	340	258
Meat animals	428	425	308
Dairy products	280	285	243
Poultry and eggs	217	205	165

*Revised.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **Alaska Ferry & Terminal Co., Inc.**
May 24 (letter of notification) 1,500 shares of 6% cumulative preferred stock (par $100) and 1,500 shares of common stock (par $100). **Price**—At par. **Underwriter**—None. **Proceeds** — For initial payment on vessels and other corporate purposes. **Address** — P. O. Box 1178, Juneau, Alaska.

★ **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. Statement effective May 29 through lapse of time. Amendment necessary.

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 Natural Gas Co. (6/15)
May 24 filed 368,428 shares of common stock (no par), of which company plans to offer 334,935 shares to common stockholders of record June 12, 1951, at rate of one new share for each ten shares held, with an oversubscription privilege; warrants to be mailed on June 15; and rights to expire on June 29. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To assist system subsidiaries in financing their property expansion programs.

Appalachian Electric Power Co. (6/26)
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. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 26.

★ **Arizona Edison Co.**
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. **Offering**—Expected today.

Armstrong Rubber Co., West Haven, Conn.
May 21 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock (par $50) and 1,000 shares of class A common stock (no par). **Price** — The preferred at par and the common at $25 per share. **Underwriter**—Gruntal & Co., New York. **Proceeds**—To Frederick Machlin, Vice-President of the company.

Ashland Oil & Refining Co., Ashland, Ky.
May 21 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At the market (approximately $35 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—1409 Winchester Ave., Ashland, Ky.

★ **Bigelow-Sanford Carpet Co., Inc. (6/21)**
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.

● **Blue Ridge Mutual Fund, Inc., New York**
June 5 filed 5,000,000 shares of common stock (par $1). **Price**—At market. **Underwriter** — Research Distributing Corp., New York. **Proceeds**—For investment.

● **Bridson Oil Co., Ft. Worth, Tex.**
May 31 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None, but will be offered through Mrs. Pearl Bridwell, agent for the company. **Proceeds**—For organizational expenses and to prospect oil in Texas. **Office**—1560½ West Magnolia St., Ft. Worth, Tex.

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.

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 beginning of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

★ **Byron Jackson Co., Vernon, Calif.**
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. **Withdrawal**—Request filed May 28 to withdraw registration statement because of unsettled market conditions.

Calaveras Cement Co. (6/12)
May 23 filed 118,066 shares of common stock (par $5) to be offered to common stockholders on basis of one new share for each two shares held on June 12. **Price**—$10 per share. **Underwriter**—Blyth & Co., Inc., and Hooker & Fay, both of San Francisco, Calif. **Proceeds**—To pay part of cost of plant expansion program.

★ **California Oregon Power Co. (6/12)**
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. **Bids**—To be received up to 8 a.m. (PDST) on June 12 at The American Trust Co., 464 California St., San Francisco 20, Calif.

★ **Calvan Consolidated Oil & Gas Co., Ltd. (6/13)**
May 24 filed 1,000,000 shares of capital stock (par $1—Canadian). **Price**—To be supplied by amendment. **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York, as to 875,000 shares and Gardiner, Watson & Co., Toronto, Canada, as to 125,000 shares. **Proceeds**—For exploration and development of properties in Canada.

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.

Carrier Corp. (6/12)
May 24 filed 216,575 shares of common stock (par $10) to be offered common stockholders of record June 12, 1951, at rate of one new share for each three shares held; rights to expire on June 26. **Price**—To be supplied by amendment. **Underwriter**—Harriman Ripley & Co., Inc., and Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To help finance the construction and equipment of a new building and for other general corporate purposes.

★ **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 were 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 expiring on June 4. **Underwriter** — None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock. Statement effective March 12.

● **Century Natural Gas & Oil Corp., Waynesburg, Pa.**
May 31 (letter of notification) 1,175,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—Greenfield & Co., Inc., New York. **Proceeds**—For exploration, drilling and development on leased and/or leasehold natural gas and oil interests presently owned by the company; for acquisition of additional leases and/or leaseholds; and for working capital.

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.

● **C.I.T. Financial Corp., New York**
June 4 filed 150,000 shares of common stock (no par) to be reserved for issuance upon exercise of options under the "restricted stock option plan for key employees of the corporation and its subsidiaries." **Price**—Not to be less than 95% of the fair market value of the stock. **Underwriter**—None. **Proceeds** — For general corporate purposes.

★ **Cleveland Electric Illuminating Co. (6/26)**
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. **Bids**—To be received by company at 75 Public Square, Cleveland 1, Ohio, up to noon (EDT) on June 26.

★ **Colonial Acceptance Corp., Chicago, Ill.**
May 23 (letter of notification) 9,500 shares of class A common stock (par $1). **Price**—$4.37½ per share. **Underwriter**—Straus & Blosser, Chicago, Ill. **Proceeds**—To selling stockholder. **Withdrawal**—Offering temporarily withdrawn due to market conditions.

★ **Commercial Credit Co. (6/13)**
May 29 filed $40,000,000 notes due 1961. **Price**—To be supplied by amendment. **Underwriters**—Kidder, Peabody & Co. and The First Boston Corp., New York. **Proceeds**—To increase and maintain working capital and a portion of the proceeds ultimately will be used for the payment of a $35,000,000 1⅝% note which matures Aug. 1, 1951.

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 Can Co., Inc.**
May 24 filed 230,000 shares of common stock (par $20) to be purchased in open market and offered pursuant to employees stock purchase plans, viz: 50,000 shares to employees of company and wholly-owned subsidiaries through elections to purchase at 90% of the last price on the New York Stock Exchange; and 180,000 shares to executive employees of the company and wholly-owned subsidiaries through options at 95% of the last price on the Exchange.

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.

● **Cross-Tex Petroleum Corp., Dallas, Tex.**
May 23 (letter of notification) 250,000 shares of common stock. **Price**—$1 per share. **Underwriter** — None. **Proceeds**—For acquisition and development of oil properties. **Office**—1121 Texas Bank Bldg., Dallas 2, Tex.

★ **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. Each share of the 24 companies represents 1/24th of a unit of voting trust certificates of the Trust, which unit contains one share of common stock in each of the 24 Cuban companies. **Price** — $2 per unit. **Underwriter** — None, but Jay H. Schafrann, 20 Pine St., New York 5, N. Y., will act as servicing agent. **Proceeds**—For drilling and exploration expenses and working capital.
June 1, the 24 Cuban companies filed 1,500,000 shares each of their respective common stocks to be issued to the Cuban-Venezuelan Oil Voting Trust.

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 127,364 shares of common stock (par $5). **Price**—To be equivalent to approximately 95% of the net asset value of all shares of stock outstanding immediately prior to the public offering plus a commission of 50 cents per share to security dealers. **Underwriters**—Dealers may be underwriters. **Proceeds** — For investments in railroad and kindred securities. **Offering**—Exact date not yet determined.

● **East Eagle Mining Co., Seattle, Wash.**
May 29 (letter of notification) 30,000 shares of common stock. **Price**—33⅓ cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—5515 15th Ave., N. E., Seattle 5, Wash.

