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EDITORIAL

As We See It

In the days which preceded World War II, and particularly in those years after the outbreak of hostilities in Europe and before our entry into the fray, the word "appeasement" grew to connote something sinister. Without doubt the quite general use of the term (as inspired by the crafty public relations men in Washington) influenced thinking in this country in a substantial and certainly not always constructive way. We had not been very long at war before another term, this time "unconditional surrender," became a sort of keynote in "indoctrination" propaganda out of Washington. The harm the use of this latter term did to us all is beyond measurement. In one very real sense a substantial part of our difficulties in trying to win the peace may be traced to the concepts, the prejudices, the ideology, and the state of mind for which these two cliches are largely responsible.

Today there are individuals, some of them with wide influence, who are working the term "appeasement" overtime in order sometimes to feather their political nest and sometimes to arouse the emotions of the American people to the point where they will be ready to follow extreme courses. The slogan "unconditional surrender" has not as yet made its debut in the discussions of the Far Eastern situation, but something fairly close to it, or at least corresponding to it, is being given advocacy and support by these same elements in the population which would apparently win a "glorious victory" in Korea if it took the last gun, the last tank and the last plane in our arsenal.

Whatever the wise course to follow in Korea, or in the Far East in general, this type of appeal

Continued on page 44

Producing Atomic Energy—An Industrial Function

By GORDON DEAN*

Chairman, U. S. Atomic Energy Commission

AEC Chairman describes purposes and progress of atomic energy program and stresses the industrial aspects of the work. Points out investment in atomic energy projects constitutes largest single aggregate of capital utilization in nation, and its operations for both defensive and industrial uses are still expanding. Says use of atomic energy for power purposes is still too costly, but great strides are expected in application of radioisotopes.

It has been almost exactly 20 months since a member of the Atomic Energy Commission stood before this distinguished group to report on the atomic energy enterprise of the United States. At that time—in October, 1949—Mr. Lewis Strauss, then a member of the Commission, presented to you a summation of the nature and status of the atomic energy program as it then existed. As many of you may recall, Mr. Strauss spoke in a setting created in part by a Presidential announcement less than two weeks before that an atomic explosion had taken place in the Soviet Union.

Gordon Dean

Those were tense days, and in the intervening months these tensions—far from having lessened—have actually increased. Many events have transpired since October, 1949, both within and outside of the American atomic energy program, which have affected the nature and scope of that program and, in turn, its influence on national and world affairs.

We have, for example, in December of last year, heard a declaration by the President of a state of national emergency. We have seen American and other United Nations' troops committed to combat in Korea. And we have seen the beginnings of a tremendous mobilization

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*An address by Chairman Dean before the New York State Chamber of Commerce, New York City, June 7, 1951.

Plastics and the Growth Prospects of the Industry

By PAUL J. WEBER*

Asst. Treasurer, Hercules Powder Company

Mr. Weber traces history of plastic industry and gives data regarding its remarkable growth in recent years. Says near-term outlook for plastic industry is being adversely affected by raw materials shortages, but longer term outlook is very favorable. Concludes use of plastics is still limited, but production and demand will continue to grow rapidly. Holds plastic industry is still in its infancy.

I am glad you asked me to give this talk. Since I am not a chemist or a chemical engineer, I learned a lot while preparing it. I ran into difficulty in the definition of plastics. Even to a chemist the dividing line is difficult and each chemist probably has a slightly different list of the materials that fall in the plastics group. The dictionary defines a plastic as being formative or as capable of being modeled or molded. The chemical dictionary defines a plastic as being organic in origin.

Paul J. Weber

Metals and glass, both of which can be molded or cast, therefore, are eliminated. They are inorganic in origin.

Apparently, the temperatures and pressures at which the molding, casting or injection takes place also can be significant. The chemical dictionaries, however, do not define the temperature or pressure ranges as yet.

The uses to which a material is put also raise a problem. Should an organic material be regarded as a plastic when it is put to non-plastic uses? Many organic materials with plastic properties, that is, the ability to have their form changed through molding, are utilized in adhesives, in paint, varnish and lacquer and in treat-

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*An address by Mr. Weber before the Association of Customers' Brokers, New York City, May 15, 1951.

TEXAS GROUP OF IBA PICTURES IN THIS ISSUE—The special insert in today's issue, starting on page 23, contains pictures taken at the 16th Annual Meeting of the Texas Group of the Investment Bankers Association in Dallas, Texas.

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The Security I Like Best

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(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

Rexall Drug, Inc. — N. Leonard Jarvis, partner, Hayden, Stone & Co., New York City. (Page 2)

Jack and Heintz, Inc. — Berkeley Williams, Richmond, Va. (Page 2)

N. LEONARD JARVIS

Partner, Hayden, Stone & Co., New York City

Rexall Drug, Inc.

During the past few years, research activities of the chemical and drug companies have been scoring new peaks. Several companies have pioneered with new wonder drugs such as American Cyanamid with its Aureomycin, Parke Davis with its Chloromycetin, Charles Pfizer with its Terramycin and Penicillin, and Merck with its Cortisone. There are a number of other companies also which have done outstanding jobs and, for the most part, each sponsor has come through with extraordinary earnings despite higher taxes and the securities have responded admirably marketwise. For the most part, each company has specialized in certain fields and later has expanded further with derivatives.

N. Leonard Jarvis

Rexall has not been entirely backward in its research and last June it formally announced that its newly formed ethical drug manufacturing subsidiary, Riker Laboratories, Inc., had developed and introduced a new drug known as "Veriloid" which, it is believed, is the most effective means known to medical science for the control of hypertension (high blood pressure). It now has nationwide distribution through Rexall and other drug stores and is available to the general public through these stores only on doctors' prescriptions. Clinical testing is continuing with very encouraging results and an adequate budget has been provided for further research and development work on Veriloid and other related products according to the company. While the American Medical Association has not yet given its approval to this new product, it is believed that Clinical tests have been given with good results to hundreds of sufferers. In any case, it is estimated that Veriloid sales, even without AMA approval, have already exceeded $1 million. Rexall has carried its research on Veriloid further and we understand that perhaps six new derivatives of Veriloid may be introduced to the medical trade before the end of June. It can easily be seen that if this drug is approved, its sales could be multiplied many times over.

It has been estimated that there are perhaps 18 million people in the United States suffering from high blood pressure, of which perhaps one-half are aware of it. Obviously then, there is a gigantic potential market for any product which can give relief to such a large number of people not only in this country but for those who are suffering from hypertension in other parts of the world. While there are a number of other companies which have also been doing hypertension research, it is believed that the work which Rexall has done with its Veriloid and other derivatives is more advanced than any. It uses for its base the root of a plant called "Veratrum Verides."

Rexall's basic business is long established and, through its subsidaries, it manufactures, distributes and retails drugs and a general line of drug store merchandise. Over 7,000 different products are manufactured and handled including a complete line of drugs, pharmaceuticals, medicinals and cosmetics sold under private brand names, of which the two best known are "Rexall" and "Puretest." Its retail operations are conducted by the company on a decentralized basis through three major divisions, namely 88 Owl stores on the Pacific Coast, 66 Lane stores in the South and 136 Liggett stores in the East and 36 in Canada.

The company during the past few years eliminated many of the small volume unprofitable types of stores and it is now believed that all the stores are operating on a satisfactory basis. The Rexall Company also services some 10,400 independently-owned "Rexall" drug stores in the U. S. and Canada, many of which have exclusive franchises in their respective territories. This is an increase of about 400 during the past year and it is our understanding that the company may eventually get up to the 12,500 agency mark but it will, of course, screen all agencies and will make contacts only through those having high credit ratings.

Results for the past several years have not been satisfactory insofar as the company's consolidated picture is concerned as it has had certain losses and general expenses incurred by closing and selling company-owned marginal retail stores. This resulted in a precipitous decline in earnings from a peak of $1.17 per share in 1946 to a loss of 36c per share in 1949 but last year the company turned the corner and showed net sales of $153 million and reported net earnings of $2,024,000, or 58c per share, as compared with a net loss of $1,250,000 in the preceding year. All this general housecleaning is believed to have been completed but in the course of this action, its shares declined from its 1946 high of 19⅜ to a subsequent low of 4⅛ in 1950 and currently are selling at around 6¾. Rexall's drug stores have been measurably improved and the effects of its operational efforts should result in further improvement.

In the year 1950, the largest number of Rexall dealers sold the greatest volume of Rexall products in history and with a further increase of dealers, it is believed that the sale of trade-marked products will be further increased this year. Under present tax laws, it looks as if the company would not be subject to excess profits taxes unless earnings before Federal taxes were in excess of $5.5 million, which would indicate an EPT credit of around 80c a share after taxes. I think, however, that this year's earnings may be somewhat better than $5.5 million before taxes and that logically they could rise to somewhere between $6-$7 million, in which case the company might report earnings of around 90c to $1 a share. In my opinion, the Rexall management has done an outstanding job in improving the overall picture and the improvement which appears to be in view has not yet been taken into consideration in view of the low historical price level at which the stock is selling currently.

If my guess on earnings for this year comes near to achievement, it would seem logical to expect resumption of dividend payments. Furthermore, when and if Veriloid and it derivatives are approved, Rexall's position should be improved materially. From the point of view of potential gain percentagewise, I recommend that serious thought be given to Rexall at this time, especially as it is still on the long-term bargan counter.

BERKELEY WILLIAMS

Richmond, Va.

Jack & Heintz, Inc.

During World War II Jack & Heintz, Inc. built up a national reputation by its:

(1) Ability to turn out quality work in unbelievable quantity.

(2) Unorthodox methods. Bill Jack used to keep employees he always called "associates" going at top speed (according to "Business Week" Sept. 25, 1948). These unorthodox methods were free lunches; free coffee at any time; all-expense vacations in Florida during the winter, or at lake resorts in the summer; and frequent banquet dances. At Christmas each associate got a large turkey for himself, and another for a friend. They got wrist watches—and other special and costly gifts.

Berkeley Williams

But when war ended its government business dried up and entire interest was purchased in March, 1946, by a group of Eastern investors headed by Byron C. Foy and its name changed to Jack & Heintz Precision Industries, Inc. The deal provided that Bill Jack and his partner, Ralph Heintz, should stay on to head the company's operating and engineering departments, but Jack got into serious, violent and semi-public rows with its new proprietors, and departed for Escondido, Calif. Next news of him was in September, 1948, when he announced from Escondido plans for a Jack Aviation Co. to manufacture new aircraft parts on a 40-acre site and employ 2,500 on one shift, with $15 million a year pay roll.

Ralph Heintz continued on as Chief of the 300-man engineering staff. In May, 1949, he arranged to leave J. & H. but is under a consulting contract and is still a director on very cordial and friendly relations with the company.

Jack & Heintz Precision Industries, Inc.

When the Foy group took over it placed the company on a sound financial basis but not sufficiently sound to permanently weather the operating program that had been adopted to manufacture certain peacetime products which looked promising. Profits did not

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Importance of Research in Growth of Chemical Industry

By CRAWFORD H. GREENEWALT*
President, E. I. du Pont de Nemours & Company

Leading chemical executive describes growth of chemical industry in last half century and its beneficial effects in improvement in social security as well as its contribution to national security. Points out spiritual progress follows on heels of national comfort, and as long as research and scientific training is free, the nation will grow and improve.

It has only been since 1900 that the American chemical industry, as we know it today, has had its existence. Then chemical manufacture was limited to a few relatively simple inorganic and organic compounds. The ensuing 50 years have marked an era of astonishing development and growth, for du Pont and for the entire chemical industry.

C. H. Greenewalt

Many companies have participated in these advances, and we like to think that du Pont has contributed its proper share. In any event, the competitive goad at our backs has urged us forward and we hope our competitors have occasionally felt the sting of our whip as we have felt theirs.

The net result has been a continuing stream of new materials pouring out of the country's laboratories during this eventful period.

The development of plastics in great variety has given us new structural materials which now challenge the supremacy of the metals. We have new synthetic fibers, synthetic finishes, synthetic rubber, films, dyestuffs, improved motor fuels and pharmaceuticals, all playing their important role in our economy.

New engineering techniques have been developed on a large industrial scale, including equipment for the use of high pressures and catalytic reactions, which have brought us a host of products of vital importance to agriculture and industry.

We have a new understanding of such processes as polymerization which has opened up wide, new areas for exploration.

A Factor in National Security

These developments have brought with them advances in the national economy and in the national security. Whole new industries have been created, with opportunities both for employment and investment. The United States has to an increasing extent been freed of dependency upon the technology and natural resources of other countries.

These gains have brought the American citizen of 1951 a way of life that would have been the envy and wonder of his grandparents, two short generations ago. In food, clothing, shelter and transportation, and in ease, convenience and comfort, the standards of even the most modest American home have gone steadily upward. Each successful development in the laboratory has advanced the American standard of living in some way or another—in fact, it can scarcely be accounted a success unless it does so.

Nor is this progress limited to creature comforts—we have gone ahead in other ways of even greater significance to our ultimate well-being. Since 1900, for example, our life expectancy has increased by nearly a quarter of a century. American boys and girls go on to high school and college where their grandparents were out in the world at the grade-school level. The work week has fallen from 48 hours and upward to a 40-hour standard. Backward and remote areas have been reclaimed by good roads, high speed transport and rapid communication.

It is essential that we recognize that these gains, social and material, have not been accomplished by legislation, by deals, old, new or fair, but simply through the application and encouragement of invention and development.

Women were not freed from their 18th Century servitude by feminist agitation, but by the invention of the sewing machine, the dish washer and the Frigidaire and the Bendix, together with the revolutionary developments for handling and distributing foodstuffs.

Peasantry on the farm was not banished by reform or edict, but by the iron plow, the reaper and the tractor.

The 12-hour shift and the six-day week could not have disappeared from the scene through laws or social upheaval, had not modern machinery, developed by research, made it possible for the American workman of 1950 to produce many times as much goods as the workman of 1850.

The automobile, preeminently a product of research, has widened and enriched lives in a manner impossible to achieve through legislation. At every hand, it is plain that the improvements leading to advancement have their origin in invention and development. There is no alternative.

Perhaps it can fairly be said that we have not yet learned to make effective use of these contributions. Certainly the ultimate social merit of increased longevity, of rapid communication, of

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*Part of address of Mr. Greenewalt on the occasion of the dedication of the du Pont Company's Expanded Experimental Station, Wilmington, Del., May 10, 1951.

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The High Cost of "Cheap Money"

By D. W. MICHENER*
Director of Research
Chase National Bank, New York

Pointing out as major financial development of recent decades the expansion of money supply in excess of growth of national income, New York bank economist asserts "it appears we are still willing to use money expansion in efforts to solve national financial problems." Estimates "cheap money" policy, through process of inflation, has resulted in net loss to Treasury, and upholds ending of pegged rates on government bonds. Foresees possible further credit controls, but looks for better bank earnings and participation of banks in new government financing.

To our generation of bankers, the development in this country of most importance is probably the unparalleled rise in the money supply which has taken place during the the past two decades. This development has had an important influence upon the people of every city and town in the country; almost every household finds that its economic circumstances changed because of the sharp increase that has occurred in the volume of our means of payment.

D. W. Michener

Because of its great importance, it may be worthwhile to review the circumstances leading to this rise in the money supply. As you know, economic history is replete with examples of the deliberate expansion in the volume of money by the different countries. At the time of the Roman Empire, debasement of coins was the chief method used. Centuries later, the printing of paper money was employed. Today, however, it is done by a more efficient but less obvious method. The chief means of expanding the money supply now is by increasing the deposit accounts in commercial banks. In making a loan, a commercial bank brings into being a new deposit account, and this new account, when drawn upon in making payments, adds to the circulating media which we commonly refer to as money.

Also, when the commercial bank invests in government securities, or, in other words, loans to the government, new deposit accounts are similarly created. The fact is, as you know, the major means by which new deposit accounts have been created in this country during the past two decades has been the "loans to the government" made by the commercial banking system. These loans now amount to more than $80 billion, a total some 16 times that of 1929. On the other hand, loans made by commercial banks to non-government borrowers show only a very moderate upward trend during the past three decades. The total at the present time is less than two times that of 1929.

Increase in Money Supply Twice As Rapid As in National Income

Largely as a result of the expansion in bank deposits arising from loans to private and public borrowers, liquid assets in the hands of the public, including currency, deposits and redeemable government securities held, have expanded to more than four times the level of 1929. During this same period, our "gross national product," representing the output of goods and services of all kinds, has been multiplied by only two.

History makes it clear that when money is expanded in an inordinate fashion, the behavior of the people is greatly affected. The "Good Book," you will recall, records the parable of the prodigal son who was doing very well on his father's estate until an extraordinary amount of money was suddenly placed in his hands. It was after this event that he picked up and took his journey into the far country. And thus it has always been. The inflation in France in the early 18th Century, the boom in England two centuries ago and similar periods in the history of this country are replete with accounts of unusual behavior on the part of people as a result of expansion in the money supply.

Our recent experience in expanding money has brought results similar to those of earlier times. Prices of goods and services in this country have been bid up to higher levels than ever before experienced. Despite the huge volume of funds in the hands of the public which came as a result of government borrowing from banks, credit purchases have increased to unprecedented heights. Consumer credit, as you know, touched $20 billion, an amount more than twice as large as the volume of brokers' loans in the New York Stock Exchange during the 1929 boom. Mortgage debt on one-to-four-family dwellings has increased some $25 billion since the war. Total debt in the country, including the debt of the Federal Government, state and local governments, individuals and corporations, now stands above the 500 billion mark.

As was indicated earlier, the outstanding financial development of the past several decades has been the increase in the money supply which has occurred largely as a result of our method of financing government deficits. While the peak of expenditures for the war period—nearly $100 billion annually—was reduced below $40 billion in 1946-47, the pressure of recent developments has caused sharply upward revisions in estimates of government spending during the next few years.

Cost of Decline in Interest Rate

Accompanying the rise in the Federal debt since 1929, there has been a prominent downward trend in the average interest rate paid on United States Government borrowings. This long-run decline in the rate of interest was the direct result of the credit policy pursued by responsible monetary authorities. In the early 1930's, this "easy money" policy was designed to encourage recovery, and the increase in the monetary gold stock furthered the process. In the early 1940's, the objective was to further the war effort, and following the war, the "easy money" policy was maintained in the hope of avoiding an anticipated postwar decline in business.

These developments serve as something of a background against which to observe some of the major factors influencing banking at the present time. Of the current factors influencing banking, the first, and perhaps the most important, is the turn of events in the field of monetary and credit policy. In recent months, the prospect that government expenditures would be substantially increased brought the conflict between the Federal Reserve Board and the Treasury into sharp focus. The Federal Reserve Board, from the beginning, has had the responsibility for credit control in this country. Section 12 of the Federal Reserve Act makes it clear that the major objective of the open-market activity on the part of the System was that commerce and business be accommodated, and that these operations be governed "with regard to their bearing upon the general credit situation in the country." The Treasury, on the other hand, has given emphasis to the importance of keeping down interest costs to the government.

It is clear, however, that, even from the point of view of the Treasury itself, factors other than interest costs are of greater importance. The Treasury is the largest buyer of goods and services in the American market. For the Treasury to insist upon low rates on borrowing, even though the "cheap money" policy causes the general price level to rise, does not appear to have been a means of keeping Treasury costs down. During the past 10 years, for example, had the Treasury paid a rate on its borrowing equal to the 1918-25 average, the cost would have been some $43 billion more than that actual paid. On the other hand, the rise in the prices of goods and services caused by this "easy money" policy must be taken into account. The government bought, during the 10 years, some $550 billion worth of goods and services. Had the Treasury been able to buy these goods at 1940 prices, the savings would have been $185 billion. Also, by spending less, its borrowing and interest costs would have been reduced.

Apart from the Treasury's position, the costs of "cheap money" are apparent at many points in our economy. One of these is the adverse influence on personal thrift. National emergencies demand careful and conservative spending on the part of all citizens; but the expansion of money produced by "cheap money" policies has brought opposite behavior. And, in the face of the resulting difficulties in the different markets, a broad array of government controls has been introduced, with all the dislocation, confusion and injustice with which these control efforts have always been accompanied.

The recent steps taken by the Federal Reserve Board to modify the previous support pattern for government securities and to allow higher interest rates to prevail represent a move in the right direction. The full influence of this change in policy will, of course, depend upon later developments. The success of the policy depends upon whether or not the policy of withholding Federal Reserve credit from the market for government securities is continued. If it is, further monetization of the public debt will be curtailed or prevented. The present unclear course of action for the future is illustrated by Governor Martin's recent statement that, "We do not intend to support the market for government bonds on a pinpoint peg, nor do we intend to let the market go completely on its own."

The Increased Demand for Bank Credit

A second major problem affecting the banking outlook is, of course, the trend of business generally and the demand for bank credit. It is to be recalled that, one year ago, we were near the peak of a postwar boom, and some symptoms of decline were appearing. Then came the outbreak of war in Korea. Following this shocking news, came one of the greatest periods of panicky buying which the country has ever experienced. The Federal Government, industrialists, merchants and individuals all participated. Government purchases of materials for its stockpile were stepped up sharply, so that goods costing more than $3 billion have now been accumulated. Merchants and manufacturers rushed to stock up with goods and equipment as quickly as possible. Merchants adjusted their inventory policy to carry 15 to 20% more goods, and manufacturers immediately endeavored to expand plant capacity to take care of the greater demands. Consumers concentrated the force of their purchases in two buying waves, the first coming after the President warned the country of shortages and rationing on July 19, and the second following the President's declaration of a state of national emergency on Dec. 15.

An important question now facing us is just "how short" consumer goods are going to be. Judging from best estimates of the current outlook, production of civilian goods is not going to be as sharply reduced as it was during the previous war. At the moment, it appears that something less than 12% of our total productive capacity is being devoted to defense production and, according to the Director of Defense Mobilization, Mr. Charles Wilson, only 20% will be absorbed by the military at the peak of the defense program during 1952. If this estimate for 1952 is correct, there will still be more civilian goods and services produced during that year than during any year prior to 1950. This prospect, along with the present large supplies of goods already in the hands of consumers and merchants, suggests no general shortage during the next 12 months. If the threat of all-out war continues to subside, it may be that purchases by consumers will proceed at a more moderate rate during the months ahead and that business, generally, may experience a volume somewhat below that experienced during recent months.

Prospect of Bank Earnings

A third field of special interest to bankers is the prospect for bank earnings in the near future. The fact that bank portfolios of government bonds are worth a little less than they were a few months ago, naturally sharpens the bankers' interest in the earnings outlook. Operating costs are still moving upward. This includes wages and salaries, materials, furniture, cost of services, etc. On the income side, it appears that the volume of bank loans has, for the present at least, reached a peak and might be tapering off in the near future. The rate of return from interest being paid on loans is moving upward slowly. For the banks in 19 cities, the average rate charged customers is now a little more than 3%, as compared with 2.68 a year ago. The movement of the volume of government security holdings by banks is a matter which can only be determined in the future, and this will depend largely upon the extent of Federal financing and the extent to which such financing can be done through non-banking institutions. As was indicated earlier, the prospective rates of Federal expenditures and income over the next few years suggest that bank participation in new financing is a very definite possibility.

Among other factors influencing the banking outlook is the possibility of further government controls in the form of new reserve mechanisms and of mandatory limits on the total credits extended by lending institutions. These are apparently still in the "discussion" stage, and definite proposals by the Board in this regard will porbably depend upon future credit developments.

In summary, then, the major financial development of recent decades has been the expansion

Continued on page 5

*An address by Mr. Michener at the Annual Convention of the Connecticut Bankers Association, Manchester, Vt., June 9, 1951.

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The State of Trade and Industry

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

Nation-wide industrial output showed mild improvement the past week from the holiday-shortened prior week. Aggregate production rose noticeably above the level for the corresponding 1950 week. It was noted that total claims for unemployment insurance were somewhat even with the previous week, but were considerably lower than a year ago.

Steel ingot capacity held last week at 103.2%, unchanged from the previous week, while automobile and truck output rose substantially following the return by Chrysler to full scale operations after a week of labor disruption, and by Studebaker, whose output had been held down by shortages of materials.

An increasingly critical scrap shortage is shaping up, threatening continuance of the present above-capacity steel production pace, says "Steel," the weekly magazine of metalworking. Not only is the volume disappointing, but quality of material often is not up to standard. While tonnage is moving steadily into consumption from scrap yards and other sources, the flow is insufficient to permit replenishment of shrinking mill inventories, which, in some cases, are the lowest in years. Normal inventory is considered 60-90 days. Some producers' stocks are down to six days.

A growing number of steelmakers depend on government allocations to sustain their production schedules. And indications are more directives on the scrap yards will be forthcoming soon with collections falling short of expectations as industrial volume slips in step with declining civilian durable goods manufacture.

Steel continues to pour from the nation's furnaces in near-record volume in the face of raw material shortages and scattered labor disturbances. In May, a record 9,094,000 net tons were produced, topping the previous high monthly output mark set in March this year by 23,000 tons.

Mounting uncertainty is evident in steel markets as the switch to the Controlled Materials Plan distribution nears. Considerable administrative detail remains to be worked out before the effective date, July 1. Mills are busy lining up production schedules for defense and related account for third quarter and are still uncertain what "free" tonnage will be available for the general consuming market.

Goverment control authorities are under pressure from all consuming directions for forward supply coverage into the fourth quarter and beyond. In a number of cases spot steel supply assistance prior to the effective date of CMP is sought. Pending further advices from the Government the steelmakers generally are restricting further fourth quarter acceptances of DO orders to military and Atomic Energy Commission account, these being the only accounts so far authorized to revalidate defense ratings with CMP allotment numbers or to use CMP allotment numbers in new orders. Non-military orders that have been accepted are being returned to customers.

Extensive layoffs confront auto workers in July. Passenger car manufacturers and large parts suppliers will be forced to cut production because of restricted metal allocations, states "Ward's Automotive Reports." Daily output rates will be drastically below present levels, it added, and some plants will be compelled to reduce payrolls as much as 25% to 30%. The Detroit area will be particularly hard hit. "There is no defense work at present which could even begin to take up the slack," this agency declared.

The General Electric Co. is laying off 300 of the 900 employees at its radio receiver plant in Utica, N. Y., because of government restrictions on materials. Nash-Kelvinator Corp. was scheduled to slash refrigerator production on Monday of this week about 25%, idling 900 of the 4,000 workers at its Grand Rapids plant. The company said its own stocks of refrigerators are about normal for this time of the year, but high stocks of the industry as a whole made the cutback necessary.

Steel Output Rate Holds Unchanged at 103.2% for Third Consecutive Week

The steel supply is getting worse and will continue to grow more critical in the final months of this year and the first quarter of 1952, according to "The Iron Age," national metalworking weekly.

Automobile producers may be forced to cut back production further in the third quarter. They won't do so willingly, so when their production drops it will be all the more significant. The reason for their cutbacks will be a lack of critical metal items, particularly alloy and carbon bars. A leading producer of carbon bars says that more than 90% of his output will be controlled in

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The High Cost of "Cheap Money"

of money, and it appears that we are still willing to use "money expansion" in our efforts to solve the more difficult financial problems of the nation. However, credit policy has recently undergone changes which might herald a termination of this process in the future.

It is important that we keep our perspective relative to the business cycle. A year ago, we were at the peak of a boom. Then came international developments which caused an enormous surge of buying. If the war scare subsides, we must think of business volume in more modest terms. As we look to the future, it is clear that the problems facing the banker are far from easy ones, but that we, in the banking profession, are in an interesting and vitally important business as we move further into the decade of the 50s.

Business Man's Bookshelf

Conscience on the Battlefield—Leonard E. Read—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—Paper—No charge for single copies; quantity prices on request.

Current Issues in Foreign Economic Assistance—The Brookings Institution, Washington 6, D. C.—Paper—$1.

Day's Work at the Federal Reserve Bank of New York, A—Description of the work of the Federal Reserve Bank—Public Information Department, Federal Reserve Bank of New York, 33 Liberty Street, New York 5, N. Y.—Paper—No charge.

Atom Bombs Are Not Enough—A Constructive Policy for the United States — Chester Bowles and Hans Kohn—Citizens Conference on International Economic Union, 80 Lexington Avenue, New York 16, N. Y.—Paper.

How Can We Pay for Defense?—Maxwell S. Stewart—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—Paper—20 cents.

Price Controls—Policy manual—Dr. Julius Hirsch and William J. Casey—Business Reports, Inc., 225 West 34th Street, New York 1, N. Y. — Loose-leaf binder form—$12.50.

Observations . . .

By A. WILFRED MAY

A "Darkness at Noon" of Economics

Part and parcel of this *capsule* reading era is the constant complaint that writing on economics—particularly of the realistic kind—is too dull and obscure for popular public consumption. Apparently in acquiescence to the need for sugar-coating, Henry Hazlitt, although perhaps the clearest and simplest contemporary writer in his field (*"Economics in One Lesson," etc.*), uses the device of offering his latest work as a novel, **The "Great Idea; a novel by Henry Hazlitt. Appleton-Crofts, Inc., New York. 374 pp. $3.50**

Henry Hazlitt

A. Wilfred May

Mr. Hazlitt's addition of a story flavored with old-fashioned Muscovite intrigue and some pretty obviously dragged-in sex assuredly does not come off as a consistently absorbing Koestler, "Darkness at Noon," for the completely uninitiated fiction-loving lay public. On the other hand, it is somewhat distracting to the expert reader anxious to concentrate on the author's brilliant economic exposition. The net result nevertheless is success in composing an opus suitable for exposing vital truths to the "mass market," of the former, without too seriously lessening the profit to the initiated.

Mr. Hazlitt's work embodies the thesis that even if communism were spread unhindered throughout the world, it could not survive and the ensuing disillusionment would finally demolish credence in the spurious Marxist theories; that planning without the functioning of a free market to guide production and distribution decisions, and the incentives from private ownership, would inevitably run itself into the ground; and that if capitalism did not exist, Socialist planners would inevitably be forced to embrace it through the successive adoption of its individual component elements. It effectively scotches the basic Marxian theory that the quantity of labor involved in the production of anything is the sole factor contributing to the value of that product.

America a Poverty-Stricken Part of "Wonworld"

Mr. Hazlitt convincingly "sells" these sound conclusions by basing his story on the supposition that the whole world, excepting only the island of Bermuda, has been conquered by the Communists, who now, in the year 2100 by the Capitalist calendar, or 282 in the Year of Our Marx, run things completely their own Marxist-Leninist way from Moscow, capital of "Wonworld." Life is completely regimented, with no one daring to speak his mind under the ruthless, corrupt and intriguing dictatorship. America has become a weak poverty-stricken country, with a severe famine raging in Kansas.

Stalenin, the dictator of Wonworld, about to die, has summoned his son Peter Uldanov to take over as his successor. Because of his "faulty" education, Peter is ignorant and does not understand Wonworld economics. But on taking over the reins from his father, he soon comes to see how the collectivist system fails to work, and voices a host of objections. Despite the situation that the prior elimination of all bourgeois Capitalist institutions had created the theoretically perfect setting for communism, nevertheless Peter and his colleagues are slowly but surely driven by the practicalities to adopt one-by-one the methods of private capitalism and the market economy.

In Wonworld, history has been divided into three great periods by her writers: Ancient History, the Dark Ages, and Modern History. Ancient History is depicted as all that period, of which practically nothing is now known, that came before what was "amusingly" called in the Dark Ages the Industrial

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The Loan Arrangers

By IRA U. COBLEIGH

Author of "How To Make a Killing In Wall Street And Keep It"

Providing some insight into personal loans to millions of our citizens, and how the companies that make them, fare.

All of us get shy of cash once in a while. Uncle Sam owes 257 billion, we rue the rubles we advanced to Russia, and right now, you may be creeping behind your office desk, hiding from your Cousin Louie who's just had a tough day at Belmont slaving away over a hot tip — and, at this moment, is on the prowl to put the bite on your for a couple of fins. Yes, debt is everybody's business, but not everyone is as clever at making it pay, as the leaders in personal finance we shall review today.

Ira U. Cobleigh

We're talking about small loans —not mink-coated RFC advances, or colossal corporate credits. Top figure in this personal line is usually around $500 — in some States only $300.

It all began about 1910 when the Russell Sage Foundation made a deep study of debt among the low men on the financial totem pole. The Foundation reached two vital conclusions. First, there was (and is) a country-wide need for small loans; and second, that such loans could not be profitably made at prevailing maximum legal rates of 10% or 12%. What really happened, in those rugged days of 40 years ago, was that if a guy needed a fast 100 bucks to pay a doctor, to buy medicine, or send a sick child to Saranac, he went to a loan shark. He got the money, yes—but he paid interest rates of from 120% to 250% a year. Through no fault of his own, the borrower fell hopelessly among vultures.

So this Russell Sage Foundation determined that, while small loans were, beyond question, costly to process, legal lenders must be created to handle them. The Foundation drew up a model standard small-loan law, and took aggressive steps for its adoption by each State. This legislative program turned out to be highly successful, with the result that 33 States legalized small loan companies to grant personal loans, and send the loan shark offshore.

It may sound high to you, but practice has shown that in dishing out personal credits of from $50 to $150 to needy borrowers, an interest rate of 2% a month just about breaks even. Investigation is costly, legal advice is seldom free, and jogging up the slovenly is expensive. Further bookkeeping and records must be complete, and thorough reports to State supervisory bodies are required. For this reason, most States allow their licensed small loan companies around 3 to 3½% per month on the first $100 loaned, about 2% on the the next $100 and often as low as 1% or even ½% (New York law) for over $200.

Under reasonable operating interest rates like the above, over 6,000 licensed loan outfits are now loaning dollars in the 33 reguated States. Some are local companies, some partnerships, but the biggest ones are corporations whose stocks are publicly held and listed on the Stock Exchange—such as Household Finance Corp., Beneficial Loan Co., American Investment and Seaboard Finance.

Don't get the idea these companies are working for peanuts—far from it! Why one American family out of five is going to lodge an I.O.U. with some personal loan office this year. To get the dough, about half of the time only signatures are required—sometimes just the maker—other times man and wife. Perhaps 20% of these loans are secured by chattels—like furniture. Not that furniture is such hot collateral—it isn't—and it would almost always cost more to possess and sell the furniture than the loan is worth. But if the morris chair is pledged, it gives a good opportunity to investigators to look over a home—to "case" the personal credit risks involved.

While the average individual small loan today is about $200, the total for personal finance companies is indeed impressive — roughly a billion dollars (in 33 States); while commercial banks supply another two and a half billion, and credit unions and industrial banks three-quarters of a billion more. Small loans add up to big banking.

Perhaps the best way to get the real rundown on "doin' what comes personally" in the diminutive debit business, is to look at the results of the oldest and largest outfit in the trade—Household Finance:

Yr. End. 12/31	No. of loans	Aggregate Bal. due	Average Loan bal.
1945	536,280	$76,060,345	$142
1949	1,064,332	207,125,905	195

From this, it's easy to grasp the expansion phase of small loans. Loans are growing in number and size and loss experience is most favorable. You may have a lot of bum I.O.U.'s in your desk drawer, and may regard an advance to a friend, down on his luck, as sheer poison, but companies like Household do all right. Its worst year was 1933 when it wrote off 5.86% of customer notes. Best years were 1936, 1945 and 1946 with no net write-offs whatever, and the average of Household for over 21 years was less than 1% loss—a truly remarkable showing.

How come some 9,000,000 families each year have need for extra funds and what do they do with the money? Well 20% borrow to pay off a lot of little items —debt consolidation, it's called in the trade. The next largest group —18%—use the money for medical, dental or hospital bills. Clothing, repairs and travel account for another 22% and other loan purposes include everything from buying an easel for a painting hobbyist, to staking a sick dachshund to a tonsillectomy! Favorite American repayment date for an instalment loan is 18 months away.

While the average borrower has an income between $2,000 and $4,000 a year, loan managers are occasionally surprised by the loan application of a high-salaried executive. This seems to be due to the fact that the executive doesn't want his regular bank, or associates, to know he's hard up; others come because they're customers from less palmy days, and they've learned how easy and quick it is to get short-term money this way.

So small loans serve a vital need, do it efficiently and profitably and they offer a commodity that is forever in demand—dough! They also provide a valid investment medium tested for income and growth through the years. Let's scan the top four shares:

(1) **Household Finance** common sells around 35 and with a $2.00 dividend in 1950 yields 6.30%. Dividends have been paid faithfully since 1917, including extras along the way, and management seems highly competent, in loan selection, as well as in development of better earnings and dividends.

(2) **Beneficial Loan** is reputed to be second largest in the field and its common sells at 25 yielding 7% on the basis of 1950 dividend of $1.75. Unbroken dividend record here goes back to 1929.

(3) **American Investment** at 18 yields 7.20% on 1950 rate and has a 20-year dividend record.

(4) **Seaboard Finance** at 19 yields 9½% on its current dividend of $1.80. It's smaller than the others with dividends dating from 1944, but growing fast!

An investment package in this field would look like this:

	Cost	Current Dividend
1 share Household	35	$2.20
1 share Beneficial	25	1.75
1 share American	18	1.30
1 share Seaboard	19	1.80
	$97	$7.05

So, if we can paraphrase the adage by saying that, while we live, the only things certain are "debt" and taxes, then, in our scheme of things, we must reserve an important place for personal finance companies. Their best assets are funds, technical knowledge, and the essential financial integrity of our fellow citizens. The loan arrangers don't need a white horse or an Indian guide to do ample justice to borrower and investor alike!

This advertisement appears as a matter of record only, these Notes having been placed privately by the undersigned.

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June 20, 1951

Townsend, Graff to Admit

Harold A. Shaffer on June 21 will acquire the New York Stock Exchange membership of the late Robert L. Demuth and will become a partner in Townsend, Graff & Co., 15 Broad Street, New York City, members of the New York Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

OMAHA—This writer has been traveling through the Mid-West the past week and he gets a strikingly different impression of what is happening in the world than what he gets in Washington and the East. Or rather, there are the same happenings but cut here different values, different appraisals seem to be applied to them. The emphasis is different.

Carlisle Bargeron

For example, one would get the distinct impression in the East, from the press and the general atmosphere, that Secretary of State Acheson has bowled over his critics, made monkeys out of them. I believe I can accurately say that this is not the reaction of the Mid-westerners. While I have not attempted any man-in-the-street survey, I have talked exhaustively with men whose business it is to know what this man in the street is thinking.

In the East, there seems to be considerable admiration for the skill with which the Secretary handled himself before the Senators; an admission on the part of critics of the Administration's foreign policy that he made the best of a bad situation, possibly because his Republican critics were not thorough or efficient in their pot-shot questioning.

Out here there seems to be no interest in the professional aspect of how he performed, or the lack of performance on the part of his critics. He simply hasn't made sense of the Administration's foreign policy to these people.

Similarly, you hear none of the jibes or wisecracks or disparagement of Generals MacArthur and Wedemeyer. This particular State of Nebraska is Wedemeyer's native state. Anyhow, I think there is little doubt that they would both out-poll Truman in a popularity contest. They are both looked upon as very good citizens, indeed.

This writer was not present at the recent Denver meeting of the Democratic National Committee, but it was the unanimous report of observers who were there that there could be no mistaking the Democrats' confidence about this very section of the country through which I have been traveling. And it was the confidence of very realistic men.

It certainly doesn't jibe with my experience. If I were one of Truman's advisers I would urge against his proposed barnstorming tour. The fact is, I think, that the President bases too much of his reelection on his own campaigning and not enough on the ineptitude of the Republicans.

The best issue for any politician out here would be economy in government, the cutting down on Federal spending. "We've got to quit giving away so much money abroad," is a statement you hear on every hand. I have yet to hear a single disagreement with General Wedemeyer's statement that we ought either to proceed in a way to win the war in Korea, or withdraw. The Administration's attempt to make the Republicans war mongers has simply not caught on. This does not mean, either, that the prairies are on fire for the Republicans. They are not Republican conscious or party conscious. But to say they are critical of the crowd in power is to express it mildly.

I sat with a group of people, refined and conservative, as we listened to a Washington commentator disparage Senator Joe McCarthy. It is not likely that this fellow's sponsors will sell their product to this crowd. They are not the kind of people to go for a blatherskite, which is what the commentator was characterizing the Senator. It is that they think he is doing a good job. He may be a pain in the neck to the global thinkers of the East but out here he is viewed with respect.

The man you are hearing most about for the Republican Presidential nomination is Senator Everett Dirksen of Illinois. He is not being considered in preference to Senator Taft but there is a feeling out here that the Ohio Senator will not run because of the health of his wife. The fact is that Mrs. Taft's health has greatly improved; she is now visiting around. But more important, she is a woman who, regardless of the Senator's feelings, would never let him forego a campaign because of her health.

I have seen no let-down in the activities of the Senator's backers to justify the feeling out here that he will not run, but the feeling exists, and perhaps his friends should get busy to dissipate it.

The appeal of the Illinois Senator, aside from his personality, the impression of rugged, aggressive honesty which he gives, is his continuous fight since he came to the Senate against Federal spending. He is not trimming sails as some of the other economy advocates are doing. He wants to cut—period. And you don't have to be out here long to realize that he has a vote-getting issue.

DeCourcy Taylor Is With duPont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—De Courcy L. Taylor has become associated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. Taylor was formerly associated with Richard J. Buck & Co. and Raymond & Co. In the past he was a partner in W. R. K. Taylor & Co. of New York City.

Francis W. Roth With Smith, Moore & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Francis W. Roth has become associated with Smith, Moore & Co., 509 Olive Street, members of the Midwest Stock Exchange. Mr. Roth was formerly with Merrill Lynch, Pierce, Fenner & Beane and prior thereto was an officer of O. H. Wibbing & Co.

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The Future of Japan's Credit

By E. J. SPEYER

A peace treaty with Japan is likely to be concluded within a reasonable period of time. Speculation has been rife here and in Europe as to the future of the Japanese prewar debt. The following article expresses views held in the City of London, where most of Japan's prewar loans are held.—EDITOR.

LONDON — This article is headed "The Future of Japan's Credit" and not "The Future of Japan's Foreign Loans" because it is the author's opinion that if the problem of Japan's prewar loans is not delicately handled, it is Japan's credit which stands to lose more in the long run than the bondholders. The Japanese themselves, according to all reports, are aware of this but, we ask ourselves here in London, are the Americans? It seems to us, if reports reaching us from New York and Washington and from American circles in Tokyo are correct, that we may soon be faced with the paradoxical situation that a debtor nation, Japan, wants to fulfill her contractual obligations while the largest and most powerful creditor nation (which, however, is not the largest holder of Japanese prewar loans) may use its power to induce Japan to alter unilaterally the contractual terms of her prewar debts.

E. J. Speyer

Prewar Debt Not Large

Japan's bonded prewar indebtedness is not very large either in terms of debt per head of population, or in precentage of her production, her exports, or her budget. According to the Foreign Bondholders' Protective Council in New York, Japan had outstanding at the end of 1949, £71,169,000 in sterling loans*; Fcs. 579 million in French franc loans, and $67,600,000 in dollar loans; or, converted in dollars, about $268 million all told, of which sterling loans would represent about 74%. Assuming the average interest on these loans to be as high as 6% (the average is probably lower) this would mean that Japan would have to raise about $16 million annually for interest payments under the existing contracts, not a heavy burden for a large modern industrial and commercial nation. What would Japan's saving be if the rate of interest were to be cut down even to 3%? Exactly $8 million per annum. The Japanese are right in saying that this saving is not worth the price they would have to pay in loss of international credit. As regards the arrears of interest, amounting to date to, say, another $160 million on the entire external debt, a later paragraph will show how this can be dealt with.

Changes in American Policy

We in Britain have watched with some anxiety the changes in American policy towards debtor nations during the last decade. A number of debt settlements have been made, mainly with Latin-American countries, which have resulted in the reduction of capital liability, as in the case of Mexico, or of interest as in almost all other cases, to a maximum rate of 3%. It is true that the burden of these economically still somewhat backward countries has been eased to a moderate extent—the real burden would have been eased anyway by the rise in commodity prices — but the credit standing of all of them has been irremediably damaged. None of these countries stands the remotest chance of being able to appeal, within the foreseeable future, to the private capital markets, notwithstanding the exhortations made by U. S. A. authorities to their own public to invest in Latin-America.

One can, therefore, easily understand that Japan does not want to join the category of these Latin-American semi-defaulters and to cut herself off from the world's capital markets by a reduction of her contractual obligations. American administrators in Japan ought to think twice before they use their power to induce Japan to take such a step.

In this connection one might point out that in the postwar period only a few nations—**which fulfilled their prewar commitments to the letter**—were able to appeal successfully to the New York and London markets, viz: Australia, Netherlands, and Norway. Why should Japan, a great commercial nation, not be allowed to join this queue of first-class borrowers?

We have heard time and again, the argument that Japan will be fulfilling her debt service out of the pockets of the American taxpayer. This would only be true if Japan's American advisers would by a foolish debt policy prevent Japan from obtaining loans from the world's investors. Far from being a charge on the American taxpayer, the resumption of Japan's debt service at the contractual terms would relieve him because it would enable Japan to borrow money freely whilst, if Japan is forced to reduce her debt service, she will not be able to borrow. Thus the American taxpayer will have to go on subsidizing Japan indefinitely.

Debt Service and Marshall Aid

But the argument is wrong for other reasons as well. Over the last 10 years half the world has only secured essential imports with the help of large scale assistance from the U. S. taxpayer. Does this mean that half the world should in consequence have defaulted on its external obligations? Why, if this is the logical conclusion, has the U. S. Government allowed Belgium to pay interest on her prewar loans at rates varying between 5 and 7%; Denmark between 4½ and 6%; Finland between 5 and 6%; France, until 1949, when she paid off her loan, at 7%; Ireland at 5%; Norway at up to 4½%; Czechoslovakia, not so long ago our ally, at 6%; and Australia at rates between 4½ and 6%? Are economic laws not the same for allies and for ex-enemies? In fact, the U. S. Government has done nothing of the kind. Countries receiving Marshall Aid have continued paying interest, dividends, and capital due for repayment although the dollars with which this has been done may ultimately have come out of Marshall Aid. This is as it ought to be. Measures to overcome the economic consequences of war, especially as an insurance against the spread of communism, are temporary measures, while the laws governing international credit, although not eternal, should be regarded as sacrosanct so long as our democratic and capitalistic system is regarded by the majority of our peoples as better than any other system we know of. We should not let them be undermined by people who may mean well but apparenty do not think clearly, and certainly do not realize the far-reaching consequences which their tampering with contractual rights is bound to have. Our whole system is based upon the maintenance of contracts and the honoring of obligations. If we give up these fundamentals, we give up ourselves.

Practical Suggestions

In the beginning of this article we estimated the accumulated arrears of interest at $160 million. These are in principle due as soon as Japan resumes her debt service.

The same is true of £20 million, equal to $56 million, capital sums of loans already matured. Japan would thus be faced with the problem of raising $216 million in addition to $13,200,000 for the first year's interest. (This item is smaller by $2,800,000 than the figure given earlier as interest would no longer have to be paid on £20 million 5% sterling loans as soon as the capital sum is paid off.) Japan obviously cannot pay these large amounts without divesting herself of the larger part of her foreign exchange reserves. The solution of the problem is, however, really simple. The world seems to have forgotten how such problems were solved in the past. There can hardly be any doubt that once Japan has made a beginning with the fulfillment of her contractual debt service she can issue in London (subject to Treasury consent, which is likely to be given as really no new money is being raised) a 5% loan at, or near, par, especially if this loan is nonredeemable for at least 10 years and thereby qualifies for acquisition by nonresidents of the sterling area with so-called "switch sterling" obtainable at 25% discount. (No existing Japanese sterling loans can be acquired with switch sterling, as they can all be called within 10 years.) The proceeds of such a loan would be sufficient to take care of arrears of interest and of capital already due in respect of sterling loans. A similar transaction could be made in New York in respect of arrears of interest on dollar loans. Possibly even part of the money destined to pay off arrears in London could be raised in New York as well.

The sequence would be that Japan would first have to pay the amounts due to existing bondholders with the help of a credit granted by the group of bankers which will eventually be entrusted with the new issues. Subsequently, when Japan's credit will be high, thanks to the correct fulfillment of her contractual obligations, the new issues will be made. In this connection, it is worth while mentioning that Siam 4% Sterling loan, the debt of a country far more vulnerable than Japan, stands in London at about 95; there can, therefore, be little doubt that a 5% Japanese issue would be well received, the more so as interest would be payable free of U. K. income tax to nonresident holders. Japan's annual interest burden would then be about $23 million to $24 million, which sum would be increased from time to time by capital amounts as and when they fall due. These could be taken care of either by cash payment outright, if Japan is flush with money, or by the proceeds of new loans which Japan, once her standing as a debtor is reestablished, will be able to place in the ordinary way. Japan might even be able to convert, with the voluntary consent of the bondholders, who of course would be offered cash payment as an alternative, all prewar loans, sterling as well as dollar, bearing a rate of interest higher than 5% insofar as such action is possible under the original loan agreements. It goes without saying that Japan must honor all currency clauses.

If Japan's settlement of her prewar debts follows the broad outlines sketched here, her credit standing will be higher than ever. If, on the other hand, Japan were to alter her contractual obligations unilaterally, even if she can claim doing so under pressure, she will never regain her credit either for her trade or for her public finance.

*Adjusted in respect of loans with a fixed dollar clause.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Edward R. Dunn has become associated with Goodbody & Co., 218 Beach Drive, North.

Henry B. Gersten With Theodore Young & Co.

