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EDITORIAL

As We See It

The Anglo-Iranian situation as it has developed in recent months has a number of characteristics that are unique. Some of these add interest of a more or less purely political or humanistic sort, and others serve to make this particular impasse one of peculiar practical importance. Obviously it has a highly important bearing on the entire Point IV concept, and the sum total of its significance is certainly not inducive to great optimism or enthusiasm for what supposedly could be accomplished by such programs as that envisaged by many in connection with President Truman's "bold new plan" for world progress.

Of course, the Iranian controversy is highly "explosive," and by reason of its economic importance, its strategic nature and its political history and general background, in some respects almost *sui generis*. However, the basic issues and the fundamental problems presented in this case are not greatly different from many others throughout the world where direct foreign investment has taken place and now must face a definitely altered atmosphere of world opinion and world thinking about a number of questions—to say nothing of the radically changed attitude of the peoples and the governments of the so-called under-developed regions of the globe. For this reason and in this sense Iran "points up" some of the difficulties and perplexities which surround any such program as those to which the general name and title "Point IV" has been attached at least in popular discussions.

It happens that so-called Middle East oil is so vital, we had almost said indispensable, to Western Europe, and that Western Europe is so vital

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Expanding Bank Credit Minor Inflation Cause

By W. RANDOLPH BURGESS*

Chairman, Executive Committee, The National City Bank of New York

Prominent New York banker contends expansion of bank loans has been less than increases in prices or in industrial production, and, therefore, has been only minor factor in inflation. Says program of voluntary restraint is now working, and lays chief inflation cause to Government spending. Holds country can well afford to cut back on outlays for government and civilian purposes and decries notion that nation can maintain butter and guns economy without inflation.

America today faces a three-fold economic task. The first is to increase our armed strength to a point where Russia will not want to start a war with us. After wandering in the wilderness of discussions of "One World" and diplomatic methods of trying to achieve peace, we have come back to a recognition of the age-old truth that in the real world peace depends upon the balance of power. As long as there are unmoral imperialistic nations in the world we must be stronger than they are. If the Western democracies are to preserve their integrity they must maintain a balance of military power. We are moving rapidly, but none too rapidly, toward this objective.

W. R. Burgess

Our second economic task is to restrain inflation to prevent the great spending program from further raising the cost of living and disorganizing our whole social and economic life. Our third task is to preserve our democracy at home. Steps which we have taken in arming America and in financing that program and try-

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*An address by Mr. Burgess before the Economic Seminar of the Graduate School of Banking, Rutgers University, New Brunswick, N. J., June 22, 1951.

French Investor's Squeeze By Inflation—A Warning!

By A. WILFRED MAY

On basis of first-hand analysis, Mr. May finds course of French common stock prices has been governed by factors other than the monetary distrust. Over long-term, equity holding has only partially offset monetary depreciation, and during shorter periods stock buyers repeatedly have become decisively whip-sawed. Concludes investor actually has no "vested interest" in inflation.

PARIS, France—The course of French investments contains implications which are vitally important indeed to today's American capitalist. Such trans-Atlantic interest is justified because of the behavior of securities markets under the drastic long-term inflationary influences here, as well as under poltical and fiscal elements which are becoming increasingly similar to those now controlling investment in the United States.

A. Wilfred May

For the newly inflation-conscious American investor, this country of extreme monetary depreciation provides a most useful laboratory in its records of both the relative effectiveness of different media as hedges against inflation, and of the price performance of the common stock specifically in terms of the monetary unit.

As an approach to the question whether the American investor in common stocks can be deemed really to have a "vested interest" in inflation, let us note the comparative performances in France of various media for capital placement over the very long term. Data going back to 1856 show that over the long interval since then, an investment in representative French common stocks registered a seven-fold increase in their **real purchasing power** (i.e., relating their money prices plus the assumed ploughing-back and compounding of dividends at 5% annually, to the changes in the franc's purchasing power).

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I. D. A. C. Convention Issue and New York Security Dealers Association Pictures — The Second Section of today's issue is devoted to addresses, etc., made at Annual Convention of the Investment Dealers' Association of Canada. On pages 21-24 inclusive of the First Section are pictures taken at outing of the New York Security Dealers Association.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

General Electric Co.—August Huber, Spencer Trask & Co., New York City. (Page 2)

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AUGUST HUBER

Spencer Trask & Co., New York City

General Electric Company

An investment grade issue of prime quality among common stocks, General Electric currently affords a yield of about 6½% on prospective dividends. A few of its attributes may be summarized as follows: (1) Basic growth arising from long-term expansion of the utilization of electricity in industry and homes. Successful and relentless research has continually kept the Company in the forefront with the development of new and revolutionary products while constantly improving established lines.

August Huber

(2) The extremely broad diversification of products manufactured—light bulbs to jet aircraft engines, delicate electronic devices to huge electric generating turbines — afford the foundation for a high level of operations in either a peace or defense economy.

(3) Outstandingly progressive and capable management which is amply reflected in the growth of the enterprise and unbroken dividend payments and earnings each year, since 1899.

(4) Strong finances. All debt retired and only common stock outstanding.

(5) The expansion and modernization of productive facilities — capital expenditures about $425 million since 1946—substantially increased the Company's capacity. This has broadened the base for further appreciable sales expansion.

(6) Moreover, the new plants and equipment—apart from furnishing facilities for the greater production of new lines—have resulted in operating economies and an increase in overall efficiency.

(7) The operating economies and increased plant efficiency, along with higher sales volume, are likely to act as effective offsets to rising labor and raw material costs and satisfactory over-all profit margins are expected to be maintained.

(8) Cutbacks in lighter electrical appliance output due to government restrictions should be more than counterbalanced — to an appreciable degree—by sharply increased output of heavier electrical equipment for industry and public utilities together with steadily mounting production for the defense effort.

(9) Probable sales volume for 1951—based on first quarter shipments already published and indicated growth in the Gross National Product over the balance of the year—suggests a sizable gain over last year's record shipments of approximately $2 billion. The first quarter annual rate was about $2.3 billion, and final results for the full year, are likely to be close to $2.5 billion.