★ **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. Statement effective May 29.

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. (6/13)
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.

● **Falls Creek Mining Co., Seattle, Wash.**
May 24 (letter of notification) 400,000 shares of common stock. **Price**—25 cents per share. **Underwriter**—Noble, Tulk & Co., Los Angeles, Calif. **Proceeds** — To Philip Seymour Heath, the selling stockholder. **Office**—418 Second & Cherry Bldg., Seattle 4, Wash.

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.

★ **Gas Service Co., Kansas City, Mo. (6/19)**
May 24 filed $5,400,000 of first mortgage bonds due 1971. **Underwriter**—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**—To repay bank loans and for new construction. **Bids**—To be received up to 11 a.m. (EDT) on June 19 at Room 1600, 70 Pine St., New York.

● **General Appliance Corp. (6/11)**
May 25 (letter of notification) 33,000 shares of common stock (par 10 cents). **Price**—63 cents per share. **Underwriter**—E. L. Aaron & Co., New York. **Proceeds**—To four selling stockholders.

General Public Utilities Corp. (6/18)
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 held as of June 14; with rights to expire on July 9. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To repay bank loans and for general corporate purposes.

● **General Securities, Inc., Minneapolis, Minn.**
June 4 filed 50,000 shares of capital stock. **Price** — At market. **Underwriter**—Craig-Hallum, Inc., Minneapolis, Minn. **Proceeds**—For investment.

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 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. Purchased by the underwriters, with no reoffering expected.

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.

● **Goldblatt Bros., Inc., Chicago, Ill.**
May 25 (letter of notification) $175,000 estimated amount of contributions to Savings and Profit Sharing Pension Plan from June 1, 1951 to Jan. 31, 1952; eligible employees to contribute 5% of compensation but not over $250 per year. **Proceeds** — For investment under trust agreement. **Office**—333 So. State St., Chicago, Ill.

● **Green Mountain Power Corp. (6/19)**
May 29 filed 104,094 shares of common stock (par $10) to be offered to preferred stockholders of record June 15, 1951 on basis of three shares for each four shares of common to which the preferred stockholders will become entitled pursuant to amended plan of recapitalization (with an oversubscription privilege). Expected to be offered June 19, with rights to expire on July 3. **Price**—To be supplied by amendment. **Underwriters**—To be named later. **Proceeds**—For construction expenditures.

● **Green River Steel Corp., Owensboro, Ky.**
June 5 filed $4,000,000 of 3½% debentures due 1961 and 320,000 shares of common stock (par 25 cents) to be offered in units of $1,000 of debentures and 80 shares of stock. **Price**—To be supplied by amendment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Proceeds**—To be applied to cost of acquisition, construction and installation of facilities and for other corporate purposes. **Business** — Organized to construct and operate electric furnace steel plant and rolling mill.

● **H. G. L. Building Fund, Inc., N. Y. City**
May 31 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase and acquire real property. **Office**—2305 Seventh Ave., New York City.

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 June 27. **Dealer-Manager**—Carl M. Loeb, Rhoades & Co., New York.

★ **Hudson Pulp & Paper Corp. (6/12-13)**
May 23 filed 220,000 shares of class A common stock (par $1), of which 20,000 shares are to be offered by selling stockholders. **Price**—To be supplied by amendment. **Underwriter** — Lee Higginson Corp., New York. **Proceeds**—For General corporate purposes.

NEW ISSUE CALENDAR

June 11, 1951
General Appliance Corp. — Common
Montreal (City of), Quebec, Canada — Bonds
Sangamo Electric Co. — Common

June 12, 1951
Calaveras Cement Co. — Common
California Oregon Power Co. 8 a.m. (PDST) — Bonds
Carrier Corp. — Common
Chicago, St. Paul, Minneapolis & Omaha Ry. noon (CDT) — Equip. & Trust Ctfs.
Hudson Pulp & Paper Corp. — Common
Kansas Poker & Light Co. — Common
Mays (J. W.), Inc. — Common
New England Telephone & Telegraph Co. — Common
Public Service Co. of Colorado — Common
Public Service Co. of New Hampshire noon (EDT) — Bonds
Squibb (E. R.) & Sons — Common
Victoreen Instrument Co. — Common

June 13, 1951
Calvan Consolidated Oil & Gas Co., Ltd. — Common
Commercial Credit Co. — Notes
Erie Resistor Corp. — Common
Southeastern Public Service Co. — Preference
United Stares Corp. — Preferred
Western Maryland Ry. 11 a.m. (CDT) — Equip. Trust Ctfs.

June 14, 1951
Oswego Falls Corp. — Preferred
Texas & Pacific Ry. noon (EDT) — Equip. Trust Ctfs.

June 15, 1951
American Natural Gas Co. — Common

June 18, 1951
General Public Utilities Corp. — Common
Interstate Telephone Co. — Preferred
Missouri Power & Light Co. 11 a.m. (CDT) — Bonds
National Tea Co. — Preference
North Penn Gas Co. 11 a.m. (EDT) — Debentures
Sutherland Paper Co. — Preferred
Texas Electric Service Co. 11:30 a.m. — Bonds

June 19, 1951
Gas Service Co. 11 a.m. (EDT) — Bonds
Green Mountain Power Corp. — Common
Mission Corp. — Debentures
Peoples Gas Light & Coke 11 a.m. (CDT) — Bonds

June 20, 1951
Kropp Forge Co. — Common
MidSouth Gas Co. — Common

June 21, 1951
Bigelow-Sanford Carpet Co., Inc. — Preferred

June 24, 1951
Public Finance Service, Inc. — Debentures

June 26, 1951
Appalachian Electric Power Co. 11 a.m. (EDT) — Bonds
Cleveland Electric Illuminating Co. noon (EDT) — Bonds
Pfizer (Chas. & Co.), Inc. — Preferred

June 27, 1951
United Utilities, Inc. — Common

June 29, 1951
United Gas Corp. — Common

July 16, 1951
Iowa Public Service Co. — Bonds

July 17, 1951
Mississippi Power Co. — Preferred

July 24, 1951
United Gas Corp. 11:30 a.m. (EDT) — Bonds

September 11, 1951
Alabama Power Co. — Bonds

● **Idaho Consolidated Mines, Inc., Seattle, Wash.**
May 23 (letter of notification) 21,000 shares of capital stock to be offered in units of three shares each. **Price**—$11 per unit. **Underwriter** — None. **Proceeds** — To complete tunnel. **Office**—4109 Arcade Building, Seattle 1, Wash.

Idaho Power Co.
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.

● **Interstate Telephone Co. (6/18-19)**
May 29 filed 6,000 shares of $5.50 cumulative preferred stock (no par). **Price**—$100 per share. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; Stone & Webster Securities Corp., New York; and Pacific Northwest Co., Seattle, Wash. **Proceeds**—For repayment of bank loans and new construction. **Office**—Spokane, Wash.

● **Intra State Telephone Co., Galesburg, Ill.**
May 24 (letter of notification) 2,800 shares of common stock to be offered for subscription by stockholders of record May 21. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For operating expenses. **Office**—100 No. Cherry Street, Galesburg, Ill.