Henry B. Gersten

Theodore Young & Co., 40 Exchange Place, New York City, announce that Henry B. Gersten has become associated with the firm where he will specialize in special situations. Mr. Gersten was formerly a partner of Hettleman & Co. and more recently was with Gersten & Frenkel.

Woodward, Rogers & Zuber Formed in Tucson

TUCSON, Ariz. — Woodward, Rogers & Zuber has been formed with offices at 22 East Alameda Street to act as underwriters, participating distributors and dealers in municipal, public utility, industrial, railroad and local securities. Partners are Malcolm C. Woodward, Francis C. Rogers and Arthur J. Zuber. All were previously associated with Henry Dahlberg & Co.

Mason Gov. of Assn. Of Exchange Firms

Lloyd W. Mason, partner Paine, Webber, Jackson & Curtis, New York City, has been appointed a Governor of the Association of Stock Exchange Firms to fill an existing vacancy, it was announced June 14 by Joseph M. Scribner, Singer, Deane & Scribner, Pittsburgh, President.

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

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June 19, 1951

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Dealer-Broker Investment Recommendations and Literature

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

Airline Review—Detailed review of the industry—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Chemical Survey—Discussion of "junior" chemical securities with analyses of five of the most attractive issues—copy on request on personal or business stationery—ask for Survey C1—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Chemonomics—Newsletter on chemical process industries—R. S. Aries & Associates, 400 Madison Avenue, New York 17, New York.

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.

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

Oil Companies—Financial analysis for 1950 of 30 companies—The Chase National Bank of the City of New York, Pine Street corner of Nassau, New York 15, 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.

Petrochemicals and Salt—Bulletin—Goodbody & Co., 115 Broadway, New York 6, N. Y.

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

* * *

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

Aluminum Limited—Memorandum—A. E. Ames & Co., Ltd., 320 Bay Street, Toronto, Ont., Canada. Also available is a list of Investment Suggestions for June.

American Tobacco—Brief review in "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of interesting low-prices **Speculations** and some **switch suggestions**. The firm also has a list of 40 selected issues selling 15% to 31% below the year's recorded highs.

Joseph Bancroft & Sons Co.—Memorandum—Charles A. Taggart & Co., 1500 Walnut Street, Philadelphia 2, Pa.

Chicago, North Shore & Milwaukee Railway Co.—Memorandum—Rodman & Linn, 209 South La Salle Street, Chicago 4, Illinois.

Cinerama, Inc.—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Consolidated Coppermines Corporation—Bulletin—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

Cook Coffee Co.—Memorandum—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

L. A. Darling Co.—Information—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Gemmer Manufacturing—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

Getchell Mine, Inc.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is a memorandum on **Western Pacific Railroad.**

Hoving Corp.—Circular—J. F. Reilly & Co., Inc., 61 Broadway, New York 6, N. Y. Also available are circulars on **Maryland Drydock** and **Mexican Gulf Sulphur.**

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

Kansas City Public Service Co.—Memorandum—Hudson, Stayart & Co., Reserve Loan Life Building, Dallas 1, Texas.

Kansas City Southern Railway—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is **Railroad Stock Exchange Suggestion.**

Lanova Corp. — Descriptive circular — Edelmann & Capper, 29 Broadway, New York 6, N. Y.

Luminator-Harrison, Inc.—Analysis—F. S. Yantis & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Minneapolis Gas Company—Analysis—J. M. Dain & Company, 110 South Sixth Street, Minneapolis 2, Minn.

Minneapolis, St. Paul & Sault Ste. Marie Railroad Co.—Analysis Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

National City Bank of Cleveland—Memorandum—Merrill, Turben & Co., Union Commerce Building, Cleveland 14, Ohio.

Pabst Brewing Co.—Memorandum—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Pickering Lumber Corporation—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Portland General Electric Co.—Memorandum—First California Co., 300 Montgomery Street, San Francisco 20, Calif.

Public Service Company of Indiana, Inc.—Detailed study—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Radio Corporation of America—Brief review—Stanley Heller & 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.**

Rockwell Manufacturing Co.—Memorandum—Barnes, Bodell & Goodwin, 257 Church Street, New Haven 10, Conn. Also available is a memorandum on **Stanley Works.**

Safety Car Heating & Lighting Co.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is a study of **Union Sulphur and Oil Corporation.**

Sterling Electric Motors—Analysis—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Tejon Branch Co.—Memorandum—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Thermal Research & Engineering—Featured in current issue of "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. In the same issue are data on **Purolator Products, Hoving Corp.** and **Filtrol Co.** Also available is information on **Southeastern Public Service, Circle Wire & Cable, Foote Mineral, Talon, Inc.,** and **Foundation Co.**

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

Toledo Edison Company—Detailed circular—Nauman, McFawn & Company, Ford Building, Detroit 26, Mich.

Union Oil of California—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y. Also availabel is a memorandum on **United Carbon Co.**

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

Walt Disney Productions—Memorandum—Republic Investment Co., 231 South La Salel Street, Chicago 4, Ill.

Wyoming Gulf Sulphur Corp.—Memorandum—Beer & Co., Gulf States Building, Dallas 1, Tex.

Our current issue of "HIGHLIGHTS" features

Thermal Research & Engineering — **Hoving Corp.**
Purolator Products — **Filtrol Co.**

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COMING EVENTS

In Investment Field

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.

June 22-24, 1951 (Minneapolis, Minn.)

Twin City Security Traders Association Annual Outing ("Operation Fishbite") at Gull Lake.

June 22, 1951 (New York City)

New York Security Dealers Association Annual Outing at the Hempstead Golf Club, Hempstead, Long Island.

June 26, 1951 (Detroit, Mich.)

Securities Traders Association of Detroit and Michigan 16th annual summer outing at Plum Hollow Golf Club.

June 26, 1951 (Louisville, Ky.)

Bond Club of Louisville summer outing at the Louisville Boat Club.

June 26, 1951 (New York City)

New York Stock Exchange Golf Association 52nd Annual Tournament at the Winged Foot Golf Club, Mamaroneck, N. Y.

June 26, 1951 (New York City)

New York Curb Exchange Five and Twenty Club annual golf tournament and dinner at Wheatley Hills Country Club, East Williston, L. I.

June 30, 1951 (Chicago, Ill.)

Bond Traders Club of Chicago golf outing at the Nordic Hills Country Club.

Sept. 30, 1951 (Coronado Beach, Calif.)

National Security Traders Association Convention opens at Coronado Hotel.

Oct. 12, 1951 (Dallas, Tex.)

Dallas Bond Club annual Columbus Day outing.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Dillon, Read Arranges Private Placement

Texas Eastern Transmission Corp., it was announced today (June 21) has made arrangements through Dillon, Read & Co., Inc. to place privately $78,000,000 first mortgage pipe line bonds, 3⅛% series due 1970. The proceeds will be used for its expansion program.

The Texas Eastern corporation entered into purchase agreements on Nov. 21, 1950 for the sale of the above bonds. Delivery of $20,000,000 principal amount has been made and delivery of the remainder is to be made prior to Jan. 1, 1952.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEARWATER, Fla. — William L. Stautz has become affiliated with A. M. Kidder & Co., 405 South Garden Avenue.

Deposits in Mutual Savings Banks Soar

According to Carl G. Freese, President of National Mutual Savings Banks' Association, total deposits in May reached all-time high.

Deposits in the nation's 529 mutual savings banks increased $72,000,000 during May, bringing them to a new all-time high of $20,234,000,000 at the close of May, according to Carl G. Freese, President of the National Association of Mutual Savings Banks and President and Treasurer, Connecticut Savings Bank of New Haven, Conn. The substantial gain witnessed for the first time this year in March continued, the May increase exceeding by a considerable margin the $57,000,000 rise in April. Deposit gains for March, April and May totaled $185,000,000.

Carl G. Freese

May was the first month this year in which deposit gains surpassed those for the corresponding month in 1950. The May gain reflects the fact that, as in the two preceding months, amounts deposited in regular accounts were greater than withdrawals and that, while amounts deposited continued at high levels, there was a falling off in amounts withdrawn. For the first time this year, the net "new money" received from depositors, as measured by the excess of amounts deposited over withdrawals, was greater than in the same month last year.

"Indications that the public are becoming increasingly aware of the folly of wasteful, unnecessary spending at high prices and of the advantages to be gained by putting away today's easy-to-get dollars until prices level off and their dollars grow in purchasing power is evidenced by the substantial gains shown in mutual savings banks' deposits during the last three months," Mr. Freese said in releasing these figures. "If this trend continues, it can be a vital force in defeating inflation and in strengthening the national economy."

Portfolio policy of the mutual savings banks during May continued to reflect the more settled conditions in the securities markets. Funds received from depositors were supplemented by drawing upon cash for $48,000,000 as well as reducing U. S. governments by $83,000,000 and this total was placed in mortgage loans and corporate and municipal securities, which rose $176,000,000 and $20,000,000, respectively. The decrease in the banks' government bond portfolios was the smallest since January.

Rollo Bergeson Opens Office in Des Moines

DES MOINES, Iowa—Rollo Bergeson has opened offices at 2323 Grand Avenue to engage in the securities business. Mr. Bergeson was formerly local manager for Estes & Company, Inc.

Harold A. Sands

Harold Aymer Sands passed away at the age of 65 after a brief illness. Mr. Sands was formerly a member of the New York Stock Exchange and the Cotton Exchange.

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"Trees Do Not Grow to the Sky" —Nor Bull Markets Last Forever

By LEONARD S. HERZIG
General Partner, Sartorious & Co.
Members of the New York Stock Exchange

Mr. Herzig, in dissecting current stock market, says during past month, market has been exhibiting characteristics of bull movement top. Though not ruling out new highs in the market, holds past experience proves that after an initial "brain numbing" stock market decline has occurred, profits may well turn into losses. Urges cash accumulation as protection against bear market.

Almost anyone can make money in a bull market. Few, however, are able to protect themselves against the bear market which inevitably follows.

Leonard S. Herzig

Bull markets are characterized through most of their length by slow, plodding advances. All stocks do not participate at any one time, so that there is always an opportunity to enter the market by buying the laggards. A typical example of this can be found in the present bull market. When the reaction following the outbreak of the Korean War had ended, leading steel and motor stocks were still 40%-50% above their 1949 lows, whereas the leading oil stocks were only 10%-15% above these lows. By May of this year the oils had caught up with the early leaders — most leading motor, steel and oil stocks showing advances of about 100%.

The longer bull markets last and the higher they go—the more confidence the public seems to have not only that the existing price level is warranted by the economic facts then present, but that backward stocks will inevitably catch up with the procession. The stock list seems honeycombed with "bargains" even though these "bargains" may be 100% higher in price than they were a year or so before. The fears so widely held at the inception of the bull market are forgotten, for the experience of the past year or so has been that those who have feared most have profited least.

Bear markets, on the other hand, have different and far more difficult characteristics. They inevitably start as group after group of stocks have reached their tops and slowly turn down. Since this is a gradual process, the market averages remain in a comparatively narrow area. Whether or not new tops are seen by the averages depends on whether the stocks most heavily weighted in the averages are among the late movers. As the various groups sag from their tops, volume tends to diminish, for only a comparatively few stocks are still advancing on volume—the rest are simply marking time.

This period, later recognized as the top area, is fraught with danger to the stock buyer. Should he buy into the groups still advancing he may be buying at the very top—but if he buys into the groups already sagging his situation is even more perilous for he cannot even look forward to a worthwhile rally.

Finally, the bear market starts in earnest and the stunning swiftness of the first real setback almost paralyzes the mental processes of the observer. In 1937, for example, the nine-week decline starting in August wiped out 75% of the entire bull market starting in 1935; in 1946, the four-week decline starting in September wiped out 40% of the entire bull market starting in 1942.

One need not buy into a bull market near its inception to reap a financial reward—but to overstay a bull market usually means the sacrifice of a least a large portion of one's paper profits—if one is let off that lightly.

A Period of Transition

It is hard to argue that the present economic situation is not perfectly sound as far ahead as one is usually able to predict. True, there have been misconceptions as to the nature of the impact of rearmament upon the civilian economy, but these seem more in the nature of the timing than of the ultimate effect. Instead of shortages, we have ever-growing inventories in the hands of both manufacturer, wholesaler and retailer. At the end of April these amounted to $68.3 billion, up $1.9 billion from the previous month and up the stupendous amount of $15.3 billion from April 1950. But, on the other hand, unfilled orders have never been higher and the labor force totals 61 million persons, all working at high wages and all ultimately destined to spend their earnings. And then there is always the rearmament program just starting to roll.

True, the inflationary spiral has not been spinning lately as expected. As a matter of fact, it has backed up and unwound itself a bit. Few foresaw the extent of the deflationary pressure of a cash surplus of about $6 billion in the Federal Budget at the end of this fiscal year (June 30). As a matter of fact, it was not too long ago that people expected a deficit. Not too many months ago it seemed as if government bonds were permanently pegged at over par, yet today most long-term issues are three points under par as a result of the withdrawal of support by the Reserve Board. The slight increase in interest rate is not nearly so important as the fact that in no longer buying unlimited quantities of bonds the Board no longer serves as an "engine of inflation," supplying the banks with unlimited reserve balances on which to make more and more loans. As a result, money is not only dearer, but also harder to obtain, especially for the financing of inventory and for plant expansion not directly concerned with rearmament. Yet the halting of inflation may be but a temporary phenomenon, and as cutbacks grow severe and inventory is liquidated, we may again see spirited bidding for dwindling supplies.

Profits, too, may well fall. Higher taxes are already taking their toll—inventory profits will no longer add a windfall to ordinary markups and military production never affords the same margins as regular civilian production. Furthermore, profits are traditionally the scapegoat in our economy and they will bear the brunt of political attack on any rise in living costs if inflationary pressure should reappear. Price controls are increasing in number and severity, but wage increases are still being granted without compensating price increases. In spite of the fact that as the year progresses earnings statements are bound to make poorer comparisons with the record figures of the third and fourth quarters of last year, it may well be argued that stock prices never really discounted these earnings and therefore lower profits need have no impact on the stock market. Furthermore, with a much smaller percentage of earnings than usual paid out in dividends, how much will dividends have to be cut—if they must be cut at all?

The Weakening Stock Market

During the past months the stock market itself has been exhibiting many of the characteristics which have in the past been symptomatic of bull market tops rather than with hesitations in a continuing uptrend. Ever since the turn of the year volume has dwindled as the market made new highs. Extreme selectivity has taken the place of stocks advancing on a broad front. This is shown by the dwindling number of new highs at each new market peak. Odd-lot buying on balance, showing a general tendency toward bullishness on the part of the public, has been persistently present for some time—in contrast to equally persistent odd-lot selling at the 1949 market bottom and during the early part of the advance. The rail average has diverged from the industrial average at the recent peak and the leading motor stocks are in what seems to be a persistent downtrend—all characteristic of a change in direction for the market as a whole. Low-priced and poorer quality stocks no longer participate in the spectacular advances of the higher-priced and high-grade oil, drug and chemical stocks.

Market characteristics of this nature have been noted before. They were present in the top areas of 1937 and again in 1946. In both of these periods it was well to heed them for when once the internal weakening of the market was translated into price and the market suddenly declined—the average stockholder soon found that his slowly won paper profits had evaporated.

Why Should the Market Decline?

No pat reason can be given as to why the market should suffer a really sizable decline. Has the productive capacity of this country been under-estimated and therefore can we have both armament and an excessive civilian production? Will higher taxes plus shrinking profit margins lower profits to a point where current dividends will be endangered? Are consumers so overstocked after the recent buying sprees that even rising personal incomes will not lure them back to the market place? Have rising debts in all categories (commercial loans, mortgages and instalment credit) built up to such an extent that a period of strict retrenchment is indicated? Have government credit controls put into effect to curb inflation really been so strict as to bring on deflation? Will a sudden cessation of hostilities in Korea spread out the armament program to such an extent that the present plant capacity plus the inventory surpluses become burdensome? Conversely, would a sudden new war threat bring restrictions and taxes so onerous that profits would suffer severely? These questions cannot be answered with complete assurance—a market decline of consequence may not be even based on any one or any combination of these considerations.

Past experience in 1937 and 1946, two periods in our more recent memory, indicate that during the top areas of these bull markets it was next to impossible to give the causes of the subsequent decline. As a matter of fact, when the reasons for the decline were clearly visible it was much too late to sell stocks.

Conclusion

The economic events of a deflationary nature which have occurred in the past months can thus far be considered only as an interlude before rearmament gets into full swing. Nonetheless, stock market action since the turn of the year is so reminiscent of the top areas of 1937 and 1946 that it might be well to wonder whether some factors at present visible in our economy have been given a proper valuation or whether some new factor will suddenly present itself to turn the tide in a deflationary direction. No accurate timing can be attempted—new highs in the stock market cannot be ruled out. Past experience proves, however, that after the facts are clear and after the initial brain-numbing stock market decline has occurred, present profits may well have turned into losses. The only protection against a bear market is the accumulation of cash before the event.

Named Director

Mac Merrill Birnbaum of Straus Blosser, Chicago, was elected to the board of Vulcan Iron Works, Inc., at the annual meeting of the company on June 13, in Wilkes-Barre, Pa. The board was reduced to five, and E. V. Melsha, John A. Roberts, Ralph O. Smith and S. R. Nicholson were reelected. Vulcan, founded in 1849, is a manufacturer of large industrial equipment, including locomotives, hoisting equipment and sugar and cement mill machinery.

Arrowsmith Partner In Van Alstyne, Noel

John E. Arrowsmith has been admitted to general partnership in Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange. He will be concerned primarily with the underwriting of high grade corporate and municipal securities for the firm.

J. E. Arrowsmith

Mr. Arrowsmith has been in Wall Street since 1918 and was formerly associated with the Bankers Trust Co. for 13 years. He was one of the original founders of Van Alstyne, Noel & Co. in 1932, remaining with the firm until 1935 when he founded Arrowsmith & Co. Until recently he was in charge of the Institutional Department of Cohu & Co.

He is a veteran of both world wars, having served in Naval Aviation. He was retired after World War II with the rank of Lieutenant Commander.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Jack L. Lindner is now with Walston, Hoffman & Goodwin, 550 South Spring Street.

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

NEW ISSUE June 21, 1951

$40,000,000

Commercial Credit Company

3¼% Notes due 1961

Dated June 15, 1951 Due June 15, 1961

Price 99% and accrued interest

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

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Missouri Brevities

Brown Shoe Co., Inc., St. Louis, one of the nation's major producers of shoes, on June 7 filed a registration statement with the SEC covering $11,000,000 of sinking fund debentures due July 1, 1971, and an aggregate of 224,187 shares of common stock. Proceeds from the debentures, which are expected to be offered to the public on or about June 27 will be used to retire the company's 34,330 outstanding shares of $3.60 preferred stock (requiring about $3,600,000) and the balance for general corporate purposes, such as the carrying of increased inventories and receivables in connection with expanded operations, including contracts with the armed forces, and generally higher price levels. Goldman, Sachs & Co. and Smith, Barney & Co. will head a group of underwriters through whom the debentures are to be sold. The common stock is not being underwritten.

* * *

Brown Shoe Co., Inc., proposes to acquire Wohl Shoe Co., which operates a large retail and wholesale shoe business throughout the country, by offering to exchange 2½ shares of its common stock for each share of Wohl stock, which would require a maximum of 124,187 shares. The balance of the common stock is represented by shares which may be or have been purchased under the company's stock option plan for key employees, including certain officers and employees.

* * *

The following Missouri investment houses on June 12 participated in the offering of 256,842 shares of common stock (par $8.75) of Kansas Power & Light Co. at $16 per share: **Barret, Fitch & Co., Inc.; Reinholdt & Gardner; Smith, Moore & Co.; Stern Brothers & Co.** and **Uhlmann & Latshaw, Inc.**

* * *

The stockholders of **Hussmann Refrigerator Co.** on June 18 approved a proposal to issue 23,000 shares of 4% cumulative preferred stock, series B (par $100). Of this total, 16,000 shares are to be exchanged for an equal amount of series A preferred stock held by Penn Mutual Life Insurance Co., and the remaining 7,000 shares are to be purchased by the same insurance company at par, the proceeds of which will initially be added to working capital.

* * *

Included among the bankers who on June 12 publicly offered 300,000 shares of E. R. Squibb & Sons common stock (par $1) at $51.25 per share were the following St. Louis houses: **Newhard, Cook & Co.; Reinholdt & Gardner** and **Stifel, Nicolaus & Co., Inc.**

* * *

A multi-million-dollar elemental phosphorous plant will be constructed at Soda Springs, Idaho, by **Monsanto Chemical Co.'s** phosphate division. Construction is expected to start this summer with operation scheduled to begin in the latter part of 1952.

* * *

Included in the group of United States underwriters offering 675,000 shares of Calvan Consolidated Oil & Gas Co., Ltd., capital stock (par $1—Canadian) at a price of $5.62½ per share were **Dempsey-Tegeler & Co.** and **Stifel, Nicolaus & Co., Inc.**

* * *

Morton J. May, President of **May Department Stores Co.**, on June 5 announced that the company's sales for the first quarter of 1951 were 6% ahead of the corresponding period of last year. Unaudited sales figures for the month of May showed a 4% increase over the same month in 1950. The stockholders approved the 2-for-1 stock split proposed by the management. Certificates for additional shares will be issued on June 28 to common stockholders of record June 7 to give effect to the split-up and the stockholders will not be required to turn in their present holdings for exchange. An initial quarterly dividend of 45 cents has been declared on the new stock, the equivalent of the previous 90 cents per share on the old stock. The cash dividend is payable Sept. 1 to holders of record Aug. 15, 1951.

* * *

Dempsey-Tegeler & Co. and **Prescott, Wright, Snider Co.** were included in the group of underwriters who on June 13 publicly offered 220,000 shares of Hudson Pulp & Paper Corp. class A common stock (par $1) at $18 per share. This offering was quickly oversubscribed.

* * *

St. Louis-San Francisco Ry. reports that operating revenues for April amounted to $10,613,569, as against $9,202,416 in the same month last year. Net income after fixed and contingent charges was $384,843, a decline of $59,005 under April, 1950. Net after charges for the four months ended April 30, 1951, totaled $2,415,246, as compared with $1,513,173 for the first four months of last year.

* * *

Reinholdt & Gardner on June 12 participated in the public offering of 111,000 shares of common stock (par $10) of Sangamo Electric Co. at $21.75 per share.

* * *

The directors of **Missouri-Kansas-Texas RR.** on June 7 authorized the payment on July 1, 1951, of coupon No. 53, dated April 1, 1949, of the adjustment mortgage bonds.

* * *

Dempsey-Tegeler & Co. and **Fusz-Schmelzle & Co.**, both of St. Louis, are offering $1,500,000 of 2½% to 3¼% direct obligation serial bonds of the Catholic Diocese of Belleville, Inc. (Ill.) at 100 and accrued interest. The bonds are dated May 15, 1951, and mature annually 1952-1963, inclusive.

* * *

For the fiscal year ended April 30, 1951, the **Elder Manufacturing Co., St. Louis**, reported a net income, after taxes, of $592,369, equal to $2.98 per common share, compared with a net of $444,850, or $2.23 per common share, for the preceding fiscal year.

* * *

Holders of the outstanding capital stock of **First National Bank in St. Louis** are being offered the right to subscribe for 100,000 additional shares of capital stock (par $20) at $44 per share at the rate of one share for each six shares held as of the close of business June 11. Subscription warrants will expire at 12 noon (CDT) on June 26. A group of underwriters, headed by G. H. Walker & Co., St. Louis, have agreed to purchase any unsubscribed shares and both during and following the subscription period may offer shares at prices to be announced at the time of offering. **St. Louis Union Trust Co.** will exercise its rights to purchase 31,446 shares for $1,380,000 as it owns 188,676 shares of **First National** stock.

Mundy, Trustee of Excelsior Savs. Bk.

Floyd W. Mundy, Jr.

Floyd W. Mundy, Jr., partner in the Wall Street firm of James H. Oliphant and Company, 61 Broadway, New York City, has just been elected a Trustee of the Excelsior Savings Bank, 221 West 57th Street, according to Francis S. Bancroft, President of the Bank.

J. P. Morgan & Co. Makes Appointments

The Board of Directors of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, has promoted Roger Maynard, formerly an Assistant Secretary, to be an Assistant Vice-President. The board appointed as Trust Officers, William M. Hobson, John Horn and Richard M. Rogers, each of whom had formely been an Assistant Trust Officer and appointed as Investment Officers, Harrison V. Smith and Peter H. Vermilye.

Connecticut Brevities

The Saxony Mills Plant at Rockville, part of the well-known Hockanum Mills, controlled by J. P. Stevens & Co., has been sold to the **Holstein Rubber Products Co., Inc., of Hartford.** The plant will be used for woodworking. This is the first of the Hockanum plants to be sold under the plan which calls for disposal of the entire properties.

* * *

The former Delite Fabrics Co. in Pawcatuck, Conn., has been sold to **Brewster Corporation** by Ansonia Mills. Operations at the Delite plant were stopped recently when manufacturing facilities were moved to Taunton, Mass. The new owners have not indicated what products will be made at the plant.

* * *

Southern New England Telephone Company plans to offer 400,000 shares of its common stock through rights at the par value of $25 a share on a 1-for-8 basis. Warrants will be mailed on June 28 to holders of record June 27 and will expire on July 20. The proceeds will be used in connection with the $23,600,000 expansion program for this year. The company recently obtained a rate increase of $2,480,500 from the State Public Utilities Commission—the third increase in the company's history. Stockholders voted on June 19 to increase the authorized capital stock from $100,000,000 to $250,000,000. After the proposed stock issue there will be outstanding $100,000,000 of capital stock.

* * *

The **Bridgeport Brass Company** plans to call for redemption 2,450 shares of its 5½% cumulative preferred at $107.50 for the sinking fund. This would reduce to 8,263 the number of shares outstanding.

* * *

The sale of its 305-acre Samp Mortar Reservoir and watershed was recently announced by **Bridgeport Hydraulic Company.** The property, which had not been used since 1914, is located in the northeastern part of Fairfield. The property was sold for about $250,000.

* * *

Connecticut Power and **Hartford Electric Light** plan to construct a 60,000-kilowatt generating plant in Middletown on the Connecticut River at a cost of about $10,000,000. The new plant will serve customers in that area who are now dependent upon the South Meadows plant in Hartford. While the boilers and generators have been on order for some time, completion of the project is not expected for two or three years.

* * *

Connecticut Light & Power, Connecticut Power, and **Hartford Electric Light** have jointly organized **Electric Power, Inc.**, for the purpose of constructing generating facilities and selling electric power at wholesale only. Actual construction plans have not been announced.

* * *

As of May 31, the total backlog of orders of **Electric Boat Company** and its subsidiaries had increased to $155,000,000 from $91,260,000 at the year-end. Additional commitments are under negotiation.

* * *

Yale & Towne Manufacturing Company has offered its stockholders rights to subscribe to 102,197 shares of common at $38 a share on the basis of one new for each five owned on June 5. The rights expired on June 20. Of the total net proceeds $1,000,000 would be used to retire bank loans and the remainder to acquire machinery and equipment and for general corporate purposes.

* * *

Wauregan Mills has repaid its RFC loan in the amount of $350,000. Unfilled orders on May 10 were reported at about $3,000,000.

* * *

On June 5, stockholders of **Manning, Maxwell & Moore** were offered rights to buy 15 additional shares of common stock at $15.50 per share for each 54 shares owned. Prior to the offering, certain larger stockholders waived their rights on 114,596 shares, which were sold publicly. The remaining 35,404 shares were subject to subscription through rights which expired June 15, with any balance being offered by the underwriters.

Steiner, Rouse Co. Window Display

The "Road to Security," paved with quality stocks for higher yield and growth, bonds for steady income, and bank deposits for emergencies, is the theme of the current window display of Steiner, Rouse & Co. in the firm's 575 Madison Avenue office. Actual specimens of stock certificates, bonds and bank books are exhibited in the window.

Miss Trent Joins Junger Trading Dept.

S. H. Junger & Co., 40 Exchange Place, New York City, announce that Miss Anne Trent has joined their trading department.

J. W. Kirkner Opens

EAST ORANGE, N. J.—John W. Kirkner is engaging in a securities business from offices at 46 North Arlington Avenue.

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Federal Reserve Bank of St. Louis

Prospects in Television Industry

By BENJAMIN ABRAMS*

President, Emerson Radio and Phonograph Corporation

Executive of large radio and television producer, asserting electronics industry is not only very much publicized, but also very much plagued, cites statistics of growth of television and reason for high scale production and heavy public buying. Says situation may change and demand again balance supply, as industry is a vital factor in mobilization program. Looks for increased number of stations to create larger public demand for TV sets.

The television industry is not limited to television—it is really the electronics industry—but television is a major part of the electronics industry at the present time and is the term which has been very much publicized and very much in the public eye. Therefore you may find in my remarks that I may be referring to the television industry instead of referring to the electronics industry as I should do. However, this industry of ours, which is very much publicized, is also very much plagued. As a new industry, it has probably encountered more roadblocks than has any other industry. All sorts of governmental restrictions are constantly imposed and put in the way of the progress of this new industry. Yet despite that fact it has grown by leaps and bounds.

Benjamin Abrams

Starting back in 1947 with a production for the industry of something like 175,000 receivers, it achieved a production in 1948 of about 900,000 receivers. In 1949 there were 3 million television receivers produced, and in 1950 the output was 7½ million. In the first quarter of 1951 approximately 2½ million television receivers were produced, which is at a rate of approximately 10 million receivers per year.

That is a very imposing record. Translated into dollar volume, last year the industry did something like $2 billion in business. As compared to prewar times, and before the advent of television, the industry did something like $400 million a year. So at the present time it has grown up about five times in size. And, as I said before, it had a great many growing pains and these growing pains are continuing.

No less painful is the fact that the 7½ million television receivers in 1950 and the 2½ million receivers in the first quarter of 1951 represented a greater production than should normally have taken place in this industry. But we don't live in normal times. We certainly did not expect a Korean situation to break out in June or July of last year, and that Korean situation has brought about a great deal of scare buying and a great many other scares. The various governmental agencies threw a scare into us by telling us how scarce some materials will become for the production of television and radio receivers. Consequently there was a rush of stocking up on the part of manufacturers of materials which may become scarce; and the ingenuity of the industry has made possible a building up of production rates which were not contemplated before. Furthermore, the public had continued to absorb, during the first three quarters of 1950, all of the television sets that could be made and just as rapidly as they could be shipped.

A great deal of this absorption turned out to be anticipatory buying on the part of the public. News from Washington continued in the vein that materials are going to become increasingly scare and therefore production was not cut back as rapidly as would ordinarily have been the case, particularly as public buying has lessened to some extent. The feeling was, as the scarcities of materials became more evident, that even if there was some little overproduction, it would be absorbed over a longer period of time.

This production continued to mount. The production rate reached an all-time high in the first quarter of 1951, and by then it became very clear that the only solution to the problem is a rapid cutback in production. This began to take place after the first quarter, so that today the industry, which in the early part of the year was producing at a rate of 800,000 or 900,00 television receivers per month, is now producing at the rate of about 300,000 per month. That is a sharp drop, and it is hoped that within three or four months these inventories which have accumulated in the pipelines—in the hands of manufacturers, distributors, and dealers—will melt away and we will get back on a basis where the demand will balance the supply. Maybe we will get to the basis where the supply may not be as great as the demand.

That, off hand, may not sound like a very attractive picture for the industry. However, it isn't quite as bad as it may appear. This industry is a very vital factor in our mobilization program. At the present time there is something like $2½ billion worth of contracts that have been placed by the various governmental services with the industry. Much of this material is still not in production. It is a slow grind to get it started, but by the fall of this year the industry will be in fairly substantial production for the defense program, and from that time on there will be a steady climb in production in so far as governmental requirements are concerned. This climb will continue into 1952 when it is expected that the commitments to be placed by the government will be something in the neighborhood of about $3½ billion. While in 1951 I do not expect that the industry's electronic production for the defense program will exceed a billion dollars—it will be in the neighborhood of a billion dollars—next year, 1952, I expect that the production for the mobilization program will account for something like $2½ billion.

That, coupled with the civilian end of the manufacturers' production, such as the production of television and radio sets, will put this industry by next year on an all-time high production of something in the neighborhood of about $4 billion, and that is about double the rate enjoyed by the industry at the present time.

How long this mobilization program will continue is, of course, anybody's guess. However, to offset and to take the place of such business which may eventually disappear in so far as the mobilization program is concerned—that is, disappear from manufacturers' lines—that end of it will be taken up by the increased demand for television receivers when more stations go on the air. At the present time there are only 107 television broadcasting stations in the United States. These 107 stations cover, or are within reach of, approximately one-half of the population. A good part of that one-half of the population is within reach of very poor television service. Even in communities where two broadcasting stations exist you don't have the variety of programs. And therefore, what the owner of a television set gets there is what is available to that one station and he has no choice.

However, after the so-called freeze order is lifted, there will be an increase in broadcasting stations. This freeze order is something which went into effect in 1948 when the Federal Communications Commission froze the licensing of new broadcasting stations pending the settlement of the color question. It is very significant that when I speak of a 10 million rate of production of television receivers such as took place in the first quarter of 1951, and then I say that 107 broadcasting stations are all that are available, you should compare that figure with an industry production before the war of from 10 to 12 million radio receiving sets with 2,000 broadcasting stations blanketing the entire United States with good programs. Then you can get a feeling as to the great interest which exists in the ownership of television receivers. With mediocre programs in many localities, with no stations available in one-half of the United States, yet we have reached a point where there are as many as 2½ million television receivers produced in a given period. Of course, they were not all sold, but there was a period when the industry was selling at a rate of about 2 million television receivers per quarter. Nevertheless, it does give you an idea of the great interest and potential market which exists for television receivers, particularly when instead of having 107 stations there will, in three or four years from now—assuming that there is no interference from our mobilization program or no all-out war develops—there should be in these three or four years from now, approximately 1,000 television stations on the air. When that happens, of course, this television industry will really come into its own.

So to offset what the industry will begin to lose in production when this mobilization program begins to taper down, there will be the increased volume of business which must come to the television industry as a result of the greater number of stations being on the air and serving the entire country instead of one-half of the country. Therefore, on the one hand you have the existing picture, which doesn't look too hot at the moment, and on the other hand you have the prospect for the future which looks very bright. As a matter of fact, I have high hopes that one of these days television will rank among the four or five leading industries in the United States. It is rapidly getting there now.

*Extract from stenographic report of an address by Mr. Abrams before a meeting of the Association of Customers' Brokers, New York City, June 12, 1951.

Roy C. Warnes Joins Shearson, Hammill

Roy Warnes

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roy C. Warnes has become associated with Shearson, Hammill & Co., 520 South Grand Avenue. Mr. Warnes was formerly associated with Hill, Richards & Co. for many years.

Legion Wall St. Post Elects Donald Raphel

Donald A. Raphel of Glen Ridge, N. J., was elected Commander of the Wall Street Post of The American Legion at a meeting held in historic Federal Hall on June 12.

A Vice-President and director of Appeal Printing Company, Mr. Raphel served as a Captain of Infantry during World War II and is active in veteran affairs. He is a member of the Sons of the American Revolution, Veterans of the Seventh Regiment, Downtown Athletic Club and Lake Mohawk Country Club.

Reports New High In Building Contracts

Awards in May estimated at over $2½ billion, of which almost $1 billion was accounted for by three atomic projects.

May's construction contract awards reached by far the highest total of any month in history in the 37 states east of the Rockies, according to the F. W. Dodge Corporation, construction news and marketing specialists.

This almost automatically means a new high for the 48 states, according to Dodge, because the May figure of $2,572,961,000 was so far above the previous high of last August's $1,548,876,000.

The May record was so emphatically a new high largely because of $980,000,000 in three atomic projects. But even without them a new high would have been set at $44,085,000 over last August, due chiefly to non-residential contracts aiding the defense drive.

Sterne, Agee to Admit Lynn as Partner

BIRMINGHAM, Ala.—Sterne, Agee & Leach, First National Building, members of the Midwest Stock Exchange, will admit Henry Sharpe Lynn to partnership on Aug. 1. Mr. Lynn is now Vice-President of the Birmingham Trust National Bank.

Clayton Baker With Rambo, Close Co.

PHILADELPHIA, Pa.—Rambo, Close & Kerner, Inc., 1518 Locust Street, announces that Clayton E. Baker has joined their organization as district manager in Central Pennsylvania. Mr. Baker entered the investment business in 1919 and most recently associated with Butcher & Sherrerd.

C. Bradford Calef With Burgess & Leith

(Special to THE FINANCIAL CHRONICLE)

PROVIDENCE, R. I.—F. Bradford Calef has become associated with Burgess & Leith of Boston. Mr. Calef was formerly Vice-President of Chace, Whiteside, Warren & Sears, Inc. with headquarters in Providence.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$2,700,000

North Penn Gas Company

5% Debentures due 1971

Dated June 1, 1951 Due June 1, 1971

Price 103.20% and accrued interest

Copies of the Prospectus may be obtained from the undersigned.

HALSEY, STUART & CO. INC.

June 20, 1951

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Chemical Industry Has High Safety Record

Accident rate less than half of national average.

Chemical plants are among the safest places in the country in which to work, according to figures released by the Manufacturing Chemists' Association, Inc., at its annual convention.

A record low of 4.56 injuries per million man-hours worked was achieved in 1950 by the Association's member companies, which account for about 90% of total U. S. chemical production.

"This accident rate is less than half the national average," Dr. A. G. Cranch, of Union Carbide & Carbon Corporation and Chairman of the association's safety committee, said, "and lower than that of any other industry except communications."

Chemical injury rates have been substantially below the average for all industry for many years, according to Dr. Cranch, "but chemical plants have made especially notable progress in reducing industrial injuries since 1946." The average accident rate for the association's member companies has dropped 40% during the past five years. Dr. Cranch attributes this record to improved safety measures adopted in the industry and to good cooperation by employees in observing safety rules and precautions.

A. M. Klugh, Jr. Opens

ANDERSON, S. C. — Arthur Millwee Klugh, Jr. is engaging in a securities business from offices at 1105 Stephens Street.

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Chemical Industry's Concern Regarding U. S. Tariff Policy

Annual Report of the Directors of the Manufacturing Chemists' Association, Inc., says past year's tariff activities have been most eventful since passage of Trade Agreements Act.

In the current Annual Report of the Board of Directors to the membership of the Manufacturing Chemists' Association, Inc., attention is called to prevailing and proposed tariff legislation affecting the chemical industry. According to the Report:

"The past year has been the most active and eventful year in tariff and related matters since inauguration of the Trade Agreements Act. In some respects, progress encouraging to the chemical industry was made. In others, the industry may suffer adverse effects following conclusion of the international emergency and return to a peacetime economy. The Association took an active part in proceedings before governmental agencies in behalf of the industry.

"**Trade Agreements** — Hearings were held by the Committee for Reciprocity Information in May and June of 1950 to receive statements from those who wished to present data with regard to the Torquay negotiations. The published list of items on which duties might be reduced covered practically every dutiable chemical contained in the schedule, with the exception of coal-tar dyes.

"The MCA presented a brief on the general subject and urged member companies to appear personally. A large number of representatives did appear, and the Chairman of the Association's board of directors and a staff member presented statements opposing further chemical concessions. Results of the Torquay discussions, published May 9, 1951, indicate that our government has reduced import duties on most chemical products to the maximum extent permitted by law, i.e., a 50% reduction from 1945 rates. While this blanket reduction may tend to relieve many shortages of critical chemicals at the present time in the face of wartime conditions, nevertheless the potential harm to our industry under peacetime status may be severe.

"**International Trade Organization** — The Association opposed ratification of the Havana Charter in briefs and appearances before the House Foreign Affairs Committee last year. The State Department has announced that it will not push for ratification by Congress, and it seems unlikely that there will be any further activity on this matter in the near future.

"**Renewal of Reciprocal Trade Agreements Act, H.R. 1612**—Mr. S. C. Moody of the American Cyanamid Company represented the MCA and the Synthetic Organic Chemical Manufacturers Association in an appearance before the House Ways and Means Committee on Jan. 26, 1951, and before the Senate Finance Committee on Feb. 28. He presented a general picture of the chemical industry and made three definite recommendations:

"(1) That the Act should be extended for only one year;

"(2) That during that year a Joint Committee of Congress should be appointed to study the Trade Agreements Act and its overall implications, particularly the feasibility of continuing the Act in the light of changed world conditions. It was argued that this will give the opportunity to spread squarely on the record carefully documented studies of the effect on various industries of the concessions made under the Trade Agreements Act;

"(3) That a provision should be contained in the Act itself making mandatory the inclusion of an escape clause in any trade agreement. It was pointed out clearly that the present escape clause, created by Executive Order, is so loosely and defectively drawn that it affords no relief to an injured domestic producer, in many instances, even though the domestic producer has suffered serious injury; this because of three reasons:

"First, that the actual or threatened injury must have resulted from developments that were unforeseen and

"Second, that the injury must be attributable to a trade agreement as a condition of escape and

"Third, that a condition of escape is that imports must have increased.

"It was proposed that the escape clause be so worded that the Tariff Commission, upon application for relief by an aggrieved producer, must conduct public hearings, make public findings of fact which shall include a finding of fact as to the rate of duty or other import conditions which represent a minimum safeguard against injury or threat of injury and issue a written opinion based upon such findings of fact on each application.

"The bill as passed by the House contained several amendments. The most important of those were the ones relating to the escape clause by which domestic producers may seek relief through the Tariff Commission if he is injured by a trade agreement concession; and the peril point procedure under which the Tariff Commission must investigate products listed for trade agreement negotiations in advance of the negotiations, and within 120 days fix points below which duties cannot be reduced without threat of serious injury to domestic producers. Another amendment provided that concessions under the Act should be withheld from Iron Curtain countries.

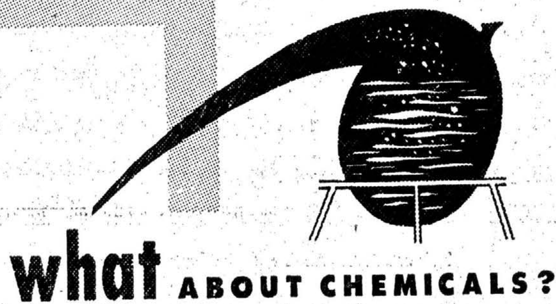
"Prior to conclusion of the Senate hearings, the Association made a formal protest to the Chamber of Commerce of the United States regarding its testimony before the Senate Finance Committee approving the Trade Agreements Extension Act. It was asked that the Chamber re-examine its position and, if possible, make known to the Senate that it does approve the amendments to the Trade Agreements Act as passed by the House of Representatives.

"The bill, as unanimously reported out by the Senate Committee, retained the House amendments and made it clear that the Tariff Commission must justify its rejection of relief claims through the medium of a published report. Further, the right of judicial review as originally set forth under Section 516 of the Tariff Act of 1930 was restored. It seems reasonable to assume that the Congress will accept the Senate Committee version of the bill, in the light of its strong support by the House and Senate Committees.

"**The National Labor-Management Council on Foreign Trade Policy.** The MCA has continued to cooperate with the Council and has renewed its membership for the year 1951. This organization has rendered valuable support, particularly from organized labor, in the fight to establish a realistic tariff policy.

"**Customs Simplification Bill**—This bill has again been introduced in the present Congress. So far no hearings have been scheduled on it. Arrangements have been made for appearances by the MCA if and when public hearings are held and the Association will oppose the bill. An oral statement will be made, urging that "American selling price" valuation method not only be maintained for coal tar chemicals, but be extended to cover all other chemicals now subject to other valuation methods.

"**General Agreements on Tariff and Trade**—Under the General Agreements on Tariff and Trade the United States meets with many countries concurrently, each negotiating as to its concessions on imports with its principal suppliers with such bilaterally agreed concessions then multilaterally considered and encouraged into overall schedules. Under this, three rounds of negotiations have been completed — the first at Geneva, the second at Annecy, France, and the third at Torquay, England. GATT in many ways is similar to the International Trade Organization Charter and if and when hearings are held before Congress, the MCA will make presentations on this subject."



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LOS ANGELES, Calif.—Arthur E. Schlaifer is now associated with Samuel B. Franklin & Co., 215 West Seventh Street.

Municipal Bond Men Elect Miralia Pres.

David T. Miralia, of Halsey, Stuart & Co., was elected President of the Municipal Bond Club at the association's annual meeting at the Sleepy Hollow Country Club. Other officers elected were David B. McElroy, J. P. Morgan & Co., Inc., Vice-President; J. Bradley Green, Guaranty Trust Co., Secretary; John W. de-Milhau, Chase National Bank, Treasurer, and Thomas F. Adams, Adams, McEntee & Co., and E. Norman Peterson, Equitable Securities Corporation, governors.

David T. Miralia

Gerald L. Wilstead Joins Reynolds & Co.

Reynolds & Co., members of New York Stock Exchange, announce that Gerald L. Wilstead has become associated with the firm in the research department of its New York office, 120 Broadway, New York City. Mr. Wilstead formerly was with the Wall Street Division of Chemical Bank & Trust Co.

Heronymus & Brinkman Formed in Sheboygan

(Special to THE FINANCIAL CHRONICLE)

SHEBOYGAN, Wis. — Heronymus and Brinkman, Inc. has been formed with offices at 809 North Eighth Street to engage in the securities business. Officers are Evelyn Heronymus, President; Magnus Brinkman, Vice-President; and William Brinkman, Secretary-Treasurer.

Chemical Fund Inc.

A Prospectus describing the Company and its shares, including the price and terms of offering, is available upon request.

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Pacific Northwest Power Situation

By ERNEST R. ABRAMS

Mr. Abrams describes encroachment of public power projects on privately owned interests in Pacific Northwest. Cites tragedy of Puget Sound Power and Light Company as horrible example of what can happen to private enterprise when power supply and politics are mixed, and concludes, despite Bonneville and Grand Coulee public power projects, people of area are short of electric power, while taxpayers get a trimming and private enterprise is again "down the rat hole."

Ownership of electric utilities has become a political football in the Pacific Northwest. No longer are the adequacy, quality and price of service of prime consideration. Instead, municipalities and Public Utility Districts are fighting among themselves, and with each other, for portions of the facilities of private power companies, which are being dismembered under legislation adopted by our New Deal-Fair Deal Administrations. In addition, Federal, State and local politicians of the area are jockeying for position in the pending split-up of privately owned electric systems. If this trend continues, electric service in the Pacific Northwest will be rendered by isolated publicly-owned distribution systems, supplied by power generated at tax-free public power plants, with a consequent loss of the economies that have been effected over the past 60 years by private enterprise, which have resulted in a steady reduction in electric rates to householders.

Ernest R. Abrams

One of the first important instances of public ownership of public utilities in the Pacific Northwest was the purchase in 1890 by the City of Seattle of the privately owned Spring Hill Water System, and since the results of that operation, under the peculiar accounting system employed, were satisfactory to the voters, they approved the issuance of $590,000 bonds in 1902 to finance the construction of a municipal electric system, which was originally intended to supply current only for street lighting and other municipal purposes. But, as so often happens, this tiny baby grew to enormous proportions.

During the first 40 years of its existence, "City Light" grew to a point where it became the "big dog" in the fight for sale of power in Seattle, because of the tax exemption and other advantages it enjoyed, and the "pressures" it exerted. It had pole lines down the other side of the street, paralleling those of Puget Sound Power & Light, while huge hydroelectric plants were established in faraway places as a source of power supply. In 1943, the Seattle City Council stated that, at the expiration of Puget Sound's franchise in 1952, it was the intent of the City to render all electric service within the corporate confines. This meant that Puget Sound Power & Light had a gun pointed at its head, as early as eight years ago.

Although not the originator of the public ownership idea in the Pacific Northwest, Franklin D. Roosevelt added fuel to the fire when, in the course of a campaign speech at Portland, Ore., on Sept. 21, 1932, he first lauded the virtues of public ownership of electric utilities and then called for development of power sites on the Columbia River by the Federal Government "to prevent extortion against the public and to encourage a wider use of that servant of the people—electricity." As might be expected of a politician, he failed to mention that private enterprise had been doing the same thing for 50 years.

Within a short time after his inauguration in 1933, both the Grand Coulee and Bonneville power projects had been authorized which, coupled with the existing Seattle and Tacoma municipal systems with their vast hydro generating capacities, committed expansion of power supply to public agencies and effectively discouraged any addition of electric power production by private power companies.

By the close of 1951, the Bonneville project will have an installed generating capacity of 564,000 kilowatts and Grand Coulee's capacity will total 2,160,000 kw., making it the world's largest single source of power supply. By the end of 1953, if they proceed as anticipated, the combined capacity of the Seattle and Tacoma generating plants will total 1,149,000 kw. Further, the Federal Government has millions of kilowatts of additional power supply in construction and projected. It is not surprising, in the face of this huge amount of tax-free publicly owned generating capacity, that privately owned electric utilities in the area find difficulty in hiring funds for the expansion of their own generating plants.

The Tragedy of Puget Sound Power & Light

Puget Sound Power & Light is, perhaps, the horrible example of what can happen to private enterprise when power supply and politics are mixed. From an economic standpoint, it's almost as disastrous as when drinking whiskey and driving are mixed in the same car. In 1930, well ahead of the Roosevelt pronouncement, the voters of the State of Washington enacted a law under the provisions of which Public Utility Districts, or PUDs as they are commonly called, could be created. Countywide in scope, PUDs could be established by popular vote and, once formed, had the power to condemn all privately owned electric utility facilities within their confines at prices determined by juries in State or Federal Court proceedings.