(10) Average earnings for the past four years were $4.50 per share, or double those shown in previous peak years—$2.24 in 1929 and $2.20 in 1937. Last year's earnings of $6.01 per share represented a new all-time high.

(11) Substantial expansion of 1951 sales volume and indicated well sustained over-all profit margins, should result in an appreciable increase in operating profits.

(12) From the examination of 1951 probabilities, a sufficient increase in operating profits is indicated to enable **showing earnings this year**, after 67% over-all taxes (expected effective maximum), **of about $5.50 per share.**

(13) Last year, the Company retired the remaining $145 million of debt which had been taken on during the postwar expansion program.

(14) Finances are strong and with all debt eliminated, dividend payments are expected to be relatively liberal in line with earnings. For many years, the Company followed a policy of distributing the major portion of earnings. In the 17-year period 1930-46, dividends averaged 92% of earnings. During the last two years, the average was 56%.

(15) Dividends **declared** last year totaled $3.40 per share, including extra disbursements. The regular quarterly rate has now been raised to 75c, or $3.00 annually. With $5.50 per share earnings, 1951 payments are expected to total $3.50 per share.

(16) At the present price of 54, the shares with a $3.50 payment, would yield 6.5%.

(17) The longer term outlook is one suggesting continued growth. Over the next four years, published plans call for the expenditure of $350 million for additional plant expansion and new equipment. Heavy expenditures by electric utility companies to meet expanding power requirements, increasing capital expenditures by private industry for new plants and equipment, and the underlying growth of household electrical appliances together with the Company's new developments in metallurgy, electronics, silicones, gas turbines, atomic energy, etc., all should combine to bring about new sales and earnings peaks in the years ahead.

(18) At 54, General Electric is selling at about 10 times earnings and yields 6.5% on the prospective dividend. The excellent record of the Company, its basic growth and future potentialities, combine to impart a "quality" distinction to the shares. Consequently, the market price normally is higher relative to earnings and dividends than the average stock. For example, in 1937 the shares sold as high as 64⅞ with $2.20 per share earnings; 52 in 1946 with $1.49 earnings.

(19) At the average high price of the past 10 years, General Electric sold at 18.4 times the annual earnings; at the average low price, 13.8 times. The present ratio of 10 times prospective 1951 earnings compares favorably with the past and should represent basically sound value.

(20) With the present market price well supported fundamentally, by interim earnings and dividend prospects, and with longer term potentialities distinctly encouraging, General Electric represents an attractive issue combining favorable current income return with an encouraging basis for eventual worth while capital enhancement.

ROBERT SCHEINMAN

Investment Analyst, New York City

Sun Life Assurance Company of Canada

The security I like the best is Sun Life Assurance Company of Canada, one of the leading non-mutualized life insurance companies in the world. As a result of certain policies that were gradually initiated during the past two decades, dividends to shareholders have been very meager. I believe that a change in management thinking is currently taking place which will result in substantially increasing the shareholders' compensation and that a very considerable amount of investment demand for the common shares will follow as this becomes apparent.

Robt. L. Scheinman

Eighty years ago Sun Life wrote its first policy. By the end of 1950, there were almost 1⅔ million policies in force amounting to over $4.4 billion, plus annuities in force of the equivalent value of over $1 billion of life insurance. New insurance written during 1950 alone totaled over $400 million, while total revenue received for the year from premiums, interest, dividends, etc., exceeded one-quarter of a billion dollars. Total Sun Life assets now exceed $1½ billion, of which 48% are invested in the United States and the greater portion of the remainder in Canada. Of the total life insurance in force, 38% is owned by citizens of the United States, 41% by Canadians, 12% by citizens of Great Britain, and the remaining 9% is spread throughout the world.

While earnings to shareholders are not reported as such, a very conservative estimate indicates that earnings are in excess of $2 million, or over $10 per share (many of my insurance friends believe this figure to be very radically understated and several estimate actual earnings to be over $20 per share). Dividends are currently on a $3 annual basis (Canadian funds) and indications are that this should be increased.

This vast enterprise, representing over $1½ billion in assets, is controlled by 200,000 shares of common stock having a market value of about $25 million ($115-$125 per share in U. S. funds). In 1929, when the business in force was only $2.4 billion and assets totaled $550 million, or considerably less than 50% of the present total, it was strongly rumored that the company planned to mutualize and pay off the shareholders at $5,000 per share (equal to $500 on the present shares outstanding). The stock then sold over $4,000 per share (the equivalent of $400

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Problems Facing Bankers

By WILLIAM T. TAYLOR*
Vice-President and Director, Bankers Trust Co., N. Y. City
President, New York State Bankers Association

Mr. Taylor Describes problems facing banks as: (1) execution of Voluntary Credit Restraint Program; (2) furthering of necessary production by bank credit accommodation; and (3) cooperating in fight against inflation.

The New York State Bankers Association faces many real problems during the ensuing year. On a national level, we, as bankers, have a great responsibility for the management of our money problems, which are so closely linked with our well-being as a world power. Our enemies from without would be hard put to it to devise a weapon as destructive as all-out inflation. We understand this threat, and we owe it to our communities to lead the way down the road of sound fiscal policy.

William T. Taylor

The Voluntary Credit Restraint Program appears to have taken hold. If we are successfully to fend off distasteful legislative or executive regulations, we must stand four-square behind this effort to curtail credit, when such credit tends to create new demands for scarce or war-needed commodities.

At the same time, and with the same wisdom used during World War II, we must—on the other hand—open the doors of our banks to those who would borrow to step up necessary production. Credit is as important to the operation of an emergency economy as to the management of business during normal times. Just as surely as we choke off needed credit we so slow the wheels of production that we endanger the security of our country.

It should be made clear that the success of the voluntary program cannot be accurately appraised by mere comparison of reported loan totals, for, as I have indicated, defense production—if successful—will require bank credit. We must concern ourselves with the character of such loans—rather than dollar totals—and even now our authorities in this field are working toward a reporting system that will make possible an analysis of productive and non-productive loan volume.

I think it is important to mention, at this juncture, that while opponents of free business would like us to believe that all inflationary problems stem from the expansion of bank credit, the fact is that bank credit is only one valve in our economic pipeline. To control it, while letting unnecessary government spending—as a single example—continue unabated, is not only inequitable but is wholly unsound. Such one-step controls will have little effect in an economy as diverse as ours.