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.

Kansas Power & Light Co. (6/12)
May 22 filed 256,842 shares 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.

● **Kelly (Jack), Inc., Ft. Worth, Tex.**
May 23 (letter of notification) 100,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To acquire leases in Eastland County and to drill oil and gas test well. **Office**—360-A Majestic Building, Fort Worth, Texas.

Kentucky-Utah Mining Co.
May 17 (letter of notification) 596,061 shares of assessable capital stock (par 10 cents), of which 96,091 shares are reserved for issuance upon exercise of options granted May 8, 1951, to two individuals. **Price**—11½ cents per share. **Underwriter**—W. D. Nebecker & Co., Salt Lake City, Utah. **Proceeds** — To explore and develop mine properties. **Office**—310 Pacific Nat'l Life Bldg., Salt Lake City, Utah.

Kentucky Utilities Co.
May 14 filed 260,071 shares of common stock (par $10) being offered to common stockholders of record May 23, 1951 at rate of one share for each seven shares held; rights to expire on June 18. **Price**—$14.50 per share. **Underwriters**—Blyth & Co., Inc., New York, and J. J. B. Hilliard & Son, Louisville, Ky. **Proceeds**—For property additions and new construction.

★ **Kropp Forge Co., Cicero, Ill. (6/20)**
May 25 filed 123,000 shares of common stock (par 33⅓¢), of which 9,276 shares will be offered for the account of Raymond B. Kropp (Executive Vice-President and Treasurer). **Price**—To be supplied by amendment. **Underwriters** — Gearhart, Kinnard & Otis, Inc., and L. D. Sherman & Co., both of New York; and Morgan & Co., Los Angeles, Calif. **Proceeds**—To be added to working capital.

● **Lead King Mines, Inc., Las Vegas, Nev.**
June 1 (letter of notification) 1,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Underwriter** — None. **Proceeds** — To develop reserves. **Office** — 216 North 5th St., Las Vegas, Nev.

● **Link-Belt Co., Chicago, Ill.**
May 31 filed 20,826 shares of common stock (par $5) to be offered to "a selected group of officers and employees of the company and its subsidiaries. **Price**—$33 per share (subject to change). **Underwriter** — None. **Proceeds**—For working capital.

★ **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. **Withdrawal**—Registration statement withdrawn May 24.

★ **Manning, Mexwell & Moore, Inc.**
May 16 filed 150,000 shares of common stock (par $12.50) being 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; rights to expire on June 15. **Price**—$15.50 per share. **Underwriters**—Hornblower & Weeks and Clark, Dodge & Co., New York. **Proceeds**—To redeem $281,000 of preferred stock and for working capital.

● **Mayfair Markets, Los Angeles, Calif.**
May 24 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Underwriter** — None. **Proceeds** — For working capital. **Office**—4383 Bandini Boulevard, Los Angeles 23, Calif.

★ **Mays (J. W.), Inc., Brooklyn, N. Y. (6/12)**
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.

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). **Under-**

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writer—Guardian Securities Corp. **Proceeds**—For general corporate purposes.

● **MidSouth Gas Co., Little Rock, Ark. (6/20)**
May 29 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriters**—Equitable Securities Corp., Nashville, Tenn., and T. J. Raney & Sons and Womeldorff & Lindsey, Little Rock, Ark. **Proceeds**—To repay bank loans and for property additions.

● **Mission Appliance Corp., Hawthorne, Calif.**
June 5 filed $1,250,000 of convertible sinking fund debentures, 6% series, due July 1, 1963. **Price**—At par. **Underwriters**—Paul H. Davis & Co., Chicago, Ill., and Lester & Co., Los Angeles, Calif. **Proceeds**—To retire bank loans and for working capital.

Mission Corp. (6/19)
May 24 filed $12,000,000 of 15-year sinking fund debentures due June 1, 1966. **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds**—To repay bank loans incurred through purchase, in open market, of Tide Water Associated Oil Co. stock.

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. (CDT) on June 18.

● **Montana-Dakota Utilities Co.**
June 1 filed $3,000,000 of first mortgage serial bonds due June 1, 1952 to 1971, inclusive. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc., Merrill Lynch, Pierce, Finner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Dick & Merle-Smith (jointly). **Proceeds**—To finance acquisition of property at Billings, Mont.

★ **National Tea Co., Chicago, Ill. (6/18-23)**
May 29 filed 120,000 shares of cumulative preference stock, convertible series (par $100). **Price**—To be supplied by amendment. **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York and Chicago. **Proceeds**—To retire bank loans and outstanding $50 par value preferred stock.

★ **New England Gas & Electric Association**
May 16 filed 197,394 common shares of (par $8) beneficial interest being 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**—$13 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. (6/12)
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; rights to expire July 10 will be issued on June 12. **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. (6/18)**
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; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp. **Proceeds**—To repay bank loans. **Bids** — Expected to be received up to 11 a.m. (EDT) on June 18.

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.

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**—Indefinitely 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.

● **Oro Flame Mining Co., Phoenix, Ariz.**
May 24 (letter of notification) 328,500 shares of common stock to be issued to present stockholders and 25,000 shares to be publicly offered. **Price**—75 cents per share. **Underwriter**—None. **Proceeds**—To carry out program of development and operations. **Office**—1217 W. Jefferson Street, Phoenix, Ariz.

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 beginning of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

★ **Oswego Falls Corp., Fulton, N. Y. (6/14)**
May 25 filed 96,000 shares of 5% convertible second preferred stock (par $30) to be offered to common stockholders of record June 11, 1951, at rate of one preferred share for each five common shares held; rights to expire June 26. **Price**—To be supplied by amendment. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—For working capital.

★ **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, approximately $21.25 per share). **Underwriter** — None. **Proceeds**—To J. Paul Getty, President of the company, who is the selling stockholder. Statement effective May 31, 1951.

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.

Peoples Gas Light & Coke Co. (6/19)
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. **Bids**—To be received up to 11 a.m. (CDT) on June 19 at Room 1625, 122 So. Michigan Avenue, Chicago, Ill.

Pepsi-Cola Bottling Co. of Wash., 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.

● **Pfizer (Chas.) & Co., Inc. (6/26-27)**
June 6 filed 150,000 shares of cumulative convertible second preferred stock (par $100) and 444,015 shares of new common stock (par $1), the latter issue to be offered to present common stockholders in the ratio of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—About $7,000,000 to complete expansion program already underway and the balance of about $20,000,000 will be available for additional working capital and for expansion of production facilities. **Offering**—Expected during the latter part of June.

● **Potlatch Yards, Inc., Spokane, Wash.**
May 22 (letter of notification) 20,000 shares of common stock (par $5). **Price** — $15 per share. **Underwriter** — None. **Proceeds**—For general corporate purposes. **Office**—909 W. Sprague Avenue, Spokane, Wash.

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 Colorado (6/12)**
May 24 filed 274,027 shares of common stock (par $10), of which 249,116 shares are to be offered to common stockholders of record June 12 on a one-for-ten basis, with rights to expire June 28; and 24,911 shares to employees of company. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp., New York; and Boettcher & Co. and Bosworth, Sullivan & Co., Inc., both of Denver, Colo. **Proceeds**—To be applied toward construction program.