But they had no right to acquire far-flung privately owned electric systems, whose service areas extended far beyond their borders. Under the Oregon PUD law, set up a little later, condemnation powers were a little less broad and, where directors of Washington PUDs could issue bonds to finance their acquisitions without a voice of the electorate, consent of the folks in Oregon about to be taxed was required.

In 1949, the Washington State Legislature adopted a law which, among other things, permitted two or more PUDs, acting jointly, to purchase a multi-county private power system like that of Puget Sound Power & Light in its entirety and split it up among themselves, provided every other PUD in the area agreed to the arrangement. The validity of this law was immediately attacked in the State courts but, on Jan. 5, 1951, The Washington Supreme Court upheld the decision of the Thurston County Supreme Court, which decided the 1949 Act was constitutional, and, on Feb. 23, 1951, it refused a rehearing of the case, thereby creating a vehicle through which the acquisition of private power systems could be acquired by their consumers. What they still must learn is there isn't any such thing as a "free lunch" and they will pay the hidden costs of their electric bills in taxes.

Conflicting Political Rivalries

There still are hurdles these Pacific Northwest power consumers must jump, and that is the conflicting political rivalries. Before the entire Puget Sound Power & Light system, what's left of it, can be absorbed by PUDs or municipalities, three things must be done:

(1) Six PUDs and six municipalities, which have started condemnation suits against portions of Puget Sound's properties, must compose their differences.

(2) All of the eight PUDs, lying within Puget Sound's service area, must participate in, or consent to, any plan of acquisition.

(3) Puget Sound's stockholders must be satisfied with the bid price and be assured of the ability of the PUDs to raise the necessary funds. To be sure, any security that promises exemption from Federal exactions now sells at high prices. Whether or not they'll pay off is something else. You can't foreclose on a publicly owned electric system, under the rulings of our Supreme Court.

On Sept. 1, 1949, Puget Sound Power & Light sold its electric properties in Snohomish County and on Camano Island, which produced about 12% of its 1948 electric operating revenues, to PUD No. 1 of Snohomish County for some $16.5 million and used a portion of the proceeds to retire $7,357,000 of its funded debt. Again, on March 5, 1951, Puget Sound consummated the sale of its electric facilities in Seattle, with a small exception, to that municipality for $25,834,232, which covered the materials and supplies on hand as well as electric utilities within the corporate area. Finally, on April 9, 1951, Puget Sound redeemed $23,505,000 of First 4¼% bonds at 104¼ and accrued interest, which pulled its funded debt down to $35,613,000, including a $15 million 3% note, due in 1960, and left only 2,177,879 shares of $10 par value of common stock as an added claim against assets.

The $15 million note evidences the borrowing of a like sum from Metropolitan Life Insurance Co. in May, 1950, the proceeds of which were used to retire the entire issue of $5 prior preference stock on May 31, 1950, leaving only the funded debt and the common stock outstanding. The balance of $1,975,109 from the proceeds of the Seattle sale was consumed by various taxes and severance charges. Little change was made in the surplus account.

Provoking a Peculiar Situation

The proposed sale by American Power & Light of its common stock holdings in Washington Water Power to four small PUDs in eastern Washington, which served about 10% of W. W. P.'s customers, provoked a confused situation in the public power picture of the State. Since Spokane is not contained in any PUD, but contributes over 60% of Washington Water Power's annual operating revenues, its "city" customers ran the risk of having their electric rates set by boys "down on the farm" and they objected. Court proceedings were started and high government officials, State and local politicians, sensing a possible political advantage, jumped in with both feet.

While the fight was in progress, somebody out there discovered what every utility analyst on Wall Street knew—that Washington Water Power's service area slopped over into Idaho, which made it an interstate utility, and a Washington PUD couldn't boss things across State lines. So the State Superior Court of Stevens County—rather a "soft" court, it would appear—held the proposed sale invalid. It's an even bet the public-power-minded boys of Washington and Idaho will figure some scheme to whittle Washington Water Power down to State lines and divide it into jurisdictional hunks.

On April 26, 1951, Puget Sound Power & Light entered into 50-year lease and operating agreements with Chelan County PUD No. 1, under which the immediate expansion of generating facilities at Puget Sound's Rock Island generating plant on the Columbia River in central Washington is to be undertaken at the outlay of the PUD, alone. Under terms of the agreement, the generating station would still be owned by Puget Sound, but, in turn for installing extra generators, their output would flow to the PUD and to Puget. It was a "sweet" deal for both of them. Puget Sound discovered in the fall of 1950 that our public-power-hungry Federal Government was fast cooking up plans to seize the Rock Island plant on the excuse of needing added power to serve an extra aluminum plant ALCOA was to build, six miles down the river.

This unusual arrangement for enlarging the plant comes about because the Chelan PUD has Rock Island under condemnation, and by forestalling Federal seizure Puget Sound avoids the virtual confiscation of its project and preserves the effective functioning of its power pool—a vital necessity under the conditions of a national emergency. From the standpoint of power supply, the Pacific Northwest situation is the most critical in the country—although with the coming of Bonneville, Coulee and other Federal projects, the people of the area were promised an abundance of kilowatts. Once more glittering promises are not fulfilled, the taxpayers of the nation get a trimming and private enterprise is again "down the rat hole."

Arthur C. Thompson Is With Westheimer Co.

CINCINNATI, Ohio—Arthur C. Thompson has become associated with Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges, in the Mutual Fund Sales Department. Mr. Thompson has been one of Cincinnati's most distinguished rail chieftains and last year retired as general passenger agent of the New York Central System after 51 years of service with that road.

Arthur C. Thompson

Arthur B. Hogan Opens Own Offices

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Arthur B. Hogan is engaging in the securities business from offices at 1673 Waynecrest Drive. Mr. Hogan was formerly a partner in Hogan, Price & Co.

As all of these securities have been sold, this advertisement appears as a matter of record only and is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

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Calculating Risks in Industry

By WILLIAM H. WINFIELD*
Assistant Treasurer and Economist, Monsanto Chemical Co.

Economist of leading chemical concern calls attention to possible trouble spots in current economic situation, and concludes, despite uncertainties, American industry will expand. Says problem in taking risks is to select segments of industry which need expansion and stay out of those where there is danger of overcapacity. Outlines seven step approaches in evaluating both external and internal factors of risks and in creating new chemical products.

My subject concerns the factors which we think are important in taking financial risks. Six months ago a talk on calculated risks would not even have been of academic interest. The hue and cry at that time was for greater expansion and greater production of everything. However, in recent weeks we have seen some hesitancy in this violent upswing. We are now confronted with a confused situation. I seriously doubt if we face a major downturn in business, but I think that we might be fooled by the apparent demand created by scare buying, inventory building, industrial construction, and defense spending piled on top of normal consumption.

William H. Winfield

Possible Trouble Spots

The consumers' durable goods industry — automobiles and electrical appliances—is a major consumer of many, many products. There has been an avalanche of output in the postwar period, but how long will this peak demand last if we do not have a war? Let's take a look at some details.

At the end of 1950 there were 39.7 million passenger cars registered, of which 56% were postwar models. Automobile output in 1950 was more than double the average of the last five years prior to the war. The useful life of a car is currently 13.6 years. This indicates an actual replacement market of about three million cars. Making allowance for commercial vehicles, population growth, and exports, an over-all average of from 4½ million to 5 million vehicles a year appears to be a reasonable expectation. This means the probability of output only 55% to 60% as large as 1950.

At the present time 86.4% of the homes wired for electricity have electric refrigerators, of which 62% are postwar models. The production rate in 1950 was 6.2 million units. An important demand for refrigerators is from new homes, which are estimated to average 800,000 units during the next five years. In order to maintain the 1950 rate, 5,400,000 owners would have to junk their refrigerators each year. This is hardly likely.

There was evidence before Korea that the market for washing machines was reaching the saturation point. In 1949, unit volume dropped 27%, and prices 28%. This is not surprising since 72% of the wired homes have electric washers, 17 million of them acquired since the end of the war. I seriously doubt if the production rate of 4.2 million units can be maintained.

Since V-J Day over 62 million radios have been produced. The market began to get saturated as early as 1948, and production in 1950 was 43% below the 1947 level. We all know of the popularity of television. Last year the industry produced 7.4 million TV sets. Recent slowness in TV sales indicates that the market will not absorb more than 7 to 8 million sets a year. This market can hardly make up for declines in other appliances.

Recently the Econometric Institute forecast that total new construction activity was expected to increase in 1951, then fall off rapidly until 1954. This is another rather sobering thought on the business situation, and it should be taken into account in calculating risks.

The foregoing may appear to be a gloomy prediction. I do not mean it as such, but I think that we should not place total faith in defense spending and view this present boom with the proper perspective. Cold facts and cold logic indicate that during the past year we have not only used up part of the war-created demand, but in scare buying we have borrowed on future demand.

Significant Banking Developments

As a non-banking man I think that I can see three developments which may affect your operations and influence your thinking:

(1) The unpegging of U. S. treasury security prices may be an event of long-range significance. To me it signifies the end of artificial low rates and means higher interest rates and lower bond prices. Banks, despite the fact that they may sustain some temporary losses on their government portfolios, should, over the long run, benefit greatly in higher interest rates.

(2) The second factor is that the public will expect you to furnish the necessary funds for "useful" projects—otherwise the government will provide them. Witness the pressures that have been exerted to expand steel, chemicals, aluminum, etc. To provide these funds you may have to go beyond your present scope of operations and be confronted with a different type of risk.

(3) Another significant development is the growing tendency of the government to regard the continuing operation of a company as a matter of public welfare. The fact that a company, such as the Waltham Watch Company, is losing money [illegible] longer be a good enoug[illegible] for shutting down inefficie[illegible] ations. Employment must be maintained, and the government will furnish the money. This artificial production may play havoc with some of your customers who happen to be in the same business.

What do these conflicting estimates mean — first, that business will go to lower levels and, second, that the public will expect you to furnish the necessary funds for useful projects? The two can be reconciled because over the longer term I think that American industry will continue to expand. Our problem and your problem in calculating risks is to select those segments of industry which need expansion and stay out of those where there is danger of overcapacity. Let me show you why I think we are in for further growth:

Longer Term Outlook

People are markets, and the population growth in the United States provides a continually expanding number of consumers. More than 17 million consumers were added in the last decade. During the next ten years it is estimated that our population will increase another 16½ million. These 34 million additional people will force an expansion of America's productive capacity.

One of the most amazing facts in economic history has been America's capacity to consume more and more products. Once the standard of living is above the subsistence level, funds are available for a multitude of purchases. Think what a huge market the 96% of the world's population which lies outside the United States would be if they got their standard of living above the subsistence level.

The combination of population growth and increasing per capita consumption has created an insistent demand for the United States to expand its industrial capacity. Business cycles may interrupt but do not stop this long-term growth trend. Our problem and yours will be to pick the right horses. To do this we must take calculated risks.

Risk Taking Essential

In spite of a rather spectacular growth the chemical industry is inherently conservative. The larger a company grows the greater the conservatism and the greater the resistance to change. Yet one truth we can gain from the past is the law of change itself. Nothing—nothing ever remains static. For a company, its markets, its products, and its services are continually changing. How, then, can a company reconcile its inherent conservatism to changing conditions? Grim experience has shown us that we pay too high a price for conservatism. We have found that we must take risks or we are left with outmoded products and obsolete plants. We reconcile inherent conservatism with changing conditions by taking calculated risks—the subject of my talk.

In calculating risks in industry we pay more attention to the situation than to balance sheets and the value of tangible assets. After all, industry is spending millions of dollars in research each year trying to make existing physical assets obsolete.

While I realize that commercial banks do not make capital loans, the financial fraternity may have to engineer a new product to provide interim money to fill the gap between seasonal loans and capital loans or else the government will do it. With this new product will come risks.

Calculating Risks

Let me take a few moments to tell you of the factors we consider important in calculating risks whether it be in expansion, extension of credit, or determination of inventory levels.

(1) American industry has always been able to make profits when it has a growing volume. The first thing we want to know is where is the product in its long-term cycle of growth. There are three stages in the sales history of any product. During the establishment phase sales expand slowly and there are many business fatalities. When once the product demonstrates uses and real potentialities, a company must move fast to out-distance competition—otherwise it invites competition with the inherent risks. At the final stabilization stage there is competition from new products, profits are low, and there is danger of overproduction.

We find that our risks are lessened if we get in early in a strong growth situation. Sales of mature products bear the full impact of a business decline. However, a downturn in business may only slow up the growth of other products.

Not only does this growth factor apply to expansions, but also to the extension of credit. We have a saying in industry that anyone can pass credit on the top 30% of the customers because they are all AAA risks. Also, it is not difficult to pass credit on the bottom 30%, who are perennial poor risks or dead beats. But in the middle 40% there are a number of small companies which will grow. These are the ones which we want for our future customers. We also find that these are likely to be the companies whose products are in the growth trend. There is nothing glamorous about phenol, phthalic anhydride, or aspirin. These products are over 25 years old. But because of growth they have been good moneymakers.

(2) The second calculation is on the behavior of volume and prices during the ups and downs of a business cycle. At every phase of the business cycle some industries are going up and some down. The situation in the fourth quarter of 1948 illustrates the danger of relying on an average. While the FRB index of production was at a peacetime peak, some industries, such as rubber and leather, had already dropped 8% to 12% below a year earlier.

The combination of growth and cyclical behavior gives us a risk probability. By projecting growth trends, figuring how much a business decline will affect volume, and estimating potential capacity we arrive at the probable range of operating capacity for the candidate project.

(3) The third consideration involves the seasonal factor, with which you are well acquainted but which industry forgot about

*An address by Mr. Winfield before the 60th Annual Convention of the Illinois Bankers Association, St. Louis, Mo., June 14, 1951.

New Officers of Manufacturing Chemists' Assn.

Charles S. Munson

William H. Ward

George W. Merck

WHITE SULPHUR, W. Va.—Charles S. Munson, Chairman of the Board of U. S. Industrial Chemicals, Inc., and Air Reduction Company, Inc., was elected Chairman of the Manufacturing Chemists' Association at its recent annual meeting here. Mr. Munson succeeds William M. Rand, retiring President of Monsanto Chemical Co., in the position.

William H. Ward, Vice-President and a Director of E. I. duPont de Nemours & Co., was elected Vice-Chairman, and George W. Merck, Board Chairman of Merck & Company, Inc., was named President of the Association.

New directors elected were Jan Oostermeyer, President, Shell Chemical Corp.; R. L. Murray, President, Hooker Electrochemical Co.; R. B. Semple, President, Wyandotte Chemicals Corp.; George B. Beitzel, President, Pennsylvania Salt Manufacturing Co., and Felix N. Williams, Vice-President, Monsanto Chemical Company.

Other officers elected were: Vice-Presidents—Harold O. C. Ingraham, President General Chemical Co., and Raymond C. Gaugler, President American Cyanamid Co.; Treasurer—James W. McLaughlin, President Bakelite Company; Executive Vice-President—Robert L. Taylor; Secretary—Maurice F. Crass, Jr.

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during the war and postwar boom. There are big moneymaking possibilities in handling the seasonal factor correctly. A company has to take inventory risks to get fullest utilization of its capacity. Each industry has its own seasonal pattern which must be accurately determined. One of the pertinent questions we ask about a proposed new product is whether it will add to production peaks or fill in valleys, and whether it will utilize seasonally idle equipment or excess raw materials.

(4) The fourth consideration, whether we are trying to pick a winning product or a winning customer, is the size and characteristics of the market in the logical marketing area, and we do mean logical. With a 58% increase in freight rates since V-J Day, the economic marketing area is increasingly important. The postwar boom has obscured the fact that some day some companies are going to be frozen out of some markets because of these high freight rates.

In addition to evaluating these four external factors of risk we try to be realistic in considering basic internal factors.

(5) How real are the products' or customers' claimed advantages when related to price? How soon can they be duplicated by competition? How close is the product or service related to the companies' strengths in know-how or raw materials? Most Americans are opportunists, but in calculating risks we have to rely on fundamentals to keep us from following will-o'-the-wisps.

(6) Will the product or customer encounter any unusual problems of distribution or storage? Will we need a separate sales force because we would be selling through different channels of distribution? How much technical service will be needed before and after the sale? Quite often a high profit picture is more apparent than real because of added technical or selling expenses.

(7) Finally, in calculating risks we want to have a good estimate of the time required to make the product or project profitable. I think you will agree that most estimates are too optimistic. Here again we see the importance of capitalizing on the curve of growth. The best risk situation is after the product has gone through the slow period of establishment and is in the expansion period. It is at this stage that it is a "useful" project with little risk from the impact of the business cycle and no danger of overcapacity.

This seven-step program in calculating risks may seem like a lot of work and it is. But to outdistance competition we have to bet on the right horses. We are convinced that our over-all economy will continue to grow. Our job, and I think your job, will be to concentrate our efforts on the best projects and the best customers. To do this requires a combination of long-term perspective and detail study.

In closing, I would like to note that mine is the layman's approach. The way that industry calculates risks may not be pertinent to your business. However, I think you will agree that someone is going to build needed projects and someone is going to finance them. We have been trying hard to stick to the fundamentals of demand. It is only in this way that we can target our efforts in the fields and on the customers which will yield maximum results.

With Charles Parcells

(Special to The Financial Chronicle)

DETROIT, Mich. — Boyd E. Montgomery has been added to the staff of Charles A. Parcells & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

Customers' Brokers Association to Meet

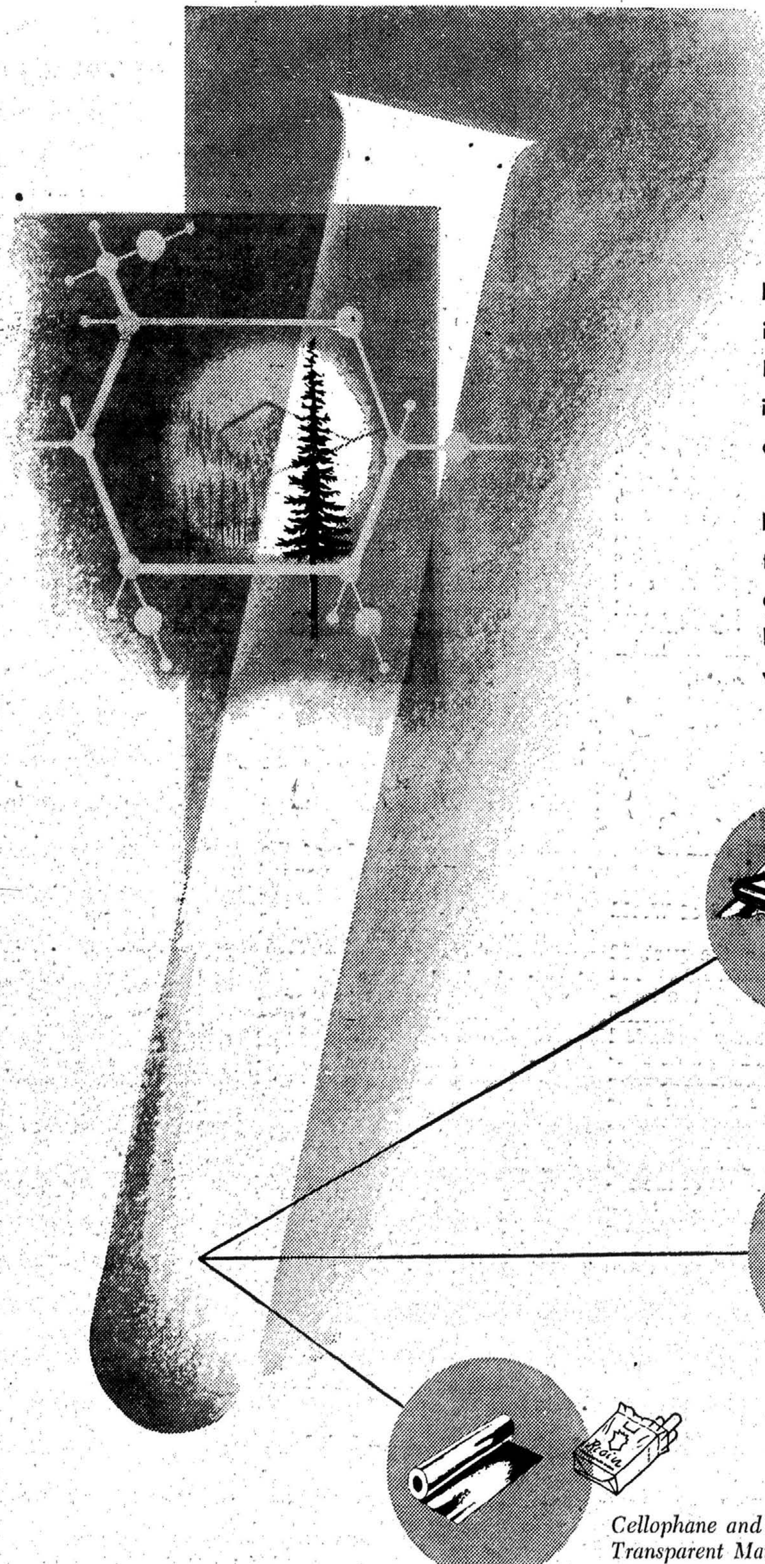
The Association of Customers' Brokers will hold their regular quarterly meeting June 28 at 3:45 p.m. at Schwartz' Restaurant. A new Nominating Committee is to be elected from the following slate presented to the membership:

Miss Beatrice M. Bougie, Francis I. duPont & Co.; Nicholas E. Crane, Dean, Witter & Co.; John Eisen, Tobey & Kirk; Edgar Ehrenthal, Ladenburg, Thalmann & Co.; Adrian Frankel, Ungerleider & Co.; Herbert C. Fredericks, Auerbach, Pollak & Richardson; Martin A. Fendel, Jacques Coe; Albert P. Gross, Bear, Stearns & Co.; Ernest R. Grauer, Hayden, Stone & Co.; Stanley Graff, Foster & Adams; Ernest L. Hockstuhl, Stokes, Hoyt & Co.; Walter H. McKeag, Jr., Merrill Lynch, Pierce, Fenner & Beane; Alton B. Plunkett, Orvis Brothers; Benjamin Powers, Mallory, Adee & Co.; Frank Saline, Goldman & Co.; Sydney S. G. Schatz, Cowen & Co.; J. Harold Smith, Hirsch & Co.; Otis Lindley Shurtleff, Laird, Bissell & Meeds; Alfred Vogel, Abraham & Co.; George H. Willis, Kidder, Peabody & Co.; Edward August Wickman, Abbott, Proctor & Paine.

Members of last year's Nominating Committee who made the selections are: Albert F. Frank, Ladenburg, Thalmann & Co., Chairman; Mrs. Evelyn Brandt-Valverde, Gruntal & Co., Secretary; Joseph Cabble, Abraham & Co.; Gerald Groesbeck, Merrill Lynch, Pierce, Fenner & Beane; Paul Morton, Peter P. McDermott & Co.; A. E. Rinehart, Eastman, Dillon & Co.; Anthony Smith, G. H. Walker & Co.; John Tilney, Wood, Walker & Co.; Joseph Alberti, Walston, Hoffman & Goodwin.

Leriche, Allen & Co. Formed in Des Moines

DES MOINES, Iowa — Roy W. Leriche and Ira D. Allen, formerly of Wheelock & Cummins, Inc., announce the formation of Leriche, Allen & Company to conduct a general investment securities business from offices in the Equitable Building. Also associated with the new firm are Homer A. Cook and Lester J. Boyle.



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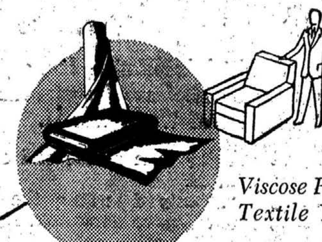
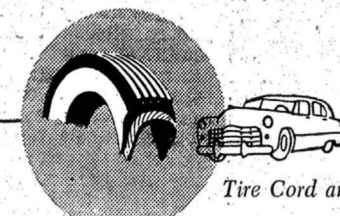
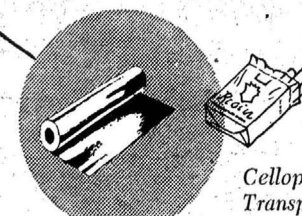


Viscose Rayon and Acetate Textile Yarns and Fiber



Tire Cord and Fabric



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Chemicals in the Defense Program

By COL. WILLARD CHEVALIER*
Executive Vice-President
McGraw-Hill Publishing Co., Inc.

Col. Chevalier points out nation's biggest supply problems in carrying out defense program lie in chemicals. Says rubber supply problem "is being licked," but sulphur is a long range proposition, and production of organic chemicals has been bottlenecked by short supply of coke.

Outside the metallic field, our biggest supply problems lie in the chemicals. The chemical industry, according to our latest McGraw-Hill survey, is planning an 11% expansion of capacity in 1951 alone. And many plans for further expansion in 1952 have already been completed. The largest expansion is in capacity for making synthetic rubber, heavy chemicals, and certain organic chemicals which are the basis for rubber, plastics, and synthetic fibers.

Col. W. Chevalier

The rubber problem is the closest to being licked; in fact, we should have an adequate supply by the end of this year. Synthetic production dropped to 40% of our total supply after the war. It now is up to 65%, and almost a million tons of total capacity is foreseen, enough to fill 75% of our present rubber requirements. Foreign production of natural rubber also is increasing.

Sulphur is a longer range proposition. Several new sulphur developments are under way in the Gulf area. With these new developments, the use of auxiliary sources such as pyrites, and better conservation in the use of sulphur, it may be possible to bring supply in balance with demand some time in 1952. New plants to make sulfuric acid are being built to convert these increased supplies.

Among the other heavy chemicals, the most impressive plans for new capacity concern chlorine. Chlorine output will rise to triple the pre-Korea rate by some time in 1952, and some of this growth is already evident.

Production of organic chemicals has been bottlenecked by the short supply of coke, from which they have principally been made. But now the industry is building rapidly the facilities to obtain these chemicals from oil and natural gas. Most important is the additional capacity planned for benzene. Within the next two years, this will amount to a 60% increase in total output. These increased supplies will permit considerable expansion in the production of plastics, synthetic fibers, and many other chemical products.

*Extract from an address by Col. Chevalier before the National Association of Purchasing Agents, New York City, June 5, 1951.

Manufacturing Chemists in Strong Position for Mobilization

Directors of Manufacturing Chemists' Association, Inc. say, in present emergency, chemical needs of Defense Program can be met better than at inception of World War II.

Reporting to its membership at the end of its 79th fiscal year, Directors of the Manufacturing Chemists' Association, Inc., stressed the strong position that the industry now holds to meet the nation's mobilization needs.

"The present emergency finds the chemical industry in a much stronger position to meet the country's defense needs than at the inception of World War II," the report states. "Production capacity for essential chemicals and allied products has been greatly expanded, first, as a result of governmental requirements during the war period, and later because of unprecedented consumer demand to meet postwar needs. The Federal Reserve Index of Industrial Chemical Production (1935-39=100) averaged 445 for the calendar year 1950, as compared with 414 for the year 1949. The high point of World War II activity occurred during June, 1945, with an index value of 412. The March, 1951, index reached 523, an all-time high, and is still rising as new facilities come into production. Even so, the tremendous postwar expansions, coupled with the new facilities erected during the war years, are currently failing to meet defense and civilian needs as our fiscal year closes. New expansion contemplated for our industry during 1951 will approximate $2 billion in cost, exceeding capital expenditures made in 1950 by more than 50%. If realized, this will amount to a 10% increase in physical capacity compared with 1950. At the end of 1951, our production potential will be 70% greater than at the end of World War II.

"Events during the past 12 months have demonstrated that in a mobilization economy the association cannot limit its activities to matters of purely technical nature and at the same time render maximum service to the chemical industry. The Korean incident, with its demands of limited and potentially total war, completely altered the association's routine along with that of the industry. Although our technical, legislative and information activities continued without abatement, well over half the time of the staff was spent on matters directly or indirectly related to the mobilization effort. Innumerable calls from our members for assistance; information and clarification concerning governmental regulations and directives; and consultation with defense agencies on countless problems — all placed a record burden on our personnel. Prompt staffing of the Chemical Division of the National Production Authority and the Rubber, Chemicals and Drugs Division of the Office of Price Stabilization could not have been achieved without the wholehearted cooperation of the industry, channeled through the association. The same applies to the personnel of industry advisory committees operating under these two agencies. Assistance was rendered also to other governmental organizations.

"When these additional services are added to the broad technical and informative programs of the association, its utility assumes almost limitless proportions for the welfare of the chemical industry. Our association has become the spokesman for the industry in many fields and is rendering a service to its members which cannot be estimated in dollars and cents. A careful reading of this report is therefore urged. We trust that each of our members will gain therefrom a full conception of the comprehensiveness of the association's program in behalf of the chemical industry, and render it the support that is essential to its continued usefulness."

Raymond F. LaPak With Dayton & Gernon

La Pak, Raymond F.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Raymond F. LaPak has become associated with Dayton & Gernon, 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. LaPak was formerly an officer of Wheelock & Cummins, Inc. with headquarters in Chicago and prior thereto was a partner in Rawson Lizars & Co.

Halsey, Stuart Offers North Penn Gas Debs.

Halsey, Stuart & Co. Inc. on June 20 offered $2,700,000 North Penn Gas Co. 5% debentures due 1971 at 103.20% and accrued interest. Award of the bonds was made to the bankers on June 18 on a bid of 100.20%.

Proceeds from the sale of the debentures will be used to pay off the outstanding balance of $2,700,000 of 360-day bank loans, obtained on Oct. 27, 1950 from four banks under a loan agreement. Money obtained under the loan agreement was applied to the redemption and retirement of the entire outstanding funded debt of the company, consisting of $2,992,000 principal amount of first mortgage and lien gold bonds, 5½% series due 1957.

North Penn Gas Co. is an operating public utility engaged in the purchase, production, transmission, storage, distribution and sale of natural gas in Pennsylvania. Territory served by the company and subsidiary covers the counties of Potter, McKean, Tioga, Clarion, Venango, Bradford and Forest in the Commonwealth of Pennsylvania, and the Counties of Chemung and Steuben in New York.

Robert F. Sprang With Wagenseller & Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert F. Sprang has become affiliated with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Sprang was formerly with First California Company, Revel Miller & Co. and Butler-Huff & Co.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Crawford L. Reinhardt is now associated with Goodbody & Co. He was formerly with the local office of Thomson & McKinnon.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The election of Edwin Thorne as Vice-President of **The First National Bank of the City of New York**, was announced on June 13, by Alexander C. Nagle, President. Mr. Thorne, formerly Assistant Vice-President, has been associated with the First National Bank since 1936. He is a Director of Consumers Power Company and Vigilant Insurance Company. During World War II he served for four years in the United States Navy where he attained the rank of Lieutenant Commander.

Announcement was also made of the election of William E. Gerdes as Assistant Vice-President and the election of Maurice M. Rafferty, Sidney W. Davidson, Jr. and Clarence F. Michalis, as Assistant Cashiers. Mr. Gerdes, who had been Assistant Cashier in charge of the Loan Department since 1944, has been employed by the First National Bank since 1919. Mr. Rafferty, in charge of operations of the bank's Stock & Bond Department since 1946, has been with the bank since 1923 except for three years' service in the Army during World War II. Mr. Davidson and Mr. Michalis have been with the bank since 1946. Both served in the United States Navy from 1943 to 1946 where each held a commission as Lieutenant.

* * *

International Banking Corporation, of New York, on June 14, marked the 50th anniversary of its founding. On June 14, 1901, the corporation was chartered by the State of Connecticut and in 1915 **The National City Bank of New York** acquired the corporation as a major step in the development of a world - wide branch system. National City had a year earlier, in November, 1914, established its first foreign branch at Buenos Aires, Argentina, the first foreign branch of a National bank established under the provision of the Federal Reserve Act. National City now maintains 54 overseas branches in 19 foreign countries.

* * *

Chemical Bank & Trust Company opened on June 14, New York's newest banking office in the recently completed 100 Park Avenue Building at 41st Street. The new branch of the bank occupies the site of the historic bar in the old Murray Hill Hotel. The new office has been established to serve the increased banking needs of the 42nd Street area and Murray Hill section, N. Baxter Jackson, Chairman of Chemical's Board of Directors, announces. The office provides complete facilities for business and individuals. The 100 Park Avenue Office is the 19th office of Chemical Bank & Trust Company in the Greater New York area. Chemical Bank, now in its 138th year, has enjoyed spectacular growth over the last quarter century. Its resources today exceed $1.7 billion. Founded in 1824 as a chemical manufacturing company, it was the first to establish banking facilities on Broadway. During the first 100 years, strict adherence to sound and "hard money" policies throughout recurrent reverses in the national economy earned for Chemical the reputation of "Old Bullion." Several prominent industrial executives have been named to the Advisory Board of Chemical's new office at 100 Park Avenue, it was announced on June 18 by Mr. Jackson, Chairman of the Board. The new advisory board members are: Chairman, O. Parker McComas, President of Philip Morris & Co., Ltd., Inc.; Leon A. Chapin, President of Dairymen's League Cooperatives Assn., Inc.; Louis W. Dommerich, partner of L. F. Dommerich & Co.; William P. Marsh, Jr., President of U. S. Industrial Chemicals, Inc.; William J. Hogan, Vice-President and Treasurer of American Airlines, Inc.; J. Lawrence Riegel, Chairman of Riegel Textile Corp. and Riegel Paper Co., and George S. Young, President of The Columbia Gas System, Inc. Mr. Jackson also announced the election of Lyle L. Shepard, Treasurer and Director of Columbia Carbon Co., to the advisory board of Chemical Bank's 46th Street and Madison Avenue office.

* * *

Manufacturers Trust Company of New York, opened on June 16, its new Kew Garden Hills Office at 72-71 Main Street, near 73rd Avenue, Kew Garden Hills, Long Island. The new office will be in charge of Henry L. Fry as Manager and P. H. Blakelock as Assistant Manager. This is the third new office opened by Manufacturers Trust Company this year and will bring the total number of the company's offices to 109.

* * *

Stewart Camden Pratt, retired Vice-President of **City Bank Farmers Trust Company** and **The National City Bank of New York,** died on June 14 at Polyclinic Hospital. He lived in New York and Culpeper, Va. Mr. Pratt was born in Washington, D. C., in 1885. He received his education at Trinity College, Hartford, Conn. and took his law degree at the University of Pennsylvania. Mr. Pratt began his career with the law firm of Winthrop & Stimson and later became Assistant General Counsel for the Lehigh Valley RR. Co. He served in World War I as a major and after his discharge he became a partner in the firm of Cobe, Johnston & Pratt, Investment Counsellors, from which firm he resigned in 1925 to become affiliated with The Farmers' Loan and Trust Company as Assistant to the President. Upon the merger of that company with The National City Bank of New York in 1929, Mr. Pratt was elected a Vice-President of City Bank Farmers Trust Company in charge of the Corporate Trust Department, which office he held until his retirement on Sept. 30, 1950. From 1935 to 1939 Mr. Pratt was Chairman of the representatives of the New York banks to negotiate with the German Government the settlement of payments due on the German dollar bonds outstanding in the United States exclusive of the Young and Dawes loans. He was a member of Delta Kappa Epsilon and Phi Delta Phi fraternities.

* * *

Announcement of a quarterly dividend for the three months ending June 30, by DeCoursey Fales, President of **The Bank for Savings in the City of New York,** shortens the dividend period of the bank which has been on a semi-annual basis since 1944. The grace period at the beginning of the quarterly period is being extended from five to 10 business days. The change follows a return to a 2% dividend rate last year. The present dividend is the 308 consecutive dividend since 1819 when the bank opened for business as New York's first sav-

Continued on page 31

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Federal Reserve Bank of St. Louis

Outlook for World War III

By ROGER W. BABSON

Though asserting Russia may start World War III this winter, Mr. Babson contends business and investing may remain on a dead center for next six months or more, and there should be no important price changes until Spring of 1952. Looks for lag in general business this summer.

During the past few days I have talked with some important people here regarding the possibility of World War III—and when it may or may not be expected.

Roger W. Babson

My financial friends insist we have nothing to fear during this summer or early fall. The chief assets of Russia and her satellite nations of Rumania, Czechoslovakia, Poland, etc., are their crops, especially their wheat. Hence, Russia will not start World War III until these crops are gathered, transported, distributed and safely stored.

My military friends go further and explain that Russia will not start World War III until the rivers of eastern Europe freeze over so her supply lines cannot be cut by our airplanes bombing bridges. You will remember that the Chinese invasion of Korea did not occur until the Yalu River froze over; but that now the invasion has pretty much stopped. Broken supply lines are apparently licking the Chinese.

Coming Winter Critical

The above means that we have nothing to fear from Russia before winter comes. This coming winter, however, will be a very critical time, especially as the Russians are more accustomed to living, moving and fighting in winter than are the U. S. forces or the Europeans. It is also said that atomic bomb operations can be more effective in winter weather. Russia may start World War III this winter.

The Russians further realize that the United States and the Allies are now arming at a more rapid rate than the Russians can possibly meet. Russia can raise more men than can we and our Allies, but Russia cannot produce airplanes, tanks, guns and other war supplies as fast as we can. All of this leads me to believe that, if the Russians do not strike early in 1952, they have decided to forget World War III for some years to come and await further political developments.

Stocks, Bonds and Commodities

Business and investing may remain on a dead center for the next six months or more. There should be no important price changes until the spring of 1952. If Russia has not started War III by that time, there may then be a letdown in business and prices. Certainly, taxes would not be increased further. But, if Russia should strike next winter, taxes are sure to be raised again.

As to general business during the remainder of this year, I look for a lag this summer during the "tooling up" period when industry is switching from peace to war work. This may be accompanied by some unemployment. By fall, however, business should again be good. This uplift should continue throughout the winter whatever Russia decides to do. All skilled workers will be in greater demand, even at higher wages.

Presidential Election Next Year

Added to the above comments, do not forget that another national election comes next year. If Mr. Truman can go to the voters under the slogan "I kept you out of war," he may have a fair chance of re-election. Therefore, the entire Administration will try to delay World War III until after 1952, which may result in pushing it indefinitely away. Do not sell Mr. Truman "short" yet—especially if the fighting in Korea stops. This does not change the importance of the prediction that this coming winter will be a very critical period.

But, personally, I go further and say "anything can happen during the years ahead, from a devastating War III to World Peace and a 'Golden Age'." This means that the most important program is to so plan our family's education, business and investments that we will be able to get on "some way whatever happens." This is a goal very important to pray and work for this month of June as our young people are graduating from schools and colleges.

Joins Protected Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Jas. Roosevelt is now with Protected Investors of America, Russ Bldg.

N. Y. First National Elects Thorne, Gerdes

The election of Edwin Thorne as Vice-President of the First National Bank of the City of New York has been announced by Alexander C. Nagle, President. Mr. Thorne, formerly Assistant Vice-President, has been associated with the First National Bank since 1936. He is a director of Consumers Power Company and Vigilant Insurance Company. During World War II he served for four years in the United States Navy where he attained the rank of Lieutenant Commander.

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Joins Quinn Co. Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Alan B. Sostek has been added to the staff of Quinn & Co., 50 Congress Street.

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Canadian Securities

By WILLIAM J. McKAY

The more bewildering becomes the persistent unseasonal weakness of the Canadian dollar the more probable it appears that the cause is a result of deliberate policy. If such is the case the underlying motive can be readily deduced. In the past few months despite vociferous discouragement from highest levels both here and in Europe, the hardy rumor of sterling revaluation will not die. This is perhaps not altogether remarkable as the principal arguments advanced against any change in the status of the pound are not entirely convincing. There is, moreover, reason to believe that the protests are largely based on selfish motives and not on the logic of the case.

In the first place any rise in the value of sterling would enhance the cost of imports from the British Commonwealth. It is true that many British export items figure largely in the defense requirements of many countries but on the other hand this development has been largely instrumental in promoting a healthier balance in international exchanges. The ability of sterling and other European currencies to stand on their own feet has moreover solved to large degree the Western world's previously greatest economic problem—the U. S. dollar shortage. This in turn has permitted Britain to renounce her claim to direct economic aid in the shape of ECA funds.

For this reason alone the strength of sterling should be allowed to exert a natural influence in the direction of an appreciation in its value. Hitherto one of the main objectives of U. S. and International Monetary Fund policies has been the rehabilitation of sterling and other precariously situated currencies. Just at the point when a remarkable success has been achieved the former policies appear to be going into reverse. On the one hand the U. S. ceiling prices on wool, rubber, and tin have been lowered to the detriment of Commonwealth producers, and on the other hand the International Monetary Fund opposes a step that would tend to correct the alarming deterioration in the United Kingdom's terms of trade.

The objections of the International Monetary Fund are probably raised at this time in view of the rumors that sterling would be permitted to rise in a controlled free market according to the recently initiated Canadian dollar pattern. The Canadian experiment was adopted despite the fact that it violated the I. M. F. principle of established fixed parities of exchange. In the event of the defection of the second most important member of the Fund the prestige of this organization would be still more seriously undermined.

This raises the pertinent question whether the International Monetary Fund should now modify its rigid attitude on the maintenance of fixed parities. At the same time the unrealistic valuation of gold might also be given reconsideration. At the time when the International Monetary Fund was established the maintenance of a fixed price for gold and the various parities of exchange was necessary to restore some measure of stability to a generally disorganized situation. Since then great progress has been achieved and it would appear that the changed conditions now call for a change in the international scheme for foreign exchange procedures.

With the return to relatively normal conditions the economic law of supply and demand should be allowed to exercise its natural influence. As matters now stand basic economic conditions can undergo important changes but the arbitrary parities of exchange, which were mostly fixed during a period of economic chaos, are only permitted to be varied when an economic trend has developed to an extent that a parity in question is obviously false. It is then moved to another arbitrarily fixed level where it is again subject to varying economic pressures. Consequently under present conditions the pound and other European currencies are constantly at the mercy of external speculation and psychology plays a greater part in determining exchange movements than strictly economic factors. Thus although in the present circumstances the British Commonwealth and the countries of Europe are constantly handicapped by currency levels which are inconsistent with actual economic conditions, their customers and currency speculators abroad can freely profit from the maladjustments.

There is little doubt that Canada's action in introducing a flexible rate of exchange was motivated by these considerations. Canadian experience has shown that a fixed exchange level invites external speculation to such a degree that it becomes an embarrassingly important factor in the national economy. Furthermore freed from the straitjacket of a fixed parity the level of the exchange can if necessary be made to conform to current economic requirements. For example the operation of the Anglo-Canadian agreement to increase British trade with Canada by 50% in relation to last year has been facilitated by a lower rather than a higher level of the Canadian dollar.

During the week there was negligible activity in both the external and internal sections of the bond market but the internals were marked up slightly in sympathy with the firmer tendency of the Canadian dollar. In an irregular stock market the golds provided the main attraction and registered notable advances which were largely erased by a subsequent reaction. Paper stocks were firm on the announcement that the $10 per ton newsprint increase will be allowed to stand. In the oil section, B. A. Oil was in demand on reports of a proposed 2-for-1 split in the common stock. The base-metals moved within a narrow range and failed to establish any definite trend.

J. Frank Honold V.-P. of Chase Bank

J. Frank Honold, a Second Vice-President in the investments division of the trust department, has been appointed a Vice-President by the board of directors of the Chase National Bank.

A graduate of Syracuse University (1925) and the Graduate School of Banking at Rutgers (1944), Mr. Honold has specialized in trust investments at the Chase for 22 years and has been a member of the official staff since 1938. He was appointed a Second Vice-President in 1945.

F. P. Ristine Admits

PHILADELPHIA, Pa.—Charles E. Land and William J. Corbet will become partners on July 2 in F. P. Ristine & Co., 123 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges.

Urges Hearings on Bill to Revive Gold Standard

Executive Vice-President of Economists' National Committee on Monetary Policy points to loss of gold in face of increased currency supply as evidence of need for gold standard revival.

A drop to 7.2% in ratio of our gold to money and deposits from the present 10.6%, which stands in sharp contrast to the 24.6% of 1941, possibly resulting in further devaluation of the dollar, was set forth by Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, in letters to all members of Congress, as evidence of a vital need for immediate establishment of the gold standard.

Dr. Walter E. Spahr

"Past experience with ratios," Dr. Spahr wrote, "seems to indicate that, should our ratio fall to 7.2%, the possibility of successfully resuming redemption of our money and deposits in gold will have been taken from the people of the United States. Should we suffer a decline in our gold stock while note and deposit currency is expanding, we could easily and in a short time suffer a drop in ratio from 10.6 to 7.2%.

"It should be obvious that we are hastening toward the point of danger and that time is running out rapidly during which Congress could give our people a redeemable currency and avoid another devaluation of the dollar.

"As of April 24, the purchasing power of our dollar, measured in terms of the index number of wholesale prices, has fallen 58% since 1939. Taking three items alone, vitally affecting the welfare of savers—life insurance policies, time deposits in banks, and E, F, and G bonds—the losses in purchasing power on the average holdings for the years 1941-1950, inclusive, amounted to $116,565,524,000. This is 61 times the $1,901,000,000 lost by depositors in suspended banks for the years 1921-1933.

"The latter loss is understood and is still discussed with considerable emotion. The former loss—61 times greater—is only vaguely understood and, consequently, is generally discussed in terms of useless platitudes.

"The savers of this country are dependent upon, and must look to, Congress for protection against this great loss which is weakening our people and economy."

To members of the Senate and House Banking and Currency Committees, Dr. Spahr concluded his letter as follows: "Is it not important that hearings be held promptly on the Reed Bill, H. R. 3038, which provides for redeemability of our currency, in an effort to save the dollar of the people of this country from further devaluation?"

Continued from page 3

Importance of Research in Growth of Chemical Industry

greater leisure, depend on the use to which we put them. Nevertheless the tools are there, ready to our hand, and I have no doubt that the time will come when we will have the spiritual grace to employ them to the greatest benefit.

Research Means Growth and Improvement

And still the horizons extend far beyond the range of our immediate vision. As long as the nation's laboratories are active there can be no mature economy, there can be only growth and improvement. Industrial research can, and I am sure will, produce benefits far beyond anything we now know. Many major developments even now are within sight.

I concede that all of this has primarily to do with our material well-being. It would be agreeable to report that corresponding progress had been made in the humanities, in our spiritual development. Obviously it has not, and deplorable though that lack may be, certainly it would be illogical to deprecate an advance in one direction by noting that it has not been accompanied by similar progress in another.

Actually I think that there is much reason for believing that spiritual progress follows on the heels of material comfort. Man is so constituted that he thinks first of his primary need for food shelter, and clothing. If his efforts meet with success, he is far more likely then to think of his social responsibilities to his fellow man. I am sure that our national spirit of generosity has its roots in the rich and realistic soil of our relative national prosperity. Individually and collectively we are a generous people, but I submit that that is due not so much to our inherent moral fiber as to the fact that having so amply filled our own material wants we can afford to give sympathetic thought to the needs of others.

I have said that our material progress is chiefly dependent on the output of our research institutions. There are, however, two equally essential links in the chain connecting cause and effect.

First we must have a steady flow of basic knowledge continuously expanding our reservoir of of scientific information. For that we must rely primarily upon the universities since it is in that atmosphere that the search for basic truth and new knowledge can most effectively flourish.

It is the task of industrial research, on the other hand, to implement, to work out, to apply the bright new principles coming out of basic research and convert them into the goods and services that lead ultimately to man's material betterment. This is essentially a cooperative relationship—the two tasks supplement each other. Both must be done with equal skill, with full appreciation of the dependence each has on the other.

We have been fortunate in the past in having available to us the results of basic science all over the world, and I think it is fair to say that the contributions to fundamental knowledge made in universities abroad have until now been greater than our own. This has permitted us to indulge our industrial genius, possibly without contributing our fair share to the world's storehouse of basic knowledge.

It has become painfully obvious that we can no longer rely upon basic research from foreign universities, nor do we wish to do so. In that measure it becomes essential that we make this country as self-sufficient in pure science

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as it has become in industrial research.

It is unfortunate that the financial necessities of some of our universities appear to have driven them more and more into the field of sponsored applied research. This is an unfortunate trend, and I consider it to be one of industry's responsibilities to help reverse it. For industrial science, with the sense of urgency and rapid accomplisnment that it must have if it is to do its job well, cannot in the nature of things do more than a small part of the necessary basic exploration.

The risks of industrial research are indeed great. It takes courage, patience, and much money even to attempt it on any substantial scale. With all the many skills at our disposal, with all the fine equipment you have seen today, with men of the highest scientific attainments, with able and experienced management, a given research project has about one chance in twenty of becoming a commercial success. An abundant flow of basic scientific knowledge is essential if the odds in the game we play are to be good enough for us to stay on the winning side.

Freedom of Research—A Formula For Success

So if we are to fulfill our mutual obligation to improve the material status of mankind, both partners must accept their respective responsibilities with viger and enthusiasm. That is the only sure formula for success.

There is, however, one overriding requirement that is perhaps self-evident. It is essential that our political environment be congenial to the operation of our mutual undertaking—in a word, that we continue in a free society. Freedom of thought, of action, of expression is essential to research wherever it be done—in universities or in industry. Freedom to reap the harvest of one's accomplisnments is equally essential if basic knowledge is to be converted into goods and services for the benefit of mankind.

We have observed the stifling effects of restrictions on science elsewhere in the world.

Germany, under Hitler's dictatorship, saw its science degenerate, its ablest practitioners scattered to other countries or left to rot in concentration camps.

In Russia, science under communism must conform first to the party line, and woe to the incautious scientist who thinks it appropriate simply to tell the truth.

In England, pure science remains free, but excessive taxation has removed most of the incentive for industrial implementation.