We have other problems, too, more local in their immediate application, but equally important. In considering these matters, dealing with the rights and privileges of any segment of our industry, it is devoutly to be hoped that we will not forget the great common denominator of interest which underlies all groups. To weaken the fabric of the industry as a whole, in furtherance of the aims of a single part would be unthinkably unwise. We are responsible representatives of one of the nation's key industries. We have few problems that are beyond our ability to resolve. When such problems arise, we have, in this Association, a great forum, open to all segments of our industry. In this forum, I am convinced, we can work out the differences that arise. Following reasoned discussion and wise decision, we can go forward united, to serve better than before our community, our state, and our nation.

Never as now has our country so badly needed the leadership at every level that the kind of men in this group can provide. Our friends abroad, regimented in banking by singlehanded government controls, often wonder how 15,000 separate banking units, with separate managements, and separate boards, and diversified public and regulatory authorities can act in harmony. They look for an answer to this question. We can only answer by doing what we have done for so many years—that is to prove by our action that courageous thinking, free discussion, and independent action, when motivated by the desire to do the best things for the most people, provide their own answers, achieve their unique successes.

So I say, in concluding, that we need local banks, with local boards, and local managements serving local communities to do the best job. I sincerely hope that city by city, county by county, town by town, and village by village we shall see the continuation and prosperity of our local banks. To that end I urge your continued support of this Association, not only through the outward evidence of dues payment, but by personal participation in its deliberations.

No one man is going to be able to administer a solution to our problems, but I pledge myself, as President of your Association, to face such matters directly, and I propose to appoint competent bankers—of varying viewpoints—to deal with them on your behalf.

I've just said that this is not a one-man show. We need teamwork all along the line—and you've given me a team of co-executives that I'm proud to present.

*Remarks by Mr. Taylor in accepting the Office of President of the New York State Bankers Association, Spring Lake, N. J., June 23, 1951.

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Articles and News

Regular Features

* See Mr. May's article on cover page.

Additional Articles in Section Two

SECTION TWO of today's "Chronicle," which is devoted to the 35th Annual Convention of the Investment Dealers' Association of Canada, held at Jasper Park Lodge, Alberta, June 11-14, inclusive, includes the following articles:

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Government Bond Market Under New Federal Reserve Policy

By R. PENFIELD BROWN*
Manager, Investment Division
Chemical Bank & Trust Company, New York

Though praising Federal Reserve abandonment of pegged interest rates, Mr. Brown contends it is of relatively little anti-inflationary importance. Says Government bond market, despite unpegging, is in healthy condition and present time may be favorable for purchase of all classes of bonds. Looks for dwindling mortgage market and increase in both commercial and savings banks' deposits. Foresees banking institutions giving more attention to bond market.

I have often thought how wonderful it would be, how very gratifying, to appear before a group of bankers and announce—gentlemen from now on your worries are over—you can forget your bond portfolios, because I am going to give you a formula which will solve all your problems. Unfortunately, I am not in so enviable a position and never expect to be, since I do not possess an Aladdin's lamp, nor a direct pipe line into Washington. I can only do what all of you try to do, and that is to study such factors pertaining to the money market as are available and thereby attempt to chart a course which will bring about the desired results.

R. P. Brown

Let us review briefly the course of the bond market during the past few months. Let us examine those factors which have brought about such a marked—and I might add, generally unexpected change in interest rates. Then we can attempt to plot a course which will keep our investment portfolios in tune with the times.

When President Truman submitted his memorandum last February 26th to a special committee of economic advisers, directing formulation of an over-all anti-inflation program, I doubt if any of us here then believed that the New Deal's cheap money policy was on the way out and destined to be relegated to the background.

*An address by Mr. Brown before the Savings Banks' Association of New Jersey, Spring Lake, N. J., June 15, 1951.

Mr. Snyder had only recently stressed that federal financing operations would continue to be conducted within the framework of the long-term 2½% rate, and had publicly derided the efficacy of fractional changes in basic interest rates as a deterrent to inflation. Moreover, Mr. Snyder appeared to have solid backing from the White House. Official announcements a few days later, however, of the Federal Reserve-Treasury "accord" proved to be a startling setback to White House economists, as the open market committee immediately proceeded to abandon its inflexible support of the government bond market, thereby pulling the pegs all along the line.

The selective credit controls, imposed during the latter months of 1950 had been only partially successful in stemming the rising tide of the nation's money supply. It was decided that an all-out war against inflation called for quantitative, as well as qualitative controls. Attention was focused on business loans of the commercial banks which, violating their usual seasonal pattern, had risen unabated to record heights during the initial months of the current year. Here was a vast fountain of new money supply that had to be plugged — although not at the expense of stifling legitimate credit demands associated with the defense program. Hence, the creation of the voluntary credit restraint committee on the heels of the unpegging of the Government Bond Market.

Withdrawal of Federal Reserve Support a Desirable Move

The withdrawal of Federal Reserve support from the government bond market was a most wholesome and desirable move, which, in my opinion, will go down in history as one of the outstanding achievements of the Central Bank. In making this statement, I fully appreciate that there are those who hold opposite views, especially when it is recalled that for more than a decade, we had lived with a "pegged" market, and having passed through one severe testing period—I refer to the lowering of the pegs on Christmas Eve in 1947—it seemed only reasonable to assume that history would repeat itself.

Furthermore, as I mentioned a moment ago, as recently as January 18th of this year, Secretary Snyder stated publicly in a speech before the New York Board of Trade that the Treasury would refund its maturing issues and raise new money within the framework of the 2½% rate, reemphasizing that minor increases in interest rates were ineffective as an instrument in fighting inflation. Thus the green light was flashed to those having forward loan commitments and every assurance given that long-term government bonds could be sold at or above par when it came time to take up such commitments. Therefore, it is highly understandable that many were keenly disappointed when the rules were changed in the middle of the game and they found themselves forced to accept losses in the bond account in order to carry out contracts made at a time when there was every reason to believe that long-term governments would continue to be supported at or above par.