★ **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** — To be received at company's office, 1087 Elm St., Manchester, N. H., up to noon (EDT) on June 12. Statement effective May 31.

● **Quinby & Co., Inc., Rochester, N. Y.**
May 29 filed $2,500,000 of Quinby Plans for Accumulation of common stock of Eastman Kodak Co. and $2,500,000 of Quinby Plans for Accumulation of common stock of E. I. duPont de Nemours & Co. **Underwriter**—Quinby & Co., Inc., Rochester, N. Y. **Proceeds**—For investment.

● **Reading Tube Corp., Long Island City**
June 5 filed $1,859,256 of 20-year sinking fund debentures due July 1, 1971, and 66,402 shares of class B stock (par 10 cents) to be offered in exchange for the 265,608 shares of outstanding class A cumulative and participating stock (par $6.25 on the basis of $7 principal amount of debentures and one-fourth of a share of class B stock for each class A share exchanged. **Dealer-Manager**—Aetna Securities Corp., New York.

Rheem Manufacturing Co.
May 23 filed 100,000 shares of 4½% cumulative convertible preferred stock (par $100), convertible into common stock until June 1, 1961. Of the total, 70,000 share are to be publicly offered and 30,000 shares placed privately with Bethlehem Steel Corp. **Price**—To be supplied by amendment. **Underwriter** — Blyth & Co., Inc. **Proceeds**—To finance in part a program of capital improvements and additions and for general corporate purposes **Offering**—Expected today.

● **Salt Lake Furniture Union, Salt Lake City, Utah**
May 24 (letter of notification) 43 shares of capital stock to be issued in connection with offer of Western-Central Furniture Co preferred stock. See latter company below.

Sangamo Electric Co. (6/11-16)
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**—To reduce bank loans and for working capital.

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. (6/13)**
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.

★ **Spiegel, Inc., Chicago, Ill.**
May 2 filed 85,850 shares of common stock (par $2) being issued 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 (6/12-13)**
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.

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.

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," at market about $73 per share. **Underwriter**—None. Statement effective May 21.

● **Sunrise Silver-Lead Corp., Spokane, Wash.**
May 28 (letter of notification) 1,000,000 shares of common stock. **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To purchase full mining claims and properties. **Office**—Bus Terminal Bldg., Spokane, Wash.

Sutherland Paper Co. (6/18)
May 29 filed 34,399 shares of cumulative convertible preferred stock (par $100) to be offered to common stockholders of record on or about June 18, 1951, on the basis of one share of preferred for each 25 shares of common stock (par $5) which will be outstanding following proposed 2-for-1 stock split-up. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers, New York, and Harris, Hall & Co. (Inc.), Chicago, Ill. **Proceeds**—From sale of stock, together with funds to be received from private placement of a long-term note issue currently being negotiated through Lehman Brothers, will be used to retire outstanding 4¼% cumulative convertible preferred stock and for working capital.

● **Thermo-King Railway Corp., Minneapolis, Minn.**
May 31 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—George F. Breen, New York. **Proceeds**—For working capital. **Office**—44 So. 12th St., Minneapolis, Minn.

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.; Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); 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); Hemp-

hill 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.

● **Texas Farmers Telephone Co., Belton, Tex.**
May 28 (letter of notification) 9,000 shares of preferred stock and 4,000 shares of common stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—For reconstruction of present telephone lines. **Office**—102½ North Maine St., Belton, Tex.

Texas Southeastern Gas Co., Bellville, Tex.
May 16 (letter of notification) 19,434 shares of common stock to be offered to common stockholders through transferable warrants. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—For working capital.

Thorkon Co., Atlanta, Ga.
May 21 (letter of notification) 15,000 shares of 5% cumulative preferred stock (par $10) and 30,000 shares of common stock (par 25 cents) to be offered in units of one share of preferred and two shares of common stock. **Price**—$12 per unit. **Underwriter**—F. E. McMichael & Co., Hartford City, Ind. **Proceeds**—For working capital.

United Gas Corp. (6/29)
May 25 filed 1,065,330 shares of common stock (par $10) to be offered to common stockholders of record June 27, 1951, on basis of one new share for each ten shares held, with an oversubscription privilege; rights to expire on July 19 will be mailed on June 29. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To purchase securities of United Gas Pipe Line Co., a subsidiary, which, in turn, will use the proceeds to pay costs of new construction.

★ **United Gas Corp. (7/24)**
May 25 filed $50,000,000 of first mortgage and collateral trust bonds due 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuare & Co. Inc.; Dillon, Read & Co. Inc.; Equitable Securities Corp.; Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly); The First Boston Corp. **Proceeds**—To purchase securities of United Gas Pipe Line Co., its subsidiary, which, in turn, will use the funds to pay $7,000,000 of 3% promissory notes owned by United Gas Corp., and the remainder for its construction program. **Bids**—To be received up to 11:30 a.m. (EDT) on July 24 at Two Rector St., New York, N. Y.

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.

★ **United Stores Corp. (6/13)**
May 25 filed 103,170 shares of $4.20 non-cumulative second preferred stock (par $5) to be offered for subscription by holders of second preferred stock of record June 13 on basis of one share for each 10 shares held; rights to expire on June 27. **Price**—To be supplied by amendment. **Underwriters**—Union Securities Corp. and D. H. Ellis & Co., both of New York. **Proceeds**—To advance $495,000 to Cassels United Stores, Inc., a wholly-owned subsidiary, to be used to discharge a bank loan in that amount, and the remainder will be used for general corporate purposes.

● **United Utilities, Inc., Abilene, Kansas (6/27)**
June 5 filed 199,451 shares of common stock (par $10) to be offered initially to common stockholders in the ratio of one share for each three shares held. **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For plant expansion and to repay bank loans.

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.

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.
May 2 filed 449,674 shares of common stock (par $10) being 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**—$19 per share. **Underwriter**—Stone & Webster Securities Corp., New York. **Proceeds**—For new construction.

● **Washington Gas & Electric Co., Tacoma, Wash.**
May 30 (letter of notification) 12,000 shares of common stock to be offered to stockholders by transferable subscription warrants to expire June 20; and any remaining stock to public. **Price**—$13 per share to stockholders and $13.50 to public. **Underwriter**—Glidden, Morris & Co., New York. **Proceeds**—To pay bank loans and for working capital. **Office**—101 So. 10th St., Tacoma, Wash.

Weisfield's, Inc., Seattle, Wash.
May 21 (letter of notification) 5,244 shares of capital stock. **Price**—$53 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—Ranke Bldg., 1511 Fifth Avenue, Seattle 1, Wash.

● **Western-Central Furniture Co.**
May 24 (letter of notification) 215 shares of preferred stock (par $100), to be offered in units of five shares, plus one share of Salt Lake Furniture Union stock, valued at $20 per share. **Price** — $520 for each unit. **Underwriter** — None. **Proceeds** — For working capital. **Office**—623 Continental Bank Building, Salt Lake City, Utah.