Here, in this country, American research has prospered by preserving freedom of initiative for the individual, and by offering suitable incentives to commercial accomplishment. In our universities we have freedom of thought and expression, we may work in whatever field we choose and report the results of our studies, wherever they may lead. In industry, our companies are free to grow and to harvest the fruits of their successes just as they are obligated to take their losses.

Science and industry together must be free to question the old and embrace the new—to eliminate the wasteful and to crown the efficient.

Let us hope that it will always be so, and that in an atmosphere of freedom we will march continually toward those bright new horizons that will be always before us.

Miller & Co. Formed

JERSEY CITY, N. J.—Raymond E. Miller has formed Miller and Co. with offices at 15 Exchange Place, to engage in a securities business.

SEC Raises Estimate of 1951 Capital Outlay

American business now estimates its expenditures for new plant and equipment for the second quarter of this year at a record $6.4 billion, and anticipates a continuation of this rate in the third quarter, according to the latest survey of capital outlays made public jointly by the Securities and Exchange Commission and the U. S. Department of Commerce. These figures indicate an upward adjustment of the expenditures for this period from those planned earlier this year.

For the first nine months of this year, outlays are expected to total $18 billion, or 41% higher than for the corresponding period of 1950. If this rate of investment is achieved, it appears likely that the previous estimate of $23.9 billion for the full year 1951 will be exceeded.

Expenditures for new plant and equipment for the second quarter of 1951, as reported in the latest survey, are 6% more than previously anticipated, while actual outlays of $5.2 billion in the first quarter fell below expectations by the same percentage. The expenditures planned for the second and third quarters of 1951 are, respectively, about 48% and 36% higher than in the corresponding periods of last year.

All industries have programmed capital outlays at or near record rates in the third quarter. Manufacturing companies plan to increase their expenditures to $3.3 billion in the third quarter of this year and electric and gas utilities expect to spend $1.0 billion in the same period. Railroads anticipate spending a record $440 million in the second quarter and $410 million in the third quarter.

Plant construction in the second and third quarters of 1951, with the increased emphasis on facilities expansion, is expected to amount to a somewhat higher proportion of total capital expenditures than in recent quarters. The survey also indicated that the larger companies were expanding their investment programs relatively more than were the smaller firms.

The above analysis is based on estimates of plant and equipment expenditures by industry groups. The data were derived from reports furnished by corporations registered with the Commission and from a large sample of unregistered manufacturing companies, unincorporated as well as corporate, reporting to the Department of Commerce. These data, collected during the second quarter of this year, included actual plant and equipment expenditures for the first quarter of 1951 and anticipated expenditures for the second and third quarters. The figures presented are estimates for nonagricultural industries ased on the sample data.

With Edgerton, Wykoff

(Special to THE FINANCIAL CHRONICLE)

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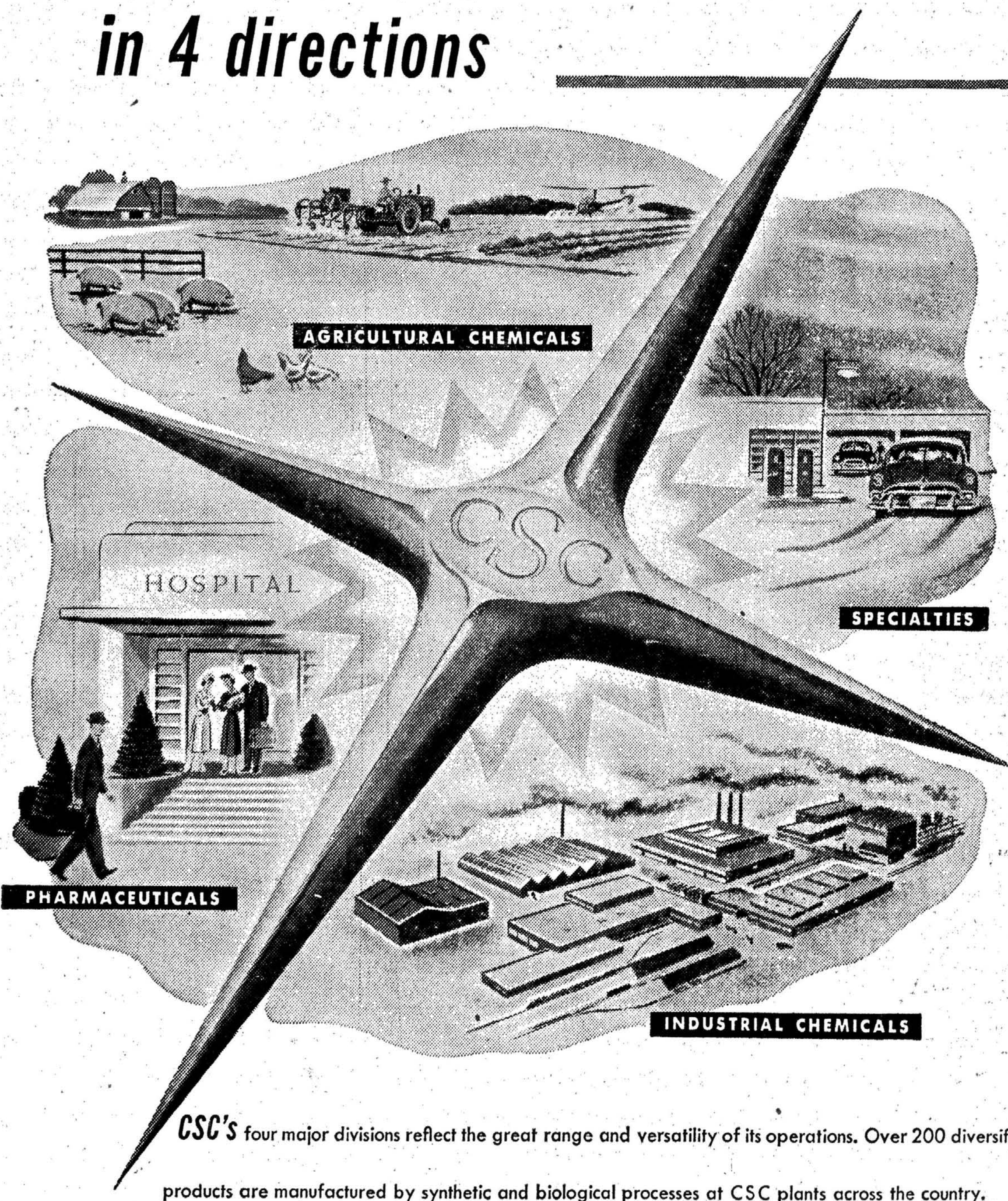

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No Further Credit Controls Needed

By ROY L. REIERSON*

Vice-President, Bankers Trust Company, New York

Bank economist reviews recent banking developments, and finds problems of growing complexity for the commercial bankers. Holds, though there is impressive evidence of continued large demands for business credit, the inventory and price outlook suggests that credit expansion will be considerably less than in 1950. Denies bank credit expansion is substantial factor in inflation, and opposes further extension or innovations in credit control. Concludes prospects of developing sound anti-inflation program are not bright.

For the first time since the outbreak of war in Korea, we are enjoying the luxury of a respite in the hectic pace of inflation. For the better part of a year, the expectation of rapid rearmament, growing shortages and persistent price increases imparted a frightening momentum to our economy. More recently, however, the economy has been showing signs of pause and hesitation. The sharp upsurge in prices has come to a halt and has given way to general stability with scattered price declines. For the banking community, this lull in the onslaught of inflation offers a welcome opportunity to take stock of what has happened and to reappraise the important tasks and problems that lie ahead.

Roy L. Reierson

Recent Banking Developments

In the middle of 1950, our commercial banking system entered one of the most eventful periods in its history. The demand for bank credit exceeded all previous proportions. The monetary authorities took far-reaching steps to restrain the expansion of private credit. In growing measure, the banks came to face the problem of meeting the justifiable credit needs of the defense economy while preventing credit expansion from compounding our inflationary ills. All these developments have a common origin in the inflationary forces released by the outbreak of war in Korea.

The huge increase in bank loans began almost immediately with the start of the war. Bank loans quite naturally tend to fluctuate with changes in prices, business inventories, and production. In mid-1950, war and rearmament touched off a scramble for goods by consumers, business, and the government itself; soon all the forces that create a need for bank credit were growing stronger, some in spectacular fashion.

Consumers, mindful of World War II, rapidly embarked on a nationwide buying spree. Business accelerated its buying to meet these demands and to stock up for the future; also, plant and equipment programs were stepped up. The government, which had permitted its stockpiling activities to languish, now resumed its purchases with great vigor. The result was a broad and pronounced upsurge in prices, which was especially strong in the world markets for raw materials. Production moved to new postwar peaks. Wages and other business costs experienced another round of increases. All this was reflected in the unprecedented increase in bank loans in the second half of 1950 by $8 billion, or 18%.

In the face of this wave of higher spending, higher borrowing and higher prices, it was entirely appropriate for the monetary authorities to place some restraints on purchasing power by curtailing the expansion of credit. The first steps were to check the growth of consumer and real estate credit by selective controls. These were followed by general measures of credit restraint. Around the turn of the year, the Federal Reserve Board increased the reserve requirements of member banks, so that for most banks they are now at the statutory limit.

The most significant and impressive action, however, was taken in March of this year, when the established policy of supporting the prices of long-term government bonds at pegged levels above par was abandoned in favor of a more flexible policy. As a result, for the first time in more than a decade, we see government bonds selling below par. That the monetary authorities, in a period of rearmament and during a military campaign, were able to undertake what had not been feasible under much more favorable conditions before Korea, was indeed a notable accomplishment.

A further remarkable achievement was the development of a voluntary credit restraint program by the financial community itself. While the monetary authorities were attempting to curb credit by controls, the members of the financial community undertook to check the expansion of bank credit and of other private credit through voluntary action. This, it may be noted, is the first time that such diverse institutions as commercial banks, investment bankers, life insurance companies, mutual savings banks and savings and loan associations have cooperated in a voluntary effort to limit financing activity.

Looking ahead, however, the developments in the economy signal problems of growing perplexity for the commercial banker. Business is likely to require a high volume of loans for some time ahead. Furthermore, as rearmament expands, there is the danger that the Federal Government may once again rely to a significant extent upon financing through the banking system. Consequently, as we move farther into the defense economy, a policy of vigorous credit restraint may conflict with the foreseeable increase in the necessary and legitimate demands for bank credit.

Business Demands for Bank Credit

In appraising the loan outlook, the demand for business credit is particularly important. Commercial, industrial and agricultural loans account for some 60% of outstanding bank loans. Furthermore, they are not amenable to the selective credit controls which cover loans on securities, consumer loans, and some types of real estate mortgage lending. For in the case of business loans, there can be no workable formula of collateral requirements, repayment periods or borrower's equity.

So far, there is impressive evidence of continued large demands for business credit. Business loans continued to rise rapidly through the first quarter of this year, and have declined only very slightly so far in the second quarter, when the normal expectation is for a seasonal downturn. This strong demand seems to herald a substantial increase for the year 1951 as a whole; in the second half of the year, increased credit will be needed to market agricultural crops and to finance the normal autumn upturn in business activity.

In addition to these seasonal forces, the growth of defense production is likely to carry business loans to new high levels. In recent months new defense orders have been running at about double the rate of current defense spending. These large orders will be translated into production fairly soon, with a resultant rise in credit needs for defense work. New legislation has opened the door for more active commercial bank participation in the V-loan program, and such loans may increase significantly in 1951, perhaps by as much as $1 billion. The increase might be larger if the V-loan program is broadened to include plant programs in substantial amount. Thus, the outlook is for a further rise in business loans in the second half of 1951.

However, the inventory and price outlook suggests that the loan increase will be considerably less than in the corresponding period of 1950. Business inventories are at record heights, and now that scare buying has ceased, they appear more than adequate, especially at the retail level. In contrast to the frantic buying in the second half of last year, many businessmen are trying to liquidate excessive stocks, and this has led to some cutbacks in orders and output. Some further cutbacks in production will probably come as the result of shortages of materials. Consequently, inventories, of civilian goods are probably near their peak for some time ahead, and while a decline here will presumably be offset to some extent by rising inventories for defense purpose, on balance it appears that the period of rapid accumulation of business inventories is behind us.

The general price level, too, may not show any sizable increase for the remainder of the year. Large inventories in many lines and the prospects of generally good crops will help to curb further increases. If the developments in Korea continue favorable and if no international troubles develop elsewhere, we might witness some reductions in stockpiling purchases and a slower increase in the defense program, and this would facilitate further price corrections. But even if the international horizon remains dark, prices are likely to be held in check more effectively than last year. Competitive bidding for scarce commodities will probably be curtailed by allocations and controls over the use of materials. Price controls will have some restraining effect and presumably will be expanded if conditions require. All in all, although the inflationary potential in our economy is formidable, the uprush of prices that characterized the last half of 1950 is not likely to be repeated in 1951.

In summary, business loans are likely to increase at a substantially smaller rate over the balance of this year than in the comparable months of 1950. Furthermore, there are indications that the defense economy may have a generally moderating influence upon loan requirements as time goes on. It is interesting to note that during World War II the big increase in commercial, industrial and agricultural loans took place from the latter part of 1940 to the early part of 1942, and that thereafter the total declined. Present conditions are far different from a war economy, and a repetition of this pattern may not develop in the near future. Nevertheless, the rise in the physical volume of production from now on will be fairly modest; increases in defense production will be offset in part by cutbacks in production of civilian goods. This, plus the growing impact of government controls, should have a definitely restraining effect on the demand for business credit.

Treasury Financing and the Banks

So far in the Korean war, the Treasury has not relied upon bank financing. Indeed, since July 1, 1950, the commercial banking system, including the Federal Reserve Banks, on balance shifted about $3 billion of its holdings to other investors, primarily to nonfinancial corporations. This has offset some of the expansion of credit that arose from the great demand for bank loans.

Furthermore, the Federal debt since the outbreak of the war has actually declined by about $2 billion. This reflects the unexpectedly favorable condition of the Treasury budget. In contrast with the deficit of $2.7 billion forecast in the Budget Message of the President in January, the current fiscal year, ending June 30, 1951, is likely to show a budget surplus of some $3 billion or more. On a cash basis, this fiscal year probably will end with a surplus close to $6½ billion.

Part of this unexpectedly good fiscal record is due to the failure of defense expenditures to rise as rapidly as anticipated. This is not surprising in the early stages of a rearmament effort. Furthermore, the inflation already experienced was quickly reflected in peak levels of personal income and business profits and in correspondingly large tax receipts, whereas the higher costs have not fully shown up in the rate of government spending. This advantage is of course temporary and will eventually be dissipated unless kept alive by persistent further inflation.

The budget outlook for the forthcoming fiscal year 1952 is considerably less favorable but is probably not beyond repair. The budget deficit was originally estimated at $16½ billion last January. More recent official statements have reduced this estimate to about $13 billion, and there are many who believe that even this figure is too high. If a tax bill yielding as much as $6 or $7 billion is enacted reasonably promptly and if international developments do not cause a speed-up in defense spending, it may be possible to prevent the budget deficit from becoming an unmanageable inflationary force. On a cash basis, the budget may then be close to balance. Beyond the fiscal year 1952, however, further tax rises will be needed if a large deficit is to be avoided.

Even over the next six months, the Treasury faces sizable financing requirements. Until early 1952, when large income tax receipts will once more pour in, the Treasury will be operating at a deficit. Furthermore, each month during the balance of this year, significant amounts of Treasury obligations are due for refunding, and funds will have to be raised to pay off the unexchanged portions of such issues. The prospective deficit and the debt operations mean that the Treasury will have to raise around $5 billion or more of new money during the second half of the year.

These prospects suggest that Treasury financing will involve an increase in commercial bank holdings of government securities over the next several months. It has been commonly anticipated that in meeting its requirements for the predictable future, the Treasury would rely largely upon short-term issues. This belief was substantiated by the recent announcement that short-term certificates will be offered to the holders of called bonds and the notes which mature during the next few weeks. While nonfinancial corporations will increase their holdings of savings notes or short-term marketable issues substantially in order to cover their growing income tax liabilities, it is rather difficult to see how the required volume of short-term issues can be placed during the balance of the year without relying to some extent upon purchases by the banking system. The successful flotation of long-term securities outside the banking system, on the other hand, does not appear feasible under present conditions.

Furthermore, the forthcoming financing and refunding operations of the Treasury are not only likely to entail an increase in commercial bank holdings of government securities, but in addition will make it more difficult for the monetary authorities to pursue a restrictive credit policy which involves, as a corollary, a further rise in interest rates and continued uncertainty in the government securities market. The requirements of the Treasury are likely to have a very real bearing upon credit policy and interest rate developments in the period ahead.

When the financial annals of 1951 are written, perhaps the outstanding development will prove to have been the success of the Federal Reserve System in achieving greater flexibility in the use of its powers of credit restraint. It attained this end by destroying the fetish that had shackled it for a decade, namely that government bonds could not be allowed to fall below par. This change in policy was achieved without undermining public confidence in government obligations and without bringing on a flood of panic liquidation.

Since the unpegging of government bonds, long-term interest rates have risen significantly in all areas of the bond market. Fundamentally, this reflects the continuing large demand for capital as a result of the high levels of residential and other private building and the peak rates of spending on plant and equipment by American business. In addition, some lenders, taking assurance from the pegged government bond market of the postwar years, had invested what were essentially short-term funds in long-term securities, and now find themselves in the position of having commitments in excess of their readily available funds. This has resulted in some pressure to liquidate government bonds. Finally, some potential buyers of these bonds have probably held off and are waiting for the market to become stabilized before making their purchases.

Although the downward pressure upon bond prices may persist for some months ahead, forces are operating which are likely to relieve this pressure over time. Business spending on plant and equipment will probably continue at peak levels for another year or more, but residential building shows signs of faltering. Consequently, the requirements for mortgage credit later this year may reasonably be expected to move below the record levels of recent months. Furthermore, government controls over building and allocations of materials will take hold with mounting effect, and the efforts to curb unessential borrowing will also tend to reduce the volume of capital financing. At the same time, unless another wave of scare buying intervenes, individual savings are likely to increase. Savings institutions will have larger amounts

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*An address by Dr. Reierson before the 43rd Annual Convention of the Utah Bankers Association, Ogden, Utah, June 12, 1951.

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Treasury Securities and Inflation

By AUBREY G. LANSTON*
President of Aubrey G. Lanston & Co., Inc.

Mr. Lanston reviews developments in Treasury financing leading up to the Treasury-Federal Reserve accord early in March. Says, because Treasury security market has been dominated by policies that have altered public investment attitude toward Treasury issues, investors will continue to assert a preference for liquidity by acquiring short-term bills. Stresses Treasury debt must be held by someone, and under inflationary pressure there is little likelihood of higher bond prices. Opposes compulsory holding of Treasury securities, and advocates a Treasury cash surplus sufficient to cope with long-run inflationary pressures.

One important fact about Treasury debt seems to get overlooked from time to time. It is that the debt must be held in its entirety by somebody. If it is desirable to keep Treasury debt out of the Federal Reserve System, it then follows that the debt must be held by the general public. If the general public is a net seller of Treasury securities on balance, the only way that these securities can be kept out of the Federal Reserve is by debt retirement, that is, by a Treasury cash surplus that can be devoted to this purpose.

Aubrey G. Lanston

When I refer to the general public, I naturally have in mind all classes of what we term investors. These include life and other insurance companies, savings banks, business corporations, individuals, and commercial banks.

During World War II it was perfectly obvious that the general public had to be encouraged to buy the Treasury's deficits. It also was clear that it would be much more desirable for nonbank investors to acquire Treasury securities than for commercial banks to do so. To that end, the Treasury made increasing use of marketable Treasury bonds that were restricted against purchase by commercial banks. To encourage the purchase of these securities and of marketable securities in general, the Treasury and the Federal Reserve publicly announced that the Federal would buy all Treasury securities that were offered in the market at the minimum prices which constituted the pattern of war financing. Indeed the authorities went further.

They took the view that although professional investors might buy marketable bonds on public assurances of unlimited minimum price support, it would be necessary to enter into a written contract as to the resale price of Treasury securities designed for purchase by the average individual. Thus a major reliance and sales emphasis was placed on nonmarketable savings notes and bonds, and the yields offered by these obviously had to be related to the yields offered on marketable securites.

Despite these measures to encourage placement outside of the banks and despite War Loan drives involving wholesale personal solicitation, a substantial amount of residual financing went into bank portfolios, either directly or indirectly, and the holdings of the Federal Reserve System increased by $22 billion, all paid for with high-powered dollars.

The essential postwar problem was how to get away from the necessity for Federal support purchases of Treasury securities after so large a debt had been erected against the background I have just mentioned. Such purchases had to be made, or so it seemed at the time, regardless of general credit conditions, and these purchases were likely to be heaviest when business was booming. To put it another way, the question was how could we get somebody other than the Federal to acquire the debt that somebody else no longer wanted? By 1948 no solution had been evolved, but fortunately the Treasury had a large cash surplus. This was used to retire Treasury securities held by commercial banks, but at the same time the Federal Reserve had to buy a very substantial amount of Treasury bonds with Reserve dollars.

Toward the end of 1949, Federal Reserve officials seemed to get restive. They appeared to resent the necessity of supporting Treasury financings at rates decided upon by the Treasury. In November, 1949, when the Federal was unable to prevail upon the Treasury to increase the rates of interest it paid on its coming refundings, one could almost feel the mental churning about of Federal officials in their search for new ideas to solve their dilemma.

A New Technique Launched

In January, 1950, the Federal launched forth on a new technique. It began to sell 2½% bonds whenever bids appeared, and at successively lowered prices. The idea at that time able to bring about lower bond prices so that when the expected recession took place, in late spring or early summer, a reversal to an easy money policy could start from a higher-yield level for Treasury bonds. Another thought that seemed to take shape at the time was that the National Life dividend disbursements of several billions of dollars would provide a temporary inflationary fillip and that sales of 2½% bonds by the Federal would provide a quantitative offset by decreasing member bank reserve balances.

We don't know whether the expected recession would have taken place or not. Korea brought about a completely different situation. Interestingly enough the market took the Korean incident to mean that the fight over short-term interest rates was now a thing of the past. Many wondered how long it would be before the short-term rate of 1¼% would be dropped to 1⅛% or 1% in order to facilitate Treasury deficit financing. The Federal continued to sell 2½% bonds, and Federal officials began to worry about running out of them. The idea of selling in order to decrease reserve balances went by the boards. Large bids were accepted only in part and sometimes were rejected.

By August, the Federal decided to take the bull by the horns and to give the market, and also the Treasury, the shock treatment. This was inaugurated with the Federal Reserve's declaration of independence in August, accompanied by a Treasury refunding announcement that highlighted the sharp differences of opinion prevailing. The results in the market were not unexpected. Regardless of the existing differences, the Federal could not permit a complete failure of the Treasury refunding, and as a consequence of large Federal Reserve purchases Federal Reserve credit underwent a tremendous expansion.

It is too bad that the Federal, having embarked on this course of action, was unprepared to follow through. To be effective it would have been necessary to bring about overnight a sharp increase in yields, one of such magnitude that the trend of interest rates from that point on might have been slowly downward or at least stable. Perhaps the difficulty was that the Federal had not yet made up its mind to depart from a 2½% long-term rate. In fact, reports emanating from Washington were to the effect that no violation of the 2½% rate was contemplated.

Instead of adopting such a policy, the Federal endeavored to increase slowly the yields on outstanding short-term securities. Many investors took heed of the change in the Federal's attitude and sold long-term notes and bonds in exchange for Treasury bills and short-term obligations, thus increasing the liquidity of their position and insuring the availability of future funds as needed.

The December, 1950, Refunding

Next came the decision on the December, 1950, refunding. The Federal's program for that refunding was adopted by the Treasury, namely, a single issue of five-year 1¾s. The percentage of attrition in this refunding was somewhat less than that of the earlier one but only because the Federal again acquired a substantial amount of maturing obligations in defense of the Treasury financing. Public acceptance was so apathetic as to characterize the refunding as a flop.

During the course of the December, 1950, refunding, Treasury accounts started to buy 2½% bonds to insure that the price of key issues would not be permitted to decline further. During January and February investors became fearful that they would see in the 2½% market some repetition of what had occurred in the short-term market, and selling began to pyramid. Keep in mind that shortly after Korea investors generally wished to divest themselves of Treasury debt in order to acquire private credit obligations and that the Treasury debt has to be held by somebody. The Treasury's cash surplus was substantially eaten up by the necessity to pay out about $3½ billion against cash redemptions, the larger portion being paid against the September and October, 1950, refunding. Further, Treasury support of 2½% bonds in the first quarter of 1951 was close to $1 billion. In other words the cash surplus that developed in the Treasury was dissipated, first, in a manner that increased the availability of funds to lenders and, second, in an endeavor to bulwark a rapidly fading investor confidence in the long-term market, instead of being available for more timely anti-inflationary uses such as retiring debt held by the Federal or by commercial banks.

The Treasury-Federal Accord

Finally, in early March of this year, the Treasury-Federal accord was announced, together with the exchange offering into the hybrid 2¾% bond. The handling of the market in succeeding days invited large-scale selling. The invitation was accepted. Then the market was given its second and strongest shock treatment; par support became a thing of the past. Nevertheless, Federal Reserve purchases of Treasury bonds throughout March were quite large, even though the Federal frequently was an unwilling buyer. The market was publicized by the press as being "free." This was rarely the case. On occasion a market didn't exist.

One, nevertheless, would think that by the end of the exchange period anyone who had to sell against forward commitments or as a consequence of a desire for increased liquidity would have done so. Some believed that after the books were closed the market would sabilize within a fraction of then-existing prices, namely, between 98 and 99. As you know this did not prove to be the case. The decline carried prices down to the 96-97 level and was not arrested until Federal support was reinstated in a manner to preclude further declines. Since the reinstatement of support purchases, the Federal's handling of the market has changed somewhat, but many of the day-to-day rallies and most of the declines have been generated by increases or decreases in the bid prices which the Federal makes available. The primary difference is that the Federal supports an area of prices rather than exact prices and it has freedom to change the area.

It was interesting to me to note the other day that in the eight weeks ending on June 6 the Federal bought $214 million of bonds callable in more than five years, compared with $268 million in the seven weeks ending on Feb. 21. This serves to remind us that the Treasury debt must be owned in its entirety by somebody and that, unless the Treasury has a cash surplus available for debt retirement, net selling by the general public can be accomplished only through Federal Reserve purchases of an equal amount.

Throughout the past year and a half, the Treasury security market has been dominated by Federal techniques and policies that have materially altered the attitude of the general public toward investments in Treasury securities. In my opinion lending institutions and Treasury security investors will continue to assert a newly-acquired high preference for liquidity. The declining Treasury bill rate is evidence of this and is a commentary on the low morale of Treasury security investors.

What is the Federal's current policy? As I understand it the Federal is committed to the maintenance of an orderly market condition for Treasury securities. The definition of an orderly market is important. Few people around the country have agreed so far with the definition that has

Continued on page 43

*An address by Mr. Lanston before the New Hampshire Bankers Association and the Savings Banks Association of New Hampshire, Portsmouth, N. Hamp., June 15, 1951.

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Factors in Evaluation Of Municipal Bonds

By RAYMOND E. HENGREN*

Deputy Chief, Division of Research and Statistics
Federal Deposit Insurance Corporation

Mr. Hengren lists as essential factors in evaluation of munci- considerations; and (3) credit quality. Points out difficulties pal bonds for investment purposes: (1) legal status; (2) price in judging bank-quality bonds, and contends attempt to establish evaluation criteria of general applicability has not been successful.

For the analyst of municipal securities, and especially the one responsible for the selection of bank investments today, there are two facts of vital importance. In the first place the volume of new offerings in recent years has reached unprecedented totals. The magnitude of these flotations would suggest an abundant opportunity to pick issues well suited for bank investment.

R. E. Hengren

But there is a second fact which vastly complicates the problem for the analyst, namely, the almost endless proliferation in types of offerings. As a consequence, he is confronted repeatedly with novel problems in analysis. These difficulties are further aggravated by pressure to extend bank commitments in municipals whose tax exemption features become increasingly attractive as the burden of taxation grows.

The objective of my remarks will be to point out in some detail the seriousness of the predicament in which the analyst of municipal securities now finds himself, and to offer a few suggestions for guidance in this troublesome period. The possibilities for making mistakes in credit analysis which would be fraught with untoward consequences for the banking system appear to be greater today than at any time within recent memory. The responsibility of the analyst searching for bank quality investments is grave. Certainly he will need to muster all of his knowledge, intelligence and skill in order to do the job well.

The Framework of Analysis

By way of orientation it may be well to review briefly the major areas of inquiry whenever a municipal security is subject to investment analysis. Broadly speaking, the questions pertinent to such an inquiry cluster around the following three topics.

(1) Legal status.
(2) Price considerations.
(3) Credit quality.

With respect to any municipal security, the legal validity of the obligation is a primary consideration. If there is some legal defect in the security, obviously it is entitled to no consideration whatsoever. Accordingly, the first step in the evaluation process is to answer the question: Does this security constitute a valid and lawful obligation?

It is not the purpose of this discussion to review the intricacies of the law regarding municipal securities. Suffice it to observe at this point that the analyst is obliged to rely upon the opinions of experts. The methods are well established for determining the validity of obligations. If the qualified experts conclude that a security under consideration meets the established requirements, then the analyst can proceed with his work. On the other hand, if the security does not meet the test, there is no point in attempting to ascertain credit quality.

In a very fundamental sense, all aspects of a municipal security subject to the evaluation process come to focus at the time of the investor's decision regarding the attractiveness of the issue pricewise. The pricing process does not insure that lawful obligations of good credit quality will always prove to be attractive. Bitter experience has demonstrated to investors that they can pay extremely high prices for high quality issues. It is unnecessary to probe deeply into the history of municipal finances in order to find illustrations of very substantial losses in market quotations on premier securities. Witness the high-grade municipals with coupons around 1% and 30-year maturities which were offered near par in 1945 and 1946. Many of these issues have experienced very substantial shrinkages in price.

A listing of the principal factors bearing upon the price structure for municipal securities is sufficient to indicate the reason why top credit quality does not assure price stability:

(1) Monetary forces.
(2) Taxation.
(3) Volume of securities pressing for sale on the market.
(4) Amount of investment funds seeking placement in municipal securities.

In this discussion there will be no attempt to outline methods for evaluating municipal securities with respect to the appropriateness of pricing. Important though the pricing process is to the investor, that subject would take us far beyond the scope of this discussion. Rather, these remarks will pertain to the task of judging the quality of municipal credits.

Appraising Credit Quality of Municipals

Two generalizations are appropriate at the outset of any discussion devoted to the subject of appraising the credit quality of municipal securities. The first concerns the test to be applied in determining credit quality. This test may be phrased in terms of a simple question: Will the issue pay out according to schedule? The answer to the question involves a forecast, to be sure. However, if the investor has good reason to believe that he will be paid according to the terms of the bond, then credit quality is assured. On the other hand, if there are reasonable grounds for misgivings, the security cannot be deemed to have good quality.

Experience of investors in appraising the credit quality of municipals has furnished the basis for a second useful generalization. In appraising credits there is seldom any serious difference of opinion among qualified experts regarding securities which are definitely good. Nor do experts differ very often as to the issues which are more or less completely lacking in quality. Practically all of the differences of opinion center in the borderline areas.

So far as banks are concerned—and as a corollary to these generalizations—the problem of investment selection is materially simplified by the consensus of qualified investment experts regarding issues classified as either the best or the poorest quality. Generally speaking, the volume of municipal investments definitely recognized as high quality is large. Accordingly, banks need only concentrate their selections in this area of investment to avoid completely all troubles growing out of commitments in borderline issues.

A second corollary relevant to the municipal portfolio of banks also may be noted with respect to this observation regarding the consensus on the credit quality of municipal securities. In prosperous times, like the present, the differential price-wise between the top grade of municipals and those which are borderline in character tends to shrink almost to the vanishing point. As a consequence, any advantage in the rate of return which may be obtained from borderline or sub-investment quality issues can only be thought of as compensation for the cost involved in ascertaining the facts bearing upon these credits. Certainly the differential is not sufficient to cover any element of risk. When the price differentials are small, it should be clear that investors cannot afford to spend much to assemble the necessary facts for appraising marginal situations.

Traditional Criteria for Testing Quality

Historically the obligations of States and minor political subdivisions have been secured by a pledge of the issuer's full faith and credit. This language suggests an unlimited obligation to pay. As a practical matter, however, the issuer's obligation to pay is always limited by his ability and his willingness. Accordingly, the traditional criteria for appraising the credit quality of municipals have been developed for the purpose of measuring differences in the ability of obligors to meet an unlimited obligation.

In the analysis of municipal securities there is general agreement that an appraisal of the issuer's economic background furnishes the starting point in all instances. The ability of a minor political subdivision to pay is limited fundamentally by the extent of its economic resources, irrespective of the types of securities it floats in the market. Accordingly, the credit status of an issuer ultimately depends upon a judgment regarding economic resources.

The traditional literature devoted to the subject of appraising the economic background of a community is, to say the least, timeworn and hackneyed. One would hope to find out of experience now covering more than a hundred years a few good measures of economic resources that would be generally applicable. Unfortunately, such measures are not available. This lack does not stem from the fact that analysts have been remiss in their efforts to find measures. As a matter of fact, the textbooks are choked with accounts and descriptions of various statistical devices calculated to appraise economic resources. At times, some of these indexes have been fairly satisfactory. Moreover, there are some analysts who become obsessed with the notion that certain indexes are universally applicable.

The infinite variety in the shape

Continued on page 40

*An address by Mr. Hengren before the Florida Bankers Association, Bank Executives Forum, Daytona Beach, Fla., May 21, 1951.

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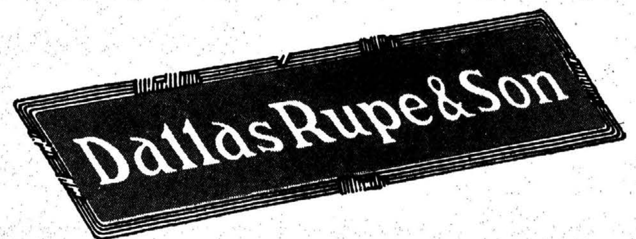

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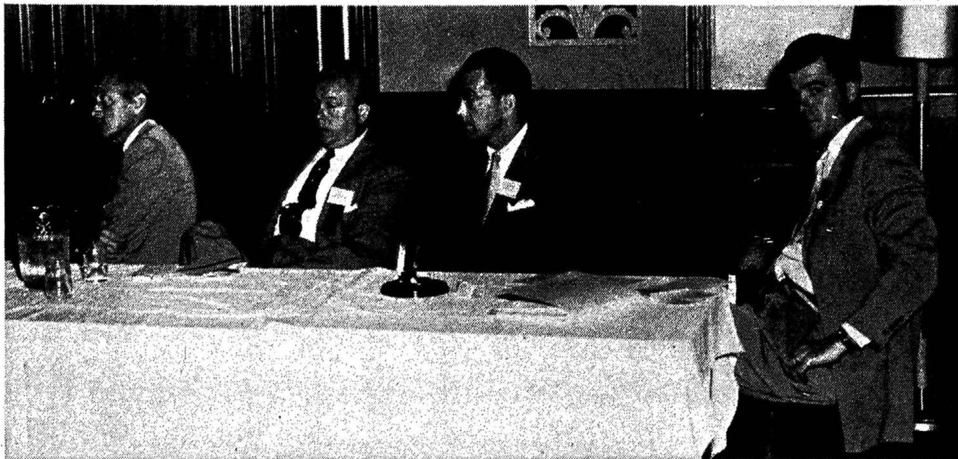

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Federal Reserve Bank of St. Louis

Continued from page 16

News About Banks and Bankers

ings bank in the Old Alms House on the north side of City Hall Park. The main office is now on 4th Avenue at 22nd Street.

* * *

J. Frank Honold, a Second Vice-President in the investments division of the Trust Department, has been appointed a Vice-President by the Board of Directors of the **Chase National Bank of New York.** A graduate of Syracuse University (1925) and the Graduate School of Banking at Rutgers (1944), Mr. Honold has specialized in trust investments at the Chase for 22 years and has been a member of the official staff since 1938. He was appointed a Second Vice-President in 1945.

* * *

An enlarged Flatbush branch of **The Dime Savings Bank of Brooklyn,** was opened on June 16, at which time all visitors and new customers received souvenirs, it was announced by George C. Johnson, President of the 92-year old bank. Although normally closed on Saturdays, the branch at Avenue J and Coney Island Avenue was open June 16 from 9 a.m. to 9 p.m. "The additional space in the Flatbush branch has been needed for some time because of the exceptional growth of business there," Mr. Johnson said. "The branch was opened Oct. 3, 1932, and has now grown to the point where 48,407 depositors maintain savings accounts totaling $85,580,000." Mervin Foster, of Lynbrook, L. I. an Assistant Secretary of The Dime Savings Bank, is Manager of the Flatbush branch. H. Wallace Taylor, of Queens Village, Long Island is Assistant Manager. The open house, on June 16, almost coincided with the 92nd anniversary of The Dime Savings Bank, which was founded June 1, 1859. Its total resources today amount to more than $616,000,000, while more than 293,000 depositors maintain savings accounts at its four offices.

* * *

John J. Hickey, Vice-President of the **Greater New York Savings Bank, of Brooklyn, N. Y.,** died on June 15. Mr. Hickey was 59 years of age. According to the Brooklyn "Eagle" he joined the Greater New York Savings Bank in 1905 when he was 15 years old. Sixteen years later he was made Assistant Secretary. He became Assistant Vice-President in 1931 and Vice-President in 1935. The "Eagle" also stated that the banker served for many years on the Public Relations Committee and Personnel Relations Committee of the Savings Bank Association of New York State and that he was Chairman of the Executive Committee and Public Relations Committee of the Group V Savings Bank Association. Mr. Hickey, it was added was a past President of the Brooklyn Bankers Club.

* * *

The new **Girard Trust Corn Exchange Bank of Philadelphia,** formed as a result of the merger of the **Corn Exchange National Bank & Trust Co.** and the **Girard Trust Co.** began functioning on June 18. One of the first actions of the Board of Directors of the new Girard Trust Corn Exchange Bank was the election of officers. The official staff of the bank will be as follows: David E. Williams, Chairman of the Board, James E. Gowen, Chairman of the Executive Committee, and Geoffrey S. Smith, President; administration of the entire bank will be under the leadership of five Senior Vice-Presidents: Russell J. Bauer, George H. Brown, Jr., George R. Clark, Basil L. Harlow and J. Malcolm Johnston. Mr. Bauer will supervise the Banking Department, including the Comptroller's Department and covering the general accounting and tax problems of the new bank. Mr. Brown will supervise the Personal Trust Department. Mr. Clark will supervise the Commercial Department. Mr. Harlow will supervise Personnel and Buildings. Mr. Johnston will supervise Operations in order to obtain a smooth and efficient flow of work throughout the entire institution with all its branches. An item bearing on the merger appeared in our issue of June 7, page 2362.

* * *

An increase in the capital of **The Central Trust Company, of Cincinnati,** from $5,000,000 to $6,250,000 was approved on June 14 by the bank's shareholders. William A. Mitchell, President of the institution reported. The action concurred in the proposal of the directors to split present shares on a four-for-one basis by changing the par value from $100 to $25 a share. Approval was also given the directors' proposal for stockholders to subscribe for $1,250,000 of additional capital stock. Mr. Mitchell announced that warrants would be mailed to shareholders, entitling them to subscribe to one share of the new $25 par value stock for each share of the $100 par issue now held. The subscription price for the shares is $33. Shareholders of record on June 14 will be entitled to purchase the additional stock. Subscription rights not exercised before July 16, become void after that date. A letter to stockholders states that unsubscribed shares may be offered for sale to such person or persons as the directors deem desirable. Book value of the new $25 par value shares will be approximately $56 a share after the capital is increased. In addition to $6,250,000 capital, the bank will have surplus, and undivided profits totaling approximately $7,750,000, or total capital funds of about $14,000,000. The plans to increase the capital were noted in our May 24 issue, page 2154.

* * *

Manufacturers National Bank of Detroit, Mich., on June 8 notified its shareholders of a proposal to issue a $1,000,000 stock dividend, thereby increasing the capital stock of the bank to $6,000,000. Under the proposed plan, three shares of stock of $20 par value are to be exchanged for each share of $50 par stock held by shareholders. The capital and surplus of the bank, which now stands at $15,000,000, will be increased to $16,000,000. A special meeting of shareholders to consider the plan has been called by the directors for June 19. William A. Mayberry, President, in commenting on the plan, said: "The proposal does not involve any subscriptions or other payments by our shareholders. When changes are completed, which we expect can be in about a month, shareholders will be asked to surrender their existing stock certificates of $50 par and receive for each share surrendered three shares of $20 par." Shareholders will also be asked to change the day of the annual meeting of the bank from the second to the third Tuesday in January, each year.

* * *

At a special meeting on June 19 the shareholders of **Manufacturers National Bank, of Detroit, Mich.,** approved the plan to increase the capital stock of the bank to $6,000,000. Under the proposal, shareholders will receive a 20% stock dividend through the exchange of three shares of $20 par value stock for each share of $50 par value outstanding. The capital and surplus of the bank thus will be increased from $15,000,000 to $16,000,000. Charles A. Kanter is Chairman of the bank. Shareholders also approved changing the day of the annual meeting of the bank from the second to the third Tuesday in January each year.

* * *

The capital of the **First National Bank of Clayton, Mo.,** has been raised from $250,000 to $350,000 by the sale of $100,000 of new stock, the enlarged amount having become effective at the close of business on May 28.

* * *

The stockholders of **First National Bank in St. Louis,** voted June 11 to issue and sell 100,000 shares of additional $20 par value capital stock of the bank. The vote was taken at a special stockholders meeting called following the decision of the bank's directors on May 25 to ask for the increased capitalization. The stock is offered for stockholder subscription at $44 a share, on the basis of one share for each six shares now held, and will increase the number of shares of the bank's capital stock outstanding from 600,000 to 700,000. Stockholder subscription rights will expire on June 26. A group of investment firms, headed by G. H. Walker & Company, of St. Louis, will underwrite the issue. Details regarding the issuance of the new stock appeared in these columns May 31, page 2258.

* * *

The sale of new stock to the amount of $200,000 has served to increase the capital of the **Fidelity National Bank of Baton Rouge, La.,** from $600,000 to $800,000, it is learned from the June 4 "Bulletin" issued by the Office of the U. S. Comptroller of the Currency. The new capital became effective June 1.

* * *

The **Denton County National Bank, of Denton, Texas,** (effective May 15) has a capital of $200,000, increased from $150,000 by the sale of $50,000 of new stock.

* * *

O. H. Clark, President of the **First National Bank of Marshall, Texas,** in calling attention to the increased capital structure of the bank, now standing at $1,000,000, indicates that the total comprises the capital and surplus of $400,000 each, and undivided profits of $200,000. The capital was increased from $300,000 to $400,000 as of May 31, by the sale of $100,000 of new stock.

* * *

W. W. Lynch, President and General Manger of the Texas Power & Light Co. was elected a director of the **Republic National Bank, of Dallas Texas,** on June 12, it was announced by Fred F. Florence, President. A native of Marshall Texas, Lynch has spent his entire business career with the Texas Power & Light Co., being employed by the company in 1923. He was elected Vice-President in 1936, Executive Vice-President in 1947, and President and General Manager in 1949. He has also been active in civic affairs and is a former director of the National Association of Manufacturers and East Texas Chamber of Commerce and a former President of the Dallas Electric Club.

* * *

The **Bank of Nova Scotia** (home office **Toronto**) has filed a registration statement with the Securities and Exchange Commission seeking registration of 300,000 shares of its capital stock ("shares of $10 each"). The bank proposes to offer its shareholders pursuant to allotment the right to subscribe at $30 per share for the additional shares, at the rate of one new share for each four shares held of record at the close of business June 30. Shareholders accepting such allotments must do so on or before Oct. 5, next. Unsubscribed shares are to be offered for subscription to the public in Canada. No underwriting is involved and no commissions will be paid on sales to shareholders. Payment of the allotments are to be made in 10 monthly installments of $3 per share, commencing Oct. 5. Proceeds of the financing will be added to the general funds of the bank for use in its business and are not to be used for any special purpose.

Waddell & Reed Add

(Special to The Financial Chronicle)

LINCOLN, Neb. — Leonard C. Babcock is with Waddell & Reed, Inc., Barkley Building.

The New York Times
NEW RECORDS SET BY PHILIP MORRIS
Sales Increase 10 Times That for the Cigarette Industry as a Whole for Year
NEW YORK Herald Tribune
Philip Morris Fiscal Year Net, Sales Set Peaks
Earnings at $16,689,145, Up 10% Over Prior Period
Looks like the smoker does know the difference...
There is no better index to product superiority than public acceptance—and soaring sales. More eloquently than any words, the PHILIP MORRIS sales record proves one simple fact: The smoker *does* know the difference.
For the complete 1951 PHILIP MORRIS ANNUAL REPORT write to PHILIP MORRIS & CO., LTD., INC., Dept. K, 100 Park Ave., New York 17, N. Y.
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Journal-American
Philip Morris Profits at Peak
Philip Morris Net Sets Peak in Year

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More on Sterling Revaluation

By PAUL EINZIG

Commenting on divided British opinion regarding conflicting advice of the International Monetary Fund and the Economic Council of Europe, Dr. Einzig contends British Government will take no action, and in view of rearmament conditions, a return to full sterling convertibility cannot be expected.

LONDON, Eng.—The conflict between the advice given to European governments by the Economic Council of Europe and by the International Monetary Fund has aroused considerable interest in London. The subject is of course too technical for the layman to take an active part in the controversy. Intelligent British opinion has become sharply divided, however, between those who would like to follow the recommendations of the ECE and revalue sterling or to allow it to rise on its own initiative those who would prefer to follow the advice offered by the IMF and remove exchange restrictions, and those who would like to adopt neither of these courses but continue the present policy. As far as it is possible to ascertain, official quarters belong to the latter category.

Dr. Paul Einzig

The large majority of British economists, inspired as they are by liberal principles, are distinctly in favor of removing or relaxing exchange control, both in the sense of making more sterling convertible and of allowing, more or less, to find its own level. Everybody, or almost everybody, realizes that there could be at present no question of a complete removal of exchange control in either sense. Even the most ardent advocates of convertibility admit that for the present it would have to be confined to current trade transactions, and that restrictions on capital transfers to the dollar area and other hard currency areas would have to remain in force. Most of the advocates of a fluctuating sterling admit that there could be for the time being no question of setting the sterling rate entirely free, leaving it to the mercy of speculative currents. What they want is to "unpeg" the rate and rely on the Exchange Equalization Fund for keeping its fluctuations within reasonable limits.

This latter solution has particularly strong support in the light of the experience of the last two years. It is pointed out that so long as sterling remains rigidly pegged Britain remains helpless in face of speculative outflow or inflow of foreign funds. The monetary authorities have to face such movements without being able to defend themselves against them. If sterling were allowed to fluctuate the Exchange Equalization Fund would be able to resume its tactics which it operated with so much success during the troubled days of the '30s. So long as sterling is rigidly pegged speculators feel that there is no risk attached to going short in sterling when its prospects are viewed with pessimism, or to going long in sterling when a revaluation is anticipated. If, on the other hand, the monetary authorities are at liberty to allow sterling to move up or down, then they are in a position to manoeuvre with the aid of their superior resources. They can inflict severe punishment on those speculators who venture to be short or long in sterling. Had they been in a position to do so in 1949, the drastic devaluation of sterling might have been averted at the cost of some temporary fluctuations. In 1950 and 1951 they would have been in a position to discourage the influx of foreign funds which has been largely responsible for the unwarranted optimism created by the large increase of the gold reserve.

It is no wonder many people would prefer a return to elasticity rather than to effect an outright revaluation. They are convinced that the natural trend of sterling would be in an upward direction. Most of those in favor of this solution would be opposed to allowing sterling to appreciate too much. What they would like to see is a relatively moderate appreciation as a result of which the widespread feeling that sterling could only move in one direction; if it were to move at all would disappear. At $2.80 it seems at present 100% safe to buy sterling, because there can be no question of a further devaluation. If sterling should be allowed to rise above $3, on the other hand, then there would be an apparent risk of the authorities deciding to reduce it once more to $2.80.

British expert opinion is divided on the question of a revaluation. The majority takes the view that if the undertone is strong it would be wiser to benefit by it through relaxing the restrictions rather than through raising the value of the pound. The assumption is that a revaluation, or even a substantial appreciation in case of a return to elasticity would materially weaken the chances of a relaxation of exchange restrictions. This is believed to be the reason why Mr. Snyder, and American opinion in general is opposed to revaluation, the policy of the United States remaining strongly in favor of removing restrictions.

There is no reason to believe at present that the British Government will yield to pressure in any of the suggested directions. The deterioration of the British balance of payments since the beginning of 1951 is viewed with growing concern. It is felt that even if six months ago a revaluation or decontrol of sterling had been worth risking, in the meantime the situation has changed. The prospects are very doubtful, and the time-honored principle, "If in doubt, do nothing," is likely to be followed. The unsolicited advice of the ECE can safely be ignored. As for the IMF, it will not meet until September, and meanwhile the situation created by the progress of rearmament is expected to make it quite plain that Britain could not afford to risk the consequences of a return to a high degree of convertibility. Any progress towards a liberalization of the exchanges will have to wait until the end of the period of intense rearmament. The chances are, if anything, more in favor of revaluation than of liberalization. Even that appears to be unlikely at the time of writing, though, admittedly, its prospects are liable to change.