However critical we may be of the method employed, I believe most of us will agree that the end justified the means, which as we all know was to combat inflation by making it less attractive to monetize the public debt through sales of government securities to the Central Bank. A way had to be found to impress on these institutions, principally banks and insurance companies, that government bond holdings were not synonymous with cash. Access to Reserve Bank credit had to be made more risky in order that those contemplating forward commitments would temper their judgment with the knowledge that fulfilling such commitments might necessitate disposing of government bonds at substantial losses. In brief, it became increasingly obvious that some way had to be found whereby the Federal Reserve System could regain the initiative to influence the volume, cost and availability of reserve funds.

Personally, I am of the opinion that the rise in interest rates, which accompanied the withdrawal of Federal Reserve support from the government's bond market, was of relatively little importance as an anti-inflationary measure. The increase was much too small to exert any marked influence on prospective borrowers. This is especially true when it is realized that under the present high rate of taxation a large part of the interest cost to the borrower is borne by the government, since it is deductible as an operating expense from gross earnings and thus reduces the borrower's tax liability. However, insofar as the increase in interest rates resulted in book losses in bond portfolios, a reluctance was created on the part of the lender to sell bonds at a loss in order to make new loans.

Banks Protected Themselves

Appraising the situation today, we find that the recent decline in government bond prices has, in large measure, immobilized investable resources that otherwise might be directed into inflationary channels, such as speculative loans and those considered nonproduc-

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Economist Scores Surrender To Pressure Groups

Dr. Neil Carothers, Dean Emeritus of Lehigh University, tells New York State bankers unless Administration abandons appeasement to union labor, farmers, and other pressure groups, it is better for country to give up all controls, except those relating to credit.

Speaking on the topic "Where Are We Headed?" before the 55th Annual Convention of the New York State Bankers Association at Spring Lake, N. J., on June 23, Dr. Neil Carothers, Dean Emeritus of Lehigh University, warned that periods of disorder, such as the world has experienced in last 50 years, have always resulted in violent political and economic changes and "the United States in the coming years may expect to experience also some drastic changes."

Neil Carothers

As for the immediate situation, Dr. Carothers said that it is necessary to keep in mind the facts that there is such a thing as the business cycle and that a great war creates a special cycle of its own, with a war boom, reconversion, the first postwar prosperity, the first postwar depression, the second postwar prosperity, and the second postwar depression. He said that the first postwar prosperity, from early 1946 to late 1948, was the most hectic in history. The inevitable first postwar depression, however, did not purge the industrial system of the economic poisons created by the war, because aid to Europe and general squandering by the government moderated the depression. As a result the country in 1950 entered upon an unstable second postwar prosperity, with unsound conditions in various areas.

"The outbreak of war in Korea immediately created a war economy, with its usual phenomena of government outlays, rising wages, full employment, material shortages, rising prices, increased taxes, and 'scare-buying'," Dr. Carothers pointed out. "But it is not an all-out economy. The government has tried to maintain a peacetime consumption level, without the restraints and sacrifices of a war era. The result has been a rapid inflation, waste of resources, and general confusion. With these problems the government has been floundering and shadow boxing. It has passed an excess profits tax, which is the worst method of handling war profits. It has attempted to control consumer prices without rationing, which is like trying to put out a fire by pouring oil on it. It has surrendered to union labor, waiting months while the unions were forcing wage increases. It has refused to face the issue of farm prices. Its entire policy has been to exempt farmers and union labor from bearing the costs of war preparation and to throw the burden on the owners of enterprise, the white collar classes, and the unorganized workers. Unless it is going to change front and face the problems of farm prices and union wages it would be better for the country if the government would abandon all controls except credit controls through the Federal Reserve."

Dr. Carothers said that in his judgment the present recession in business is not due so much to government controls on credit and prices as to an automatic reaction of the economic system to the frenzied consumer buying and reckless production of consumer goods after the Korean outbreak. It is a question how long it will take for increased war production to overcome the present slump.

Dr. Carothers pointed out also that the country is in the grip of inflationary forces that will continue to lower the value of the dollar so long as we have a spendthrift government. Inflation has been eating into the value of bonds, life insurance, and other fixed dollar values since 1933. A government bond bought 10 years ago, with its compound interest added, is worth about 10% less in purchasing power than when it was issued. We have a government which steadily punishes savers and exploits investors.

"The immediate future depends on military developments," the Lehigh economist concluded. "A negotiated peace in Korea would affect both government policies and economic events. It might bring on a severe recession. Regardless of the outcome in Korea, it is improbable that the present program of rearmament will continue indefinitely. The temper of the American people will not submit to exhaustion of our resources and unnatural industrial production for 10 or 15 years. Either Russia will become a decent and peaceful member of the family of nations or there will be a war of extermination."

Dr. Carothers contended our economic future is jeopardized not by economic forces but by political forces. Our economic system is sound, with unlimited possibilities of a finer life for the American people. But this prospect is endangered by "pressure group government." Dr. Carothers listed as the most powerful pressure groups the farmers, the veterans, the old people, the government employees, and union labor. He outlined the economic injuries from government surrender to these groups. He said that throughout history pressure group governments have ended in disaster. Such governments, he said, go down the road of inflation, government bankruptcy, and depression, and usually they end in dictatorship. The only hope of ending pressure group government, he said, is in economic understanding by the people, so that they will elect to office, regardless of party, men of patriotism, economic knowledge, and courage.

The State of Trade and Industry

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

Virtually no change in total industrial output was recorded the past week from that of a week ago. Steel output was a factor to be considered with estimates placing it at the same percent of capacity for the third consecutive week. Compared with the corresponding period of last year, overall production in the latest week showed a moderate rise.

On the employment front for the week ended June 2, the latest reporting period, a slight decline was noted in total claims for unemployment insurance.

The outlook for steel this week indicates that government allocation of every pound of steel produced beginning no later than the fourth quarter is a distinct possibility, according to "Steel," national magazine of metalworking. With increasingly severe shortages of the major products threatening over remaining months of the year, pressure is rising for closing the "open end" of the Controlled Materials Plan. Anticipating a hectic scramble among unrated consumers for the "free" tonnage left after military and defense-support needs are cared for, government control authorities are reported moving to enlarge the scope of CMP.