● **Western Osage Oil Co., Inc., Las Vegas, Nev.**
May 28 filed 1,000,000 shares of common stock (par 20 cents). **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For drilling of exploratory well in Elko County, Nev.

● **Whitman Farmers Cooperative**
May 24 (letter of notification) 2,500 shares of class A common stock, 2,000 shares of class B common stock, 2,500 shares of class A preferred stock and 2,000 shares of class B preferred stock. **Price**—At par ($10 per share). **Underwriter** — None. **Proceeds** — For improvements and operating capital. **Office**—Farmington, Wash.

★ **Yale & Towne Mfg. Co., New York**
May 16 filed 102,197 shares of capital stock (par $25) being offered to stockholders at rate of one share for each five shares held on June 5; with rights to expire June 20. **Price**—$38 per share. **Underwriter**—Morgan Stanley & Co., New York. **Proceeds** — To repay bank loans and for new equipment.

Prospective Offerings

ACF-Brill Motors Co.
May 18 it was reported Avco Manufacturing Corp. is negotiating for the sale of its common stock interest (48.6%) in ACF-Brill to a group headed by Allen & Co., New York.

Alabama Power Co. (9/11)
Feb. 6, it was stated that company contemplates issuance and sale of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Tentatively expected to be opened on Sept. 11. **Registration**—About Aug. 10.

● **American President Lines, Ltd.**
May 27, Charles Sawyer, Secretary of Commerce, proposed the public sale to the highest bidder of the stock of this company now held by the Department of Commerce. The proceeds would be placed in escrow until the Courts decide whether the stock rightfully belongs to the Government or to the Dollar interests.

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 Airlines, Inc.
May 21 it was reported that Avco Manufacturing Corp. may dispose of its 257,600 shares of common stock of American Airlines, Inc., which represents about 4% of the total outstanding. Probable underwriters—Lehman Brothers and Emanuel Deetjen & Co., New York.

Bell Aircraft Corp.
May 28 stockholders approved 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.

● **Canadian National Ry.**
May 28 it was stated company has about $48,000,000 of 4½% guaranteed mortgage gold bonds coming due on Sept. 1, 1951, in U. S. funds. Refunding likely to be under the auspices of the Canadian Government.

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.

● **Chicago District Pipeline Co.**
May 22 it was announced that this company (a subsidiary of Peoples Gas Light & Coke Co.) may find it necessary to construct a 30-inch pipeline from Volo, Ill., to near Mt. Prospect, Ill., at a cost estimated at approximately $1,650,000. The amount and character of the financing are not now known. Bond financing in March, 1950, was placed privately.

Chicago, St. Paul, Minneapolis & Omaha Ry. (6/12)
Bids will be received at the office of the company, Room 1400, Daily News Bldg., 400 West Madison St., Chicago 6, Ill., up to noon (CDT) on June 12 for the purchase from it of $1,005,000 equipment trust certificates to be dated July 1, 1951 and to mature in 15 equal annual instalments on July 1, 1952 to 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co., Inc. and Equitable Securities Corp. (jointly); Salomon Bros. & Hutzler.

★ **Chicago & Western Indiana RR.**
June 2 it was reported company expects to be in the market late this year or early in 1952 with a new issue of approximately $70,000,000 of first mortgage bonds, due 1981, of which about $65,000,000 will be sold initially. **Price**—Not less than par. **Underwriter**—To be determined by competitive bidding. 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. **Proceeds**—To refund $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem $13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

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.

★ **Delaware River Development Corp. (N. J.)**
May 23, Chief Examiner Frank A. Hampton of the FPC filed a recommended decision which would order the issuance of a one-year preliminary permit to the corporation for investigation of the proposed development of a hydroelectric project on the Delaware River in New Jersey, Pennsylvania and New York, estimated to cost $47,000,000. Early last year, it was announced that the proposed project would be financed through the issuance of $28,200,000 of bonds, $14,100,000 of preferred stock, $4,700,000 of convertible common stock and 100,000 shares of no par value common stock.

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.

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.

Fort Worth & Denver City Ry.
May 17 stockholders of Colorado & Southern Ry. approved a program providing for simplification of that company's corporate structure and for the refunding of the indebtedness of the company and its subsidiaries. This program calls for a new issue of $20,000,000 first mortgage bonds due 1981 of Fort Worth & Denver City Ry. and the transfer to the latter of stock and other obligations of seven Texas companies. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Salomon Bros. & Hutzler; The First Boston Corp.

General Foods Corp.
May 24, it was reported that the company is considering a plan to issue and sell approximately $30,000,000 of debentures. Traditional underwriters: Goldman, Sachs & Co. and Lehman Brothers, New York.

Glenmore Distilleries Co.
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.

Hussmann Refrigerator Co.
May 28, it was announced stockholders will vote June 18 on approving issuance and sale of 23,000 shares of 4% preferred stock, series B (par $100), to Penn Mutual Life Insurance Co. The proceeds would be used to redeem 16,000 outstanding shares of series A preferred stock (held by the same insurance company) and the remaining $700,000 added to working capital.

Idaho Power Co.
May 14, it was announced company is presently considering the issuance of approximately $15,000,000 of additional first mortgage bonds in July. This is in addition to registration of 35,000 shares of 4% preferred stock (par $100). Bonds will probably be placed privately. If competitive, probable bidders may include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Lazard Freres and The

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First Boston Corp. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly). Proceeds will be used for additions and improvements to the company's properties.

★ Iowa Public Service Co. (7/16)
May 22 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds to be dated July 1, 1951 and to mature July 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Otis & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co., A. G. Becker & Co. Inc. and Wm. Blair & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler. **Proceeds**—To finance its 1951 construction program. **Bids**—Expected July 16.

I-T-E Circuit Breaker Co.
May 28 it was announced stockholders have approved proposals to increase 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 Gas & Electric Co.
May 24 Murray F. Gill, Chairman of the board, announced that the company's present construction program calls for expenditures of more than $8,000,000 in 1951. To finance part of the expansion program, company may sell $5,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). There is a possibility that company may also decide to refund its outstanding $16,000,000 first mortgage 3⅜% bonds due 1970 (held by a group of insurance companies) and $5,000,000 first mortgage 3⅛% bonds due 1978.

McKesson & Robbins, Inc.
May 24 it was announced stockholders will vote Oct. 23 on a proposal to increase authorized common stock by 500,000 shares to 2,500,000 shares in order to provide for a probable offering of additional stock to common stockholders. Probable underwriter: Goldman, Sachs & Co., New York. Proceeds will be added to working capital.

★ Michigan-Wisconsin Pipe Line Co.
May 29, SEC authorized extension for one year, or until July 1, 1952, of maturity of $20,000,000 bank loans and the issuance and sale of 30,000 shares of common stock to the American Natural Gas Co., parent, for $3,000,000, to provide an equity base for contemplated future permanent financing which may include issuance and sale of $12,000,000 of first mortgage bonds. Previous debt financing was placed privately. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Glore, Forgan & Co.

Minnesota Power & Light Co.
May 27 it was announced registration is expected on June 7 of $10,000,000 new first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co. and Equitable Securities Corp. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly); Otis & Co.; White, Weld & Co.; Lehman Brothers and Drexel & Co. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Coffin & Burr, Inc. **Proceeds**—For expansion program.