W. Harry Young Opens

GARDEN CITY, N. Y. — W. Harry Young is engaging in a securities business from offices at 106 Seventh Street.

Charles H. Cairns

Charles H. Cairns, partner in De Coppet & Doremus, New York City, passed away at his home at the age of 60.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Operators in Treasury obligations, according to reports, seem to be impressed with the tone and action of the market. It appears as though the psychological factor has undergone a change for the better, and this should have a not unfavorable bearing in time upon the whole list of government obligations. The near-term issues continue to dominate the situation, but there has also been a moderate pick-up in buying of the intermediate and more distant maturities. Commercial banks appear to have been putting funds to work in the 1956/1958s and the 1956/1959s, but these purchases have not been too sizable yet. The longest bank issue continues under some pressure because there is still the tendency to let this issue go in favor of bonds that will become bank-eligible next year.

The tap bonds have been backing and filling without important changes, despite the appearance here and there of modestly enlarged takings by pension funds. Sellers have not been so aggressive but there are still fairly sizable amounts of the ineligibles around for liquidation. The near-eligible restricted obligations continue to attract attention, especially the 2½s of 1962/1967.

The government market has taken the mid-year refunding in a favorable light with a constructive attitude in evidence throughout the list. The shorter maturities have been in demand and this has been responsible in some measure, according to money market followers, for the widening of buying, which has spread to other maturities, especially the intermediate-terms. It should be remembered, however, that although volume has expanded modestly, there has been no significant turnabout yet in the cautious attitude of buyers and prospective buyers of Treasury obligations.

Better Market in Making

While there is still considerable diversity of opinion as to what is likely to happen to yields and prices of government securities there appears to be a growing feeling in the financial district that the worst has been seen in the government market. This does not, however, mean an immediate return to the bullish side of the equation, nor are there any misgivings about further down-trends being possible, particularly in certain issues in the longer end of the list, which might be subjected to pressure because of impending developments or changes. Nevertheless, it seems to be the opinion of those that are well-informed on the money markets that a bottom area or base is being formed. It is well realized that such an operation does not take place overnight, because the money markets have had too much thrown at them in the last few months to have a complete reversal of form come about all of a sudden. Just the same, the belief is becoming more prevalent that a fluctuating range is being carved out which, with time, will prove to have been the starting area for constructive developments in the government market.

It seems as though the inflation fear of the kind that was so widespread, following the Korean crisis, has abated, and there is considerable question as to whether there will be any repetition of this in the future. The loan pressure appears to have been relieved and although there may not be a substantial decline in borrowings, the up-trend seems to be meeting greater resistance. Monetization of the debt by non-bank investors is not as pressing a force when three-point losses have to be taken as it was when bond prices were pegged by Federal. Demand for certain durable and semi-durable goods have also been well satisfied in many instances, and with this the inflation fear psychology of the American public has probably been dissipated in more ways than one. Credit controls are also beginning to have some effect upon the whole monetary situation. All of these taken together could have a marked influence upon the money markets and the government securities markets. This is without giving any consideration to Central Banking policy which is a factor that could have a decided effect upon the future course of the money markets. Likewise, there is another factor which some money market followers believe is in the process of becoming a more potent force in the picture, and that is the return to or increased savings by the people of the country as a whole.

Bank 2½s Continue Vulnerable

The bank 2½s of 1967/1972 still seem to be in for rough weather, despite a somewhat improved tone, in line with what has been going on in the rest of the eligible obligations. The opinion is strong that the differential between this issue and the near-term eligible taps will have to decrease. This will be brought about by selling the September 2½s and buying the restricted bonds that will be bank-eligible in the not distant future. Such a development is not exactly bullish at this time for the longest-term deposit bank obligation. The favorable reception for the 1⅞s of April 1, 1952 had a constructive influence upon the short-term issues as a whole and the bank obligations in particular. Deposit banks which have been reluctant to put what funds they had at their disposal to work were encouraged by the successful refunding. This brought some buying into the 2¼ issues, the 2½s of 1956/1958, and the 2¼s of 1956/1959. According to reports, the buying in the 1956/1958s and the 1956/1959s was done largely by institutions that were sellers of these obligations at higher prices.

The 1⅞s were not without plenty of buyers and while there was switching from other securities in order to take on the refunding issue, quite a substantial amount of these acquisitions, according to advices, were for new money. However, it seems as though this buying has abated somewhat because it is felt the advance has been a bit rapid.

A mild buying interest is around for the partials but this is not too vigorous at the moment. The new Public Housing Bonds that will be coming along soon seem to be keeping the tax-minded buyers away from the tax-sheltered Treasuries. This has also affected switches into state and municipal obligations.

Continued from page 2

The Security I Like Best

materialize; the heavy overhead which had been scaled to big time operation chewed up earnings; Foy and associates struggled for about 2½ years to convert the spectacular war baby to a steady peacetime income producer but by February, 1948, had had enough, stepped out and that is where Robert Heller & Associates took over. Heller & Associates retired from all connection with the company on July 31, 1949.

Outlook

On June 24, 1949, F. R. Kohnstamm was elected President and Otto T. Hess, Vice-President and Counsel. Under the new management a major operation was performed. The company was trimmed to operating size. Overhead was reduced by approximately $75,000 per month and a policy of recasting the company's entire structure with respect to organization (plant and machinery), inventory, product lines and programs was adopted. It required courage of the first order. Facts and figures that follow have been taken from annual reports. The net loss for the first subsequent year, 1949, was $2,701,793, but results since have justified it. Organization was simplified and strengthened, systems and methods and procedures were perfected and plans that had been adopted were proven to have been on the basis of such realistic appraisals of the future that net profit for last year (1950) was $1,748,500, a gain of $4,450,293 over previous year.

According to President Kohnstamm "it appears that 1951 earnings up to approximately $2,000,000 will be free of Federal income tax."

Backlog of orders at Dec. 31, 1950 totaled $18,100,000. At present it is reported by an officer of the company to be "something in excess of $40,000,000." Currently the company is accepting orders for delivery running into 1953.

Its original line was four different products. It is currently making 100 different products and developing many others.

Current assets Dec. 31, 1950 were $6,283,594; current liabilities $1,871,029.

Capitalization: 21,892 shares 4% cumulative preferred outstanding on which there are $3.50 per share accrued dividends, and 926,721 shares common.

Traded in over the counter. Current price around $7 per share.

The company seems to be coming back bigger, better, sounder and more profitable and the way appears to have been paved for dividends on common stock.

Original Name Restored

At annual meeting on May 23 stockholders approved a resolution to change corporate title of the company to its original Jack & Heintz, Inc. by which name the company is customarily known and referred to.

The apparent "know how" of its present management and the important position the company occupies in the air transportation industry makes the stock look especially attractive in peace or war economy. The company is not a marginal company and supplies essential parts to practically every aircraft manufacturer and air line.

H. C. Davidson

Hartley C. Davidson, partner in Henderson, Harrison & Struthers, passed away on May 28.

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The handy chart of casualty, surety and miscellaneous insurance companies published by "The Spectator," Chestnut and 56th Streets, Philadelphia, Pa., has recently been issued covering operations of such underwriters for the five years ended Jan. 1, 1951.

"The Spectator" has been one of the leading insurance authorities since 1868. Its publications are very helpful in analyzing the operations of a particular company or of the experience in a particular line of insurance. Most all of the information is presented from the point of view of the insurance underwriter and not from that of the financial analyst or stockholder. Because of the vital nature of the insurance operations to the analyst or stockholder, however, it is frequently desirable and essential to give some detailed attention to this phase of the business.

One of the interesting tabulations presented in the Handy Chart is the comparative aggregates of 135 stock casualty insurance and surety companies for the past two years.

TOTALS OF 135 STOCK CASUALTY INSURANCE AND SURETY COMPANIES

	1950	1949
Net premiums written	$2,426,018,388	$2,244,419,002
Premiums earned	2,328,649,194	2,152,298,457
Losses incurred incl. adj. expenses	1,406,710,348	1,220,533,047
Underwriting expenses incurred	868,623,805	804,267,261
Statutory underwriting profit	53,315,041	127,498,149
Ratios—		
Losses incurred to premiums earned	60.4%	56.7%
Exps. incurred to premiums earned	37.3	37.4
Underwriting profit to prems. earned	2.3	5.9
Exps. incurred to net prems. written	35.8	35.8

The impact of the increased losses experienced last year is clearly shown in the above figures. Statutory underwriting profits for the 135 stock companies declined from the $127,498,149 shown in 1949 to $53,315,041. This represents the aggregates of the companies and, of course, individual companies in a number of cases actually showed underwriting losses for the year.

The above ratios also point out these facts. The loss ratio increased by 3.7 percentage points. Expense ratios were well controlled but the higher losses reduced the underwriting profit from 5.9% to 2.3% of premiums earned.

The underwriting experience of the last two years by the principal lines is shown in the following tabulation taken from the Handy Chart.

TOTAL PREMIUMS AND LOSSES BY LINES
135 STOCK CASUALTY INSURANCE AND SURETY COMPANIES

	1950			1949		
	Net Premiums Written	*Net Losses Paid	Loss Ratio %	Net Premiums Written	*Net Losses Paid	Loss Ratio %
Auto liability	$629,602,771	$275,638,544	43.8	$586,899,024	$239,951,767	40.9
Workmen's Compens.	418,729,391	225,652,581	53.9	439,261,090	213,698,530	48.6
Auto prop'ty damage	315,589,286	150,602,543	47.7	288,872,867	131,227,399	45.4
Group acc. & health	204,517,200	140,592,908	68.7	154,376,856	109,436,458	70.9
Liab. other than auto	201,916,117	67,391,881	33.4	189,798,149	57,556,254	30.3
Auto phys. damage	166,207,626	56,376,303	33.9	132,727,237	44,607,829	33.6
Surety	104,568,624	12,340,461	11.8	91,034,510	12,409,793	13.6
Burglary and theft	74,998,133	26,764,099	35.7	77,566,909	30,497,088	39.3

*Excluding adjusted expenses.

The three big liability lines, accounting for over 50% of the net premium writings, all showed an increase in the loss ratio last year. This unfavorable experience continued into 1951 and recent rate adjustments have been made which should improve this showing.

Similar information is presented on the individual companies in the Handy Chart which is useful in making a comparative analysis. Also, it provides a ready reference on the experience of the different companies as well as a valuable source of knowledge and facts on mutual companies and the different underwriting groups.

Life Insurance Companies and Inflation

By THOMAS I. PARKINSON*
President, Equitable Life Assurance Society of the U. S.

Life insurance executive, discussing concern of life insurance business regarding inflation, lays part blame for increase in money supply to selling of government bonds by the life companies. Says inflationary parade continues with support of insurance companies, which should be unalterably opposed to anything that inflates money supply.

The life insurance business is vitally concerned with the current inflation. A life company need not be concerned about its capacity to meet its outstanding dollar obligations, unless the inflation should go so far as to involve unbearable increases in the cost of supplies, wages and other expenses of operation, because practically all American companies receive their premiums in dollars, hold their assets in dollars, and have all their obligations in dollars.

T. I. Parkinson

The most which the life insurance industry would suffer through inflation would not be dollar loss, but a loss of prestige and confidence, which would seriously affect its future because of the disappointments suffered by beneficiaries of life insurance policies. It is the policyholder, not the company, who suffers most from inflation. He and his beneficiary are now suffering a loss of buying power because of the depreciation of the dollar. This is serious but not yet unbearable.

It is however, causing more and more concern on the part of policyholders as to whether they have sufficient insurance, and on the part of beneficiaries as to whether their expected security will be maintained. However, these concerns are not limited to life insurance policyholders, they affect savings bonds holders and others whose income is fixed or whose assets are, in any form, limited in dollar value. However, the large assets of the life insurance companies and the much larger amounts of insurance in force make the business an outstanding example of the destructive force of inflation.

It is natural, under such circumstances, to expect that the life insurance companies and their officials would be constantly alert to the possibilities of restraining inflation. They have, in the last year or two, issued warnings about inflation and suggestions for fighting it. Unfortunately, however, most of this anti-inflation literature has dealt with what the government and the people could do to restrain inflation; and very little of it has dealt with what financial institutions, including the life insurance companies, could do, perhaps with much more effect, to fight the inflationary trends.

It is well enough to tell the government that it should balance its budget, that it should borrow, if it has to, from non-bank lenders, and that it should control its expenditures, especially for non-defense purposes. Likewise, it is well to tell the people that, in a period of great demand, it is desirable that they refrain from unnecessary purchases of goods and avoid, in every way, pushing prices up by competing for goods in short supply. All of this advice, however, relates to the use made of our inflated supply of money. It does not relate to the continued inflation of that supply of money. It is one thing to avoid increasing the supply of money available to the government and its people, and another thing to urge them not to make inflationary use of the inflated money supply.

It cannot be too often emphasized that our money supply just after the war was $150 billion, a year ago it was $176 billion, and is now $184 billion. The importance of these increases perhaps is better understood when we realize that before the late war our money supply was approximately $60 billion. Much has been written about the cause of the increase, and it is pretty well known that the Treasury purchase of gold through the banking system during the years 1935-1941 and the purchase of government bonds by the commercial banks during the war brought about a large part of the increase. But the government has not been buying gold during recent years, the Treasury has not been financing deficits, and the banking figures do not indicate an increase in bank holdings of government bonds. Why then the continuous increase in the total money supply indicated by the current figures of eight billion increase during the last year?

That increase has come about through the voluntary, not government controlled, policies of the commercial banks and other financial institutions including, I regret to say, the life insurance companies. The commercial banks have been making long-term loans, mortgage loans and other investments with newly created bank deposits, all of which add to the total money supply. The life insurance companies meanwhile have been selling government bonds which they bought during the war. At that time it was generally agreed that it was highly desirable, from the point of view of public welfare, that government bonds be bought and remain in our non-banking institutions and particularly our life insurance companies. But the sale of government bonds into the market during the last year has tended to monetize them and to increase the money supply just as much as if they had originally been bought by the banks instead of the life companies.

Life company sales of governments in large volume during the last year are indicated by their annual reports. They have been justified by some life executives on the ground that they were essential to meet the capital requirements of industry. That would be a satisfactory explanation in normal times, but it would seem difficult for a life insurance institution to justify monetizing its government bonds during the high inflation period through which we are passing.

Of course, a life insurance holder of governments should be free, as is any other owner, to sell them; but it is not entitled to a guaranteed or pegged market into which to sell as was true last year, especially in a period of inflation. It is true, also, that in case of necessity or in the administration of its portfolio, the life company, like any other owner, has the right and should be free to sell any of its assets, including governments; but this right ought to be restrained by the realization that such sales may be monetizing the bonds and increasing the inflated money supply.

In a recent report by members of the Financial Anti-inflationary Investment Committee, it is blandly stated that the life insurance companies could not criticize the commercial banks for inflating the money supply by making "investments" as distinguished from commercial loans with newly created money because the banks could turn the criticism upon the life insurance companies for monetizing their government bonds by selling them.

The pot can't call the kettle black; and so the inflationary parade continues with the support of those who ought to be unalterably opposed to anything which continues to inflate our supply of money. If we continue to increase the amount of money in the people's hands, it will be increasingly hard to persuade them not to use it for inflationry contribution to high prices and wages.

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

Arthur Robinson V.-P. Of W. H. Morton Co.

Arthur R. Robinson became associated with the firm of W. H. Morton & Co., Inc., 15 Broad Street, New York City, as Vice-President.

Arthur R. Robinson

Mr. Robinson began his career in the bond business in 1921 as Assistant Cashier of O'Gilby and Austin. Later he was Cashier and Treasurer of Austin, Grant and O'Gilby until its dissolution in 1926. He served as Treasurer of M. F. Schlater & Co. until 1931. In 1932 Mr. Robinson organized Colyer, Robinson & Co. of Newark, New Jersey, and headed that firm until 1942 when he accepted a commission in the United States Army Air Force, serving on the staff of Gen. Stowell as Air Inspector (I. G. D.) of North African Division ATC. Since 1945, he has been Manager of the Municipal Bond Department of Fidelity Union Trust Company of Newark, New Jersey.

To Form Vernon C. Brown, Scheffmeyer & Co.

On June 30 the New York Stock Exchange firms of Vernon C. Brown & Co. and Scheffmeyer & Co. will be dissolved, and as of July 2 Vernon C. Brown, Scheffmeyer & Co. will be formed with offices at 25 Broad Street, New York City. Partners will be Lewis Howland Brown, J. Eldridge Scheffmeyer, Vernon H. Brown, Thomas J. Brady, all members of the Exchange, and John Rutz, general partners. Elizabeth A. Scheffmeyer will be a limited partner.

New Hendrickson Partnership

The present partnership of Hendrickson & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will be dissolved June 14 and a new partnership will be formed on June 15. Members of the new partnership will be Martin A. O'Neill, W. Colford Anderson, member of the Exchange, Joseph A. McGarry and August J. Hoffer.

New York Firm to Advise El Paso, Texas On Bond Issue Program

Mayor Hervey of El Paso, Texas, announced that the City has engaged the firm of Wainwright, Ramsey & Lancaster of New York, consultants on municipal finance, to prepare a preliminary and a final program of marketing the City's $5,000,000 waterworks revenue bonds, a proposed $500,000 City "housekeeping" issue, and the $975,000 library issue.

The New York firm will work in conjunction with the City's attorneys, engineers, and bond counsel in submitting a preliminary plan which will be prepared for the City's approval. Completion of the preliminary plan is expected within a few weeks, and the bonds will probably be issued in September.

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Railroad Securities

Baltimore & Ohio

Baltimore & Ohio common has been giving a rather poor account of itself marketwise in recent weeks. In part this has obviously been merely a reflection of the almost complete lack of speculative interest in carrier shares, a lack of interest that has been particularly noticeable in the case of the stocks of the large eastern carriers. There has, moreover, been one special consideration in the Baltimore & Ohio picture that has presumably had an adverse market influence. It is the publicity being given to the proposed investigation into the company's loan from the RFC. Presumably the demand for the reopening of this case has arisen as a result of the Congressional investigation of the lending agency's general activities.

The question has arisen in connection with the treatment of the loan in the company's voluntary debt readjustment plan of a few years ago. Apparently the Justice Department is now to investigate certain aspects of this loan, and particularly the part played in the negotiations by certain officers and employees of the Baltimore & Ohio who were formerly with the RFC. The point has also been raised that prepayments on the Government loan has been slow. Obviously, considering the lapse of time, it would be impossible to upset the readjustment plan now regardless of what the Justice Department's findings might be.

The whole proceedings were thrashed out thoroughly in the courts at the time of the readjustment as there were some strenuous objections to the plan at the outset. It was reviewed by the Supreme Court on the contention that the company was completely solvent and that, therefore, no plan at all was necessary. With all of this background it is difficult to see any justification for fears that the present controversy holds any adverse implications for security holders. Nevertheless, with the present atmosphere of general uncertainty, speculators appear unwilling to have anything to do with any situation where the issues are not clear cut. Laggard market action may therefore continue until the recent publicity given the case dies down.

Aside from this question of the RFC loan terms, the background for Baltimore & Ohio securities appears highly favorable. Its earnings performance so far this year has been considerably better than that of most of the other large eastern carriers. Net operating income for the four months through April amounted to $10,746,217, a gain of 22.1% over the like 1950 interim. In contrast, Pennsylvania Railroad suffered a year-to-year decline of 51.8% in net operating income and New York Central reported a small net operating deficit against net operating income of nearly $1½ million a year ago.

It is generally considered by railroad analysts that Baltimore & Ohio's prospects over the balance of the year are also bright. One factor that has been causing concern in the near term general railroad picture is the prospective traffic decline as production of consumers goods continues to taper off and before the slack is taken up, probably in the fall, by the full impact of armament production. Presumably this will fall less heavily on B. & O. than on other primarily industrial carriers. It is very closely tied up with the steel industry. Even in the transition period it is expected that steel operations will remain at a peak, as companies stockpile in anticipation of the heavy armament demands to come later.

For the first four months of the current year B. & O. reported common share earnings of $1.10, up from $0.24 a year ago, before deducting sinking and other reserve funds set up in the readjustment plan. On the same basis, that is before funds, it should be able to report at least $6 a share for the full year 1951. Of course, it will be necessary to dedicate a large part of the earnings to continued debt retirement, but this in itself tends to add to the basic stature of the junior equity. Moreover, even with the necessity for debt reduction it seems quite possible that toward the year-end directors may decide to make at least a token dividend distribution on the common, which would be the first since 1931.

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Texas Electric Bonds Offd. by Kuhn Loeb, Lehman, Blyth Group

A group consisting of Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co. Inc. on June 20 offered $11,500,000 Texas Electric Service Co. first mortgage bonds 3⅜% series due 1981. The bonds were priced at 100.85% plus accrued interest to yield 3.33%. The group was awarded the issue at competitive sale June 18 on a bid of 100.3197%.

Net proceeds from the offering, together with a $4,000,000 cash contribution from the company's parent, Texas Utilities Co. and funds from operations will be applied to the company's construction program. The $4,000,000 cash contribution of Texas Utilities Co. will be made to the common stock equity of Texas Electric Service Co. which will add the sum to the stated value of its common stock without change in the number of shares outstanding.

The company is a public utility engaged in the generation, transmission and sale of electricity in Northwest and West Texas and the Fort Worth area, with an estimated population of 776,000 and producing a substantial part of the wealth of the State of Texas.

Commencing in 1957 and continuing through 1980 the bonds will have the benefit of a sinking or improvement fund designed to retire $3,450,000 of the issue. For this fund the bonds will be redeemable at prices ranging from 100.85% to 100%. For optional redemption purposes the bonds will be redeemable at prices ranging from 103.85% to 100%.

Continued from page 20

No Further Credit Controls Needed

of funds for investment. All this suggests that we do not face a persistent upward trend in interest rates for the indefinite future.

These prospects are further reinforced by the limitations imposed upon interest rate policy by the Treasury's financing requirements. The huge size of the public debt and the prevalence of short maturities requires almost continuous refunding. In March, when government bonds were unpegged, the Treasury was operating with a large surplus and had no significant financing scheduled for some months. This brief respite has now passed. Consequently, the monetary authorities are not likely to pursue restrictive credit policies that would disturb the short-term market upon which the Treasury will rely in large measure in the period ahead. On this premise, a continued rise in short-term open-market rates seems rather improbable.

Nor do these considerations apply only to short-term government securities. Without minimizing the importance of the recent change in policy, it must be recognized that despite unpegging, the Federal Reserve banks have been rather consistent buyers of long-term government obligations, and that we are still a long way from a free market in government bonds. In the coming months, while private capital requirements will still be running high, the Federal Reserve may find it desirable to stabilize the government bond market around present levels even if this involves purchases beyond the extent commonly regarded as appropriate to maintain an "orderly" market.

The government securities markets are interrelated; excessive pressure upon long-term issues may unsettle the short-term market, where a disturbance would seriously interfere with the Treasury's financing plans. Also, there is some risk that continued declines in government bond prices may evoke speculative selling. Finally, as long-term rates rise, there is a growing inducement for some institutional holders of savings bonds to redeem their securities and reinvest the proceeds in marketable government bonds or, perhaps more likely, in corporate bonds at significantly higher returns.

All these considerations thus limit, in a possibly general but nonetheless effective fashion, the extent to which orthodox credit policy can be pursued. The implications are particularly important in commercial banking. We have seen that the demand for loans is likely to show a further increase, and under these conditions, there are real prospects that the monetary authorities will press with growing energy for measures designed to restrain private credit expansion without further raising the interest rates on government securities.

Proposed Innovations in Credit Control

The search for new methods of credit control which would restrain the expansion of private credit without entailing an increase in the yields on government securities is not a new one; we faced a similar situation in the postwar years when commodity prices and bank loans were both in an upward trend. The best indication of current Washington thinking on the problem of restraining bank lending is contained in the report on credit policy by the President's committee. This report, released at the end of May, was prepared as a joint project of the Treasury, the Federal Reserve, the Council of Economic Advisers and the Office of Defense Mobilization. It recommends that, as an emergency measure, the Federal Reserve Board be given authority, for a limited period, to impose additional reserve requirements on all insured commercial banks.

The report sketches two separate plans, either or both of which it recommends for adoption. One suggestion is that the supplementary reserve requirements be related to demand deposits, and that the additional reserves be held either in the form of cash or, under certain conditions, in government securities. This plan, called the Primary Reserves and Government Securities plan, appears to be very similar to the special reserve plan proposed in 1947. Under the new plan, the Federal Reserve Board would have authority to freeze large amounts of government securities, presumably short-term, in the banks. By these means it apparently would become possible to prevent the commercial banks from selling such securities in order to support an increase in loans.

Th second proposal in the report is called the Loan Expansion plan. It provides that commercial banks, in addition to present reserves against deposits, be required to keep reserves against increases in loans and investments, other than Treasury obligations, above a prescribed base. The report does not state how this base would be determined, nor does it say whether these reserves would be carried in cash, or in government securities, or a proportion of each. However, there has been some discussion of the possibility of making short-term governments acceptable as reserves under this plan.

Until the specific features and provisions of these proposals are made known, it is impossible to attempt detailed analysis or comment. The loan expansion reserve plan, in particular, presents a profusion of complicated and intricate possibilities, and many problems would have to be faced to make it realistic and workable. One practical difficulty is how to allow for seasonal fluctuations in the demand for credit, and their variations in different parts of the country. Another problem is how to deal with the wide differences in the proportion of loans to total assets among the commercial banks. A bank that has not pursued energetic lending policies and consequently has a relatively small share of its assets in loans might feel entitled to more freedom to expand than its more fully loaned competitor. For the credit situation of the country as a whole, however, the effect of an increase in loans would be the same in both cases.

In addition to the technical difficulties, the proposed plans raise further important questions which should be recognized. If the monetary authorities intend to use the new plans in order to deal with an emergency situation, they are likely to press for fairly prompt application. Yet the immediate result of such action would be to enhance rather than to ameliorate the problems of money market management. Regardless of whether the additional reserves required under each plan would be in the form of cash or government securities, their imposition would bring forth substantial portfolio readjustments throughout the banking system.

If the additional requirements refer to cash reserves, the Federal Reserve would have to cope with substantial sales of Treasury obligations by the commercial banks, which would aggravate the knotty problems involved in supporting the government securities market. If the plans should provide for the use of short-term governments as reserves, the Federal Reserve would have to stand ready to acquire medium and longer term securities from the banks in exchange for short-term issues. Thus, in either case, problems of bond market support would remain very much alive.

The long-term implications may be even more fundamental. After the necessary adjustments have been made, the plans for using government securities would facilitate future Treasury financing by assuring short-term government debt of a stable and reliable market in the commercial banks. This market, furthermore, could be readily manipulated simply by changing the reserve requirements. The inflationary potential inherent in easy government financing through the banks is well established. Any proposal which facilitates Treasury financing through the banking system should be received with extreme caution and reservation; such proposals are doubly unfortunate in a period when the Treasury clearly should be bending every effort to place its securities outside the banking system.

Nor are the disturbing questions confined to the field of government financing. It is difficult to visualize a really effective application of these plans without incurring the rapid extension of control throughout the field of private financing. Should the proposed devices prevent any substantial number of commercial banks from meeting the necessary credit requirements of their customers, the result would be concerted attempts to make funds available from other sources. Large business borrowers would doubtless seek to shift their financing to the securities markets or to institutional investors. Hence such controls over commerical bank lending would probably be accompanied or would soon be followed by comprehensive controls over security issues and direct placements. That has been the experience in other countries, where capital issues committees and similar devices were created to supplement restrictions on bank lending.

A further consequence would be a substantial increase in government lending activities. Small businesses frequently have only a single banking relationship and are usually unable to sell securities in the open market or to make direct placements with institutional investors. We would thus have to expect a drive to expand the functions of government lending agencies. This would certainly be the case if restrictive credit policies should jeopardize the ready flow of funds for defense or essential civilian production.

The committee report evidences an awareness of some of the problems involved in the use of credit controls. Because the proposed devices carry such formidable implications, they should receive the most painstaking public scrutiny. The complexities of administration alone make meticulous analysis an absolute necessity. Of course, even after the specific provisions are released, many of the details will remain obscure because, in practice, much will depend on the concrete manner in which the plans are administered. However, this makes it all the more urgent that bankers be prepared to point out to the authorities and to the appropriate Congressional committees just how the manifold possibilities would work in practice, and to offer constructive and intelligent criticism.

The case for these additional powers is by no means convincing. Having unpegged the government

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bond market and initiated a program of voluntary credit restraint, the authorities might have waited to appraise the effects of these measures before asking for further controls. It is generally agreed that the combination of selective credit controls, the flexible support policies for government securities and the voluntary credit restraint program has taken hold and is beginning to check the expansion of private credit. The rapid growth in bank loans since June, 1950 has brought more and more banks closer to the point where they are reluctant to expand their loans further and are tightening their lending policies. Also, there are many indications that the rise in loan demands in the months ahead will be considerably smaller than a year ago. All this raises pertinent questions concerning the advisability of embarking upon new adventures in the field of credit control at this time.

The Banks and Inflation

Current proposals for restrictive controls over commercial bank lending are based on the premise that an increase in bank loans raises the money supply and this in turn causes higher prices. Frequently in the past, business activity, the money supply, business inventories and bank loans have moved together. But the causal relationship between these factors is a complex problem that has troubled students of economics for a great many years. This suggests that there is no simple and straightforward answer to the question of which is cause and which is effect.

An expansion of the money supply, under certain circumstances, may cause or at least facilitate an inflationary price rise, but this does not mean that inflation is always due to monetary expansion. To explain recent price movements solely, or even largely, in terms of bank credit and money supply is surely a gross oversimplification. The strong inflationary pressures that have been troubling our economy for most of the years since World War II arise from a great variety of sources, of which bank lending is a relatively minor factor.

The postwar inflationary boom that began in 1946 was based in large part upon the deferred demands built up during the war and the prewar depression years. Business after the war obviously had to replenish its depleted inventories and to modernize and expand its plant and equipment. In view of the severe housing shortage, a building boom was a foregone conclusion, as was a great boom in consumer durable goods. Spending was facilitated by the fact that business and the general public were able to draw upon large liquid assets built up as a result of the government's deficit financing during World War II.

Government policy was another inflationary factor. The excessive liberalization of mortgage credit stimulated the residential building boom to undue proportions. The government's buying policies for foreign relief pushed agricultural prices to uneconomically high levels, and price supports operated against a correction. Government policies also facilitated repeated rounds of wage rises far above the annual increases in productivity. The uneasy international situation, with its recurring war scares, was a further factor operating in the direction of higher prices. The fear of war, with its portent of shortages and of large government outlays, is generally a strong price stimulant, and this was amply demonstrated with the outbreak of the war in Korea.

For some months we have had a respite from rising prices, and we may reasonably hope to avoid another inflationary surge such as that of the recent past. But it would be a mistake to discount the inflationary potential inherent in our economy or to underestimate the difficulties we shall encounter in dealing with inflation under conditions of high business activity. Inflation is a long-run threat to our economic and political way of life.

The prospects of developing a sound anti-inflation program are not bright. As long as we persist in the practice of periodic wage increases at rates far in excess of the gains in productivity, we cannot avoid rising costs and higher prices. We have woven wages, cost of living, and the farm price support program into a complex fabric of institutional and statutory practices, the net effect of which is to perpetuate an inflationary spiral. Scant success has attended the efforts to prune the civilian budget, or to obtain value received for our defense expenditures, and our tax policies are not well designed to reduce spending by consumers or business.

In view of these broad and deep inflationary forces, it seems unrealistic to assign to bank lending more than a very minor responsibility for the price trend. In recent years, some loans may have been made which facilitated speculation in inventories or commodity prices, but the largest portion of the loan increase since the end of World War II reflected the unavoidably higher credit needs of business and others as the result of the rising level of prices and output. One may properly ask whether the banking system should have closed its doors to these legitimate demands for funds in the past, or should do so now. Bank credit performs an indispensable function in the production and distribution of goods; it ranks equal in importance with plant, materials and labor. Without adequate bank credit, production will languish. However, higher production was the most potent anti-inflationary force in the postwar years; it is even more urgent today.

A further conclusion is that under current conditions, credit policy cannot come to grips with the chief forces responsible for the inflationary pressures in our economy. Nevertheless, every practicable measure should be undertaken to insure that bank lending does not complicate the problem of coping with these forces. Together with the monetary authorities, the task now is to continue to follow a sound and sensible policy of restricting but not unduly curtailing credit, to foster prudence and caution in lending policies, and to eliminate the use of credit for unproductive or less essential purposes. This program deserves the earnest and wholehearted support of the entire financial community.

Kropp Forge Stock Offering Quickly Sold

The offering of 123,000 shares of common stock of Kropp Forge Co. at $4 per share, made on June 20 by Gerhart, Kinnard & Otis, Inc., L. D. Sherman & Co. and Morgan & Co., was oversubscribed three to four times.

Net proceeds from the sale of these shares will be used from additional working capital. The company's business has expanded very rapidly, the prospectus states, and this additional working capital is needed for expanded operations.

The Kropp Forge Co. manufactures steel forgings, including drop, flat die and upset. It serves many of the leading manufacturers of automotive, aviation, farm implement, machine tool, railroad, ship-building, construction and other industries. At the present time approximately 60% of the company's production is for tanks, jet propulsion engines and aircraft landing gears.

Public Utility Securities

By OWEN ELY

Central Illinois Public Service Company

Central Illinois Public Service Co. (CIPS), with annual revenues of about $30 million, serves an area of some 20,000 square miles in southern and central Illinois. While the area served is in several divisions, these are all interconnected and the system is operated as a unit. Electric sales contribute 92% of revenues and gas 8%. Some 216,000 electric customers are served in 500 communities and adjacent rural areas, located in 61 counties; and natural gas is sold to 36,000 customers in 21 communities. Only about 34% of electric revenues are obtained from sales of commercial and industrial power (including about 12% to coal mines).

The area is rich in natural resources, including coal and oil. Principal farm crops are corn, wheat and soy beans and there are important grazing areas for fall feeding of cattle. There are 387 grain elevators in the area. Industries in the territory produce road machinery, air compressors, pumps, farm implements, furniture, shoes, washing machines, ranges, fluorescent lamps, bathroom fixtures, art pottery, light metal products, etc. Industry in these areas has developed steadily and is especially well diversified.

While coal mining is important as a source of revenue, the management does not consider it as a potentially weak factor in the earnings set-up. In 1923 revenues from coal mining companies constituted 23% of electric revenues or nearly double the present ratio. However, for each ton of coal mined there has been about a 90% increase in the past decade in the amount of electricity used, due to increasing mechanization. This trend seems likely to continue, with the installation of more of the large mining machines, which are only now coming into use. Thus the increasing amount of electricity used to mine a ton of coal is a substantial offset to any future decline in the production of coal. The company serves many of the better mines in Illinois, such as Peabody Coal which supplies several of the large utilities in Northern Illinois.

The company has joined with four other utilities in the formaiton of Electric Energy, Inc., a $90 million company which will furnish power to the Atomic Energy Commission. Most of the required funds will be loaned by insurance companies, but CIPS and four other utilities are contributing $3.5 million equity funds, on which they will be allowed a return of 8%. Any earnings in reasonable amount above 8% would go into a reserve to help stabilize future profits.

Such earnings, however, will probably not be a material factor; the principal benefit will be the utilities' right under their contract to use any surplus power which may become available after the AEC has taken what it needs. Because of the large size and high efficiency of the generators to be installed, such power will be very low-cost, and in the case of CIPS can be used to help replace some 70,000 capacity which is old and inefficient. If in the future the AEC should entirely cancel its purchase contracts, CIPS would have to use 130,000 kw power form Electric Energy, Inc. However, the surplus over the 70,000 inefficient capacity could easily be absorbed by the growth of the business over a two-year period, it is estimated, so that the management feels there is not too much of a gamble in this commitment.

Average annual growth in energy demand for CIPS is about 30-35M KW. To meet this the company will add two units at Hudsonville of 60,000 each, one in 1952 and the other in 1954. These units will have 1,450 lbs. pressure at 1,000 degrees, with a single boiler for each generator. Construction costs during 1951-53 are expected to average about $14.5 million a year or a total of $43.5 million. Of this, about $20.6 million will be spent for the two generating units and some incidental expense.

The sale of bonds and common stock some months ago gave the company about $10 million cash which will take care of requirements in 1951. They have no definite program for future financing as yet. The company has made very substantial progress since 1932 in readjusting its top-heavy capital structure. Present capital ratios are about 54½% bonds, 12½% preferred stock and 33% common equity. They hope eventually to reduce the bond rate below 50% and to maintain the common stock ratio around 35%.

Regarding rates, a recent court decision in Illinois indicates that fair value rather than original cost is now the regulatory basis, but the company itself has never had a rate base established by the commission.

The company does not expect to obtain any "accelerated amortization" on new plant, except perhaps on the small amount of property to be used in connection with Electric Energy, Inc.

President Luthringer of CIPS, in a recent talk before the New York Society of Security Analysts, estimated earnings for 1951 at $1.50 a share based on the present 47% tax rate ($1.62 a share was reported in the 12 months ended March 31). The company sold 267,000 shares of additional common stock early this year on a 1-for-10 basis. With a 52% tax rate applicable in the last half of this year, earnings would be reduced to $1.44. The dividend rate is $1.20 and Mr. Luthringer indicated that he hoped to maintain this rate and would even be willing to dip into the company's $7 million surplus should this be necessary to support the dividend policy. If necessary the company will also apply for increases in electric rates; at the present time, however, this appears unnecessary.

Oliphant to Admit

Jas. H. Oliphant & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will admit Malcolm G. Field and Clarence A. Earl to partnership on July 1.

Joins Fahnestock Co.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Seymour Page is now affiliated with Fahnestock & Co., 205 Church Street.

With Berwyn T. Moore

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — Ney E. Jones is now with Berwyn T. Moore & Co., Inc., Marion E. Taylor Building.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. William M. M. Beamish is now connected with Walston, Hoffman & Goodwin, 550 South Spring Street.

NY Stock Exchange Honors Robt. Boylan

The Board of Governors of the New York Stock Exchange on June 14 formally saluted Robert P. Boylan, who retired from the Board May 21 after four years as Chairman. Mr. Boylan is still an active member of the Exchange.

Robert P. Boylan

A resolution adopted by the Board said:

"Bob Boylan has served a great institution with wisdom, with power, with insight into the hearts of men. The life of the Stock Exchange has been his life.

"Far beyond the call of duty, he has labored unceasingly to attain one goal beyond all others: To make the New York Stock Exchange the very symbol of integrity and service."

The text of the resolution follows:

"Individually and as a group, we, the members of the Board of Governors of the New York Stock Exchange, here record a salute to a great leader:

ROBERT P. BOYLAN

"Bob Boylan has retired from the Board after 11 years of devoted service; four years as Chairman, seven years as a Governor. Our respect and admiration for his accomplishments are profound He has guided us through years of peace and war, through crisis and calm, with brilliant judgment. He has been a tower of strength, yet he is a man with a genius for inspiring love and abiding loyalty.

"There is only one Bob Boylan, only one man who gives so generously of himself but strikes so hard and true when the interests of the Stock Exchange are at stake.

"Bob Boylan has served a great institution with wisdom, with power, with insight, into the hearts of men. The life of the Stock Exchange has been his life.

"Far beyond the call of duty, he has labored unceasingly to attain one goal beyond all others: to make the New York Stock Exchange the very symbol of integrity and service.

"Bob, we salute you tenderly. We know that we shall always have a claim on your service. This is not goodby but so long."

James Talcott Loan Arranged by Bankers

James Talcott, Inc., factors, announced on June 19 the private sale of $3,375,000 of 3⅞% subordinated notes to the New England Mutual Life Insurance Co. and the Massachusetts Mutual Life Insurance Co. The notes mature June 1, 1961 and provide for repayment in ten equal annual payments. The loan was negotiated by F. Eberstadt & Co., Inc.

Proceeds of the sale, after applying $2,250,000 to the retirement in full of the 3⅞% subordinated notes due in 1958 held by the same institutions, will be used to increase working capital.

The company can borrow an additional $375,000 under the terms and conditions contained in the loan agreement.

Jackson Diggs Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jackson Diggs is engaging in a securities business from offices at 4016 Wilshire Boulevard.

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Continued from first page

Producing Atomic Energy —An Industrial Function

of the industrial and military strength of this country—a mobilization which is already having a solid and far-reaching impact upon our economy.

In the field of atomic energy, we have heard an announcement by the President that he had directed the Atomic Energy Commission to continue its work on all forms of weapons, including something we had not heard mentioned officially before in public, the so-called hydrogen or superbomb; and we have seen a test program recently completed at Eniwetok, which, among other things, has contributed to the development of such a weapon. We have also seen undertaken a great expansion of our atomic energy production facilities which compares in magnitude to the wartime construction effort of the Manhattan Engineer District.

We have heard, too, the disturbing fact that through the treachery and deceit of disloyal people the Soviet Union has in its possession a considerable body of information about the wartime atomic weapons project that we had previously thought had been held inviolate.

It is in this setting that I address you today. It is not a setting in which I believe any of us would choose to find ourselves if we had any choice in the matter. It is a setting created not by us, but by the persistently acquisitive group of men who direct the destinies of the Communist world. We find ourselves today in military as well as political, ideological and economic competition with that world.

It is the objective of the United States to confine this competition insofar as possible to the areas of international politics and economics, and to keep it from breaking out into all-out world war. We would rather pitch this competition in the realm of development of the world's resources for the service of mankind, in the spread of freedom and well-being and enlightenment, rather than in the field of military force. But whatever the terms of the competition, we mean to win it.

Atomic energy, I believe, plays an extremely important part in this competition. It is largely through atomic energy, for example, that we have been successful in confining our competition with the Communist world for the most part to the areas of international politics and economics. It is also in some considerable part through atomic energy, I believe, that if this competition spills over into the military arena, we shall win it in a military way. And it may well be at least partly through atomic energy that if this competition remains indefinitely in the spheres of international politics and economics, we shall win it on those grounds too.

For these reasons I count it a privilege to be here today and to report to you on the atomic energy program of the United States as it exists here in this month of June, 1951. I think it is appropriate that I should be here, not only because of the obligation that we who serve in government have to report from time to time on our activities, but also because I think we of the Atomic Energy Commission run the kind of enterprise that you gentlemen—as leaders in business, industry and the professions—understand and have a special interest in.

Industrial Nature of Atomic Energy

We frequently hear atomic energy referred to as a governmental monopoly. This is true, in that it is controlled and to a large extent owned by the government. But there ends, I believe, its similarity with what we ordinarily think of as a governmental monopoly. In most respects it is an enterprise depending upon the initiative and skill of industry and science. It is industrial in nature, it is industrial in its objectives, and its operations are carried on by industrial and scientific people employed for the most part by industrial concerns or educational institutions. These are facts which many people do not realize, but they are, nevertheless, true, and I think they are facts which should be borne in mind by those who wish to understand and follow the progress of atomic energy development in the United States.

Let me illustrate what I mean when I say atomic energy is an enterprise run largely by industrial and scientific people. As of today there are more than 90,000 people engaged in atomic energy work in this country—in supervising the program, in carrying on the day-to-day operational activities, in protecting security, and in building new facilities. Of these, less than 5,500 work for the government. The remaining 85,000 or so work for the more than 500 prime contractors and major subcontractors to the AEC who perform virtually all of the functions that are carried on within the framework of what we normally call the atomic energy program.

This point can be illustrated further, I think, by describing for you just exactly what it is these people are trying to do. First of all, like the people who run many other industries, they are trying to take a raw material that occurs as a natural resource and extract from it a product for which there is a demand. In our case, the raw material is uranium, which we buy from any source that has it for sale, whether at home or abroad. Unlike most other industries, we do not compete for our basic raw material on the open market. In practically every nation of the world, including our own, uranium is a controlled commodity and thus excluded from the normal channels of trade. But the law of supply and demand operates just the same, and the price we pay is pretty largely determined by the supply available in relation to the greatness of our need.

Uranium Resources

In this connection, we sometimes hear gloomy reports about the uranium resources of the world. These reports, to my mind, sound very much like the reports we have become used to hearing —and which are so frequently proved wrong—about the world's resources of other vital materials. Actually, I would say from my own observations that the prospects for uranium production are considerably more on the encouraging than on the gloomy side, and will remain so for many years to come. It is true—in spite of an intensive exploration program—that we have not yet found another deposit of the grade or magnitude of the fabulous Shinkelobwe mine in the Belgian Congo, from whence comes our main supply, but we have found a number of promising new uranium areas here in the United States, particularly in such states as Arizona, New Mexico and Utah. The Canadians, too, have had a great deal of success lately in turning up new deposits that may well become significant.

Beyond this, we have also during recent months discovered some new ways of recovering uranium economically from extremely low-grade ores, particularly when the uranium occurs in combination with some other substance of value. As a result of developments such as this, we have recently found it possible to join the British in entering into an agreement with the Union of South Africa whereby we will be able to obtain a good share of the vast quantities of uranium contained as a very minor constituent in the residues of South African gold production. We are also working out a similar arrangement here at home which will enable us to gain access to at least part of the uranium occurring in the phosphate beds of Florida and the west by extracting it at one stage of the manufacture of triple-superphosphate fertilizer.

I think you will have detected many similarities between this raw materials operation of ours and the raw materials operations of other industries with which you are perhaps more familiar. I think, too, that you will notice no startling departure from normal industrial practice in the next step of our production chain, which is processing. It is our objective during this phase to take the raw material uranium and refine it to degrees of extreme purity. This is a straightforward industrial operation, and it is performed for us for the most part on a unit price contractual basis by industrial concerns who are normally engaged in the minerals or chemical processing business. One of our largest contractors in the late stages of this processing and refining operation is the Mallinckrodt Chemical Works of St. Louis.

The Processing of Uranium

When we reach the next step of our production chain we find the hand of government somewhat more in evidence. The processes are still industrial in nature, but they are quite different from anything that is done in any other industry. Our objective during this phase is to take purified uranium and from it to produce the fissionable materials known as U-235 and plutonium. Both are of the utmost importance to us, for both can be made to release the energy locked in the hearts of their atomic nuclei, either violently, as in a bomb, or slowly, as in a nuclear reactor.

Both of these materials are produced in great plants owned by the government and located in the huge government reservations whose names have come to be synonymous with the phrase "atomic energy" in this country. These plants are owned by the government, but they are operated on a cost-plus-fixed-fee basis by private industrial concerns. The role played by these companies is so important to our program that I believe they are worthy of specific mention.

One is the Carbide and Carbon Chemicals Co., a subsidiary of Union Carbide Corp., which operates the U-235 production plant at Oak Ridge. This plant, which cost $500 million to build, is currently being enlarged under a program that will eventually cost more than $200 million, and will be further supplemented by the new $500 million U-235 plant now under construction near Paducah, Ky.

Another of our principal production contractors is the General Electric Company, which operates the plutonium production works at Hanford, Washington. We now have underway at Hanford a construction program which will eventually add more than $200,000,000 to our original investment of more than $350,000,000 in this plant.

Our third main production contractor is E. I. du Pont de Nemours and Company, which originally built the Hanford Works and which we have recently engaged to construct and operate our new $900,000,000 production plant to be located near Aiken, South Carolina. This plant, similar in nature to the Hanford facility, is being so designed that it can be used to produce materials for fission weaons, or hydrogen weapons, or for fueling reactors.

Branches of Atomic Energy Production

From this point forward our atomic energy production chain branches in several different directions. One is the production of weapons; another is the construction of nuclear reactors for research in the development of atomic power; and a third is the fueling of reactors for nuclear research and development and the production of radioisotopes. As of now—in June, 1951—for the reasons I described at the outset of these remarks, by far the preponderant amount of fissionable material is being stored in the form of weapons.

This, then, is the main production line of the atomic energy industry. It begins with raw materials and it carries through the processing and refining of these raw materials, the production from them of fissionable materials, and the utilization of these fissionable materials in the manufacture of our final products. Like most other industries, we also maintain facilities where we can test our products, and we surround our main production artery with a large and active scientific research program designed to achieve the following main objectives:

One: To increase the efficiency of our production processes.

Two: To find new and better uses for our products.

Three: To improve the quality of our products.

And Four: To protect the health of our employees and the people who inhabit the areas in which we carry on our operations.

The principal facilities we maintain for the proof-testing of our products are the atomic weapons proving ground at Eniwetok Atoll in the Marshall Islands, the weapons test area near Las Vegas, Nev., and the 440,000-acre nuclear reactor testing station in Idaho. Our research facilities, ranging all the way from one-or-two man operations in universities and colleges to the great multi-million dollar national laboratories, are located in nearly every state in the Union. Like the industrial side of our program, they are operated by private contractors. I think a few of these are worthy of specific mention, for they serve to add something concrete to this picture I have been trying to give you of the kind of people who operate our program. Any such list would have to include:

(1) The University of Chicago, which operates for us the Argonne National Laboratory, a research and reactor development center in Illinois; (2) Associated Universities, Inc., a New York corporation formed by nine leading northeastern educational institutions to operate the Brookhaven National Laboratory, a basic research center out on Long Island; (3) the Carbide and Carbon Chemicals Company, which operates the Oak Ridge National Laboratory, a basic and applied research center in Tennessee; (4) the University of California, which operates the weapons research center at Los Alamos, New Mexico, and the Berkeley Radiation Laboratory, a basic research center on the west coast; and (5) the Sandia Corporation, a subsidiary of Western Electric, which operates our Sandia Laboratory at Albuquerque, the field point of coordination between the AEC and the armed forces in weapons development.