Continuing, this trade paper notes that plans are still in the formative stage, but preliminary steps are being taken to bring all classes of steel consumption under the CMP umbrella by Oct. 1. Most lines of civilian goods manufactured already are covered since they fall in the lists designated in CMP regulations as essential, it adds. However, a large consuming area, chiefly consumer durable goods fields, lacks supply protection. It is these latter consumers who are now coming under the scrutiny of the control authorities. Data are being sought from them on which to base distribution policy, and indications are that a definite decision will be forthcoming in a few weeks.

Meanwhile, states the trade weekly, CMP distribution to the military and defense-support industries goes into effect on schedule July 1. The third quarter, however, is expected to be largely a "testing" or "warmup" period for the plan. Many administrative details remain to be worked out. Expectations are it will be well on toward the closing months of the year before anything approaching a desired balance between supply and demand are achieved.

Cutbacks in consumer durable goods, due to contraction attending the working off of large stocks of finished items, as well as reductions resulting from smaller metal allotments, will not materially ease tight steel supply conditions. Whatever slack is experienced on this score will be more than offset by burgeoning defense requirements in the third and fourth quarters. Consequently, the outlook for the short term is bleak. For the longer term, however, trade views are increasingly optimistic, this trade paper concludes.

The automotive industry extended its higher trend the past week with General Motors increasing passenger car output by 2,000 units in the week, and Studebaker 1,500 units as a result of a return to five-day operations following a three-day operation the previous week, according to "Ward's Automotive Reports." Ford and Chrysler operated at steady levels, while Hudson volume was held practically at a standstill because of continuing labor troubles, the agency added.

Ward's estimated June production at 485,000 cars and 132,000 trucks, but added that the month's volume may be even higher if plants continue their drive to attain maximum output before stiffer materials controls go into effect July 1.

Passenger car output by United States plants in the first half of 1951 is expected to total 3,097,000 units, 10,000 less than the record 3,106,911 reached in the first half of 1950, this agency noted.

The textile industry, it is reported, contemplates a further curtailment in production because of the extended weakness in demand. Close to a month ago many cotton and rayon fabric producers eliminated third shifts, and this week some will start operating five days a week instead of six. Two-week vacations will replace one-week holidays for many mills during the first two weeks in July.

Building permit values in 215 cities of the United States increased 17.0% in May to a total of $435,908,489, from $372,503,130 in April, according to the latest compilation of Dun & Bradstreet, Inc. This was contrary to a usual seasonal downtrend for the period. The May permit volume, however, fell 23.4% below the all-time high total of $568,904,044 recorded in the corresponding month of May, 1950.

For New York City alone, plans filed for new buildings and alterations during May were valued at $62,762,259. This was more than double the April figure at $27,351,744, but it was 27.1% less than the $86,101,764 for May a year ago.

Steel Output Scheduled to Show Mild Decline This Week

Steel producers are already worrying about potential threats to production during the coming winter, according to "The Iron Age," national metalworking weekly. They are concerned about the availability of two vital raw materials—scrap, fuel and transportation. A shortage of either would pose a serious threat to production.

The biggest threat is scrap. If production is to keep pace with expanding ingot capacity, the industry this year will need approximately 22,000,000 gross tons of purchased scrap. Industry ingot capacity by year-end is expected to be about 110,000,000 tons, an increase of more than 5,000,000 tons over capacity at last Jan. 1, states this trade paper.

Continued on page 35

Stock Market Timing Based on Credit Controls

By D. WALTON MATTHEWS*
Manager, Bank and Institutional Investment Service
Hayden, Stone & Co., Members, New York Stock Exchange

After outlining stock market movements and their relationship to Federal Reserve credit actions, Mr. Matthews summarizes his findings by stating that on three major stock market tops drastic credit controls preceded the top by $1\frac{1}{2}$ to 9 months. Traces credit control effects on bond market, and contends, on precedents established in three previous bull markets, present implications point to an adjustment downward in stock market.

When I was asked to talk to you about the bond market and credit controls, I felt that any practical value or interest that might be attached to the subject would be largely conditioned on how it might be tied into the stock market.

D. Walton Matthews

Are there any useful hints that we can get from the action of the bond market and a study of credit controls which might be of value in timing stock market purchases and sales, to take advantage of major turning points in the stock market and to go with the main trend between such turning points.

As the late Governor Al Smith used to say, "Let's look at the record," and see if credit controls of the Federal Reserve, and related bond market action, have been of any value in foreshadowing major turning points in the stock market.

I think it is generally agreed (a) that there have been three completed major bull and bear markets since the close of World War I; (b) that there was a small bull market and a small bear market immediately after the close of World War I and (c) that we are now in a bull market dating from June 1949.

The major market cycles were as follows:

The longest bull market on record ran from 1921 to the last quarter of 1929, and was followed by a bear market which saw prices plunge from 386 in the Dow-Jones Industrial average to 40 in July 1932. Another bull market began at this time and rose to 195 in March 1937 to be followed by a bear market which carried down to 97 in April of 1938. From 1939 to 1942 there occurred movements which technically can be classified as small bull and bear markets, and which obviously were distorted by the impact of war.

In April 1942, from a bottom at 92 a third bull movement began which carried forward to establish a top for the wartime rise at 213 in June 1946. Thereafter, ensued a declining phase and a sidewise movement. The sidewise movement also contained a miniature bull market which in turn was supplanted by a bear market which eventually established a low at 160 in June 1949. Since that date the market has rallied forward persistently up to the first quarter of this year, subject only to the intermediate correction that occurred with the outbreak of the Korean War and the 22 point set-back of a few weeks ago.

..e shall skip over minor bull and bear markets in the long sweep of time, primarily to confine this discussion to manageable proportions, and not because there were no interesting credit control measures which had definite implications, or no revealing declines in bonds which preceded weakness in stocks.

Meaning of Credit Controls

Let us examine what is meant by credit controls so that we can review their influence at major market turning points. We will also want to ask the $64 question, "What are the implications now."