Mississippi Power Co. (7/17)
Feb. 6, it was reported that this company contemplates the issuance and sale of $4,000,000 of preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co., Glore, Forgan & Co. and Sterne, Agee & Leach (jointly); Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction program. **Bids**—Tentatively expected to be received on July 17. **Registration**—Scheduled for June 15.

★ Montana-Dakota Utilities Co.
May 24 the FPC authorized company to acquire natural gas facilities of three companies operating in Montana and Wyoming, to construct interconnections between the properties to be acquired, and to build additional compressor facilities. The estimated total cost of the facilities to be acquired is $4,770,389 as of Sept. 30, 1950, plus or minus book adjustments, and the facilities to be built are estimated to cost $708,774. To finance the transactions, the company plans to issue and sell $2,000,000 of preferred stock and $3,000,000 of first mortgage bonds (latter registered with SEC—see a preceding column). **Underwriters**—(1) for preferred stock: probably Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

● Montreal (City of), Quebec, Canada (6/11)
Bids will be received on June 11 on four blocks of new public works bonds, amounting to $15,000,000, and payable in Canadian dollars. The bonds are to bear fixed interest of 2½%, 3%, 3¼% and 3½%, will be dated June 1, 1951, and will mature serially from Nov. 1, 1951 to 1961. Bidding will be confined to Canadian underwriters.

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 underwriter: The First Boston Corp., New York.

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 beginning of the respective listings. As heretofore, the symbol (●) preceding the name of the prospective borrower indicates that it is an entirely new listing.

Ohio Power Co.
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.

★ Pacific Power & Light Co.
May 25 it was announced company plans issuance and sale of common stock and bonds sufficient to raise approximately $13,000,000 needed to complete the financing of the 100,000-kilowatt Yale hydroelectric power dam which will cost $26,450,000. The remainder of the funds will be raised through bank loans totaling $13,500,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co. Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Kidder, Peabody & Co.; Blyth and Co., Inc., White, Weld & Co. and Harris, Hall & Co., Inc. (jointly).

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-Reading Seashore Lines
June 5, R. W. Brown, President, announced that due to unsettled market conditions, the company has decided to withdraw its proposed offering of the $4,000,000 first mortgage bonds, series A, which were to have been dated July 2, 1951 and mature July 1, 1976, for which bids had been requested to be received on June 6.

Pennsylvania Water & Power Co.
May 28 John A. Walls, President, announced stockholders will vote July 25 on approving changes in the company's charter provisions which would permit the issuance of the remaining 78,507 preferred shares as cumulative series preferred stock with a par value of $100. These shares are now without par value. Company now has a $25,000,000 expansion program, the financing of which will be accomplished through a later sale of securities to the public. The present outstanding 21,493 shares of $5 cumulative preferred stock were subscribed for by common stockholders in 1933.

South Georgia Natural Gas Co., Atlanta, Ga.
May 24 the FPC dismissed the application of company to construct 527 miles of natural gas pipe line to supply markets in Georgia and Florida, the estimated cost of which was between $10,500,000 and $12,080,000.

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). **Offering**—Expected in the Fall.

Southern Union Gas Co.
May 23 C. H. Zachry, President, announced that company plans the issuance of $5,000,000 new first mortgage bonds within the next 60 to 90 days. **Traditional Underwriter**—Blair, Rollins & Co., Inc. **Proceeds**—For new construction.

Speer Carbon Co.
May 18 it was reported that company plans to raise about $10,000,000 through the issuance and sale to private institutions of an issue of bonds and a public offering of additional common stock. **Underwriter**—Lee Higginson Corp., New York.

Texas Gas Transmission Corp.
May 28 company outlined before the FPC plans for a 601-mile pipe line project to cost approximately $45,300,000. The program would increase the company's daily delivery capacity by 240,000,000 cubic feet to over 900,000,000 cubic feet a day. Tentative plans include the sale of around $30,000,000 of bonds (which may be placed privately with insurance firms) and about $10,000,000 of preferred stock (depending upon market conditions). The balance of the funds needed will be obtained from treasury cash or temporary bank loans. Traditional underwriter: Dillon, Read & Co. Inc., New York.

● Texas Illinois Natural Gas Pipeline Co.
May 22 it was announced that company probably sometime during 1952 will issue and sell $34,500,000 in bonds and $11,500,000 in equity securities to finance expansion of its pipeline facilities. Late last year, stock was offered for subscription by common stockholders and bonds were sold privately.

★ Texas & Pacific Ry. (6/14)
Bids will be received until noon (EDT) on June 14 for the purchase from the company of $5,500,000 equipment trust certificates, series K, to be dated July 1, 1951. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harris, Hall & Co. (Inc.).

Texas Power & Light Co.
May 21 it was stated company may offer either $7,000,000 or $14,000,000 of first mortgage bonds late in 1951 or early 1952. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Carl M. Loeb, Rhoades & Co. and E. H. Rollins & Sons (jointly); Union Securities Corp.; Drexel & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly); White, Weld & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.; Lehman Brothers; Salomon Bros. & Hutzler. **Proceeds**—To be used to finance construction costs.

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.

Utah Power & Light Co.
March 8 it was announced company during 1951 proposes to issue and sell 200,000 shares of common stock and estimated $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders (1) For bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler; First Boston Corp., and Blyth & Co., Inc. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); and (2) for stock: Blyth & Co., Inc.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); Lehman Bros. & Bear, Stearns & Co. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce Fenner & Beane (jointly). However, common stock offering may be made directly by company, without underwriting. **Offering**—Expected this fall. **Proceeds**—To repay bank loans and to provide additional construction funds. May 18 company sought SEC approval to borrow from banks not in excess of $12,000,000.

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. Stockholders to vote on proposal on June 8.

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 Water Power Co.
May 28 it was announced that company contemplates issuance and sale late in 1951 or early in 1952 of mortgage bonds "to the maximum extent possible and the bank loans at that time will be largely or all retired." At that time, it will formulate a program for the complete refunding of all of the bank loans and to provide for the retirement of the outstanding preferred stock. On May 28, authority was sought of the SEC to borrow up to $26,000,000 from banks. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) For bonds only: Halsey, Stuart & Co. Inc.

● Western Maryland Ry. (6/13)
Bids will be received by the company up to 11 a.m. (CDT) on June 13 for the purchase from it of $3,540,000 equipment trust certificates, series P, to be dated July 1, 1951, and to mature in 15 equal annual instalments beginning July 1, 1952. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp., L. F. Rothschild & Co. and Auchincloss, Parker & Redpath (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler.

Our Reporter's Report

Institutional investors are definitely in a cautious mood again. They appear to have adopted a strictly wait and see attitude and from current reports would rather miss an opportunity than take a chance at the moment.

This became quite evident with the bringing to market of Georgia Power Co.'s $20,000,000 of new 30-year, 3½% first mortgage bonds. Offered for competitive bids, eight groups sought the issue and tenders were close enough to show all bidders thinking pretty much along the same pricing lines.