Such a list, I think, should also include the Westinghouse Electric Co., now engaged in building for us a land-based prototype of an atomic engine for submarine propulsion; the General Electric Co., which is developing another similar unit; and such firms and institutions as the Monsanto Chemical Co., Iowa State College, California Research & Development Co., Columbia University, North American Aviation Co., the Dow Chemical Co., the University of Rochester, Massachusetts Institute of Tecnology, California Institute of Technology, the University of Minnesota, Sylvania Electric Products Co., the University of Tennessee, the Battelle Memorial Institute, and the Oak Ridge Institute of Nuclear Studies and the National Academy of Sciences.

This is a long list, but it could be extended out a considerable distance beyond where I have chosen to stop, as could the list of our major production and industrial contractors. If we were to carry these lists on out to include our 95 largest cost-type contracts of all types, we would find that 20 of them have gone to universities, 18 to chemical and minerals engineering firms, 16 to industrial design and engeering firms, 13 to people who provide services of various sorts, such as trasportation, 10 to construction firms, 8 to industrial research establishments, 5 to electrical equipment manufacturers and 5 to hospitals and other private research organizations.

Magnitude of Atomic Energy Program

I hope this has given you some idea of the diversity and magnitude of the atomic energy program. I would like now to give you some idea of its penetration into our economy as well. During the 12-month period ending last March 31, the AEC entered into nearly 11,000 prime contracts and purchase orders, of which about 52% went to business firms employing less than 500 people, about 41% to so-called "big-business" firms, and 7% to educational institutions and others. The recipients of these prime contracts in turn entered into more than 280,000 subcontracts and purchase orders, of which 62½% went to so-called "small business," 36% to "big business," and 1½% to educational institutions and others. Dollarwise, of course, the great preponderance of our prime contracts go to what is normally called big business, but I think it is interesting to note that of the great sums—nearly $500,000,000—put out through subcontracts during this 12-month period, about 25% went directly for work performed by small business concerns.

The investment in plant and equipment for an enterprise of the magnitude of the one I have described is, of course, very large. By the end of this month it will stand at something very close to $2½ billion—a fact which places us near the top of the list in plant assets among the great industrial enterprises of this country. We exceed, for example, in gross book value of plant assets, such enterprises as the General Motors Corp. and the Pennsylvania RR. By the time our current expansion program has been completed we can expect our investment in plant and equipment to have grown to approximately $4½ billion.

To build and operate an enterprise such as this naturally requires the expenditure of a great deal of public money. During the current fiscal year alone the Congress has appropriated slightly over $2 billion for atomic energy, an amount almost equal to the entire amount spent on atomic energy under the Manhattan Engineer District, and we have asked for a regular appropriation for next year of $1.2 billion. We, of

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course, do not spend this money as soon as we get it. We obligate it as fast as we can but it is usually paid out over the course of several months or years, particularly when it goes for construction work. A more accurate measurement, then, of the rate of growth of the atomic energy program is perhaps the rate at which money is actually paid out, rather than the rate it is appropriated or obligated. On this basis, I believe it is noteworthy that, whereas in fiscal year 1950, we actually paid out about $550 million, we will in the current fiscal year pay out $850 million, and in the next fiscal year approximately $1,275 million.

Altogether, since the inception of the atomic energy program in this country, the total amount appropriated to both the Manhattan District and the AEC for both construction and operations comes to about $6½ billion, and the actual amount spent to about $4¾ billion. The difference represents funds obligated, mainly for our expansion program.

I have just mentioned a lot of big figures, and from them it is easy to get the impression that the atomic energy program is one of the largest consumers of the taxpayer's dollar in the United States. To keep this discussion in its proper perspective I would like to mention that the President's budget for the fiscal year 1951 includes more than $48 billion for national defense, and in contrast to this, only $2 billion for atomic energy. If you believe, as I do, that the principal deterrent to large-scale Soviet aggression has been and is our stock pile of atomic weapons, I think you will agree that this money that goes for atomic energy is well spent. By this I don't mean to imply that we should limit our other defense expenditures just because we have a stockpile of atomic weapons—that would be a fatal kind of "Maginot-Line" philosophy that, among other things, would not take into account the obvious need for having a means of delivering these weapons to their targets. What I do mean to say is that for a relatively small percentage of our total defense budget we are getting something that is a very valuable defense ingredient, indeed.

Products From Atomic Energy

And now, in the time I have left, I would like to talk about the products of this industrial enterprise I have been describing. Our major product, in the setting in which we find ourselves today, is, of course, weapons. As I mentioned previously, we have been given a directive by the President to work on all types of weapons, including the so-called hydrogen bomb, and we are doing just that. We are working on the development of a hydrogen bomb, on improved types of atomic bombs, and on atomic warheads for artillery and guided missiles. We have not given out our rate of progress on either the development or the production side of our weapons program because we believe such information would be of very great value to our competitors. I can, however, make the general statement that the bombs we are producing today are considerably improved over those used in World War II, and they are being produced on an industrial rather than a laboratory basis.

In our weapons development program, we find it necessary from time to time to hold tests which cannot very well be concealed. We held such a series of tests at Eniwetok in 1948, we had another series earlier this year near Las Vegas, Nev., and we have just completed still another series at Eniwetok. We will hold more tests in the future, and quite probably at more frequent intervals, as our developmental program continues to produce improved types of weapons that must be proof-tested before they can be placed into production. General Quesada, who commanded the task force that conducted the most recent tests, and Dr. Graves of the Los Alamos Laboratory, who was the technical director, are now back in the United States and will probably be ready some time next week to say all that can be said publicly about them at this time.

The most distinguishing characteristic of the next most widely-mentioned product of atomic energy—atomic power—is that it is not yet on the market, and I, for one, am extremely hesitant to say just when it will be. There are several reasons for this. In the first place, there are technical difficulties which stand in the way of building atomic power plants at costs that will make them economical to operate. In our present state of knowledge, we could undoubtedly build an atomic power plant right now, but there is no chance in the world that it could produce power at anything approaching the relatively low cost of power produced from coal or by hydro-electric means. We will, as a matter of fact, sometime this year, put a reactor in operation at our Idaho testing station that has been designed to produce, as an experiment, something over 100 kw. of power, but it will not be the kind of plant that will be needed to produce power commercially. It will be, instead, primarily a research reactor, and its main purpose will be to test the process we call "breeding"—which is an attempt to operate a reactor in such a way that it will produce more fissionable material than it consumes.

Another important reason why commercial atomic power isn't right around the corner is that the need for a new source of commercial power in this country—with its vast deposits of coal and oil and its hydroelectric systems—is not as great at the moment as some of the other needs that the products of atomic energy can help meet. By this I mean that at the present time the needs of national defense are paramount, and in this kind of a setting, I think, it is only natural that even our quest of atomic power is directed down military channels. We are, therefore, concentrating right now on developing atomic engines for the propulsion of submarines and aircraft. We are much farther along on the submarine reactor than we are on the aircraft one, but I am sure in my own mind that eventually we are going to have both. And as a special bonus we are going to pick up a lot of technical know-how that will help us immeasurably in cutting the costs of atomic power for commercial use. What we are doing, essentially, is charging a good share of the high developmental costs of power reactors to national security and, in the process, getting at the earliest date possible a kind of propulsion unit that will reduce almost to the vanishing point the dependence of naval vessels and military aircraft upon bases of fuel supply.

Reactor development work—I think quite naturally—has attracted the interest of private industrial groups concerned with the production of electrical power. This is a healthy development, I believe, and we intend to do everything we can—consistent with the requirements of national security—to work with these groups toward our mutual objectives. We have tried to work as closely as possible with them in the past, and we plan to increase this cooperation in the future. In the past, for example, we have had the benefit of the wise counsel of an Industrial Advisory Group headed by Mr. James W. Parker of the Detroit Edison Company, which submitted some very valuable recommendations to us about two years ago. At present, we are working closely with our Ad Hoc Advisory Committee on Cooperation between the Electric Power Industry and the AEC, which is headed by Mr. Philip Sporn, President of the American Gas & Electric Company here in New York, and includes in its membership Mr. Edward Morehouse, Vice-President of the General Public Utilities Company of New York. Mr. Sporn's committee has recently submitted to us a very thought-provoking report based upon a two-year survey of our program. We are presently giving some intensive study to this report, and we expect to respond to it publicly sometime in the near future.

We are also, as many of you probably know, presently entering into agreements with the Monsanto Chemical Company, Union Electric of Missouri, Detroit-Edison Company, the Dow Chemical Company, the Commonwealth Edison Company, the Public Service Company of Northern Illinois, the Pacific Gas and Electric Company and the Bechtel Corporation whereby representatives of these firms, organized into four working groups, will be given an opportunity to come into our program and study the practicability of private industry building and operating reactors to produce plutonium for the government and power for industry at the same time, thus presumably reducing the cost of both. There is a lot of merit to this idea, and we're going to do everything we can to make it work, but I don't think the public should get the impression that these firms are going to be able to walk into our laboratories, stay about six months or so, pick up a few tricks of the trade, and then be able to go out and build economically feasible power reactors. It isn't going to be as simple as that. There is a great deal of technological, engineering and design work that needs to be done in the reactor field before atomic energy will contribute very much to the overall power supply of this country.

Far from being a producer of power today, atomic energy is actually one of the nation's largest consumers, and the balance will be on the debit side for a long time to come. It has been estimated, for example, that our power requirements by the middle of 1953 will amount to about 2½% of the total installed electric power capacity of the U. S.—an amount equal to around 85% of the production capacity of the Consolidated Edison Company here in New York.

Radioisotopes

Our third major product—radioisotopes—unlike atomic power, is very definitely on the market today and has been now for a number of years. I don't think the usefulness—both actual and potential—of these radioactive materials can be overrated. It may well be, in the long run, that they will constitute atomic energy's greatest contribution, not only in the fields of medicine, biology, agriculture and scientific research, but in industry as well. To date, more than 17,000 shipments of these materials have been made from our Oak Ridge isotopes production center to more than 500 research institutions and industrial concerns in the United States and to nearly 200 research institutions abroad, and the number of users is steadily increasing.

Through the use of these materials great strides are being made in many different fields of endeavor. We are particularly interested in increasing their utilization in industry, and to this end have asked the Stanford Research Institute to survey a cross-section of American industrial concerns to help determine the potential demand and usefulness of the very highly radioactive substances known as fission products if they were to be made available—which they today are not—in bulk quantities. Some of the more interesting uses which have been suggested for these products are the sterlization of foods and drugs, the tracing of pipeline flows, radiography, and the production of chemicals, static eliminators, fluorescent lights and new types of luminescent paints and tiles. The Institute has prepared a rather comprehensive brochure on the possibilities of these products, and it is available from them upon request.

I have tried to give you as complete a report on this atomic energy program of yours and the direction it is taking as it is possible to give in the time I have had available. Such a report, however, would hardly be complete without mention of at least one more aspect of the operation, and that is security. The degree of security required in the AEC program is obviously one of the major differences between atomic energy and other industrial operations. And there is no question about it, to my mind, that the security requirements imposed on us by the state of the world today are an encumbrance. We would certainly be farther along the road to our objectives if we did not have to bother with them—but so would our competitors, and the length of our lead might be much shorter. What we have to do, then, is to accept this requirement for security and administer it as intelligently as we can—that is, to do everything possible to protect our real secrets and at the same time keep the encumbrances of security out of that part of our program where they serve no real purpose.

We are proud of the security record of the AEC. To our knowledge we have never had a Fuchs or a Greenglass or a Pontecorvo or a Rosenberg in the AEC program, and—I have my fingers crossed on this—we hope to keep it that way. Our success is in no small measure due to the vigilant efforts of the FBI which, under the Atomic Energy Act of 1946 that set up the Commission, is in charge of investigating the people who work for us, and possible violations of the security provisions of the Act. The FBI has worked very closely with us and I would like to take this opportunity of expressing our appreciation publicly to Mr. Hoover and his organization for the superior manner in which they have carried out their very heavy responsibilities in the atomic energy field.

I have been very happy to have been here today and to have been afforded this chance to give you a report on our atomic energy program as it exists here in this month of June, 1951. I hope the next report on atomic energy you hear will be presented in a somewhat more encouraging setting. But whatever way the events of the world may turn—whether toward peace—and I sincerely hope that this is the way they will go—or toward war, or toward a protracted period of political and economic competition with the Communist world, I think we can all be sure of one thing, and that is that atomic energy will always be very much in the picture.

With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Alvin Stern is now with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Joins H. O. Peet Staff

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—John B. Lepinski has joined the staff of H. O. Peet & Co., Farnam Building.

Granbery, Marache to Admit Three Partners

Granbery, Marache & Co., 52 Broadway, New York City, members of the New York Stock Exchange, on July 2 will admit Philip L. Carret, Robert A. Don and Aubrey S. Whitely, member of the New York Stock Exchange, to partnership. Mr. Carret was formerly a partner in Gammack & Co., and Carret, Gammons & Co. Mr. Don has been with the firm for some time in charge of the research department. Mr. Whitely has been active as an individual floor broker.

Philip L. Carret

Foster Vice-Chairman of N. Y. Stock Exch.

David Scott Foster has been elected Vice-Chairman of the Board of Governors of the New York Stock Exchange. He succeeds Richard M. Crooks, who was elected Chairman May 14.

Mr. Foster is a partner of Pershing & Co. He has been a member of the Exchange since 1931 and a Governor for the past four years.

Prior to becoming a member of the Exchange, Mr. Foster was associated with the Prudential Insurance Company of Newark and then with the Stock Exchange firm of Foster & Adams. In 1933 he became a partner of Weicker & Co., which in 1939 became Pershing & Co.

Mr. Foster lives in Plainfield, N. J., where he is a Trustee and Vice-Chairman of the Community Chest and Chairman of the Republican Citizens Advisory Committee.

Mr. Foster's father, the late Howard Crosby Foster, was also prominent in Exchange activities. He was a Governor for nine years and a member for 30 years. He was senior partner of Foster & Adams.

Mr. Foster was born in New York City, Nov. 23, 1910. He attended the Wardlaw School in Plainfield, New Jersey, Hotchkiss School in Connecticut and Princeton University.

To Be Kerngood & Eising

On July 1 the firm name of Kerngood & Co., 39 Broadway, New York City, members of the New York Stock Exchange, will be changed to Kerngood & Eising.

L. L. McKenna Inv. Service

WASHINGTON, D. C. — The Lawrence L. McKenna Investment Service has been formed with offices in the Colorado Building to engage in a securities business.

Tuller, Crary Partner

Tuller, Crary & Ferris, 25 Broad Street, New York City, members of the New York Stock Exchange, will admit George S. Cochrane to partnership on July 1.

L. B. Morris Opens

HYDE PARK, N. Y.—Lawrence B. Morris is engaging in a securities business from offices on the Albany Post Road.

E. J. Kompass Opens

WAPPINGERS FALLS, N. Y.—Edward J. Kompass, Jr. is engaging in a securities business from offices here.

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Mutual Funds

By ROBERT R. RICH

The Business Outlook

Wellington Fund increased its holdings of common stocks about 2% in the March and May reactions and now has 62.3% of its $173 million of resources in commons, A. Moyer Kulp, Vice-President and Executive Director of the Investment Committee, reported in a statement on the Fund's investment position and on the business outlook.

The Wellington executive said the buying program in the two reactions was largely in chemicals, oils and public utilities.

Wellington's reserves of cash and U. S. Government bonds on June 12 were 18.9% as compared with 23.5% three months earlier. Present holdings of government bonds were described as largely short term.

The Wellington management is of the opinion that the stock market may well remain in a broad trading range for some time, with both the ceiling and the floor higher than last year.

Mr. Kulp described the Fund's investment policy as aggressive in adding selected common stocks on substantial reactions this year. He added that the Fund will continue this policy in the absence of a preponderance of negative factors.

"Wellington management," he said, "believes that sound judgment in selecting and holding individual stocks with a better than average long-term outlook is more important at this point than a minor variation in the proportion of common stocks held. For this reason, purchases have favored good long-range situations in the belief that solely rearmament benefited issues generally incur an excessive risk both from a price and timing standpoint."

The market, in Mr. Kulp's analysis, does not appear to be in a dangerously vulnerable position although, he cautioned, at a point from which ordinary reactions would not be unusual.

The Dow-Jones industrial average on June 11, 1951," he pointed out, "was 251.56, which is less than 10 times the current earnings rate of $27 and would be only 11 times $23 earnings rate estimated under the present House Committee tax bill. The present annual dividend rate of about $15.50 on this index is now not likely to drop below $14. These dividend rates provide a current yield of 6.2% on the current dividend and 5.6% on the rather drastic tax assumption."

Mr. Kulp gave this summary of the management's view on the business outlook: "The current readjustment continues to have the earmarks of a temporary and moderate affair. While skyrocketing raw material commodity prices have in some cases come down sharply, the broad wholesale commodity price index has been stable. With business activity and commodity prices remaining at a high level, it is natural that corporation earnings have been excellent."

D. MOREAU BARRINGER sees the stock market today as temporarily befuddled. Nevertheless, the Delaware Fund Chairman told his board that he sees no reason for a reversal of the upward movement established two years ago.

Among the major items Mr. Barringer listed as causing the befuddlement were the confusion attendant upon the re-imposition of controls; conflicting opinions on chances of peace; and the "astonishing sight" of a nation's diplomatic and military plans dragged out before the gaze of the whole world, including that nation's enemies.

"In such a wonderland" Mr. Barringer observed, "a stock market that knew where it was going would have to be super-human."

The Delaware Fund executive believes the market's judgment in such periods as this may be based on very short considerations.

Blue Ridge Merger Approved At Special Meeting

The proposed merger of Blue Ridge Corp. into Blue Ridge Mutual Fund, Inc., was adopted by the stockholders of both corporations at a special meeting held at Wilmington, Del., on Wednesday, June 20, it was announced by Carl J. Austrian, President of Blue Ridge Corp.

Under the proposal which was previously approved by the directors of both companies, Blue Ridge Mutual Fund, Inc., will absorb the assets of both Central States Electric Corp., now in reorganization, and the assets of Blue Ridge Corp. to form an open-end investment company. Assets of Blue Ridge Mutual Fund will be approximately $44,606,000.

Stock of Blue Ridge Mutual Fund, Inc., will be issued to holders of Central States 5% and 5½% debentures and its 7% preferred stock, as well as to public holders of Blue Ridge common stock.

However, all open-end shares delivered to stockholders in exchange for outstanding debentures, preferred and common stock will be designated "deferred redemption shares," which, surrendered for redemption during the first six months, shall be only redeemable 60 days after the date of surrender, unless the Board of Directors, at its direction, shortens this time interval. Consequently, heavy initial liquidations of the Fund's shares by those investors who bought the existing stock for arbitrage is not expected.

The Federal District Court in Richmond, Va., in which the Central States reorganization proceedings are now pending, will be asked on June 22 to fix June 28 as the effective date of the merger, Mr. Austrian said.

Complete details concerning present litigation in which Blue Ridge is plaintiff and concerning dealer and distribution terms of Blue Ridge Mutual Fund are in the Mutual Funds Column of June 14, 1951.

THE RECORD INDICATES that stocks of most public utility companies currently are selling near an historic low basis and offer yields that appear attractive, according to the 200th issue of "Perspective," monthly publication of Calvin Bullock.

Not only, "Perspective" states, is an expansion of the capacity of the utilities for national defense fully recognized by government officials, but the necessity for the industry to apply for higher rates should corporate taxes be increased from 47% to the proposed 52%, evidently is also appreciated by various public utility commissions.

"Under these circumstances, it would appear that stockholders of the electric and gas utilities need worry less about the continuity of earnings and preservation of dividend coverage than stockholders of almost any other industry," the firm observes.

The disfavor in which utility stocks have been held marketwise for over a year may be due to "overemphasis on the unfavorable impact of the excess profits tax, inflation, higher retroactive normal and surtax rates, problems of regulation, competition from public power, rising interest rates and other matters," the review notes.

"Too little emphasis, "it states, "may have been placed on the fact that the utility industry is dynamic in its growth and appears to have ability to surmount adversity to a degree that has been substantially underestimated."

Copies of "Perspective" are available without obligation from Calvin Bullock, One Wall Street, New York 5, N. Y. Please do not write "The Chronicle."

PRICE ADVANCES in Keystone's speculative preferred issues have been reflected in the price performance of the Keystone Speculative Preferred Stock Fund "K2." Per share asset value increased 10.7% in the six months to June 1, 1951—from $24.34 to $26.95. Adjusted for the $1.63 per share paid to shareholders in December, 1950, from realized capital gains, market values were up 21% from those of a year ago; and on the same basis the over-all gain from the June, 1949, low of $17.18 was 68%.

Income payments from speculative preferreds have also increased—with the result that "K2" shareholders received a dividend of 58c per share for the first half of 1951, compared with 43c per share in the same 1950 period.

LONG - TERM GOVERNMENT bonds declined 3.3% in price in the six months to June 1, 1951. Asset value of Keystone Custodian Investment Bond Fund "B1" —which is 50% invested in U. S. Government issues and 50% in corporate bonds and Canadian Government obligations—declined 3.1% in the same period. The Trustee attributes this somewhat better capital result for Keystone Fund "B1" to the effectiveness of an up-grading program started last year.

Steps were taken to improve over-all quality in the corporate section, and to shorten maturities wherever practical in the portfolio. These moves limited the decline in "B1" market values during an extraordinarily confused and uncertain period in the money market. They also resulted in a slightly lower dividend to shareholders from investment income—to 36c per share on June 15, 1951, from 38c paid six months ago.

Commenting on recent developments in the money market, the Trustee concludes that the downward trend of money rates, which started in about 1933, has been reversed.

Sharply increased sales of "B1" shares in recent months indicate that Keystone investors have been particularly interested in moving in a conservative direction in light of existing market levels and general conditions.

"PROFIT SHARING Plans for Corporations," a new booklet for dealer presentation, has just been released by Parker Corporation, distributor of Incorporated Investors. The booklet has been designed to fill a dealer need for information which will help him in his approach to corporations who have only recently begun to realize the advantage of profit-sharing plans.

The booklet covers plan qualifications, tax status, contributions, employee participation, benefits to top executives, together with hypothetical cases for ready understanding.

Copies are available without obligation from Parker Corporation, 200 Berkeley Street, Boston 16, Mass.

PUTNAM FUND'S "Prudent Investor," just issued, is offering five new booklets on money management. They are

"Advice to the Newlywed"—the business side of marriage; how to buy, spend and save.

"You'll Be Smarter When You're 60"—some ideas to please and irk.

"How to Handle Shrinking Dollars"—how to get the most out of income.

"How Does Your Family Stack Up"—giving readers an idea of how well off they are compared to other people.

"Die For All You're Worth"—Modest income families, as well as rich people can leave estates, if they plan wisely now.

"The Prudent Investor" which is one of the most effective fund publications devoted to keeping shareholders "sold" on the mutual fund idea, discusses in the current issue, "Teen-Age Capitalists," "The Lure of 'High Income,'" "Is Now a Good Time to Invest My Money?" and the "New Laws Permitting Fiduciaries to Invest in Mutual Funds."

Copies are available from Putnam Fund, 50 State Street, Boston 9, Mass.

DONALD L. KEMMERER, Professor of Economics of the University of Illinois, has been retained as Economic Consultant by Manhattan Research Asso-

Sharing the Wealth

The story is told of two men traveling on a train, one of whom was ranting about the famous financier Rothschild and his great wealth. He said it should be evenly divided so that every person would have the same. His listener asked him if he had any idea how many people there were estimated to be on earth and also how much money Rothschild was supposed to have. Upon receiving the man's estimate he then took pencil and paper and began to do a simple example of division. He turned to the man and said, "Would you be satisfied with the result which happens to be only about three cents apiece?" The man said, "Yes." The first man then said, "Well, here is your three cents. Now shut up. I happen to be Rothschild."

Quoted from "Popular Economics" magazine

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ciates, investment advisor to mutual investment companies with more than $65 million of assets, according to Hugh W. Long, President of Diversified Funds, Inc., and Manhattan Bond Fund, Inc.

Dr. Kemmerer, a Princeton graduate, has served as economic consultant to the Pennsylvania Railroad and to the Republican Party. He has been a member of financial advisory commissions to the governments of Chile and China. Co-author of "Economic History of the American People," and of "The A.B.C. of the Federal Reserve," Dr. Kemmerer is also a frequent contributor to professional, economic and financial journals. He has had considerable first-hand experience in the management of investments.

WILLIAM S. KNOX has been appointed Southeastern representative of Wellington Fund, it was announced by W. L. Morgan & Co. Mr. Knox, who has been in the investment field for many years in Philadelphia and New York, will make his headquarters at Atlanta.

WHAT IS HOPED to be a major step forward in attaining wider public ownership of Mutual Funds, is currently being made available to Canadians in all walks of life through the medium of Shielded Investment Plans.

These Plans have been developed by Investment Distributors Limited, primary sales agents for the three Mutual Funds — Commonwealth International Corporation Limited, Leverage Fund of Canada Ltd., and Balanced Mutual Fund of Canada Limited. Up to date, the Plans are only available for the first two mentioned, but it is anticipated that one will be developed for Balanced Mutual Fund of Canada in the fall.

A Shielded Investment Plan may be described as "the regular monthly deposit with a trust company of pre-determined equal amounts of money, for the quarterly investment in a cross-section of common stocks as provided through the purchase of Mutual Fund Shares. The spacing of purchases over an extended period provides an average price consistent with the fluctuations of the security markets and also provides the benefit of 'Dollar Cost Averaging'." Dividends may be left with the trust company for the purchase of additional shares, thus obtaining the effect of compound income. The Plan is "shielded" for the investor's estate during its execution, by the provision that in the event of the subscriber's death before the completion of his Plan, the balance of purchases that he would have made are immediately completed for him at no cost to him or his estate.

Prospective subscribers fill out an ordinary group life insurance questionnaire and a group policy is taken out and paid for by Investment Distributors Limited. Investment Distributors Limited are the beneficiaries thus providing that company with the necessary funds to carry out their obligations to the subscriber. No medical examination is needed and the maximum age is 50 years and six months. No charge is made for this.

THE ELEVENTH Annual Edition of "Investment Companies" is just off the press, it was announced by Arthur Wiesenberger, the author. Leading American investment companies are described, classified and compared, with accompanying statistical data.

Continued from page 5

Observations . . .

Revolution (which, of course, was really a counterrevolution). The "real" Dark Ages began with the birth of capitalism. This period was dated by some at 95 B.M. (Before Marx) which was the year of the birth of a bourgeois named Adam Smith; and by others at 42 B.M., the year in which a book appeared by "this" Adam Smith, whose title has become forgotten. In Wonworld the Dark Ages is represented as the whole period from the birth of capitalism until its final overthrow in the series of cold and shooting wars between about 150 A.M. (After Marx) and the final triumph of communism in 184 A.M. The Modern History era, comprising the interval since the complete and final triumph of communism, is now just a couple of years less than a century old.

The Inside Story of the Capitalists' Overthrow

To get his son's education started right, Dictator Stalenin turns him over to the Politburo's "No. 2," one ambitious Bolshelov. From him he learns the causes for the final overthrow of capitalism.

"What would you expect to happen? The other bourgeois countries found that the easiest way to get money out of the Disunited States was to hint that they might go Communist if they didn't get it. So they began to believe themselves that their chief reason for arming against us was not for their own preservation but again as a favor to the Disunited States! If bourgeois America wanted them to arm, they felt, it could jolly well pay for it! And they used most of the other American funds anyway, to finance Socialist programs—in other words, to move in the direction of communism!"

But the essence of the course of events was that although the Capitalists began with every possible advantage—better arms, more technical advancement, more production, more resources; they were beaten because they lacked the tremendous weapon of real *faith* in capitalism. "They started out with little (faith), and began rapidly to lose what they had," says Bolshelov. "Those who had once embraced the gospel of communism were willing to die for it; but nobody was willing to die for capitalism. That would have been considered a sort of joke. Finally, the best things our enemies could think of saying for capitalism was that it wasn't communism. Even they didn't seem to think that capitalism had any positive virtues of its own. And so they simply denounced communism.

"But their idea of meeting the challenge of communism was to imitate it. . . . Every reform they adopted left the individual with less power and the State with more. Step by step the control of individuals over resources and goods was taken away; step by step that control was taken over by the State. It was at first not 'ownership' but merely the power of decision that was turned over to the State. But the fools who were trying to 'reform' capitalism did not see that the power of decision, the power of capital was the *essence* of 'ownership.' So they took away from private individuals, step by step, the power to set their own prices, or to decide what to produce, or how much of it, or to hire or discharge labor at will, or to set the terms of employment. Gradually their governments themselves fixed all these things, but piecemeal, instead of in one grand logical swoop. . . . Incredible as it now seems . . . some of them were too stupid even to know at first that they were imitating [communism]."

"But didn't *anybody* have faith in capitalism?" asks the benighted son, Peter, in another place.

Apology and Extinction

"Not in the sense in which everybody on our side had faith and has faith in communism. The strongest among our enemies were half-hearted. They merely *apologized* for capitalism. They would say that capitalism, with all its faults—and then they would compete against each other in seeing who could admit the most faults—that capitalism with all its faults was probably as good as reasonable men could expect—and so forth and so on. And so we wiped them out."

Mr. Hazlitt has painstakingly devoted his unique talents to a marvelously effective defense of that great invention of modern times, individual ownership and the mechanism of the free market. To those really believing in a free America, "The Great Idea" will serve as an inspiration. To the doubting Thomases into whose hands hopefully it may fall, it will prove a revelation.

Hemphill, Noyes Group Offers Nat. Tea Stock

An offering of 120,000 cumulative preference shares, 4.20% series, (convertible on or before Dec. 31, 1961) of National Tea Co., was made on June 19 by a nationwide investment banking group headed by Hemphill, Noyes, Graham, Parsons & Co. The stock, priced at $101 per share, was oversubscribed and the books closed.

The new shares are convertible into common stock of the company at the rate of four common shares for each preference share. Stock may be redeemed at prices ranging from 105 to 100, and provision is also made for a purchase fund.

National Tea Co., which operates 629 self-service stores in eight middle and northwest States, plans to utilize the proceeds from the present financing to retire all of its outstanding 4¼% and 3.8% cumulative preferred stock and to retire approximately $6,000,000 in bank loans previously incurred for the financing of current inventory requirements. The balance of proceeds will be added to working capital.

In 1950, total sales exceeding $315,000,000 were recorded, while net income for the period amounted to $5,214,563.

With Courts & Co.

(Special to THE FINANCIAL CHRONICLE)

LAGRANGE, GA.—Warren P. Humphreys is now with Courts & Co., Colonial Hotel. He was previously with Salomon Bros. & Hutzler.

Michael M. Van Beuren

Michael M. Van Beuren, retired New York stock broker, died at his home at the age of 79.

Eldon H. Keller

Eldon H. Keller, partner in McDonald & Co., passed away on May 19.

Securities Salesman's Corner

By JOHN DUTTON

Salesmen and Mutual Funds

I have just been privileged to read a new book which has been compiled and written by the officers of the National Securities and Research Corporation of New York, entitled "What Every Salesman Should Know About Mutual Investment Funds." In addition to devoting considerable attention to information regarding the mechanics and technicalities of the various funds, there is a sound presentation of selling ideas which have proven successful in the field. Mr. Louis H. Whitehead, Vice-President of National, handles many subjects in a clear and concise manner, and he has taken them from his own experiences covering many years of selling Mutual Fund Shares.

Some of the Subjects

Prospecting: The best source of leads, importance of confidence, proper mental attitude. Building a prospect list and how to get acquainted. (He likes to have a clear picture of the individual's investment program before he tries to do busines with him.) Not every one is a prospect. How to classify prospects for Mutual Funds. Disillusioned Speculators, professional people and executives, unsophisticated investors, retired people, small institutions and regular savers. There are some good ideas on contacting prospects by mail and evaluating newspaper advertising.

How to handle inquiries: Prompt answers essential, the initial response, calls without appointment, how your prospects can help you and what to do with those who are reticent.

How to handle the interview: Create interest, don't antagonize the prospect, try to control the interview, different types of interviews that are the most convincing such as: offering investment counsel service, discretionary account services (the Mutual Fund collects interest, dividends, keeps accurate records, and makes the decisions based upon facts and expert guidance), investing for income and inflation.

Some Actual Case Histories

When you can follow the pathway of a man who has been an outstanding success in selling Mutual Funds, it is quite likely that he is going to lead you into some green pastures. In this book Mr. Whitehead tells how an approach produced a $30,000 sale for him. How he made a $10,000 sale on the first call is also told in detail. He tells how he successfully explains the sales charge, and he uses the approach to this problem that "Services are worth what they cost." He also relates how he sold a continuous investment program, and the conversation with the prospect is carried on in dialogue. He illustrates the importance of first making sure that his prospect *understands* what he can do for himself by setting up such a program, and then he illustrates how he uses firmness and polite persistence in overcoming the inertia to put off until tomorrow something that should be done today. The finale of the sale, and the best lesson of all, in my judgment, is where the prospect gives him a small order (more or less to get it over with) but he is not satisfied with such a result and he turns the sale into one that is worthwhile to the customer and to him.

This is just a short summary of the third portion of this well written treatise on the Mutual Fund business. If you want more information I understand that you can obtain it from the National Securities and Research Corporation of New York.

Zuckerman, Smith to Admit D. L. Gutman

Daniel L. Gutman will be admitted to partnership in Zuckerman, Smith & Co., 61 Broadway, New York City, member of the New York Stock Exchange, on July 1. Mr. Gutman is Manager of the firm's investment research department.

Branch, Cabell to Admit Philips, and Ross

RICHMOND, Va.—Branch, Cabell & Co., 814 East Main Street, members of the New York and Richmond Stock Exchanges, will admit Henry H. Philips, Jr., and Frank G. Ross to partnership on July 1.

Directors Re-elected

The Rudolph Wurlitzer Company, at the meeting of the shareholders of the company held in Cincinnati, re-elected all directors for the following year. They are: F. R. Wurlitzer, James M. Hutton, Jr., W. E. Hutton & Co., Cincinnati; C. R. Wright, R. G. Lockwood, B. G. McCloud and R. C. Rolfing.

John L. Goodbody

John L. Goodbody, partner in Goodbody & Co., New York City, and formerly a member of the New York Stock Exchange, passed away at the age of 63 after an illness of 10 months.

John Melady

John Melady, senior partner in John Melady & Co., and one of the oldest members of the New York Produce Exchange, died at his home at the age of 80.

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(Special to THE FINANCIAL CHRONICLE)

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Factors in Evaluation Of Municipal Bonds

of economic development within a community accounts for the failure of traditional municipal credit analysis to develop criteria for appraising the economic background of a community which have stood the test of time. The search for a standard measure with universal applicability is, in my judgment, a snare and a delusion. However, the fact should be recognized that communities may be studied with end in view of appraising their resources. Frequently, this is little more than a catalogue of the principal features. As a practical matter, the analyst can support his conclusion by projecting the obligations of a community against the itemization of resources.

The emphasis which traditional analysis has placed upon the economic background of the municipality issuing securities is one of its most important contributions. This feature is important irrespective of the nature of the obligation. The fact that judgment regarding the economic background cannot be made to hinge upon a single measure such as an index number is not a fatal defect. Communities can be studied and appraised as living economic entities.

In the standard discussions of criteria with respect to credit quality, a considerable amount of emphasis is placed upon the debt-payment record of the issuer. Beyond a doubt, the historical fact of debt management is exceedingly important in judging municipals. Changes tend to occur rather slowly in municipal finances, whether for the better or for the worse. The record, therefore, of past performance is a very sound indication of the margin which protects the holder of the security from misfortune.

Whether the criterion of the past debt-paying ability is going to lose some of its usefulness owing to an acceleration in the rate of change that may overtake a given community remains to be seen. Developments since the second world war suggest that communities may change both for the better or for the worse far more rapidly than anyone heretofore thought possible. The tremendous growth in population as well as the expansion of production attending the war have resulted in many unforeseen developments since 1940. Maybe the tempo of change will subside. On the other hand, should it accelerate, some municipal credits with a good history may take a turn for the worse very rapidly.

The measure of the debt burden has always been viewed as the single most important feature in the traditional analysis of municipal credits. The burden has been measured by comparing the amount of the municipal debt with the assessed value. Viewed in its historical context, the rationale for this measure is quite clear. Municipalities relied upon the general property tax as the principal source of revenues. Assessed values were accepted as more or less precise measures of economic resources and a reasonably satisfactory index of the ability of each individual taxpayer to contribute to the support of government. Accordingly, the ratio of debt to assessed value was an accepted measure of the debt burden.

Even to this day, there are many municipal credits whose quality can be judged almost entirely upon the basis of the so-called "debt ratio." In applying the test, however, it is important to make certain that the facts correspond to the assumptions. If study discloses that the general property tax does not furnish the principal source of revenue or that assessments have ceased to be a reasonably satisfactory index of economic resources, then the debt ratio is of dubious value.

The text writers on municipal credit analysis have endeavored to develop criteria for appraising debt burden in terms of standard debt to assessed value ratios. For example, it is argued that ratios below 5% are definitely good and those above 10% are, to say the least, suspect if not absolutely bad. Furthermore, rationalizations have been developed to justify these percentages. Usually these rationalizations assume some kind of "proper" tax rates as well as a standard proportion of total revenues devoted to debt service. For the most part, these theories tend to become very fine-spun and unrelated to the facts.

Over the years the usefulness of the relationship between debt to assessed value as a criterion of credit quality has declined. The reasons for this decline are numerous. In the first place, there has been a great increase in the number of political subdivisions with the power to create debt, many of which overlap, underlie, or are coterminous with other areas (in part this has resulted from statutory attempts to limit the ability of political subdivisions to create debt by imposing maximum ratios on debt to assessed value). Furthermore, demands on the part of citizens for a great increase in the amount and variety of services has forced the political subdivisions to seek income from sources other than the property tax. Also, the complications of modern economic life have greatly increased the difficulty of valuing property. In a rural community, for example, a locally selected assessor probably could appraise farm land and equipment successfully. When, however, he is confronted with the task of appraising a complicated industrial establishment or a collection of 15th century paintings, he is completely baffled.

Some of the problems facing the analyst who attempts to measure the burden of a municipal debt by relating it to the assessed value are exceedingly troublesome. For example, in the literature there is protracted discussion of "adjustments" that are necessary before the debt figure may be interpreted. The fact that assessed values tend to depart from "true values" has long been recognized. This is especially so during periods of rapidly rising or falling prices. Various schemes have been proposed for adjusting assessed values by taking into account differences between the level of assessments and market prices. Also, there are attempts to refine the debt figure so that the portion which was not supported primarily by the general property tax would be eliminated from the total. It should be obvious, however, that a criterion which can be applied only after elaborate adjustments to the data loses much of its usefulness.

The traditional discussions of credit analysis lay considerable stress upon the importance of the current financial position of the obligor. There have been some attempts to develop criteria for judging the current position, but they have not been very successful. Mostly the attempts to find shortcuts have ended in failure. There is no substitute for a detailed and painstaking study of the issuers' financial position in judging the significance of this factor. The analysis of receipts and disbursements is essential in such a study. If financial statements for the current period and two or three preceding years are compared, the analyst may determine whether or not the community is living within its means and making adequate provision for the repayment of past debts.

Thus, it is apparent that the criteria for testing credit quality discussed in the literature devoted to the analysis of municipal securities are applicable primarily to full faith and credit obligations. Some elements in the broad pattern of analysis have general usefulness; for example, the study of the economic background of the issuer and the history of his debt record. The traditional measures of debt burden are still useful in certain cases. Moreover, the stress upon the study of current finances will always be justified in the appraisal of municipal credits. Finally, all of these factors of analysis point to the single question: What are the prospects for this community to manage the debt it will have outstanding over the foreseeable future?

Recent Changes in Municipal Financing

To the extent that municipal credits generally have improved in quality it would appear that the task of analyzing these securities has become easier. A brief review of a few statistics will indicate in a very general way the extent of the improvement which has taken place. Here is an historical table showing the trend in the amount of State and local government debt outstanding for selected years over the period 1932-1949.

TABLE I

Debt, Revenues and Interest Payments of State and Local Governments

SELECTED YEARS 1932-1949

	(Amounts in Millions)		
	Gross Debt	General Revenues	Annual Int. Payments on Debt
1949	$20,875	$19,731	$578
1948	18,702	17,826	544
1947	16,825	15,298	516
1946	15,922	13,242	558
1945	16,589	12,384	604
1942	19,690	11,390	707
1932	19,576	8,852	840

Source: "Governmental Debt in 1950" and "Governmental Revenue in 1949," Bureau of the Census, Department of Commerce.

You will note that even as late as 1948 the total debt was smaller than in 1932, and it was not until 1949 that it climbed above the 1932 figure. Furthermore, over this period annual interest payments have declined. In other words, although the debt is larger in dollar amount, actually the debt load is smaller than it was almost 20 years ago. Moreover, revenues have increased tremendously. Whereas in 1932 the revenues were less than half of the debt outstanding, by 1949 they almost equalled the total debt in that year. To be sure, there were many claims upon this revenue.

Although some of the comprehensive statistics bearing upon the credit quality of securities issued by minor political subdivisions suggest that there has been more or less steady improvement over the past 15 or 20 years, that is no reason for complacency on the part of the security analyst. The statistics regarding new offerings of long-term State and local government issues emphasize some trends which are thoroughly disquieting.

TABLE II

New State and Municipal Bond Issues

(Amounts in Millions)

	*Total Issues	Refunding	Revenue	Veterans' Aid	Relief	All Other
1950	$3,694	$121	$599	$643	$2	$2,329
1949	2,995	105	661	261	3	1,965
1948	2,990	187	499	647	1	1,656
1947	2,354	63	369	685	1	1,236
1946	1,204	206	115	39	9	835
1945	819	322	58	16	2	421
1944	712	476	42	--	1	193
1943	508	352	46	--	5	105
1942	576	224	89	--	20	243
1941	1,230	549	70	--	27	584
1940	1,498	429	101	--	49	919
1939	1,099	242	64	3	51	739
1938	1,229	122	150	3	41	913
1937	984	194	N.A.	9	67	714
1936	1,156	429	N.A.	10	104	613
1935	1,196	403	N.A.	5	131	657
1934	1,175	146	N.A.	52	221	756
1933	1,128	44	N.A.	1	385	698

*Does not include short-term issues.
Source: "The Bond Buyer."

Two very important changes in municipal financing which are having a profound effect upon the task of the analyst in appraising credit quality may be discerned by study of Table 2. In the first place, the volume of offerings for sale has increased tremendously. For many years the volume of flotations was in the neighborhood of about $1 billion annually. By 1947, the offerings increased to more than $2 billion, followed by two years at the $3 billion level and a record total of $3.7 billion in 1950. The increase in volume by itself has thrown a tremendous burden upon the analyst who is obliged to form judgments regarding a greatly enlarged dollar amount of securities.

Accompanying the tremendous expansion in the volume of municipal offerings is a second development which is troublesome for the analyst. Beginning in the late 1930s, but at an increasing rate in the postwar years, there has been an unprecedented proliferation in types and varieties of municipal securities. There seems to be no limit to the inventiveness of issuers in devising new financing arrangements. Nor does a search of the annals of municipal finance reveal a comparable period of innovation.

Study of available statistical data suggests that the flotations may be classified into three broad groups for the purposes at hand. In the first place, the securities that conform to the traditional definition of a full faith and credit obligation continue to appear in large volume, but their relative importance is declining. Secondly, there is a growing amount of securities which involve the financing of projects that are definitely quasi-public in character. These municipal revenue securities are in nowise supported by any pledge of the general credit of a minor political subdivision. Finally, a very important segment of the municipal flotation now is more or less hybrid in character. These securities usually carry a pledge of the full faith and credit of the issuer, but their quality depends only to a limited extent upon that element.

To analysts engaged in appraising municipal credits, the implications of these data on security flotations are far-reaching. With respect to the issues that fit into the well-established pattern of full faith and credit obligations, the traditional criteria for analysis are still more or less appropriate. But the fact remains that other types and varieties of issues are supplanting the full faith and credit obligations.

Criteria which the writers have developed in their discussions of full faith and credit obligations are not useful in analyzing credits dependent solely upon revenues from special projects. Generally, the tests which have been developed in connection with the analysis of securities issued by public service enterprises are the only ones appropriate for revenue bonds.

A full treatment of all the problems involved in analyzing municipal revenue securities would extend far beyond the scope of this discussion. Deserving of mention, however, are two problems which vex the analyst in his endeavors to appraise credit quality. The first of these concerns the magin of protection for the bondholder equivalent to the stockholders' equity capital in a privately owned corporation. Something equivalent to this margin is needed in the municipal revenue issue. Then there is the question of accounting for depreciation. In the field of private enterprise the criteria for appraising practices with respect to depreciation are well established. Unfortunately, the same cannot be said for many projects financed with revenue obligations.

Most difficult of all to the analyst is the tremendous flood of hybrid securities now appearing upon the market. These securities usually are accompanied by a pledge of the full faith and credit of the issuer, but it is obvious that no real dependence for debt service rests upon that pledge. The traditional criteria applicable to full faith and credit obligations are of little or no help. Certainly, if the crucial test were applied, namely, the debt to assessed valuation ratio, these hybrids would almost always tip the scales in the direction of excessive flotations. Furthermore, it is doubtful that benchmarks can be developed for appraising these hybrid securities. So, it is necessary to study each case on its own merits.

Securities of hybrid character issued by minor political subdivisions now constitute an uncertain element in the whole structure of municipal credit. As long as prosperous times continue, serious weaknesses in these obligations will not be disclosed. However, if we were to experience an unfavorable turn in our economic fortunes, there is no doubt in my mind that municipal credits would be called into question. The investment performance of these hybrids would be satisfactory in many cases, but there would surely be some unfortunate exceptions. From the viewpoint of banks, at least, the statistics suggest the need for caution and exercise of utmost discrimination in the selection of the most favorably situated issues for investment purposes.

The comprehensive statistics on new offerings may suggest to you that the problems attending the increase in volume and the proliferation in types of municipal securities are largely academic. That, however, is not the case. To furnish a specific illustration, studies of municipal securities in Florida banks indicate that nearly 40% of the total volume involve

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credits which are distinctly hybrid in character. This would include the road and bridge bonds serviced by the State Board of Administration and the Florida State Improvement Commission, as well as much of the new school financing and a host of other flotations.

Although precise information is not available, it is doubtful that as much as a third of the Florida municipal securities held by local banks falls in the category of strictly full faith and credit obligations. In appraising the credit quality of these securities, it is appropriate to employ the traditional criteria. However, there is a very substantial volume of revenue bonds in the Florida banks. With respect to such issues, the criteria for judging the quality of full faith and credit obligations are entirely inappropriate.

Summary and Conclusion

To sum up then: In the evaluation of municipal bonds for investment purposes the pertinent questions cluster about three principal topics: (1) Legal status; (2) price considerations; (3) credit quality. In this discussion attention has centered upon the determination of credit quality. Judgment with regard to the quality of a municipal credit hinges upon the answer to the single question: Will the issue pay out according to schedule? Experts seldom differ regarding the issues with the best prospects or the poorest. Differences of opinion center on the marginal cases. This greatly simplifies the problem of bank investment. Banks need only concentrate on top quality issues to maintain a sound portfolio. Furthermore, in prosperous times there is little spread in yield between the very best and the marginal quality issues. In fact, the difference is so small that it scarcely is sufficient to cover the added expenses involved in assembling the facts which insure that marginal issues are not fatally lacking in quality.

The traditional discussions of municipal credit analysis pertain almost entirely to full faith and credit obligations. To be sure, some criteria of a general character have been devised for testing the economic background of the issuer, the record of debt-paying ability and the burden of the debt, as well as for appraising the current financial position of the issuer. Generally speaking, however, attempts to establish criteria of universal applicability have been unsuccessful.

Recent developments in municipal financing have seriously complicated the appraisal of municipal credit quality. The volume of offerings as well as the types and varieties of issues has increased tremendously. There is still a considerable amount of full faith and credit flotations the quality of which can be judged by the traditional standards.

In the struggle to find the capital funds required to meet public demands for new services, many communities have marketed a substantial amount of revenue bonds to finance projects which are quasi-public in character. The appraisal of these securities has much more in common with the analysis of flotations by private corporations than full faith and credit obligations.

Finally, there is a large and apparently growing volume of hybrid issues. These involve a pledge of the full faith and credit of the issuer, but as a practical matter the credit status depends only to a limited extent upon this feature. There is no simple solution for the problems confronting the analyst in dealing with these hybrid issues. Each one requires individual analysis.

Continued from page 5

The State of Trade and Industry

August. The picture is even worse for plates and structurals. The chances are, this trade authority asserts, that less than 15% of finished steel will be available for nonessential uses in the third quarter.

As bad as this sounds, it is even worse when it is realized that supply of individual steel items will be out of balance. The day of reckoning on alloy steel is here, this trade paper declares, adding that before the end of the year there probably will be none available for civilian use.

First quarter of 1952 shapes up this way: Direct defense production will be shifting into high gear, will grow in volume as the year advances; with this increase will come a growth in subcontracting as prime producers seek to step up their production.

The National Production Authority's decision to include consumer hard goods manufacturers under the Controlled Materials Plan in fourth quarter will hardly improve the supply situation for these fabricators. It may assure them of a supply, but they know before the time comes that the amount available to them is going to be plenty skimpy, this trade weekly points out.