The basic mechanisms through which credit controls work are the expansion and contraction of bank loans and deposits. Demand bank deposits represent checking accounts through which about 90% of all business transacted in this country is done. Congress under the Constitution has the power to coin money and regulate the value thereof. In order to implement this power, Congress delegates most of the authority for creation of deposit money to banks. The member banks of the Federal Reserve System account for about 85% of the bank resources of the country.

When one contemplates the creation and extinction of bank loans, although these occur many times every day, there is still associated with the process something of the element of magic. A customer goes to his bank to secure a bank loan for let us say, $10,000. The loan officer, if satisfied as to security, grants the loan and then a very extraordinary thing happens. The depositer signs a note for $10,000, which becomes an asset of the bank, and the bank writes a commercial deposit of like amount on its books on the liability side.

Thereby $10,000 of purchasing power, actual money, has been created that did not exist when the customer walked in the front door of the bank. This purchasing power will stay in existence while being spent by the borrower, as his checks are deposited in other banks, or the same bank, by the people with whom he does business. This purchasing power of $10,000 and its corresponding asset, the note on the bank's books, both will disappear when the depositor pays his loan either by instalments or all at one time.

This transaction is duplicated in the banking system when the U. S. Treasury sells its securities to banks. The Treasury like the individual accepts a deposit in each bank for the amount of government securities which the bank purchases. Thereafter, the Treasury withdraws this deposit piecemeal from banks and redeposits it in the Treasury account at the Federal Reserve banks. The Treasury spends the money by drawing checks for all the various things for which the Government has to pay and these checks in turn are deposited by their recipients in their own banks and there has been added to the money supply of the country an amount equal to the government securities sold to commercial banks. As in the case of the individual borrower this deposit money purchasing power will remain outstanding until an equivalent amount of government debt is paid off and cancelled.

There are influences which can change this process slightly, but for purposes of this discussion we need not go into these relatively minor details.

In the latter part of World War II financing and since, the Treasury has made strenuous efforts to sell its securities to investors other than banks in which cash deposits are simply transferred from the purchaser to the Treasury and no new deposits created. Thus sales to non-bank investors avoid the inflationary implications of increasing the money supply.

Now on the face of it, it would appear that the process of banks granting loans would permit the expansion of bank deposit money *ad infinitum.* This is where the Federal Reserve System steps in to influence the expansion (and contraction) of such deposit money, especially that which is created through private borrowing.

The Federal Reserve Bank is the bankers' bank. Part of all deposits of banks which are members of the Federal Reserve System must be kept with a Federal Reserve Bank in a reserve account which may be divided into two parts, legally required reserve and excess reserve which latter is any amount over and above the legal reserve. Present maximum legal reserve requirements on demand deposits are 14% for country banks, 20% for reserve city banks and 26% for central reserve city banks, which are the large downtown institutions of Chicago and New York. Reserves of 6% are required against time, or saving deposits of all member banks, regardless of classification. When our customer made his loan and the bank credited his account with a $10,-

Continued on page 34

*A talk by Mr. Matthews before the Association of Customers Brokers, New York City, June 26, 1951.

From Washington Ahead of the News

By CARLISLE BARGERON

Out in Nebraska recently, I visited with an old friend, Chris Abbott, described in several magazine articles as the wealthiest man in Nebraska, and one of the largest cattle growers in the country. A typical, raw-boned man of the prairies, a six footer, Chris is what the Eastern "liberals" call a reactionary, which is another way of saying that he has never been on relief or taken a government handout. They should call him a philanthropist for the tax money he has contributed to support them.

Carlisle Bargeron

Chris comes down to Washington occasionally. He is quite an influential figure in the United States Chamber of Commerce. And when I last saw him a couple of years ago, he had a way of tossing a silver dollar into your hand and saying what the country needed most was to get back to "hard" money. It should return to the gold standard, he said. This always brought a smile and a bit of ribbing from people to whom Chris did this, not because it was silly that the country should do what he said, but because the country has got too steeped in foolishness to do any such thing.

Chris is truly a fabulous fellow in the American tradition. He has to have several planes with which to travel over his far flung cattle ranches. It was his own plane in which he flew down to Omaha, whereas three Washington bureaucrats, Secretaries of the Army Pace and of the Interior, Chapman, and General Pick, flying out to Omaha for a pep rally for the proposed St. Lawrence waterway, traveled in three separate government planes, costing the taxpayers about $3,000.

Anyway, I asked Chris if he, being one of the largest cattle raisers in the country, had been down to Washington to protest the 10% rollback on beef. No, indeed, he said, because he realized the cards were stacked against the cattle growers and besides it didn't make any difference with him. The government takes it from him one way or the other. His "top" dollars cost him 94½%.

But he gave me this thought. All cattle raisers do not have as many cattle as he does and this is what the rollback did to them: A man who thought one day he had cattle worth $10,000 found out under the government decree that he had cattle worth only $9,000. It was like owning $10,000 or $15,000 worth of real estate or of stock or anything else and the government all of a sudden says no, what you own is worth only $9,000 or $13,500. The government says it does this by way of controlling inflation when it doesn't do anything of the kind. It does it also, and mostly, by way of politically soliciting the housewives who want the price of beef to come down.

And who is doing all this, under the authority of Congress, of course? Why, it is a little wisecracking politician from Toledo, called to Washington from the mayoralty of that city, who hopes from this sort of work in Washington, to be Governor of Ohio, but whose only other claim to fame is that he has a lot of kids. Mike DiSalle, who has become a household word, expects to have in a short time a bureaucracy of 40 or so thousand to help him accomplish his task. You wonder just when and how a fellow like Mike DiSalle has contributed as much to this country as the Chris Abbots, and what method of madness it is that puts him in position of authority over them.

Mike hopes to further his political ambitions, of course, through the so-called working man, who, through the CIO and to a lesser extent the A. F. of L., will be told that the Mike DiSalles are working in his interests, they being dedicated to his welfare and against the gouging of him by the greedy capitalists. These dunderheads do not have the sense to see that under the guise of the Administration's fighting inflation they have been made second-class citizens in the matter of their savings, their purchase of automobiles, refrigerators or vacuum cleaners. Because they are mere wards of the government like the reservation Indians, they are taken not to know how to spend their money or how to use credit. Their savings must be "siphoned off," through taxes, an expression which the arrogant Henry Morgenthau coined, and their credit must be restricted.