The successful group paid the company a price of 101.117 for the bonds and fixed a re-offering price of 101.871 for an indicated yield of 3.40%. The early response of investors was rather slow, judging from gossip in dealer circles, despite the fact that the bonds carried an A rating and that the yield was viewed as attractive.

It isn't so many months ago that similar graded paper was moving at yield of around 2.90% or 50 basis points lower in yield. But that does not seem to make any difference to some investors at the moment.

People evidently are still afraid of the market, having watched the Treasury list wobble around and municipals too. The market has been quite rough the last few months and losses that have accrued are not easily forgotten. That, it is said, seems to be the reason for current caution.

Perplexed

Considering the celerity with which equity offerings have been moving it is little wonder that the investment bankers and dealers are upset by the current state of affairs.

They point out that triple A paper is now selling at levels to yield from 3.10 to 3.15%, contrasted with 2.70 to 2.75% earlier in the year. Single A bonds, as indicated by the Georgia Powers, are around a 3.40 basis against 2.90% some months ago.

Yet potential buyers, though showing interest before a deal is closed, are now inclined to shy away in the hope of getting the bonds on a few points better basis ultimately. With private deals going through steadily, you just can't hurry buyers on a public offering, say observers.

Rheem Mfg. Preferred

Bankers were reported prepared to open subscription books today on 100,000 shares of convertible preferred stock, cumulative as to dividends. With Bethlehem Steel taking down 30,000 shares, the balance of 70,000 was for public subscription.

It was indicated that the offering price would be around 102, which for a 4.5% dividend rate, would set a yield of around 4.40%. The conversion privilege was expected to be fixed about 10% of the current market.

Preliminary indications were that the stock would be well received.

Commercial Credit

The only big operation immediately ahead is Commercial Credit Co.'s projected $40,000,000 of ten-year notes which probably will come on the market next week.

This is a negotiated undertaking and in view of its nature will have more or less limited appeal. The bulk of the funds accruing to the company will be used to liquidate a $35,000,000 note falling due on August 1 next.

The balance will be added to working capital. The price and terms will be announced presently.

Rush of Small Stock Deals

Next week promises a rush of common stock offerings, largest of which will be 274,027 shares of Public Service Co., of Colorado common; 256,842 shares of E. R. Squibb & Sons common and 216,575 shares of common of Carrier Corp.

California Oregon Power Co. is scheduled to open bids on June 12 for $6,000,000 of its 30-year first mortgage bonds, and a week from today Texas & Pacific Railway will receive bids for $5,500,000 of equipment trust certificates.

Blyth-First Boston Group Offer California Oregon Power Stock

A nationwide syndicate jointly headed by Blyth & Co., Inc., and The First Boston Corp., offered publicly yesterday (June 6) 250,000 shares of common stock (par $20) of the California Oregon Power Co. at a price of $24.25 per share.

Proceeds from the sale of the common stock, together with the proceeds from the proposed sale of $6,000,000 of first mortgage bonds, 1981 series, which the company expects to offer at competitive bidding later this months, will be used to refund $11,000,000 of bank loans which the company obtained to finance its current construction program.

Dividends are currently being paid on the common stock at the rate of 40 cents per share per quarter.

The California Oregon Power Co. is an operating public utility incorporated under the laws of the State of California. Its principal offices are in Medford, Oregon. The company is engaged in the production, transmission, distribution and sale of electricity in the southern part of Oregon and the northern part of California.

Lerner Elected

Louis C. Lerner

Lous C. Lerner of Lerner & Co., Boston, has been elected Vice-President of Victoria Gypsum Co., Ltd., and will devote his activities to a program of broadening sales outlets.

Feinsinger Partner In Nielsen, Gordon

Nielson, Gordon & Hall, 120 Broadway, New York City, members of the New York Stock Exchange, announce that Jack Feinsinger has been admitted to partnership in their firm.

COMING EVENTS

In Investment Field

June 7, 1951 (New York City)
Security Traders Association of New York Bowling League dinner at Antlers Restaurant.

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, 1951 (Philadelphia, Pa.)
Philadelphia Bankers & Brokers Bowling League annual banquet and outing at the Sandy Run Country Club.

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 12, 1951 (Boston, Mass.)
Boston Investment Club dinner meeting at the Boston Yacht Club.

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 (Los Ang., Calif.)
Security Traders Association of Los Angeles annual spring party at Lake Arrowhead Lodge.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This is something the newsboys haven't got wise to yet but here it is:

There has developed among literally hundreds of business and farm organizations one of the most unique revolts in the country's history, and it is pitched at both ending the organized economic nonsense of the Truman Administration and at restoring a half dozen basic, orthodox ideas in the operation of the nation's economy.

The thing is sweeping with all the fury of a brush fire on an early spring day, and with about the same speed as the flu contagion of 1915. Already state-wide meetings of farm and business groups have been held in 39 states to get going on this thing. In several states there have been regional meetings. In one state, Wisconsin, meetings have been held in all 52 of the state's counties.

Another of its fruits has been a remarkable unanimity among the scores of organizations which have been telling both Banking Committees what should be done to the Defense Production Act so as to make possible a long-time military build-up of the kind yammered for by the Truman chorus for the supposed purpose of stopping Russia.

With exceptions which are not significant, all the business and farm organizations which have appeared before the Committees for the last 10 days to two weeks have said, substantially along this line:

(1) There must be a tax bill which will enable the Federal government to pay its costs currently, and the tax bill will have to dig down into the lower brackets, including the Truman-protected time and one-half and double time boys. Trying to get taxes out of the rich just isn't going to do the job.

(2) "Non-essential" government expenditures must be cut sharply. Note, the talk is not merely to cut "non-defense" expenditures. It is recognized that a Congress willing to have the country remain solvent can find many not so sacred items of expenditure in the defense category, by probing into such questions as to why the country, now devoting less than 10% of its physical output to war and war preparation, need find itself saddled with a civilian Federal payroll about as big as when, during the height of War II, 40% of the nation's production was going to war.

(3) The answer to inflation is productivity and increased production.

(4) Credit must be controlled and if credit inflation is sparking an inflation of the economy as a whole, then the Federal Reserve must forget all the niceties about being on the Truman team and step in and contract the "supply of money" down to the point where there will be no credit expansion.

(5) This is said less frequently, but there is a groping toward two untried (in the U. S.) devices. One of these would "sterilize" a part of the public debt by some means to remove its availability for building up bank reserves. Another device is the adoption of some means to make a genuine boost in public savings.

(6) Finally, the spokesmen have almost uniformly said that if the foregoing five points are adopted, then price and wage controls simply must be ditched, chucked, tossed out, and be forgotten.

* * *

All this development has taken place without any of the trappings of a nation-wide movement.

The movement, if that is what it is, has no organization, no committee, no officers, no headquarters, not even a telephone, and no dues. This, of course, will not stop the first left-winger who gets a whiff of what is going on from calling it a "conspiracy of the interests against the common man."

This movement even lacks a guiding genius, although perhaps Allan Kline, the President of the Farm Bureau, has had more to do than anyone else with spreading the virus. However, there are some 19 national farm organizations playing a part in this thing, including the National Grange, the Cotton Council, the Cooperative Milk Producers Federation, and a dozen or so lesser organizations.