Another fact overlooked in the discussion of increasing steel capacity and its effect on the supply picture is the situation in scrap. While scrap is moving freely today, the mills are virtually living hand-to-mouth and have not been able to make any progress toward building up of their inventories. The prospect is that further production cutbacks are inevitable.

Steel labor is becoming a bit restive with restlessness reflected in worker slow-downs and in an increasing volume of grievances over incentive rates. Union officials are concerned about inflation.

When the time comes next November, Phil Murray is going to ask for higher wages, maybe 15 cents or more an hour. Steel industry won't be able to grant it without a price increase. Before the dust settles, the case may follow an old, familiar pattern of: (1) demand, (2) refusal, (3) fact-finding board, (4) strike, and (5) settlement with subsequent price relief, concludes "The Iron Age."

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 18, 1951, based on the industry's increased capacity of Jan. 1, unchanged for the third consecutive week.

This week's operating rate is equivalent to 2,063,000 tons of steel ingots and castings for the entire industry, compared to 103.6% or 2,071.000 tons a month ago. A year ago it stood at 101.2% of the old capacity and amounted to 1,929,100 tons.

Electric Output Makes Further Gains in Latest Week

The amount of electrical energy distributed by the electric light and power industry for the week ended June 16, 1951, was estimated at 6,746,691,000 kwh., according to the Edison Electric Institute.

The current total was 13,029,000 kwh. above that of the previous week, 735,017,000 kwh., or 12.2% above the total output for the week ended June 17, 1950, and 1,374,091,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Rise 9.2% in Latest Week

Loadings of revenue freight for the week ended June 9, 1951, totaled 813,326 cars, according to the Association of American Railroads, representing an increase of 68,682 cars, or 9.2% above the preceding holiday week.

The week's total represented an increase of 17,285 cars, or 2.2% above the corresponding week in 1950 and an increase of 5,170 cars, or 0.6% above the comparable period of 1949.

Auto Output Shows Further Improvement

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 158,589 units, compared with the previous week's total of 151,495 (revised) units.

Increases were recorded by Chrysler, which returned to full-scale operations following the previous week's labor disruptions, and by Studebaker, whose output had been held down last week by shortages of materials.

Preventing even higher production last week, this agency said, was labor trouble at Hudson which held assembly to only a handful of units. In addition, Kaiser-Frazer output was below normal levels due to efforts in getting its aircraft program into the assembly stage.

For the United States alone, total output was 149,119 units against last week's revised total of 142,127 units, and in the like week of last year 195,643. Canadian output in the week totaled 9,470 units compared with 9,368 units a week ago and 9,061 units in the corresponding 1950 week.

Total output for the current week was made up of 116,818 cars and 32,301 trucks built in the United States and a total of 6,650 cars and 2,820 trucks built in Canada, against 6,776 cars and 2,592 trucks the previous week and 6,666 cars and 2,395 trucks in the like 1950 week.

Business Failures Drop the Past Week

Commercial and industrial failures declined to 130 in the week ended June 14 from 172 in the preceding week, according to Dun & Bradstreet, Inc. While casualties were down moderately from 1950 and 1949 when 178 and 196 occurred respectively, they fell 48% below the prewar total of 249 in the similar week of 1939.

Failures involving liabilities of $5,000 or more decreased to 103 from 125 in the preceding week and were less numerous than a year ago when 139 concerns succumbed in this size group. A decline also took place among small casualties, those having liabilities under $5,000, which fell to 27 from 47 and compared with 39 last year.

Food Price Index Hits New 5-Month Low

A further slight dip last week following the previous week's sharp decline brought the Dun & Bradstreet wholesale food price index for June 12 to $7.07, from $7.08 the week before, to mark a new low since Jan. 16 when it stood at $7.04. However, it still shows a rise over the year-ago level of $5.94, amounting to 19.0%. The low for the year was $6.93 on Jan. 2, while the high was $7.31 on Feb. 20.

The index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Touches Lowest Level Since Dec. 22, 1950

Continuing its downward movement, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fell to 316.47 on June 11, the lowest since Dec. 22 when it was 315.86. The index closed at 316.96 on June 12, comparing with 315.58 a week earlier, and with 265.46 at this date a year ago.

Leading grain markets continued irregular and unsettled with wheat and rye up slightly for the week while corn and oats declined. What prices staged a good recovery at mid-week but turned easier as demand slackened in late trading. Export buying of wheat was only moderate but a heavy export business is looked for during the 1951-1952 crop year. Corn showed strength at times but the general trend was lower. Prospects for the new corn crop continued excellent with the grain generally up to very good stands with ample moisture reserves to carry it for several weeks. The decline in oats reflected favorable crop news and the large stock of Canadian oats piled up in Chicago warehouses amounting to around 7,000,000 bushels. Trade volume on the Chicago Board of Trade increased last week to 172,119,000 bushels. This represented a daily average of 28,700.000 bushels, as against 26,600,000 the previous week, and 37,400,000 in the like week a year ago.

Domestic flour bookings remained small and mostly for nearby requirements despite minor price reductions at mid-week.

The actual cocoa market was steady while futures were slightly easier in sympathy with heaviness in other commodities. The market was featured by the purchase of 80,000 bags of Bahia for July-August shipment. Late last week the Department of Agriculture announced that the supply of quota sugars for domestic consumers in 1951 has been increased 250,000 tons to a total of 8,250,000 tons, the latter comparing with total distribution of 8,273,000 tons last year. Lard continued to work lower in light trading, reflecting further sharp recessions in vegetable oils. In the Chicago livestock market, steers were steady to firmer as cattle receipts dropped to the lowest level in three years.

Although spot cotton prics held at or near ceiling levels, the trend in futures during the past week continued downward.

Bearish influences included slowness in spot markets, continued dullness in cotton goods, further talk of peace negotiations for Korea and prospects for a large 1951 world crop of cotton.

Export sales of cotton were light in volume. Inquiries were fewer and reported sales in the 10 spot markets were somewhat smaller, totaling 38,700 bales for the week, against 45,600 bales the preceding week, and 176,900 in the corresponding week a year ago. Prospects for this year's crop continued good despite dryness reported in some parts of the belt. Recent advices on plantings of the new crop give indications that acreage this year will equal if not exceed the government's goal of 28,536,000, and that the 1951 yield will be at least 16,000,000 bales.

Trade Volume Turns Slightly Higher for Week and Year

Consumer spending rose in the period ended on Wednesday of last week to a point slightly above the level of a week ago with total dollar sales slightly above those for the similar period in 1950, states Dun & Bradstreet, Inc., in its latest summary of trade. While the current "price war" in New York was deemed partly responsible for the stimulated retail selling in that center, there were no noticeable effects of this elsewhere.

Intensive promotions of summer styles spurred apparel buying last week, as consumer interest increased moderately in many sections.

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

New England 0 to +4; East +3 to +7; South and Pacific Coast +1 to +5; Midwest +3 to —1; and Northwest and Southwest +2 to —2.

Wholesale ordering throughout the nation increased slightly during the past week with over-all dollar volume of orders moderately above the level for the corresponding week a year earlier, although unit volume was somewhat below that for last year. While an increase in military commitments was partially responsible for the order-rise from the prior week, an increased buyer response to the recently opened Fall apparel shows was also contributory.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 9, 1951, increased 3% from the like period of last year. This compared with an increase of 5% in the previous week, and an increase of 3% for the four weeks ended June 9, 1951. For the year to date department store sales registered an advance of 10%.

Retail trade in New York last week dropped to an estimated gain of only 5% above the 1950 period, due to a bogging down of the price war and unfavorable weather.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of June 9, 1951, advanced 15% from the like period of last year. In the preceding week an increase of 16% (revised) was registered above the similar week of 1950. For the four weeks ended June 9, 1951, an increase of 10% was recorded above that of a year ago, and for the year to date, volume advanced 11% from the like period of last year.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Nothing startling occurred since last week's column saw the light of day. It was indicated here that the market was going still higher and during the week that is exactly what happened. In fact since the advice appeared here that stocks were a buy, when the general consensus was the other way, the familiar averages have advanced about nine points, which isn't anything to be shrugged off.

* * *

You will remember that in changing the position here the suggestions stressed such groups as the oils and pharmaceuticals. At the same time a warning finger was pointed at the steels and motors. What has happened since is a matter of record. We won't belabor it.

* * *

During each market cycle the question of what to buy or sell is the headache that plagues actual and potential investors and traders. There isn't any hard and fast rule that can be applied with any success. Or if there is it has escaped me. I know there are systems that involve cabalistic charts; others that call for balance sheet evaluations. When I was a lot younger there were "systems" that included numerology and astrology. Basically, there's nothing that has replaced know-how.

* * *

This know-how included, and still includes, market action. A projection of earnings and sales is important. The trouble is that such projections cannot foretell fashions in investing. And fashions in the buying and selling of stocks are as prevalent as in milady's wardrobe.

* * *

Market know-how channels most of the knowns and unknowns into action in the market place, and it is there that the answers may be found. A group of stocks that persistently acts better than the general market; refuses to back away during a general reaction; does better than the market on a general rise, is one to be watched. To be still more specific, a stock in such a group that acts better than the group itself is the one to put your pennies into. You may not start making money right away. But the chances are that you're on the right road.

* * *

Conversely a group or a stock that doesn't behave at least as well as the market or its group, is one to be suspicious of despite the dividends, current earnings or balance sheet positions. In the long run stocks go up on future possibilities not on past performances.

* * *

Now if you want to find the right stocks, go through the list, pick the groups and from the groups pick the stocks. An added word of caution: If the stock you pick starts to act worse than the group, or the group itself no longer behaves better than the market, get out while the getting is good.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Continued from first page

Plastics and the Growth Prospects of the Industry

ing textiles, leather and paper.

Probably a sensible solution would be to say that a material that has the characteristics of a plastic can only be called a plastic when it is used as a plastic. If we adopt this point of view, we change the dictionary definition of "that is capable of being modeled or molded" to "that which is modeled or molded."

Perhaps a plastic can best be defined by illustration. In this illustration I am including the materials and the uses that have been most commonly accepted as being plastic. The list is given in the accompanying table.

Synthetic textiles are seldom regarded as plastics even though some of them still contain plastic properties. If you want to conduct an experiment you can take a piece of cellulose acetate rayon cloth, heat it with a very hot iron and you will melt it. The liquefied cloth can be remolded with the proper temperature and pressure. You will not be able to do it. Scrap cellulose acetate rayon cloth is used to make low cost molding powder.

While some chemists classify both cellophane and rubber products as plastics, they do not appear to be commonly regarded as such by the plastics industry. It is not quite clear to me yet though why cellophane is not a plastic when competitive transparent sheets such as those derived from rubber hydrochloride (Pliofilm), vinylidene chlorides (Saran) and cellulose acetate are so regarded.

You will note that plastics fall in two classifications — thermoplastics and thermosetting. When a thermosetting plastic has been cast or molded, its shape is fixed for all times. The material will not flow on reheating. Thermoplastics can be reheated and remolded an indefinite number of times.

There are four methods of forming plastic articles. They are extrusion, casting, injection molding, and compression molding. All four can be used with thermoplastic materials. Only two can be used with thermosetting materials. They can be cast or compression molded. When a material is cast, it is poured into a mold. Mr. Olsen will describe extrusion, injection molding, and compression molding.

The color properties of the thermoplastic and the thermosetting plastics differ. While you can get opaque thermosetting plastics most of them are not transparent. Moreover, more pleasing colors can be provided with thermoplastic than with thermosetting materials.

History of the Plastics Industry

The first modern plastic was celluloid and was developed by John Wesley Hyatt in 1868. It was commercially introduced in the United States about 1870. I do not suppose that any of us ever wore a celluloid collar. My father did. He could wear the same collar day after day. All he had to do was wipe it off with a damp cloth. While celluloid is low priced and has many desirable qualities, its inflammability has prevented its growth. Celluloid production reached its peak in 1923.

Phenol molding compounds were introduced commercially in 1910. They have grown substantially since then. In 1950 phenolic molding and casting materials attained a volume of about 287 million pounds, which was in excess of the output of any other molding and casting materials.

Casein plastics were introduced in 1919. Their growth since then has been limited. They are not included in the government statistics on plastics output.

Cellulose acetate sheets, rods and tubes were first produced commercially in 1927. In 1950, cellulose acetate and cellulose acetate butyrate, sheets, rods and tubes and molding materials attained a volume of 110,000,000 pounds. These products ranked fourth in quantity in 1950 among molding and casting materials, including sheets, rods and tubes.

Vinyl molding materials were presumably introduced commercially in 1928. They attained a volume of 172 million pounds in 1950, when they ranked third among molding materials. The rate of growth of these molding materials during the last ten years was only exceeded by the styrene molding materials.

The urea molding powders were introduced in 1929. Inclusive of laminating materials (and melamine molding and laminating materials) they attained a volume of about 70 million pounds in 1950. They apparently stood in fifth place among molding and casting materials (including sheets, rods and tubes).

Styrene molding materials were introduced in 1930. By 1950 it had attained second place among the molding and casting materials. Moreover, it has shown a very rapid rate of growth during the last ten years, more so than any other molding material. From 1941 to 1950 the rate of growth was 67% per annum compounded. It was 45% per year compounded from 1946 to 1950.

Polyethylene molding materials were introduced in 1942. While no separate figures are reported on the production of polyethylene molding materials, the current rate of growth appears to be substantial. They are included under the production of miscellaneous molding materials in the government statistics on plastics.

The approximate date of the commercial introduction of other plastics is given below:

1936—Ethyl cellulose molding materials.
1937—Methyl methacrylate molding powder.
1944—Nylon molding powder.

Government reports do not contain any separate statistics on these three molding powders.

Growth of Total Plastics Industry

The table on the production of plastics which has been passed around to you shows that solid and rigid plastics have increased from about 315 million pounds in 1941 to about 980 million pounds in 1951. This is an increase of 13.5% a year compounded. The rate of increase from 1946 to 1950 also amounted to 13.5% a year compounded.

Total plastics output, including sheeting and film and laminating materials, grew from 356 million pounds in 1941 to 1,280 million pounds in 1950. This series showed an increase in each of the nine years, whereas the output of solid and rigid plastics declined in 1942, 1948 and 1949. The favorable performance of the total plastics group reflects the very marked rise in vinyl sheeting and film output, which almost duplicated the marked growth of styrene molding powder.

Total plastics output showed a gain of 15% per year compounded from 1941 to 1950 and a gain of 17.5% a year compounded from 1946 to 1950. The corresponding figures for vinyl sheeting and film was 42% per annum for the whole period and 44.5% per annum from 1946 to 1950.

The statistics quoted include plasticizers, fillers and extenders. Except for the figures for 1949 and 1950, most of them are estimates. Moreover, they are not entirely consistent. The figures on total plastics and on total solid and rigid plastics include a small amount of some miscellaneous phenolic, urea and melamine materials which may not be for plastic uses. In addition, the figures on total solid and rigid plastics include some urea and melamine laminating materials, which are not reported separately. The figures are as accurate as any of those available. They give a reasonably accurate indication of growth.

The Place of Plastics in Industry

Plastics are used to replace metals, glass, wood, paper and leather. They are used also to coat wire as a substitute for rubber and textile wire insulation.

The plastics people do not like to use the term "replacement" or "substitute." They feel that plastics have added new and desirable qualities which the replaced materials did not have. In addition, there are materials made of plastics which could not exist if plastics had not been developed. A familiar example is safety glass. This glass, which is a sandwich with a transparent plastic center, would not exist without this plastic center. There are a number of items used by the Armed Forces and in war planes that would not exist if it were not for plastics.

Plastics have the following advantages:

(1) They are lighter per cubic inch of volume than most of the materials they replace.

(2) As compared with metals and glass, they have a lower thermoconductivity. Imagine placing your hand on a metal steering wheel of a car on a cold winter day, or on a metal steering wheel in the summer after the sun had been shining on it.

(3) Plastics can be either translucent or transparent.

(4) The color of colored plastics extends completely through the material. It cannot be scraped off nor can it wear off. It is a basic part of the material. Pleasing shades of color can be provided for translucent plastics. These plastics can have a range of colors that it is impossible to duplicate in the opaque materials it replaces. In addition, there appears to be a wider range of translucent colors for translucent plastics than for translucent glass.

(5) Plastics can be cleaned with soap and water without harming the material or the color. None of the products that it replaces can be cleaned as easily. While glass can be cleaned with soap and water, the glass tends to streak and be cloudy.

(6) While plastics usually cost more than competitive products per pound or per cubic inch of material, the low cost of fabrication through injection or compression molding is usually an offset to the higher material cost.

The largest outlets for plastics are in the automotive, refrigerator and toy industries where they are usually used to replace metal because of inherent advantages. While the first two industries will have to reduce operations because of a shortage of metals, the reduced demand for plastics from this source will be offset by demand in other lines. Plastics are in extremely short supply at the present time.

In 1941 the total solid and rigid plastics amounted to about two-tenths of 1% of the total principal metals consumed in the United States. By 1950 the percentage had grown to about one-half of 1%. The consumption of metals in the United States is tremendous. I have presented these figures to indicate that the plastics industry is still in its infancy. It

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still amounts to only a small fraction of the metals, glass, and wood that are used in the United States.

The Outlook for Plastics

The near term outlook for plastics is being affected by raw material shortages. The shortage of cellulose is restricting the expansion of the cellulosics while the very acute shortage of benzene is seriously limiting styrene molding powder output. Because of prospects for a large cotton and cotton linters crop in 1951-52 and because of new dissolving wood pulp capacity, the serious phase of the cellulose shortage is likely to come to an end before the acute phase of the benzene shortage is over. New petroleum benzene capacity will be completed sometime in 1952. Recent estimates, however, seem to indicate that the shortage of benzene will persist throughout 1952. It is not, however, likely to be as acute in the latter part of 1952 as it is now.

The chemical industry is constantly trying to reduce the cost of plastic materials. These efforts over a period of time are likely to bring about a more favorable level of prices relative to the price level as a whole. For example, if the price level continues to rise over a period of time, plastic prices are likely to show an increase that is less than the gain in prices in general. This influence should offer a strong support for the growth of plastics in the future.

The longer term outlook for the plastics industry is very favorable. The industry will continue to grow rapidly. The most important advantage of the industry is that its materials through research can be tailor-made for their many applications. Today's qualities of plastics will be materially improved in the next five to ten years. New applications are probable. For example, because of permanence of their color and ease of cleaning, plastics may some day be used for the interior trim of houses. Other new large volume applications also are likely to be developed. Plastics, therefore, probably will continue as one of the most rapidly growing industries in the country.

TABLE 1

Classification of Plastics

Solid and Rigid Plastics

Thermoplastic Materials

Styrenes—Molding materials.

Vinyls—Molding materials.

Cellulose Derivatives—Molding materials; rods, tubes and rigid sheets.

Polyethylenes—Molding materials; rods, tubes and rigid sheets.

Acrylates—Molding materials; rods, tubes and rigid sheets.

Nylons—Molding materials; rods, tubes and rigid sheets.

Vinylidene Chlorides — Molding materials; rods and tubes.

Thermosetting

Phenolics—Molding materials; casting materials.

Ureas (including Melamines)—Molding materials.

Caseins—Molding materials.

Fluorines—Molding materials.

Plastics Providing Rigid Materials in Combination With Wood, Glass, Textiles, Paper or Leather

Thermoplastics

(No thermoplastics are being commercially utilized for this purpose because of high fabricating costs.)

Thermosetting

Phenolics—Laminating materials.

Ureas (including Melamines)—Laminating materials.

Non-Rigid Plastics

Thermoplastic Materials

Vinyls—Sheeting and film.

Polyethylenes—Nonrigid sheeting.

Cellulosics—Nonrigid sheeting; motion picture film.

Rubber Hydrochlorides—Nonrigid sheeting.

Vinylidene Chlorides—Nonrigid sheeting.

Materials That Are Not Regarded As Plastics

Cellophane; rayon and other synthetic textiles; rubber products and hard rubber.

TABLE 2

Production of Plastics

Molding Powder, Laminating Materials & Sheeting & Film Including Fillers, Plasticizers and Extenders

(Unit—1,000 lbs.)

	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
Phenolics and Other Tar Acids:										
Molding materials	------	------	------	------	------	139,624	194,236	171,117	129,582	220,251
§Casting materials	------	------	------	------	------	58,201	63,526	61,416	52,432	66.706
Total molding and castings	*199,377	*151,791	*156,880	*144,924	*165,542	197,825	257,762	232,533	182,014	286,957
Laminating materials	*31,112	*50,151	*49,554	*50,883	*37,039	27,725	40,546	43,062	39,814	72,866
Total	*230,489	*201,942	*206,434	*195,807	*202,581	225,550	298,308	275,595	221,828	359,823
Styrene:										
Molding materials	*2,500	*4,000	‡4,394	*6,892	*17,106	*58,443	*89,986	*123,507	184,834	258,740
Urea and Melamine:										
¶Molding and laminating materials	*31,840	*34,020	*36,434	*31,688	*34,769	*59,763	*75,388	*52,389	46,167	69,792
Vinyl and Vinyl Copolymers:										
†Molding materials	*13,110	*35,560	*52,790	*60,332	*67,873	93,291	110,278	111,063	123,962	171,778
Sheeting and film	*10,000	*20,000	*30,000	*35,000	*40,000	52,079	66,426	98,021	157,545	227,149
Total	*23,110	*55,560	*82,790	*95,332	*107,873	145,370	176,704	209,084	281,507	398,127
Miscellaneous Synthetics:										
Molding materials	*14,700	*23,520	*35,280	*44,100	*62,322	*54,569	56,149	69,999	41,751	61,749
Total synthetic plastics	302,639	319,042	365,332	373,819	424,651	543,695	696,535	730,574	776,087	1,149,031
Cellulose:										
Nitrocellulose	16,499	15,129	14,042	15,951	15,629	18,161	12,886	10,376	7,057	7,696
Cellulose acetate and butyrate	36,935	48,246	54,386	65,026	73,300	103,069	77,446	66,292	75,061	109,794
Other cellulose	188	1,250	3,125	3,750	4,063	5,000	4,000	8,888	8,519	12,134
Total cellulose plastics	53,622	64,625	71,553	84,727	92,992	126,230	94,332	85,556	90,637	129,624
Total synthetic and cellulose	*353,261	*383,667	*436,885	*458,546	*517,643	*669,925	*790,867	*816,130	866,724	1,278,655
Total solid and rigid plastics	*315,149	*313,516	*357,331	*372,663	*440,604	*590,121	*683,895	*675,047	669,365	978,640

* Estimated. † Figures for 1946 to 1950 were estimated from actual published data on resin contents. ‡ Published figure. § Miscellaneous inclu. casting. ¶ Miscellaneous incl. laminating and molding

Note: Data was derived from reports of the U. S. Tariff Commission and Dept. of Commerce, Bureau of the Census.

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Treasury Securities and Inflation

been evidenced by Federal Reserve market techniques.

The Federal is no longer committed to maintaining inflexible rates, but whether rates are flexible or not does not change the fact that the debt has to be owned in its entirety by somebody.

Finally, the Federal is committed to insuring the success of Treasury cash financing and refundings after consultation and agreement that the new issue's terms are reflective of market conditions as of the time.

Recent Refunding

The recent refunding offering, a 9½ month certificate at 1⅞%, brings out an interesting point. If investor psychology is such that we will meet with a continued preference for liquidity, and if the Treasury is to attune its new offerings to market conditions as of the time, the Treasury must meet the investors' desire for liquidity. In other words, the new Federal policy may reduce what has been termed monetization of debt in the area of 2½% bonds, but it may also insure that Treasury investors can acquire a large volume of short-term securities and therefore a high availability of funds. As a matter of fact the combination of an increased liquidity preference by investors, the necessity of the Treasury to meet market preferences, and the necessity that the Federal underwrite the success of Treasury offerings insures an availability of funds that may be greater than under the old policies.

It is true that the rise in rates which made it undesirable for the Treasury to exercise its call option on 2s maturing on Sept. 15, 1953, decreased the apparent liquidity of some investment portfolios. This has had some restrictive effect, but it also adds to the desire to rebuild liquidity. In other words, funds that become available may no longer be used to purchase Treasury bonds.

It also is true that the bond account losses that have come about have tied the hands of some lending institutions. Many feel that they cannot afford to take a loss even though the yields available on private credits are relatively attractive and the purpose of the loan conforms to the conditions set forth by the Voluntary Credit Restraint Committee. In other instances, where the investor is willing to take the loss, he now finds frequently that he is unable to sell; adequate bids just are not available. These conditions have combined more or less to close the mortgage market and to stagnate other capital markets. Consequently, it must be said that the recent decline in prices has had some effect in curbing the extension of credit. I believe this is a momentary phase, and the boomerang is to heighten the desire to acquire a more adequate volume of short-term securities that may be redeemed if they cannot be sold.

In the meanwhile, some selling against forward commitments still has to be done, some substantial new needs must be met, and the Treasury debt has to be held by someone.

Position of Nonmarketable Obligations

Finally, with respect to the present market condition, let me recall that nonmarketable obligations such as the savings notes and savings bonds were originally attuned to the yields on marketable securities. Recognition of the necessity of keeping some reasonable relationship between the yields on these two classes of securities was recognized recently by a revision in the terms of the savings notes. No change has been made with respect to savings bonds, and the Secretary of the Treasury recently stated that no changes were contemplated. Under these circumstances, it becomes a rare instance indeed when the purchase of Series F or G bonds makes any sense today. Furthermore, if holders of Series G bonds have held them for less than a year and a half, they can obtain on redemption a higher price than is obtainable from the sale of most restricted bonds. Any further decline in the price if marketable restricted bonds would heighten the incentive to some investors to redeem F and G bonds in lieu of the sale of marketable 2½s.

A study of the comparative merits of the nonmarketable versus the marketable obligations is quite interesting. As time goes along, unless the price level of Treasury restricted bonds moves upward, the disparity may become a serious problem with respect to the $23 billion of Series F and G bonds outstanding. Some of us have worried about the maturities of Series E bonds. Beginning in 1953 the Series F and G bonds mature in substantial amounts, such as $1¼ billion, $2½ billion, and so forth in successive years.

In any event, the Federal's attitude toward the restricted bond market has changed. Purchases, although not equal to the availability of bonds, have been steady. The needs of "an orderly market," the desirability of avoiding further "despair" among holders, and the lull in the inflationary virus may all have contributed to justify this attitude by the Federal. I suspect that the situation with respect to the Series F and G bonds has not been overlooked. In any event, I have the impression that officials may have concluded that new lows in the market level would serve no meritorious purpose.

Future Outlook

As to the future outlook, let us first take the business picture. The majority view is that a resurgence of inflationary pressures will occur some time in the late summer or thereabouts. On the other hand, a growing minority believes that the defense program will not accelerate as fast as the schedule calls for and therefore that we may run into a recession that wil be deeper and more prolonged than most people expect. In other words, opinion on the busines outlook covers a very wide range

How, therefore, can we have any confidence in our point o view toward the bond market Oddly enough I think we can. inflationary pressures are renew as early as August, there is litt likelihood we will have high bond prices. Any increase in t flow of personal savings to i stitutions will be used to rebuil liquidity. On the other hand, i we run into a deeper than ex pected recession, I think that th newly-acquired liquidity comple will nevertheless be dominan Bond prices could rise somewhat but the market would be narrow and untrustworthy.

Up to this point I have been speaking in terms of the short run. Whether or not the defense program accelerates during the summer or autumn at the scheduled or expected rate should no change the long-run desirability of achieving an adequate defens armament.

Thus, defense needs should domi nate the long-run outlook. Now the process of building up our de fense is a greater strain on th economy than the second phase o maintaining it. The first or building process requires larger plan and equipment expenditures an in general generates stronger inflationary pressures. Mr. Wilso has estimated that by some tim such as 1952 or 1953 this changeover from a building up to a maintenance program can be expecte to result in a relaxation of various restrictions and controls. In my opinion this will become one of the outstanding considerations of investing and lending institu-

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Treasury Securities and Inflation

tions, and it will add a second phase to the preference for liquid securities over intermediate and long-term Treasury bonds.

If the outlook is so dreary insofar as quantitative credit control goes, what are the better alternatives? The Wilson Committee has suggested that the Federal Reserve be granted increased powers over the cash reserve requirements of member banks and has suggested another idea that smacks of compulsory holdings of Treasury securities as additional reserves or as an alternative to them. Such increased powers could end up in various forms, such as the so-called loan reserve or asset reserve plans. Increased cash reserves would not solve the problem that arises from the fact that the Treasury debt in its entirety must be held by somebody. Compulsory holding of Treasury securities takes this fact into consideration, but if it is applied to banks it may later be applied to other institutions and eventually to individuals. Compulsory holding of Treasury securities is incompatible with the basic requirements of a reasonably free private economy.

What other alternatives do we have? The answer can be given clearly in one sentence. Create a cash surplus for the Treasury of a size sufficient to cope with the long-run inflationary pressures that confront us. The present tax bill does not meet this requirement, and it fails lamentably in another respect. The proposed increase in tax revenues seems to have originated from an attitude of "how can we get as much money as possible with the minimum number of squawks from our constituents?" Members of Congress have this practical problem haunting them at every turn, but our need is to raise increased revenues from those sources of income that exert the maximum inflationary pressures.

There is one other point that I would like to add. The problem in the Treasury bond market has been confined largely to restricted bonds. If holders of such securities are net sellers on balance, the securities must be purchased by the Federal Reserve or by the Treasury, or the holdings become, in varying degree, unmarketable. Any purchases of Treasury restricted bonds by the Federal Reserve are paid for with high-powered Federal Reserve dollars. Beginning in May 1952 these restricted bonds progressively become eligible and undoubtedly will meet with some commercial-bank demand. The dollars used by commercial banks may be characterized as low-powered dollars compared with those that are used by the Federal. Why not remove the restrictions against bank purchases of all restricted bonds now?

Somewhere among the 14,000 banks in this country, buying power might be generated. To whatever extent it occurs, low-powered dollars would take the place of high-powered Federal Reserve dollars. If some banks sold short-term securities to buy longer bonds, the former might find their way to nonbank investors seeking liquidity. If such securities ended up in the Federal, that is preferable to Federal purchases of longer-term bonds. The only objection to this idea that has occurred to me is that a handful of fully-taxable bank-eligible issues might decline. Unless bond prices improve materially within the next year, this would take place anyway.

To sum up, the Treasury debt must be held in its entirety by somebody. Any steps that are taken which fail to take this fact into full consideration reduce themselves to the category of fighting windmills. The Federal Reserve's program with respect to Treasury securities has made some minor and temporary contribution to the anti-inflationary fight, but in so doing it has so reversed the attitude of investors toward Treasury securities that the long-run problems have been magnified. The way to achieve a major anti-inflationary result of a quantitative nature is not to be found in granting the Federal Reserve increased authority or by initiating compulsory holding of Treasury securities. It must be found by creating for the Treasury a cash surplus that is adequate to contain the inflationary pressure. Federal Reserve and Treasury policies must be so coordinated that this Treasury surplus can be used with a maximum rather than a minimum benefit. Fortunately, the new Treasury-Federal working arrangement offers a good prospect of success in such matters. In addition, I think it would be desirable to remove the restrictions against bank purchase of all issues of presently-restricted Treasury bonds. This would enable some low-powered bank dollars to substitute for the high-powered Federal Reserve dollars that are currently being used to maintain an orderly market for these bonds.

As far as bond portfolios are concerned, I believe the number one fetish for the next year or so will be a desire to rebuild liquidity by the acquisition of Treasury securities that can be redeemed if they cannot be sold. Bond prices will be affected by business conditions and by Federal Reserve policy. If business conditions remain inflationary, I believe that bond prices will remain about where they are. If a greater than expected recession occurs over the next six months, I think bond prices will rise slightly, but this rise will not be backed by any broad demand. The upward movement will take place largely as a consequence of a reduced supply of securities in the market. Where an investor has funds that must be more or less confined to Treasury security investments, and where his liquidity is adequate to meet any foreseeable needs, I would acquire Treasury restricted bonds at this time, particularly the shorter-term issues. Where an investor can use tax-exempt income, I feel that high-grade municipals should be purchased, in view of their currently attractive yields.

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As We See It

and this type of emotional reasoning is fraught with enormous hazard. The type of extremism thus represented is an anomaly in the field of world politics and diplomacy. It is in that sense wholly unrealistic. When espoused by one of the leading nations in the world, if not the leading nation in the world, it becomes very dangerous. It cost many lives in World War II and left a substantial part of what we had hoped would be part and parcel of the "free world" needlessly in the hands of tyrants fully as bad, and even more to be dreaded, than those whose destruction we encompassed. It could then be made effective, however, by reason of the circumstance that those against whom it was invoked were, or were soon to be, far outmatched.

A Different Situation

We face a wholly different situation in Korea—yes, in the Far East in general. So far as Korea itself is concerned, the conflict there is, or was at the start in any event, an impromptu war. Korea is a peninusla jutting out from a land mass inhabited by several hundreds of millions of people now under Communist rule, and, while they may or may not be enthusiastic about communism, they certainly are not particularly gladdened to have powerful western forces fighting on the continent of Asia. It is possible, we suppose, that the men and the materiel now committed to Korea can push the enemy (including Chinese as well as North Korean communists) back to the Yalu River. It is conceivable (how probable we have no way of knowing) that the Chinese have suffered badly enough to be willing to let it go at that for the time being so far as actual fighting is concerned, and that Russia will be content to wait a more favorable moment.

But what then? Is there anyone naive enough to suppose that we could then set up what we should term a democratic regime—or support the Koreans in doing so—and then pull out with the slightest assurance that the events of a year ago will not be repeated, this time from the vicinity of the Yalu River, at whatever time in the future the Kremlin thinks it well? Any government sponsored by the "free nations" or chosen by the Koreans with the blessings of the "free nations" would, of course, at once be a "puppet regime" in the language of the Communists throughout most of Asia. A strong protecting military force in Korea or very nearby would always be necessary to continued "freedom" in Korea in these circumstances. Perhaps we could make Korea safe for democracy by crushing Communist China and giving the Kremlin a thorough drubbing—but even the counterparts of the "unconditional surrender" philosophers of World War II days do not go that far.

About the most we can reasonably hope for in this affair, or so it seems to us, is the sort of "victory" won in the case of the Berlin blockade. This was a sort of psychological, or moral victory. It gave us "face," and may have done something to detract from the "face" previously enjoyed by the Kremlin. It is not altogether clear just how we are to win even this type of "victory" in Korea—if the matter is viewed over a substantial period of time, that is. Korea will always be exposed to invasion from the north, and it may well be doubted whether the American people are ready or will be ready at any time in the future to keep large armies in Korea as a deterrent. We are in danger, of course, of falling into a situation not unlike that which characterized the border between Soviet Russia and Japanese controlled territory in the days preceding World War II.

A Real Riddle

This whole Korea business daily becomes more of a riddle anyway. The peninsula was by what seemed to be common consent "strategically unprofitable" prior to June of last year. We had long ago pulled out, and had made no preparations whatever for going back, notwithstanding obvious intentions of the North Koreans under Communist control to take over throughout the peninsula. If current testimony at the Congressional investigations is to be accepted, the Administration at the eleventh hour (without much attention to what the military men had to say) rushed in. We were saved from destruction by North Korean clumsiness and modern military miracles, but now find it difficult to make the whole affair strategically profitable. There can not be the slightest question that diplomatically the management of the affair was rather worse than bad.

The fact of the matter is that we have here chosen to thrust ourselves with violence into what is known as world politics, and we do not appear to have mastered the game as it is played by the other great powers. World politics is sometimes called power politics, and such it is in a very real sense. But it is not merely power politics in the sense that power and only power is used in its execution. Maneuver, intrigue, bargaining and compromise, have always been elements in this game of world politics. If we think we can proceed without killing costs to enter this arena with a set of thou shalts or thou shalt nots, we are deceiving ourselves badly. There are other nations in the world and other peoples with other ideas. It is a very real world in which we live—not some state dreamed up by petty politicians or learned philosophers.

All this raises still another question in our mind, and has been doing so for some time past. It is this Wilsonian idea of "open covenants openly arrived at." Certainly this appears on the surface to be an ideal way of dealing with world affairs. In actual practice it seems merely to invite a lot of political sham or ignorance into the proceedings. If such matters must be debated before the whole world by politicians with their eyes and their scheming centered on the rank and file back home—well, the outlook is not altogether heartening.

But He Is Right!

"The drift away from our competitive system of free enterprise is threatening the initiative and incentive of our people and throttling the energies essential to maintain the level of our material progress. The drift away from the truth is leaving the people confused and bewildered.

"The drift downward of the purchasing power of our currency which has progressively fallen as it has become increasingly influenced by the political fortunes of the moment continues unabated.

"The drift upward in the cost of bureaucracy and the expenditure of public funds in complete disregard of the tax burden has accelerated so alarmingly that the people are rapidly becoming the servants of the state.

"The drift toward socialism through indirect internal pressures faces us with the inevitable collapse of individual incentive and full personal energy."—General Douglas MacArthur.

The General seems to be stepping outside of his normal role in discussing such questions as these. He may or may not have ambitions looking toward a nonmilitary career—as some have suggested.

But in what he says here he is eternally right!

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 24	103.2	103.2	103.6	101.2
Equivalent to—					
Steel ingots and castings (net tons)	June 24	2,063,000	2,063,000	2,071,000	1,929,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	June 9	6,168,350	6,169,250	6,162,100	5,305,450
Crude runs to stills — daily average (bbls.)	June 9	‡6,445,000	6,601,000	6,460,000	5,524,000
Gasoline output (bbls.)	June 9	21,227,000	21,086,000	20,962,000	19,029,000
Kerosene output (bbls.)	June 9	2,320,000	2,317,000	2,485,000	1,916,000
Gas, oil, and distillate fuel oil output (bbls.)	June 9	8,678,000	8,294,000	8,035,000	6,961,000
Residual fuel oil output (bbls.)	June 9	8,921,000	8,929,000	8,956,000	7,307,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 9	129,353,000	130,249,000	134,522,000	119,249,000
Kerosene (bbls.) at	June 9	21,890,000	20,797,000	17,740,000	18,499,000
Gas, oil, and distillate fuel oil (bbls.) at	June 9	57,372,000	54,662,000	47,056,000	45,220,000
Residual fuel oil (bbls.) at	June 9	38,839,000	38,871,000	36,557,000	39,192,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 9	813,326	744,644	808,127	796,041
Revenue freight received from connections (number of cars)	June 9	655,639	657,050	684,567	637,437
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 14	$206,897,000	$296,036,000	$151,792,000	$277,411,000
Private construction	June 14	86,320,000	148,342,000	74,811,000	180,447,000
Public construction	June 14	120,577,000	147,694,000	76,981,000	96,964,000
State and municipal	June 14	77,783,000	106,398,000	45,157,000	75,547,000
Federal	June 14	42,794,000	41,296,000	31,824,000	21,417,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 9	9,925,000	*8,710,000	9,620,000	10,529,000
Pennsylvania anthracite (tons)	June 9	789,000	734,000	845,000	863,000
Beehive coke (tons)	June 9	141,400	*133,800	139,200	137,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 9	311	*273	318	302
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 16	6,746,691	6,733,662	6,559,218	6,011,674
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	June 14	130	172	171	178
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 12	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	June 12	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	June 12	$43.00	$43.00	$43.00	$39.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 13	24.200c	24.200c	24.200c	22.200c
Export refinery at	June 13	27.250c	27.425c	24.425c	22.425c
Straits tin (New York) at	June 13	123.000c	136.000c	139.000c	77.625c
Lead (New York) at	June 13	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	June 13	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	June 13	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 19	97.33	97.35	97.30	102.27
Average corporate	June 19	109.97	110.70	111.44	115.63
Aaa	June 19	114.08	114.85	115.24	120.63
Aa	June 19	112.93	113.89	114.46	119.20
A	June 19	109.24	109.79	110.34	115.24
Baa	June 19	104.31	104.66	105.86	107.96
Railroad Group	June 19	106.92	107.44	107.98	110.52
Public Utilities Group	June 19	109.79	110.70	111.07	116.80
Industrials Group	June 19	113.70	114.08	115.04	120.02
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 19	2.68	2.68	2.68	2.33
Average corporate	June 19	3.17	3.13	3.09	2.87
Aaa	June 19	2.95	2.91	2.89	2.62
Aa	June 19	3.01	2.96	2.93	2.69
A	June 19	3.21	3.18	3.15	2.89
Baa	June 19	3.49	3.47	3.40	3.28
Railroad Group	June 19	3.34	3.31	3.28	3.14
Public Utilities Group	June 19	3.18	3.13	3.11	2.81
Industrials Group	June 19	2.97	2.95	2.90	2.65
MOODY'S COMMODITY INDEX	June 19	492.1	492.6	497.2	395.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 9	283,122	266,566	203,058	220,548
Production (tons)	June 9	244,690	243,835	252,035	214,497
Percentage of activity	June 9	102	100	104	94
Unfilled orders (tons) at	June 9	696,726	658,722	732,449	400,731
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 15	151.6	151.6	153.8	120.3
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	June 2	20,988	35,093	38,178	19,784
Number of shares	June 2	£00,390	1,026,075	1,154,695	606,152
Dollar value	June 2	$28,163,536	$45,279,279	$53,432,366	$26,356,196
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 2	16,655	27,274	34,320	22,044
Customers' short sales	June 2	285	353	261	203
Customers' other sales	June 2	16,370	26,921	34,059	21,841
Number of shares—Total sales	June 2	455,974	793,875	972,495	611,770
Customers' short sales	June 2	11,233	13,445	9,401	7,730
Customers' other sales	June 2	444,741	780,430	963,094	604,040
Dollar value	June 2	$19,409,644	$33,506,448	$41,932,600	$24,267,510
Round-lot sales by dealers—					
Number of shares—Total sales	June 2	113,630	197,790	259,080	175,300
Short sales	June 2				
Other sales	June 2	113,630	197,790	259,080	175,300
Round-lot purchases by dealers—					
Number of shares	June 2	272,640	455,370	450,750	190,010
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 12	181.7	181.9	182.2	157.0
Farm products	June 12	198.0	197.5	197.1	164.9
Grains	June 12	181.4	181.3	184.7	168.7
Livestock	June 12	263.5	262.6	259.3	222.5
Foods	June 12	186.9	187.3	187.7	160.7
Meats	June 12	275.4	275.4	274.4	239.2
All commodities other than farm and foods	June 12	170.7	170.8	171.2	148.6
Textile products	June 12	182.4	182.9	183.3	136.8
Fuel and lighting materials	June 12	138.7	138.5	138.4	132.8
Metals and metal products	June 12	189.0	189.3	189.5	172.0
Building materials	June 12	226.8	*227.2	227.4	201.9
Lumber	June 12	357.3	358.9	358.9	‡
Chemicals and allied products	June 12	140.1	140.9	143.6	114.4

*Revised. ‡Not available. ‡Includes 524,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of April:			
Total gas (M thems)	4,472,654	4,745,569	3,833,277
Natural gas sales (M thems)	4,151,361	4,377,588	3,487,520
Manufactured gas sales (M thems)	165,362	224,333	219,488
Mixed gas sales (M thems)	155,931	143,648	126,269
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of May 31:			
Imports	$258,666,000	$287,741,000	$141,650,000
Exports	101,957,000	110,874,000	57,661,000
Domestic shipments	12,529,000	11,634,000	8,539,000
Domestic warehouse credits	9,717,000	11,978,000	6,713,000
Dollar exchange	876,000	2,380,000	28,000
Based on goods stored and shipped between foreign countries	33,232,000	31,297,000	16,558,000
Total	$416,977,000	$455,904,000	$231,149,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of May (in millions):			
Total new construction	$2,518	*$2,370	$2,278
Private construction	1,705	*1,673	1,694
Residential building (nonfarm)	854	*882	1,036
New dwelling units	760	*795	941
Additions and alterations	78	*71	82
Nonhousekeeping	16	16	13
Nonresidential building (nonfarm)	433	*407	274
Industrial	161	*150	73
Commercial	130	125	92
Warehouses, office and loft buildings	47	45	26
Stores, restaurants, and garages	83	80	66
Other nonresidential building	142	132	109
Religious	38	35	30
Educational	27	26	21
Social and recreational	14	15	19
Hospital and institutional	36	34	29
Miscellaneous	27	22	10
Farm construction	113	95	109
Public utilities	300	*283	262
Railroad	31	*29	26
Telephone and telegraph	42	*40	39
Other public utilities	227	*214	197
All other private	5	6	13
Public construction	813	*697	584
Residential building	44	*44	27
Nonresidential building	298	*274	203
Industrial	66	*55	17
Educational	130	125	91
Hospital and institutional	52	*48	40
Other nonresidential building	50	46	55
Military and naval facilities	82	*60	8
Highways	215	160	188
Sewer and water	64	*61	53
Miscellaneous public-service enterprises	20	*17	15
Conservation and development	82	*73	81
All other public	8	8	9
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of May:			
Total U. S. construction	$1,267,995,000	$1,053,434,000	$931,153,000
Private construction	698,456,000	558,498,000	492,953,000
Public construction	569,539,000	494,936,000	438,200,000
State and municipal	359,566,000	264,860,000	299,228,000
Federal	209,973,000	230,076,000	138,972,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of May 31 (000's omitted)	$364,000	$387,000	$250,000
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of May	343.9	*330.4	311.5
COPPER INSTITUTE—For month of May:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	96,825	*90,794	83,286
Refined (tons of 2,000 pounds)	113,513	103,494	112,411
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	118,113	114,744	113,837
Refined copper stock at end of period (tons of 2,000 pounds)	60,896	52,800	51,063
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of May:			
Industrials (125)	6.44	6.12	6.45
Railroad (25)	5.85	5.88	5.19
†Utilities (24)	4.77	4.74	4.26
Banks (15)	3.49	3.41	3.29
Insurance (10)	6.35	6.18	5.79
Average (200)	6.55	6.35	5.97
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of May	£11,070,000	£1,639,000	£160,476,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of March (000's omitted):			
Savings and loan associations	$431,528	$362,733	$402,592
Insurance companies	145,038	129,560	108,954
Bank and trust companies	289,724	246,702	245,970
Mutual savings banks	75,979	67,523	60,738
Individuals	211,467	183,848	184,411
Miscellaneous lending institutions	215,548	192,387	218,979
Total	$1,369,284	$1,182,753	$1,221,644
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of May.			
Net sales			
Net purchases	$11,411,500	$8,370,000	$1,123,500
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of April (000's omitted):			
Exports	$1,372,300	$1,281,200	$803,000
Imports	1,024,400	1,101,900	585,018
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of May 31	$255,122,431	$254,747,776	$256,370,179
General fund balances	5,782,277	6,955,474	4,463,670
Net debt	$249,340,154	$247,292,302	$251,906,509
Computed annual rate	2.247%	2.243%	2.199%
WINTER RYE PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of June 1 (bushels)	23,801,000	23,263,000	22,977,000
WINTER WHEAT PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of June 1 (bushels)	705,175,000	682,196,000	750,666,000

*Revised †Not including stocks of American Tel. & Tel.

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Securities Now in Registration

★ REVISIONS THIS WEEK
• INDICATES ADDITIONS

New Registrations and Filings

Anvil Brand, Inc., High Point, N. C.
June 11 (letter of notification) 36,300 shares of class "A" common stock (par $5). **Price**—$8.75 per share. **Underwriter** — Kirchofer & Arnold Associates Inc., Raleigh, N. C. **Proceeds**—For working capital. **Offering**—Made publicly on June 19.

Associated Telephone Co., Ltd., Santa Monica, Calif.
June 11 filed 350,000 shares of 5% cumulative preferred stock, 1947 series (par $20). **Price and Underwriter**—To be supplied by amendment. **Proceeds**—To pay off bank loans incurred for property additions and improvements.

Athletic Films, Inc., Los Angeles, Calif.
June 13 (letter of notification) 8,250 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—1746 No. Las Palmas Avenue, Los Angeles, Calif.

Bishop Oil & Exploration, Inc.
June 11 (letter of notification) 30,000 shares of capital stock (no par). **Price**—$10 per share. **Underwriter**—George E. Franklin, Jr. **Proceeds**—For well drilling and development. **Address**—Not available.

Blue Anchor Packing Co., Inc. (6/25)
June 15 (letter of notification) 15,687 shares of common stock (par $1) and 37,575 shares of preferred stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—To purchase additional machinery and for working capital. **Office**—Blue Anchor Road, Blue Anchor, N. J.

Central Fibre Products Co., Quincy, Ill.
June 11 (letter of notification) 3,000 shares of non-voting common stock (par $5). **Price**—At the market. **Underwriter**—Bosworth, Sullivan & Co., Denver, Colo. **Proceeds**—To two selling stockholders. **Office**—901 S. Front St., Quincy, Ill.

Drakenfeld (B. F.) & Co., Inc.
June 15 (letter of notification) 2,000 shares of capital stock **Price**—At not less than $40 per share. **Underwriter**—None, but Hornblower & Weeks, New York, will act as broker. **Proceeds**—To a selling stockholder.

Durham Aircraft Service, Inc., N. Y.
June 15 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—56-15 Northern Boulevard, Woodside, L. I., N. Y.

Food Machinery & Chemical Corp.
June 13 filed 100,000 shares of common stock (par $10) to be offered to employees. **Price**—To be based on market on New York Stock Exchange. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Fruehauf Trailer Co., Detroit, Mich.
June 15 filed 115,000 shares of common stock (par $1), to be "offered to certain employees pursuant to stock option plans." **Price**—At 85% or 95% of the highest sale price of the stock on the New York Stock Exchange on the day on which the option is delivered to the employee. **Underwrtier**—None. **Proceeds**—For working capital.