Yet the Administration has not the slightest idea of stopping inflation. Its problem, and there are men working late at nights on new ideas, is how to spend more money. I have talked with industrialist after industrialist who, after bemoaning the plight of our country, has sighed and said that, however, the government spending could not be stopped. We would be in for a calamity if it were. As these gentlemen, these reactionaries, have said mournfully to me, we are committed to guaranteeing employment to 65 million persons in 1953 and it will take a lot of government spending to do that. Such is the economic mess our country is in. Under the circumstances, will there be war with Russia? Why, it looks as though it has got to be. Not that Russia is any physical menace to us, no one else is, but our government has got to spend.

Now Proprietor

H. Louis Hollander is now sole proprietor of Adrian H. Muller & Son, 39 Broadway, New York City.

J. E. Popkins Opens

WASHINGTON, D. C.—Joseph E. Popkins has opened offices in the Southern Building to conduct a securities business. In the past he did business as an individual dealer in Washington.

Richard B. Humphrey Open

DALLAS, Tex.—Richard B. Humphrey has opened offices at 2515 Welborn Street to engage in the securities business.

Mathias-Miller Co. Formed

HAGERSTOWN, Md.—P. H. Mathias and V. D. Miller, Jr., have formed The Mathias Miller Co. with offices at 4 South Potomac Street to engage in the securities business.

Sound Banking in Troubled Times

By HERBERT J. KNEIP*
President, National Commercial Bank and Trust Co., Albany, N. Y.
Retiring President, New York State Bankers Association

Upstate New York banker, warning we are near maximum limit of sound economic controls, asserts country may be in imminent mortal danger, largely because of pressure groups, which sing the tune "Gimme, Gimme, Gimme." Says our democracy can develop into totalitarianism, and contends voluntary basis of curbing credit, along with other sound economic restrictions, are best in present crisis.

Today—more than ever before—we, the people of these United States must view with assurance the troubled days that lie ahead. We must have confidence in our men, our machines, our material resources, our system of private enterprise, and our inventive genius. We must prepare a military establishment capable of warding off all threats from the outside.

Herbert J. Kneip

We are undergoing constant struggles on the diplomatic, economic and military fronts. I will attempt to highlight briefly some of the problems we face on the economic home front and pinpoint some of our responsibilities as leaders in our community. Likewise, I wish to call attention to one of the serious problems of our age; that is, the decline in moral standards.

First, I want to say that our real standard of living has never been so high. We in this country, and particularly those of us who are fortunate to live in the area surrounding New York State, have more automobiles, radios, television sets, utilities such as power, light and telephones—comforts above the normal requirements of life, more so-called luxuries than in any other country in the world.

However, last June, shortly after we assembled here, an event transpired in a little place called Korea that has shaken our very foundation of continued peace. Until then, we were all complacent in the belief that the cold war was the problem of the politician. We have seen that that is not so. Sixty thousand casualties have scuttled that perception.

In November of 1950, the President of the United States declared a state of national emergency. Today we have inflation, we have price and wage control, we have priorities and allocation of materials, we have controls over building, over credit and our reserve requirements have been raised, so that they are near the maximum limit. In short, we have been saddled with regulations. In addition, we have the program of Voluntary Credit Restraint. However, our people have practically all the goods they require and certainly do not lack for their daily bread.

I have spent many years in the banking business. Like many of you, I have seen these crises develop and fade away. We have seen at least two world conflagrations, not to mention a number of serious depressions and recessions. We in the dual system of banking have had a continued uphill struggle. Today we have a sound banking system.

It distresses me though that in all these years we have learned so little. More than two thousand years ago, Plato said in "The Republic": "Tyranny naturally arises out of democracy," and he gave this thumbnail sketch of the man responsible for the change:

"He is a man full of smiles, he salutes everyone whom he meets:—he makes promises in public and also in private; liberating debtors and distributing land to the people and to his followers, and wanting to be so kind and good to everyone; . . . their leaders deprive the rich of their estates and distribute them among the people; at the same time taking care to reserve the larger part for themselves."

This is the two thousand-year-old definition of the welfare state, and Plato called it "tyranny." How true today.

Academically, we have made tremendous strides, but in the fundamental principle of getting along with each other, we are still in Biblical times of the thirty pieces of silver.

Country in Imminent Mortal Danger

Today our country may be in imminent mortal danger. Yet, minority group after minority group, whether it be government (if you can call that a minority group), business, labor, the farmer, and the politician are all singing the same tune—"Gimme, gimme, gimme." They all give lip service to the national emergency, but basically we are faced with our greatest enemy. Some call it inflation, but in reality it is greed. It's human nature to follow the concepts of egoism. There is no sin in wanting to improve our individual lot. The sin is in disregarding the community as a whole. Your newspaper shouts demands of selfish interests or greedy groups on its front page daily. It's an old truism that the wheel that squeaks the loudest gets the most grease.

We have, what on the surface appears to be, complete foreign policy confusion. We are threatened daily with more stringent governmental controls. In the next twelve months we face what may be our supreme test, to rearm against Communistic aggression. Until now our national emergency has been an inconvenience. However, defense orders are being placed at the rate of a billion dollars a week, and Mr. Wilson says defense expenditures will reach that figure by the end of the year. When this happens, the production of civilian goods will be curtailed. But the purchasing power of the dollar with all its inflationary ramifications will be in the hands of the people. It is evident that we cannot take a chance without some form of controls.

But must we, the greatest democracy in the world, adopt the methods of the totalitarian on our home front? Frankly, I don't know the answer. But if government, labor, business, the farmer, and the politician would set aside their selfish interests and forget their greed for a short while, sit down at the conference table and pull together for the good of the country and the greatest number of people, I am sure that they could meet and overcome the problems facing us on the home front today. We would not have the economic chaos and confusion. Must we wait until we see the white of the communist's eye before we accept our responsibilities?

Maybe I am being idealistic, but it strikes me that if we are going to live in an emergency such as this for a good many years, we should adopt the same ground rules for all. There is no *one* answer to the problem. Price and wage controls may be a solution, but have we, with unity of purpose, examined others?