Just by illustration of the seriousness, one little facet of this thing is to get "agricultural conservation payments" cut from the $286 million proposed by Mr. Truman in his budget, down to $125 million. The Truman crowd engineered in the House a log-roll with the public housing boys (which didn't work out as to public housing) to succeed in reducing the cut down to only $225 million.

Other organizations of numerous kinds are in there pitching on this thing. These include not merely the large associations of businessmen, such as the National Association of Manufacturers and the Chamber of Commerce of the U. S., but taxpayers' leagues and all sorts of organizations a fellow wouldn't dream would be interested.

* * *

The paradox of this thing is that it is in fact a spontaneous movement. It may be that in one state, the state office of the Farm Bureau will call up several key people and arrange a meeting. In another state, part of a state, or a county, it might be some one from the taxpayers' league, or a chamber of commerce, or the Grange, or any other organization.

In any case, no one in Washington is guiding the thing, making lists of states, being sure that committees are appointed for each state, proposing a program, or outlining a course of action. Thus far the thing has had no organization at all, and has swept most of the country.

Even the six points is not hard and fast. No committee has sat around and defined these six points. Every organization states them in its own way, usually with somewhat different emphasis. For instance, certain retail groups, while going along generally with these meetings, have been a little more timid than others talking about abolishing controls for fear of bad customer reaction.

This movement is not directed toward a build-up to save the country in 1956 or sometime thereafter, but right now, in June 1951, if possible. From all over the country there follows these meetings an earnest and most urgent consultation with members of Congress about tax legislation, economy, and the Defense Production Act.

The boys are hot to abolish wage and price controls right now, and have obtained some substantial commitments at the Capitol. The general feeling is that DPA cannot be acted upon for two to three months, but these informal groups are demanding a vote at the earliest possible moment on killing price and wage controls.

So much fire has been caught by this movement that the Truman Administration would cheerfully settle now for a 90 day extension of DPA, in the hope that the heat against its program might later die down.

* * *

It's easy to get confused by the Wilson committee report of nearly a week ago unless you read it one way.

That way is to pay little attention to anything but the recommendations, the only thing upon which any majority of the Administration is agreed.

Throughout the belabored text of that report, which dealt with credit control, there is an almost inconsistent hint here and another one there. For instance, one might get the idea that there would be a further and drastic tightening of consumer credit rules, that perhaps the Federal Reserve rediscount rate might be boosted way up, that mandatory Federal credit rationing was nearer than many thought, and so on.

Actually the report isn't rated as amounting to much, is essentially anachronistic in having been motivated before the war between the Treasury and Federal Reserve was ended, and it has in fact been intended to bury the report, largely a staff job, very quietly. Then when some of the papers got hold of the word that the report was to be "suppressed," as the papers put it, the taunt caused the report to be made public.

The inconsistent stuff was due to the fact that the report, except for the recommendations, consists of a group of separate and not very correlated memoranda written variously by the Council of Economic Advisers, the Wilson staff, the Treasury, and Federal Reserve. Some boiler plate artist in the White House made an attempt, but not a very good attempt, to fit the thing together.

Thus, the CEA still talks for its pet idea of using the Banking Act of 1933 for what is in fact, but not called, "rationing credit." The Treasury talks about the importance of refinancing, the Federal Reserve about open market flexibility, etc.

Actually, what the report signifies, may be briefly boiled down, as follows:

(1) At present, the main interest of the entire Administration is the voluntary credit restraint program operated by the investment banking, insurance banking industries under the supervision of the Federal Reserve.

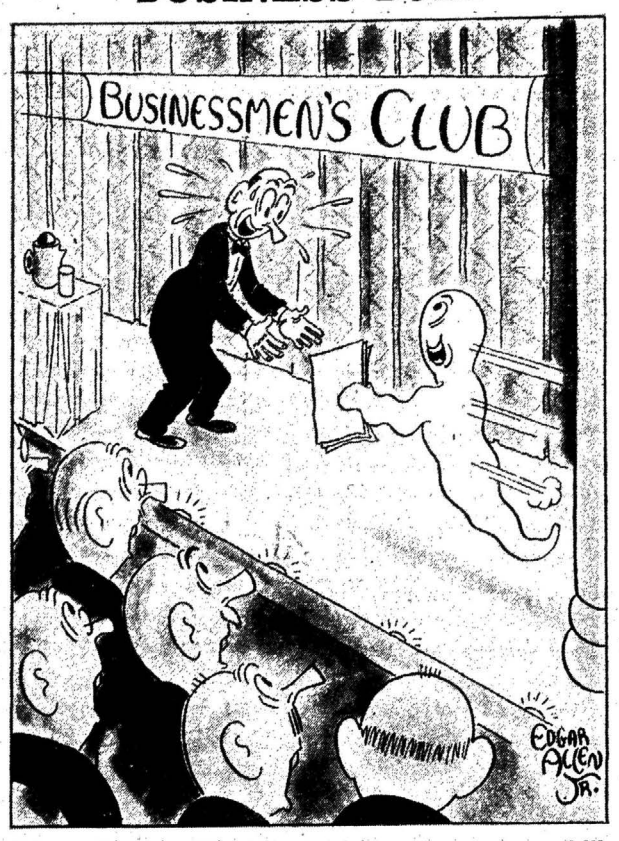
(2) The subterfuge of the Banking Act of 1933 will not be trotted out to provide direct Federal control and rationing of credit and investment unless there is a grave emergency, but, if there does develop a grave emergency, then this Act will be used instead of requesting additional or new powers from Congress.

(3) "Maybe" the Federal Reserve is committed to ask for additional reserve powers. This would seem to be literally indicated in the report, but the enthusiasm of the "Fed" for higher reserves is not great, and it is difficult to hit upon the form of such higher reserves.

In any case, whatever reserves are finally proposed, if they are proposed, will be of a standby character, unlikely to be invoked before Fall if then.

(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



"Sorry I'm late, Mr. Squeegee—here's your speech!"

Business Man's Bookshelf

British Exports & Exchange Restrictions Abroad (fifth edition)—Swiss Bank Corporation, 99 Gresham Street, London, E. C. 2, England—Paper.

Foreign Exchange Quotations—New edition listing 144 quotations of currencies of various countries throughout the world—Foreign Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Masquerade in Spain, The—A Report unmasking the Rulers of Modern Spain—Charles Foltz, Jr.—Houghton Mifflin Company, Boston, Mass.—Cloth—$4.00.

Natural Gas Construction Data—Gas Appliance Manufacturers Association, 60 East 42nd Street, New York 17, N. Y.—Paper—$1.

Role-Playing in Action—Chris Argyris—New York State School of Industrial & Labor Relations, Cornell University, Ithaca, N. Y.—paper—15c.

Subsidies for Farmers—Edited by Robert E. Summers—The H. W. Wilson Company, 950-972 University Avenue, New York 52, N. Y.—$1.75.

Timing Factor—Folder plus free samples of complete timing service—$1.00—Dept. B, Analyst Institute, 126 Lexington Avenue, New York 16, N. Y.