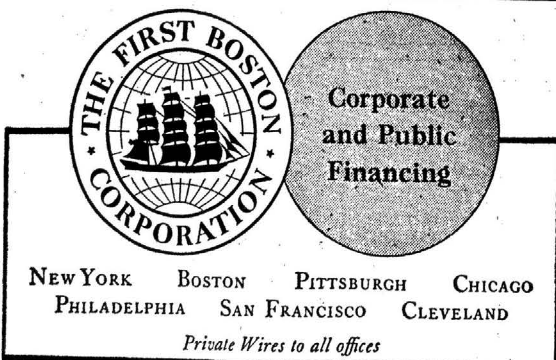
Gulf Coast Western Oil Co.
June 13 (letter of notification) 299,760 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—R. V. Klein Co., New York. **Proceeds**—For oil production. **Office**—916 Petroleum Bldg., Oklahoma City, Okla.

Idaho Custer Mines, Inc., Wallace, Idaho
June 8 (letter of notification) 800,000 shares of non-assessable common stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—H. M. Herrin & Co., Seattle, Wash., and others. **Proceeds**—For development of Livingston mine. **Office**—Scott Bldg., Wallace, Idaho.

Investors Mutual, Inc., Minneapolis, Minn.
June 20 filed 3,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Isabella Mines, Inc., Colorado Springs, Colo.
June 11 (letter of notification) 7,500,000 shares of capital stock. **Price**—At par (one cent per share). **Underwriter**—None. **Proceeds**—For development and rehabilitation of mines. **Office**—126 So. Tejon St., Colorado Springs, Colo.

Le-Rad Corp., Jackson, Miss.
June 8 (letter of notification) 2,727 shares of common preference stock (par $10) and 2,727 shares of common stock (no par) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Underwriter**—None. **Proceeds**—For general corporate purposes and for development of automobile washing mop. **Office**—1508 No. Mill St., Jackson, Miss.



Life Insurance Co. of South Carolina
June 11 (letter of notification) 9,800 shares of preferred stock (par $10) and 20,000 shares of common stock (no par). **Price**—For preferred $19 per share and for common $1 per share. **Underwriter**—None. **Proceeds**—To increase surplus and capital. **Office**—1309 Sumter Street, Columbia, S. C.

Lily-Tulip Corp., New York (7/5)
June 15, filed 75,000 shares of common stock (no par) to be offered for subscription by common stockholders on or about July 5 on basis of one share for each five shares held; rights to expire about July 19. **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To be applied toward construction of new buildings.

Magma King Manganese Mining Co., Phoenix, Ariz.
June 11 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Underwriter**—Weber-Millican Co., New York. **Proceeds**—For development of manganese and other deposits. **Office**—733 Security Bldg., Phoenix, Ariz.

National Securities & Research Corp.
June 13 filed 40,717 shares in First Mutual Trust Fund. **Price**—At market. **Underwriter**—National Securities & Research Corp., New York. **Proceeds**—For investment.

Research Manufacturing Corp., Inc., Pascagoula, Mississippi
June 12 (letter of notification) 200 shares of common capital stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes in manufacturing road flares. **Address**—Box 207, Pascagoula, Miss.

Ronson Art Metal Works Inc.
June 18 (letter of notification) not in excess of 5,400 shares of common stock (par $1). **Price**—At market about $18.50 per share). **Underwriter**—Ross Blanchard & Co., New York. **Proceeds**—To selling stockholder.

San Miguel Mining, Milling & Smelting Co., Inc., Las Vegas, N. M.
June 11 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For development of mica claims. **Address**—P. O. Box 574, Las Vegas, N. M.

Sea Snacks, Inc., Blue Anchor, N. J. (6/25)
June 18 (letter of notification) 54,099 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To complete construction of building and for working capital.

Silver Bell Mines Co., Denver, Colo.
June 13 (letter of notification) 120,000 shares of common stock (par $1) to be first offered to present common and class A stockholders at rate of 0.094 of a share for each share of class A or common stock held. **Price**—$2.25 per share. **Underwriter**—None. **Proceeds**—For mine development. **Office**—701 U. S. National Bank Building, Denver, Colo.

Smith & Co., Ltd., Washington, D. C.
June 12 (letter of notification) 1,000 shares of capital stock (no par). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To Raymond P. Smith, President, the selling stockholder. **Office**—452 Washington Building, Washington, D. C.

Southwestern Associated Telephone Co.
June 15, filed 17,500 shares of $5.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York, and Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—To retire $1,500,000 of bank loans and the balance added to general corporate funds.

Threefold Building Products Co.
June 19 (letter of notification) 900 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds** — To manufacture machines and building products. **Office**—426 Market St., Camden, N. J.

Video Corp. of America
June 15 (letter of notification) 1,200,000 shares of common stock to be first offered to common stockholders of record June 21 on a pro rata basis; rights expire July 10. **Price**—At par (10 cents per share). **Underwriter**—None, but unsubscribed shares may be offered through Tellier & Co., New York. **Proceeds**—For working capital. **Office**—229 West 28th Street, New York, N. Y.

Vidicam Pictures Corp., N. Y. (6/25)
June 18 (letter of notification) 100,000 shares of class A (non-voting) common stock (par $1). **Price**—$3 per share. **Underwriter** — None. **Proceeds** — To purchase equipment and repay bank loans and for working capital and expansion program. **Office**—240 East 39th Street, New York, N. Y.

Walker Vitamin Products, Inc.
June 15 (letter of notification) 2,000 shares of non-voting class B common stock (par 25 cents). **Price**—$5.50 per share. **Underwriter**—Cohu & Co., New York. **Proceeds**—To Myron Walker, Chairman and President, who is the selling stockholder.

Western Reserve Life Insurance Co.
June 12 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by present stockholders at rate of one share for each two shares held. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For financing expansion program. **Office**—1108 Lavaca Street, Austin, Tex.

Western States Copper Corp., Seattle, Wash.
June 11 (letter of notification) 119,980 shares of 6% cumulative preferred stock (par $1) and 124,980 shares of common stock (no par). **Price**—Of preferred, at par plus accrued dividends (five annual dividends in arrears); and of common at a price to be determined later. Directors in their discretion may offer one share of common as a bonus for each purchase of one share of preferred stock. **Underwriter** — None. **Proceeds** — For milling equipment and other corporate purposes. **Office**—5905 Phinney Avenue, Seattle, Wash.

Previous Registrations and Filings

Air Facilities, Inc., Phoenix, Ariz.
June 4 (letter of notification) 193,800 shares of 6% preferred stock (par $1) and 193,800 shares of common stock (par 25 cents) to be offered in units of one share of preferred and one share of common stock. **Price**—$1.50 per unit. **Underwriter** — None. **Proceeds** — To purchase equipment and material. **Office**—1018 Title & Trust Building, Phoenix, Ariz.

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.
May 24 filed 368,428 shares of common stock (no par), of which company is offering 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; rights to expire on June 29. **Price**—$27.50 per share. **Underwriter**—None. **Proceeds**—To assist system subsidiaries in financing their property expansion programs. Statement effective June 12.

★ 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**—To be received up to 11 a.m. (EDT) on June 26 at 30 Church Street, New York 8, N. Y. Statement effective June 13.

★ Arden Farms Co., Los Angeles, Calif.
June 11 filed 55,000 shares of $3 cumulative and participating preferred stock (no par) of which 54,444 shares are first to be offered to preferred stockholders at rate of one share for each 4½ shares held; unsubscribed shares to be offered publicly. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To repay bank loans.

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.

★ Bank of Nova Scotia, Toronto, Canada (7/3)
June 12 filed 300,000 shares of capital stock (par $10) to be offered to stockholders of record June 20, 1951, with unsubscribed shares to be publicly offered after Oct. 5. **Price**—$30 per share. **Underwriter**—None. **Proceeds**—To be added to general funds.

★ Bigelow-Sanford Carpet Co., Inc.
May 16, filed 100,000 shares of 4½% 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. Public offering of the additional 60,000 shares of new preferred stock has been deferred due to present market conditions. **Underwriters**—Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., and F. S. Moseley & Co. **Proceeds**—For general corporate purposes.

Brown Shoe Co., Inc., St. Louis, Mo. (6/27)
June 7 filed $11,000,000 of sinking fund debentures, due July 1, 1971. **Price**—To be supplied by amendment. **Underwriters**—Goldman, Sachs & Co. and Smith, Barney & Co., of New York. **Proceeds**—To retire 34,330 outstanding shares of $3.60 preferred stock (requiring about $3,600,000) and the balance for general corporate purposes.

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Brown Shoe Co., Inc., St. Louis, Mo.
June 7 filed 224,187 shares of common stock (par $15), of which 124,187 are to be offered in exchange for Wohl Shoe Co. capital stock on a 2½-for-1 basis. The remaining 100,000 shares represent shares which may be or have been purchased under the company's stock option plan for key employees, including certain officers and directors. **Proceeds**—For general corporate purposes.

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.

★ Calaveras Cement Co.
May 23 filed 118,066 shares of common stock (par $5) being offered to common stockholders on basis of one new share for each two shares held on June 12; rights expire July 5. **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. Statement effective June 13.

Canam Copper Co., Ltd., Vancouver, 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.
May 24, filed 216,504 shares of common stock (par $10) being 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**—$19.50 per share. **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. Statement effective June 12.

Chevron Petroleums, Ltd., Toronto, Canada
March 14 filed 900,000 shares of common stock (par $1) to be offered "as a speculation." **Price** — 50 cents per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To take up option and develop properties. **Offering**—Indefinitely postponed.

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. Statement effective June 8.

★ 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. **Withdrawal** — Registration statement withdrawn June 8.

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.

Cornucopia Gold Mines (7/10-21)
May 14 (letter of notification) 229,800 shares of common stock (par five cents) to be offered for subscription by stockholders of record June 30, 1951, on a one-for-five basis, with an oversubscription privilege; rights to expire one Oct. 1. **Price**—To be determined by directors, but not exceeding $1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—824 Old National Bank Bldg., Spokane, Wash.

★ Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel. Statement effective June 15.

NEW ISSUE CALENDAR

June 25, 1951
Blue Anchor Packing Co., Inc. — Common & Pfd.
Property Income Corp. — Preferred
Public Finance Service, Inc. — Debentures
Sea Snacks, Inc. — Common
Southern Pacific Co., noon (EDT) — Equip. Tr. Ctfs.
Vidicam Pictures Corp. — Common

June 26, 1951
Appalachian Electric Power Co. 11 a.m. (EDT) — Bonds
Cleveland Electric Illuminating Co. Noon (EDT) — Bonds
Mission Appliance Corp. — Debentures
Montana-Dakota Utilities Co. 11:30 a.m. (EDT) — Bonds
Pfizer (Chas.) & Co., Inc. — Preferred & Com.

June 27, 1951
Brown Shoe Co., Inc. — Debentures
Chesapeake & Ohio Ry. — Equip. Trust Ctfs.
Southern New England Telephone Co. — Common
United Utilities, Inc. — Common

June 28, 1951
General Foods Corp. — Debentures
Hawaii (Territory of), 10 a.m. (EDT) — Bonds
Minneapolis-Honeywell Regulator Co. — Preference
Northrop Aircraft, Inc. — Common

June 29, 1951
United Gas Corp. — Common

July 3, 1951
Bank of Nova Scotia (Canada) — Common
New York, Chicago & St. Louis RR. — Eq. Trust Ctfs.

July 5, 1951
Lily Tulip Corp. — Common

July 9, 1951
Iowa Public Service Co. 11 a.m. (EDT) — Bonds

July 10, 1951
Cornucopia Gold Mines — Common
Minnesota Power & Light Co. — Bonds

July 16, 1951
Washington Gas Light Co. — Bonds

July 23, 1951
Mississippi Power Co. — Bonds

July 24, 1951
United Gas Corp. 11:30 a.m. (EDT) — Bonds

September 11, 1951
Alabama Power Co. — Bonds

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.

Drayson-Hanson, Inc., Los Angeles, Calif.
June 4 (letter of notification) 50,000 shares of common stock (par 40 cents). **Price**—$1.20 per share. **Underwriter**—Edgerton, Wykoff & Co., Los Angeles, Calif. **Proceeds**—To purchase real property and plant.

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.

★ Falls Creek Mining Co., Seattle, Wash.
May 24 (letter of notification) 400,000 shares of common stock. **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To Philip Seymour Heath, the selling stockholder. **Office**—418 Second & Cherry Building, 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.

Fine Products Corp., Augusta, Ga.
June 4 (letter of notification) 15,000 shares of common stock (par $2). **Price**—$17 per share. **Underwriter**—None. **Proceeds**—To redeem 15,000 shares of preferred stock on July 15. **Office**—827 Telfair Street, Augusta, Georgia.

General Foods Corp. (6/28)
June 7 filed $35,000,000 of 25-year sinking fund debentures, due July 1, 1976. **Price**—To be supplied by amendment. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers of New York. **Proceeds**—To finance increased inventories and accounts receivable.

★ General Public Utilities Corp.
May 16 filed 504,657 shares of common stock (par $5) being 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**—$16.50 per share. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane will act as clearing agent for the company. **Proceeds**—To repay bank loans and for general corporate purposes.

★ Glenmore Distilleries Co.
Dec. 28 filed 159,142 shares of class B common stock par $1). **Price**—To be filed by amendment. **Underwriter** — Glore, Forgan & Co., New York. **Proceeds** — For working capital and general corporate purposes. **Withdrawal**—Registration statement withdrawn June 15. New filing expected to be made covering $3,000,000 of convertible preferred stock (par $50).

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

★ Green Mountain Power Corp.
May 29 filed 104,094 shares of common stock (par $10) being 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); rights expire on July 3. **Price**—$13 per share. **Underwriters**—Kidder, Peabody & Co.; Allen & Co.; and Townsend, Dabney & Tyson. **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.

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.

★ International Life Insurance Co.
March 30 filed $1,200,000 special investment contracts to be sold in units of $500 each by regular licensed insurance agents of the company and 60,000 shares of common stock (no par) to be issued in payment of said contracts. **Proceeds**—To increase capital and surplus. **Office**—Austin, Texas.

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.

★ Iowa Public Service Co. (7/9)
June 8 filed $5,000,000 of first mortgage bonds, due 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.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and L. F. Rothschild & Co. (jointly). **Proceeds**—To repay bank loans and for new construction. **Bids**—To be received up to 11 a.m. (EDT) on July 9.

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

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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.

★ Kropp Forge Co., Cicero, Ill.
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) and 113,724 shares first to stockholders of record June 15, 1951 at rate of one share for each seven common shares held; rights expire on June 25. **Price**—$4 per share. **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.

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.

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.

McGraw (F. H.) & Co., Hartford, Conn.
May 17 (letter of notification) 4,650 shares of common stock (par $2). **Price**—$9 per share. **Underwriter**—Granbery, Marache & Co., New York. **Proceeds**—For working capital.

Mercantile Acceptance Corp. of California
May 18 (letter of notification) 4,881 shares of first preferred stock. **Price**—At par ($20 per share). **Underwriter**—Guardian Securities Corp. **Proceeds**—For general corporate purposes.

★ MidSouth Gas Co., Little Rock, Ark.
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.

Minneapolis-Honeywell Regulator Co. (6/28)
June 7 filed 160,000 shares of cumulative convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Union Securities Corp., New York. **Proceeds**—For working capital and to expand manufacturing facilities.

Minnesota Power & Light Co. (7/10)
June 7 filed $10,000,000 of first mortgage bonds, due July 1, 1981. **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. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Coffin & Burr, Inc. **Proceeds**—For expansion program. **Bids** — Expected to be received July 10.

Mission Appliance Corp. (6/26)
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.

★ Montana-Dakota Utilities Co. (6/26)
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. Bids will be received by the company at The New York Trust Co., 100 Broadway, New York 15, N. Y., up to 11:30 a.m. (EDT) on June 26.

National Bangor Slate Co., Wind Gap, Pa.
June 8 (letter of notification) 40,000 shares of common stock (par 50 cents) and 40,000 shares of 8% non-cumulative preferred stock (par $1) to be offered in units of one share of each class of stock. **Price**—$4.50 per unit. **Underwriters**—None; directors will direct sales. **Proceeds**—For payment of debt and purchase of machinery. **Office**—Male Street, Wind Gap, Pa.

★ New England Telephone & Telegraph Co.
May 23 filed 777,850 shares of capital stock being offered to stockholders of record June 8 in ratio of one share for each two shares held; rights to expire July 10. The American Telephone & Telegraph Co., parent, will subscribe for 536,071 of the shares. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To reduce outstanding temporary borrowings. Statement effective June 4.

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.

★ Northrop Aircraft, Inc. (6/28)
June 6 filed 125,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriters**—William R. Staats Co., Inc., Los Angeles, Calif., and Paine, Webber, Jackson & Curtis, New York, and ten other firms. **Proceeds**—For working capital.

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.

Old Colony Finance Corp., Mt. Rainier, Md.
June 1 (letter of notification) $250,000 shares of 6% subordinated debentures with stock purchase warrants attached. The latter will entitle holders thereof to purchase one share of common stock at $4 per share for each $100 of debentures owned. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—3219 Rhode Island Avenue, Mt. Rainier, Md.

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.

★ Oswego Falls Corp., Fulton, N. Y.
May 25 filed 96,000 shares of 5% convertible second preferred stock, series A (par $30) being offered to common stockholders of record June 13, 1951, at rate of one preferred share for each five common shares held; rights to expire June 28. **Price**—$31.75 per share. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—For working capital. Statement effective June 13.

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.

Pennsylvania Citrus Groves, Inc.
June 4 (letter of notification) 149,800 shares of common stock. **Price** — At par ($2 per share). **Underwriter** — Graham & Co., Pittsburgh, Pa. **Proceeds**—To purchase land in St. Lucie County, Fla., and plant thereon fruit trees. **Office**—Pittsburgh, Pa.

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)
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 common stockholders of record June 26 in ratio of one new share for each 10 shares held; rights to expire July 10. **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.

Philadelphia Suburban Transportation Co.
June 11 (letter of notification) $300,000 of 4½% convertible debentures of 1967 (each $100 principal amount convertible into three shares of common stock). **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital. **Office**—69th Street Terminal, Upper Darby, Pennsylvania.

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.

Producers Corp. of Nevada
June 7 (letter of notification) 75,000 shares of common stock (par $1). **Price**—If private, $2 per share, and if publicly, at the market price between $2 and $3 per share. **Underwriter**—None. **Proceeds**—To develop costs and leases and acquire additional properties. **Office**—1224-1225 Milam Bldg., San Antonio, Texas.

Property Income Corp., New York (6/25)
June 8 (letter of notification) 2,900 shares of 8% non-cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To be invested in income-producing real estate properties in the city of New York. **Office**—154 Nassau St., New York 8, N. Y.

Public Finance Service, Inc., Phila, Pa. (6/25)
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
May 24 filed 274,027 shares of common stock (par $10), of which 249,116 shares are being 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**—$22.75 per share. **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. Statement effective June 12.

★ Reading Tube Corp., Long Island City
June 5 filed $1,859,256 of 20-year 6% sinking fund debentures due July 1, 1971, and 66,402 shares of class B stock (par 10 cents) to be offered about July 2 in exchange for 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 held. **Dealer-Manager**—Aetna Securities Corp., New York.

★ Realty Co., Denver, Colo.
June 7 (letter of notification) 2,000 shares of capital stock (par 25 cents). **Price**—$6 per share. **Underwriters**—Ralph S. Young, Colorado Springs, Colo; J. A. Hogle & Co., Salt Lake City, Utah; and Garrett-Bromfield & Co., Denver, Colo. **Proceeds**—For working capital. **Office**—937 U. S. National Bank Bldg., Denver, Colo.

Sightmaster Corp., New Rochelle, N. Y.
June 4 (letter of notification) 600,000 shares of common stock (par five cents). **Price**—Estimated at 25 cents per share. **Underwriters**—Tyson & Co. and E. L. Aaron & Co., New York. **Proceeds**—To pay assumed debt of Sightmaster Television Corp., for payment of accounts payable and to reduce loans, and for general corporate purposes.

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.

Southern New England Telephone Co. (6/27)
June 8 filed 400,000 shares of capital stock (par $25), to be offered for subscription to stockholders of record June 27, 1951, in the ratio of one share for each eight shares held; rights to expire July 20. **Price**—At par. **Underwriters** — None. **Proceeds** — To repay advances from parent company, American Telephone & Telegraph Co., and for new construction.

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. Statement effective June 4.

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.

★ Sutherland Paper Co.
May 29 filed 34,399 shares of 4.40% cumulative convertible preferred stock (par $100) being offered to common stockholders of record June 18, 1951, on the basis of one share of preferred for each 25 shares of common stock (par $5); rights expire on July 2. **Price**—At par. **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.

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.

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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.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); First Boston Corp.; Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **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 Street, 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. **Price**—At market (to net company about $54,275,000. **Proceeds**—For general corporate purpose. Statement effective June 11.

★ **United Stores Corp.**
May 25 filed 103,170 shares of $4.20 non-cumulative second preferred stock (par $5) 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**—$9.37½ per share. **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. Statement effective June 13.

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 about June 26; rights to expire about July 10. **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.
June 7 filed 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 Avenue, Van Dyke, Mich. **Offering**—Expected late this month.

★ **Victoreen Instrument Co., Cleveland, O.**
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**—$4 per share. **Underwriters**—Barrett Herrick & Co., Inc., New York, and A. H. Vogel & Co., Detroit, Mich. **Proceeds**—For new equipment and working capital.

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 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.

Prospective Offerings

Alabama Power Co. (9/11)
Feb. 6, it was stated that company contemplates issuance and sale of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Tentatively expected to be opened on Sept. 11. **Registration**—About Aug. 10.

American 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.

Beaunit Mills, Inc.
June 8 it was announced stockholders will vote June 26 on approving issuance and sale of 100,000 shares of $5 cumulative preferred stock (no par). **Underwriters**—Probably White, Weld & Co. and Kidder, Peabody & Co. **Proceeds**—From sale of stock, together with $15,000,000 from bank loans and $3,000,000 from other sources, to be used to finance construction of a rayon tire yarn plant at Coosa Pines, Ala., and for working capital.

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.

Chesapeake & Ohio Ry. (6/27)
June 6 it was reported company plans issuance of $6,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected to be opened June 27.

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 & 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.

• **Colorado Interstate Gas Co.**
June 18 it was reported that the holdings of the Union Securities Corp. group of stock of Colorado Interstate (531,250 shares) will probably be sold publicly in August or September.

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.

Consumers Public Service Co. of Brookfield, Mo.
June 8, the Missouri P. S. Commission authorized company to issue and sell 1.500 shares of 5% preferred stock (par $50). **Proceeds**—To repay $66,232 of notes and for working capital.

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.

• **Dome Explorations (Western) Ltd.**
June 15, it was reported company plans early registration with SEC of 500,000 shares of common stock. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. **Proceeds**—For development and exploration expenses. **Offering**—Expected next month.

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.

Glass Fibres, Inc.
June 6, it was reported early registration is expected of 200,000 shares of common stock. Traditional underwriter: McCormick & Co., Chicago, Ill.

Glenmore Distilleries Co.
April 23 it was announced company expects shortly to file a registration statement covering 60,000 shares of $50 par convertible preferred stock and to withdraw statement covering 159,142 shares of class B common stock (par $1); see a preceding column. **Proceeds**—For working capital and general corporate purposes.

Hahn Aviation Products, Inc., Phila, Pa.
June 7, it was announced company (in addition to sale of 5,000 shares of common stock filed with SEC) proposes to issue and sell another issue of approximately 29,651 shares of common stock (par $1) later this year. **Office**—2636 North Hutchinson Street, Philadelphia 33, Pa.

• **Hawaii (Territory of) (6/28)**
June 12, it was announced that bids will be received at Bankers Trust Co., 16 Wall Street, New York, N. Y., up to 10 a.m. (EDT) on June 28 for the sale of $5,000,000 of public improvement bonds, series A, issue of 1951, dated July 2, 1951 and due serially from July 2, 1954 to 1971, inclusive. **Probable bidders**: The Chase National Bank of the City of New York; Bankers Trust Co., New York; Bear, Stearns & Co.; and Smith, Barney & Co.

★ **Hussman Refrigerator Co.**
June 18 stockholders approved issuance and sale of 23,000 shares of 4% preferred stock, series B (par $100), to Penn Mutual Life Insurance Co. The proceeds will 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.
June 6 company reported considering issuance of $15,000,000 of additional first mortgage bonds. Will probably be placed privately. If competitive, probable bidders may include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Lazard Freres and The First Boston Corp. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. Proceeds will be used for additions and improvements to the company's properties.

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 City Power & Light Co.**
June 12, Harry B. Munsell, President, announced company hopes to issue and sell within the next two years $12,000,000 of bonds, $10,000,000 of additional preferred stock and $8,000,000 of additional common stock to finance its construction program for 1951-1952. Stockholders will vote July 11 on increasing the authorized preferred stock from 200,000 to 350,000 shares and the authorized indebtedness by $12,000,000. Probable bidders for preferred stock: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Smith, Barney & Co.; The First Boston Corp.; White Weld & Co., Shields & Co. and Central Republic Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Stern Bros. & Co. (jointly). Probable bidders for common stock; Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley Co., Inc. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Shields & Co. and Central Republic Co. (jointly); Glore, Forgan & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers and Bear,

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Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.

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.

● Mead Corp.
June 8 it was announced that construction of a new $21,000,000 kraft container board mill near Rome, Ga., is scheduled to be under way at an early date. Traditional underwriters: Drexel & Co. and Harriman Ripley & Co., Inc.

Michigan Consolidated Gas Co.
April 25 it was stated company may issue later this year about $15,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co and Blyth & Co. Inc. (jointly); White, Weld & Co. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Proceeds**—For construction.

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.

★ Mississippi Power Co. (7/23)
June 13 company sought SEC authority to issue and sell $4,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); Salomon Bros. & Hutzler; First Boston Corp.; Otis & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, Blair, Rollins & Co., Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers. **Proceeds**—For construction program. **Bids**—Will be received July 23.

● Mississippi River Fuel Corp.
May 24, it was announced stockholders on July 10 will vote on approving elimination of preemptive rights to subscribe for and purchase additional common stock.

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.

● New York, Chicago & St. Louis RR. (7/3)
June 19, it was announced company will invite bids to be received on July 3 for the purchase from it of $1,950,000 equipment trust certificates to be dated July 15, 1951, and to mature in 30 equal semi-annual instalments from Jan. 15, 1952 to July 15, 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.).

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.

● Niagara Mohawk Power Corp.
June 8, company applied to FPC for a license for a proposed new project estimated to cost $22,611,000. On Jan. 26, company had announced that it probably would sell late this year or early 1952 about $15,000,000 of additional common stock to finance part of its $150,000,000 construction program scheduled for 1951, 1952 and 1953. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.

● Nuclear Instrument & Chemical Corp., Chicago, Ill.
June 18, it was announced company expects to offer in July 74,500 shares of common stock (par $1). **Price**—To be determined later. **Underwriter**—Loewi & Co., Milwaukee, Wis. **Proceeds**—For working capital.

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). Stock would be first offered to stockholders, with Lehman Brothers, Union Securities Corp. and Dean Witter & Co. probably underwriting.

Panhandle Eastern Pipe Line Co.
June 8, the company was authorized by the Missouri P. S. Commission to issue and sell to the public $20,000,000 of 3¼% 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 bidders may include Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Halsey, Stuart & Co. Inc. (jointly). **Proceeds**—For construction program.

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.

Rochester Gas & Electric Corp.
June 6 stockholders voted to increase authorized common stock from 1,250,000 to 1,750,000 shares. It is planned to offer later this year about 150,000 shares for subscription by common stockholders on a one-for-seven basis and 50,000 shares to employees under a payroll reduction plan. **Underwriter**—The First Boston Corp. **Proceeds**—For expansion program.

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.

★ South Jersey Gas Co.
June 15, SEC announced approval of a plan filed by The United Corp., which, in part, provides for the sale by the latter of its entire interest, amounting to 28.3%, or 154,231.8 shares of South Jersey common stock (par $5). These holdings will probably be disposed of to a small group of investors.

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 Pacific Co. (6/25)
Bids will be received by the company up to noon (EDT) on June 25 at its offices in New York or San Francisco for the purchase from it of $10,500,000 equipment trust certificates, series FF, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; and Salomon Bros. & Hutzler.

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 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.

Texas Utilities Co.
May 29, it was reported that company plans common stock financing late this year. Probable underwriters: The First Boston Corp., Rauscher, Pierce & Co. and Dallas Union Securities Co.

Utah Power & Light Co.
March 8 it was announced company during 1951 proposes to issue and sell 200,000 shares of common stock about $12,000,000 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. and 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**—Of stock expected about Sept. 18 and bonds late in October. **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. **Registration**—Expected early in August.

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.

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, incident to the 1951 construction program, and that further financing will be required in 1952. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co.

★ Washington Gas Light Co. (7/16)
June 8 company filed with the District of Columbia P. U. Commission a proposal to issue and sell $9,000,000 of refunding mortgage bonds to mature July 15, 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Alex. Brown & Sons (jointly). **Proceeds**—For construction program. **Bids**—Expected to be invited about July 16.

★ 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 June 15, authority was received from 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.

Weingarten (J.), Inc.
June 6, it was reported company plans issuance and sale of 20,000 shares of preferred stock (par $50) to residents of Texas only. **Underwriter**—Moroney, Beissner & Co., Houston, Texas. **Offering**—Expected late this month.

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Our Reporter's Report

Large investors still are of a mind to take it easy in reaching for new securities. The "make haste slowly" sign continues to hang out prominently, particularly in so far as new debt offerings are concerned.

The situation is not being helped any by the renewed raggedness that has appeared in the Treasury market. These investors have been hard to get along with ever since governments dipped through "par" some weeks ago.

Presumaby they are committed ahead quite heavily in the mortgage field on the theory that the Reserve would keep governments pegged at par indefinitely. These institutions now find themselves between the devil and the deep blue sea.

While the Reserve stood in the market to support governments it was easy enough to raise the funds necessary for such mortgage commitments through the sale of Treasurys. But now the situation is quite different.

These potential sellers of governments also are holders of substantial portfolios of such paper. So they don't dare to push the market too hard being fearful that the Reserve may back away and let prices down still further.

With their large investment stake in Treasurys the spectre of taking inventory losses to get cash via this channel evidently acts as a deterrent. But it means too that funds available for investment in new corporate issues are shortened accordingly.

Big Issues Sticky

Small new corporate debt issues seem to move out quite readily. But when a sizable deal comes along this does not appear to be the case.

A case in point is the $25,000,000 of Peoples Gas Light & Coke Co. 30-year first and refunding bonds sold at competitive bidding on Tuesday. This issue was bid in as a 3⅝% loan at a price of 100.139.

The successful group put a tag of 100.823 on the bonds for reoffering for an indicated yield of 3.58%. The runners-up, who bid for 3¾s, are understood to have had a 3.60% yield basis in mind, so that ideas were close.

Yet even though this kind of yield has not been available on good utility paper in about a decade, the immediate response was reported a trifle slow.

Preferred Stock Goes

Meanwhile bankers who brought out 120,000 shares of 4.20% cumulative preferred stock for the National Tea Co., were able to announce oversubscription of that issue and closing of the books by mid-afternoon.

This offering was brought to market at a price of 101 and found ready demand among investors. In fact the stock was reported to have commanded a small premium for a time, though later settling back to the offering level.

Commercial Credit Corp.

Commercial Credit Corp.'s $40,000,000 of new ten-year notes are being publicly offered today.

The issue carries a 3¼% interest rate and is priced at 99 and accrued interest to yield 3.37% to maturity.

The company will use the funds raised to increase and maintain working capital and ultimately for payment of $35,000,000 of notes maturing next August 1.

Midwest Stock Exch. Committee Appoints.

CHICAGO, Ill.—The Board of Governors of the Midwest Stock Exchange, at its first meeting since the annual election, approved the following standing committees appointed by the Chairman to serve for the ensuing year:

Executive: Reuben Thorson, Chairman, Paine, Webber, Jackson & Curtis, Chicago; Norman Freehling, Vice-Chairman, Freehling, Meyerhoff & Co., Chicago; Lyman Barr, Paul H. Davis & Co., Chicago; John H. Crago, Smith, Moore & Co., St. Louis; Charles L. Grandin, Jr., Piper, Jaffray & Hopwood, Minneapolis; Clemens E. Gunn, Gunn, Carey & Co., Cleveland; George F. Noyes, The Illinois Company, Chicago; John W. Billings (alternate); E. Cummings Parker, Ames, Emerich & Co., Chicago (alternate).

Admissions: George F. Noyes, Chairman; Alfred E. Turner, Vice-Chairman; Julien H. Collins, Julien Collins & Co., Chicago; Bert H. Horning, Stifel, Nicolaus & Co., Inc., St. Louis; Henry W. Meers, White, Weld & Co., Chicago; Frank E. Rogers (alternate).

Finance: Norman Freehling, Chairman; Lloyd O. Birchard, Vice-Chairman, Prescott & Co., Cleveland; E. Cummings Parker; Reuben Thorson; Ira E. Wight, Jr., Newhard, Cook & Co., St. Louis; August I. Jablonski (alternate); Harry W. Puccetti, Hornblower & Weeks, Chicago (alternate).

New Business and Public Relations: John W. Billings, Chairman; Bert H. Horning, Vice-Chairman; Harry A. Baum, Wayne Hummer & Co., Chicago; Ward W. Dayton, Dayton & Gernon, Chicago; Robert A. Podesta, Cruttenden & Co., Chicago; Irving C. Stein; Bert A. Turner, Kalman & Co., Inc., St. Paul.

Floor Procedure: Frank E. Rogers, Chairman; August I. Jablonski, Vice-Chairman; Leslie J. Fahey, Fahey, Clark & Co., Cleveland; Harry W. Puccetti; Robert M. Rice, R. M. Rice & Co., Chicago; David G. Skall, A. G. Becker & Co., Chicago; Lawrence B. Woodard, Woodard-Elwood & Co., Minneapolis; Lyman Barr (alternate).

The Chairman, Vice-Chairman and President are ex-officio members of all committees, except the Nominating Committee.

Chairman Homer P. Hargrave's (Merrill Lynch, Pierce, Fenner & Beane) appointment of the following Advisory Governors was also approved by the Board: Elmer L. Lindseth, President, Cleveland Electric Illuminating Co., Cleveland; Robert W. Otto, President, Laclede Gas Co., St. Louis; William L. McKnight, Chairman of Board, Minnesota Mining & Mfg. Co., Minneapolis-St. Paul; Sewell L. Avery, Chairman of Board, Montgomery Ward & Co., Chicago; Gilbert H. Scribner, Partner, Winston & Co., Chicago; Robert E. Wilson, Chairman of Board, Standard Oil Co. (Indiana), Chicago.

M. L. Cohn, Jr., With Neuberger & Berman

Neuberger & Berman, 160 Broadway, New York City, members of the New York Stock Exchange, announced that Martin L. Cohn, Jr., formerly a member of the New York Stock Exchange, is associated with the firm as a customers broker.

Elected Director

Blancke Noyes, of Hemphill, Noyes, Graham, Parsons & Co., members of the New York Stock Exchange, has been elected a director of Calvan Consolidated Oil and Gas Co., Ltd.

Commerc'l Credit Notes Offered at 99 and Int.

A public offering of $40,000,000 ten-year notes of Commercial Credit Company, one of the country's largest installment finance companies, is being made today (June 21) by a group of investment banking firms headed by The First Boston Corp. and Kidder, Peabody & Co. Bearing a 3¼% interest rate, the unsecured notes are priced at 99% and accrued interest to yield 3.37% to maturity.

Commercial Credit Co. will use a portion of the proceeds from the new financing to pay its outstanding $35,000,000 note, due Aug. 1, 1951, and the balance will be made available for the purchase of receivables in the ordinary course of its business or that of its subsidiaries and for other purposes.

The new notes are redeemable at the option of the company at prices scaling down from 101% if redeemed on or before June 15, 1952, to 100% if redeemed after June 15, 1956.

Since its incorporation in 1912, Commercial Credit Co. has attained a leading position in the field of installment financing with gross receivables acquired in 1950 amounting to approximately $2,346,584,000. Either by itself or through its subsidiaries, the company is engaged in the financing, insurance and manufacturing businesses. Of consolidated net income in 1950 of $19,853,511, approximately $11,000,000 was derived from finance operations, $5,000,000 from insurance operations, and $3,500,000 from manufacturing operations.

Tellier & Co. Offers Lexa Oil Corp. Stock

Offering of 1,465,000 shares of Lexa Oil Corp. common stock, as a speculation, is being made by Tellier & Co. at 20 cents a share.

Proceeds from the sale of this stock will be used first for the drilling of a gas well in Pennsylvania and in the corporation's development program. If sufficient funds are received, the company later proposes to drill some four wells in the Pondera area in Montana and install a tank battery. The proposed program is subject to modification in the light of results of drilling and the amount of funds derived from the sale of these shares.

Lexa Oil Corp. was organized in 1949 for the purpose of exploring for oil and the development of likely oil prospects. The corporation has acquired a one-half interest in oil and gas leases on approximately 14,000 acres located in Centre and Clinton Counties, Pa., for and in consideration of the drilling of a well. The location of such well is to be determined by Prof. L. Dyson, Professor of Geology, of Lafayette College, Easton, Pa.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Joseph F. Buerskens is with Waddell & Reed, Inc., Baltimore Avenue.

E. Geo. Meschi Co.

E. Geo. Meschi has formed E. Geo. Meschi & Co. with offices at 2-6 Broadway, New York City to engage in securities business.

James P. Schwartz Opens

ALBANY, N. Y.—James P. Schwartz is engaging in the securities business from offices at 1444 Western Avenue. Mr. Schwartz also maintains an office at 1996 Lake Street, Elmira.

Schwabacher Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Jacob G. Schurman III and Norman O. Wing have been added to the staff of Schwabacher & Co., 600 Market Street at Montgomery, members of the New York and San Francisco Stock Exchanges.

J. P. Stevens & Co.

J. P. Stevens & Co., Inc. is engaging in a securities business from offices at 350 Fifth Avenue, New York City.

Robert L. Wilson, Inc.

SCHENECTADY, N. Y.—Robert L. Wilson, Inc. is engaging in a securities business from offices at 1949 Albany Street.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Bruce P. Crary has joined the staff of E. F. Hutton & Co., 623 South Spring Street.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—William K. Johnston has become connected with Francis I. du Pont & Co., 113 Southeast Second Street.

DIVIDEND NOTICES

AMERICAN POWER & LIGHT COMPANY
Two Rector Street, New York 6, N. Y.

CAPITAL STOCK DIVIDEND

A dividend of 24c per share on the Capital Stock of American Power & Light Company was declared on June 20, 1951, for payment August 1, 1951, to stockholders of record at the close of business July 6, 1951.

D. W. JACK, Secretary and Treasurer

DIVIDEND NOTICES

DEBENTURE: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Aug. 1, 1951, to stockholders of record July 23, 1951.

"A" COMMON and VOTING COMMON: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Aug. 15, 1951, to stockholders of record July 23, 1951.

A. B. Newhall, *Treasurer*

Dennison Manufacturing Co.
Framingham, Mass.

DIVIDEND NOTICES

DIVIDEND NO. 47

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar ($1.00) (Canadian) per share has been declared on the Capital Stock of this Company, payable September 10, 1951, to shareholders of record at the close of business on August 10, 1951.

H. E. DODGE, *Treasurer.*

THE GARLOCK PACKING COMPANY

June 13, 1951

COMMON DIVIDEND No. 300

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share and an *extra* dividend of 25¢ per share were declared on the common stock of the Company, payable June 30, 1951, to stockholders of record at the close of business June 20, 1951.

H. B. PIERCE, *Secretary*

New England Gas and Electric Association

COMMON DIVIDEND NO. 17

The Trustees have declared a regular quarterly dividend of twenty-five cents (25c) per share on the COMMON SHARES of the Association, payable July 16, 1951 to shareholders of record at the close of business June 21, 1951.

H. C. MOORE, JR., *Treasurer*

June 14, 1951

New England Gas and Electric Association

PREFERRED DIVIDEND NO. 17

The Trustees have declared a quarterly dividend of $1.12½ per share on the 4½% cumulative convertible preferred shares of the Association payable July 1, 1951 to shareholders of record at the close of business June 21, 1951.

H. C. MOORE, JR., *Treasurer*

June 14, 1951

DIVIDEND NOTICES

NATIONAL SHARES CORPORATION
14 Wall Street, New York

A dividend of fifteen cents (15c) per share has been declared this day on the capital stock of the Corporation payable July 14, 1951 to stockholders of record at the close of business June 29, 1951.

JOSEPH S. STOUT, *Secretary*

June 14, 1951.

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½ cents per share on the Preferred capital stock. They have also declared a dividend of 62½ cents per share on the Common capital stock. The dividends on both Preferred and Common stock are payable August 1, 1951, to stockholders of record at the close of business July 3, 1951.

WALLACE M. KEMP, *Treasurer.*

WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on July 16, 1951, to holders of record of such shares at the close of business on June 28, 1951.

E. H. BACH, Treasurer.

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable July 16, 1951, to stockholders of record June 29, 1951. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

June 14, 1951.

Southern California Edison Company

DIVIDENDS

COMMON DIVIDEND NO. 166

PREFERENCE STOCK 4.48% CONVERTIBLE SERIES DIVIDEND NO. 17

PREFERENCE STOCK 4.56% CONVERTIBLE SERIES DIVIDEND NO. 13

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on the Common Stock;

28 cents per share on the Preference Stock, 4.48% Convertible Series;

28½ cents per share on the Preference Stock, 4.56% Convertible Series.

The above dividends are payable July 31, 1951, to stockholders of record July 5, 1951.

Checks will be mailed from the Company's office in Los Angeles, July 31, 1951.

P. C. HALE, *Treasurer*

June 15, 1951

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Things are beginning to perk up again with the Loyal Opposition. It is now beginning to look as though some of the Republican leaders may try to do something to trim down the vastly increased powers which Harry Truman seeks in the new Defense Production Act.

Last week the situation looked bad. GOP leaders had indicated to several responsible persons that they weren't going to put up a fight on the wage and price control provisions, particularly, of DPA, which have resulted in a roll-forward of wages, some roll-back of prices, but generally of a rolling out of price confusion.

The general idea was that Harry had threatened that he would take his controls and start working on the railroad again. This really had the GOP boys trembling for awhile.

Then what intervened was that phenomenon reported in this column June 7, of the loose and spontaneous association of scores of business, farm, and other public spirited groups which have been banging away all over the country at the idea of reduction of non-essential expenditures, a genuine budget-balancing tax bill hitting the lower brackets, and so on.

As a result, the GOP has got a little of its courage back.

This is the House situation. In the House committee it probably will work out, it is reported, that the Truman forces will be able by a not very comfortable margin to give the President fairly nearly what he wants. Then on the floor of the House the committee bill has a good chance of being torn apart.

It didn't get much attention in the daily press but the "round-table" discussion between the members of the controls "Watchdog" committee and the big meat packers was illuminating. At an all-evening session the meat packers laid all their figures on the table and pretty well showed the members of the committe, which is made up of members of both House and Senate Banking committees, that they, the meat packers, can't make Mike DiSalle's little scheme work—both cut the price of beef and make meat available.

What was interesting was that some of the Senators, tacitly agreeing with the explanation, laid their cards on the table too, saying, in effect, "But can't you give us an alternative? We have just got to give the people meat and at lower prices. Can't you figure out some scheme that will work, even it DiSalle's won't?"

* * *

Spokesmen for the meat industry are not prepared as yet to come out in public with a firm prediction as to what will happen in the meat situation, but here is what tentatively they think is most likely to develop if the tentative committee decision to end the August and October roll-backs is not ratified by Congress:

Deliveries of cattle will stay below normal until the early part of July. Then, say, around July 10, volume will begin to pick up with a bang from producers who want to unload before the Aug. 1 roll-back in price. Then after Aug. 1. deliveries again will slack off until the early part of September, when volume will again pickup to get cattle sold before the Oct. 1 roll-back, just as volume zoomed prior to the May roll-back.

This rush of cattle sold in May and possibly to be sold in July and September represents animals which otherwise would have been fed to heavier weights, and normally would have been sold later. It represents light-weight cattle, and a proportion of the normal meat supply which has been subtracted and lost.

Hence the working out of DiSalle's scheme seriously does, by its fouling up of normal production and distribution, run the risk of forcing meat rationing later this year or early next—assuming that defense production in fact, as the Administration says it will, does boom consumer incomes.

However, the increasing flow of livestock may reflect an expectation that Congress will wipe out the two forthcoming roll-backs.

* * *

Whether Transamerica Corp., shall in fact be ordered to divest itself of investments in all banks, except its minority ownership of Bank of America, is something which will not be finally decided for a long time to come, perhaps for two or three years.

What was issued was the report of Gov. R. M. Evans of the Federal Reserve in his capacity as the trial examiner in the divestment proceedings under the Clayton Act. It is only a recommended decision.

Both the Federal Reserve Board and Transamerica may take exceptions to the Evans report. Then these exceptions will be argued. After that, the Board as a whole next decides whether it agrees with Evans' recommendation or not. If the Board also finds against Transamerica, then the decision must be submitted to a U. S. Circuit Court of Appeals for ratification before it can be enforced.

Whatever the final outcome of this case may be, however, the issuance of the impressive looking "recommended decision" was a beautiful break for Gov. M. S. Eccles who has been conducting a long-standing crusade against Transamerica.

It was a break for Eccles because his new book, which reputedly concerns itself with the Transamerica feud and other Eccles causes, was due to be published in just a few days after the Evans decision was announced. Gov. Evans is a close friend of Gov. Eccles.

* * *

Recent news has brought forth two legislative developments in the field of finance, one a gem of consistency, the other a shining example of the inconsistency of this town.

Senator A. Willis Robertson (D., Va.) recently re-introduced the old Federal Reserve bill which would authorize the Federal Reserve banks to guarantee loans to "small business," the loans to be made by member banks. The Reserve banks would be authorized to guarantee such loans up to their surplus.

This bill was initially trotted out by the Federal Reserve Board back in 1947 when it was intended to be used as a scheme for assisting in the demise of the RFC. It was not that the "Fed" believed that a Reserve bank should employ its resources in underwriting loans, but that if the "Fed" were given the small business lending function, there would then be no logical excuse for the continuation of RFC, for back in 1947 the only business RFC supposedly had was to grant or underwrite small business loans.

Senator Robertson is chairman of the Federal Reserve subcommittee of the Senate Banking committee and by virtue of that position, fairly close to the Reserve Board.

This naturally raised the presumption that Senator Robertson, in re-introducing the guarantee bill, was in fact acting on behalf of the Board. In view of the fact that the Board is at the forefront of the Voluntary Credit Restraint program to cut down on bank lending, the fact that Robertson introduced this bill naturally raised some suspicions of dirty work at the crossroads.

The fact, however, is that Robertson did not get the idea from the Board, but all by himself, and he was discouraged by the Board from introducing it. The Virginia Senator had an unique idea. He is committed to the abolition of the RFC. The argument of those who still want the RFC is that it would end a special lending facility for small business. Robertson introduced the Reserve loan guarantee bill to have an answer on hand to that argument. The Reserve can do a far better job, says Robertson, if there must be some special facility for small business credit.

* * *

The gem of inconsistency was provided by the Senate Agriculture committee.

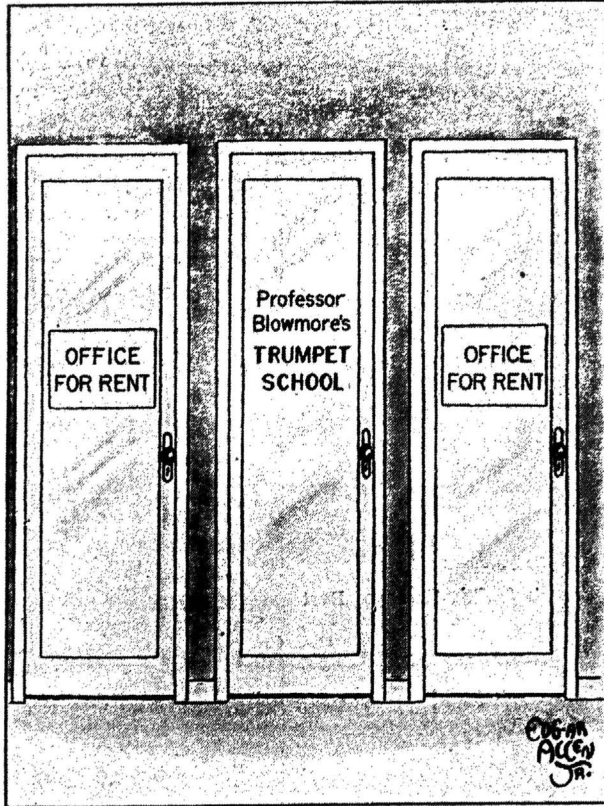
At the time when the universal call is for a clamping down on loose lending, the committee reported out the bill—attempted by the House committee without success in the 81st Congress—to build up and expand the Farmers Home Administration in several highly significant ways.

The bureau, which is lineally descended from the old Resettlement Administration of Rex Tugwell, has a system of "insured," 40-year, 90% loans for farmers.

Originally the farm-FHA was supposed to make these 40-year loans to assist tenants and sharecroppers to have "farms of their own." Between amendments since voted by Congress and those of the Senate bill, the farm FHA would acquire a full-fledged, subsidized mortgage business, financing improvements to farms, expansions of holdings, or any other farm mortgage need any private institution could handle—on less favorable terms.

(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



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