Another solution to the surplus of money over the supply of goods might be a "delayed spending program." Some financial institutions are already using this approach to attract savings funds.

Applicable to inflation, it has been suggested that increases in wages could be paid employees in the form of certificates of deposit in the employers' bank. These certificates could be used to siphon off the excess of the money supply and would be redeemable at the end of a specified period, with interest possibly five years or ten years. This is just one suggestion. There are many more that could be devised if we had national unity.

In this fight against inflation every effort must be made to encourage people to save, every member institution should aggressively encourage and induce savings in every possible way. Savings can be one of our strongest weapons against inflation and a major bulwark against a future recession.

Voluntary Basis of Restriction Best

Banking, business and labor must assert every influence to restrict governmental encroachment. We have examples of this encroachment—the fiasco of the RFC, the postal savings system, and the many, many more governmental agencies in every phase of economic life actively competing with taxpayer's money against private enterprise. The Voluntary Credit Restraint Program is proof of this. Banks, generally, throughout the country have striven on a voluntary basis to restrict inflationary credit. But if borrowers can turn right around and fulfill their needs from government sources, the whole voluntary program is valueless. Government must play ball and abide by the same rules of conduct.

I wish here to mention briefly the work of our legislative committee, that untiring group who work so successfully in carrying out the mandate of the association. Particularly, I want to thank each and every banker for the tremendous support he gave on the local level in making the success of the legislative program possible. For without this individual action and support, any legislative program would be foredoomed to failure.

For the record, I want to add that the legislative program of the New York State Bankers Association always has been and will continue to be first and foremost to protect the soundness of banking, our customers who deposit money with us, and the public at large. We have a public trust.

However, during the past legislative session, certain developments did occur which did not contribute to good public relations. We hope that this can be avoided in the future.

Members of the financial fraternity should be of sufficient stature to mend their differences over the conference table. Like Jessup in Paris, we are unending in our desire for unity and harmony among all segments of the industry. We ask only that our so-called competition abide by the same moral ethics and compete on an equal competitive basis without benefit of subsidy. Unfortunately, banking, unlike department stores, cannot resort to price wars.

Evidently, our capable Super-

*An address by Mr. Kneip at the 55th Annual Convention of the New York State Bankers Association, Spring Lake, N. J., June 22, 1951.

intendent of Banks has taken cognizance of the situation. Recently he invited several representatives of our association together with representatives of savings banks to meet with him to discuss the future of banking in New York State.

The outcome of that meeting was that we appoint a special committee and that the savings banks do likewise to make a thorough study of banking; to analyze the responsibility of each type of institution; to review our areas and functions of operations and to discover the extent to which communities throughout the state are being served. Each committee will work independently. However, a joint report will be submitted to the banking department. If our position is to be clearly presented, we will need the complete support and cooperation of every commercial bank in the state.

It is very possible, however, that one of the bones of contention—use of the word "savings"—will be decided by the United States Supreme Court. The Franklin National Bank has won their first round in its fight to uphold its Federal charter giving national banks the right to solicit savings. If the Supreme Court should agree with this decision, then it is possible that the roll of banking in New York State may be changed. For it would not be too long before all banks started seeing this type of business for what it really is—savings—rather than through a miscellaneous conglomeration of names that commercial banks are presently forced to adopt, such as special interest accounts, time deposits, thrift accounts, and so on. If the banks were to be given this right to call a spade a spade, it would certainly enable us to do a great deal more aggressive job in our fight against inflation.

Banking Must Get Closer to Public

If we are to continue to gain the public good will and understanding, then we must get closer to our public. The association runs two schools, the Bankers School of Public Relations at Syracuse and the Bankers School of Agriculture at Cornell, both designed to familiarize the banker with his customer and his customer's problems. I wish each bank could find it possible to have a representative attend the schools this year. Unless we train our replacements, any missionary work that we have done in the field of community relations will have been to no avail. Banks must find ways and means of becoming the hub of the community, around which the spokes of local activity revolve.

Community relations plays an important part in the Voluntary Credit Restraint Program. How are your borrowers going to feel about this plan to restrict credit to which many may believe they are justly entitled?

The answer here is that developing an understanding attitude among borrowers is also an essential part of the program. The compelling fact that all must recognize is that we are trying to do too much—there is not the manpower and there are not the materials available to carry through the defense job and at the same time expect to do everything we would like to do. Some projects must be postponed.

Thus the real choice that borrowers as well as lenders face is whether they want mandatory controls imposed from above or whether they want to work things out together in a flexible, democratic manner. The Voluntary Credit Restraint Program is an effort to do it the latter way. It doesn't mean that there shouldn't be inventories, that business—even non-defense—should be under absolute prohibition to undertake expansion. We are not, after all, in an all-out war. If the economy of the country is to remain healthy much of the normal business must go on. Your community should be informed of this.

I mentioned earlier that paramount problem of moral standards. The problem has been given constant emphasis by the RFC scandals, the disclosures of the Kefauver Committee, the revelations of the State Attorney General on "'teen-age" dope traffic, and the large upswing in juvenile delinquency. Gentlemen, the country badly needs leadership of the kind you are capable of offering in your communities. Senator Fulbright has warned that moral laxity can destroy the nation.

Tomorrow I will complete my term as President of your association. I thank you, one and all, for your splendid cooperation and support. I leave this office more enthusiastic about the association. I appreciate more than ever before the effectiveness of our association as a voice for our banks as a whole, and I would urge upon all of you that you support the association in every way possible.

There will be presented here this morning a resolution for the increase in association dues. I do not want to belabor the issue, for I think the association's record speaks for itself. This recommended dues increase has received the careful consideration of the Executive Committee and of the Council of Administration. We all feel that it is urgently necessary, if the association is to service the membership and further the role of banking in New York State. I earnestly hope that you will give it your unanimous approval.

This is your association. I urge that you all take an active interest in its operation. The legislative committee in particular must represent the view of the majority. However, unless you express your position to your committees and to the council, the pillars of effectiveness of our entire program of activities will crumble.

I want to thank particularly the members of the staff of the association who have worked so diligently on behalf of the membership. Gentlemen, we have a well-organized, smooth-running machine. Our capable Secretary, Al Muench, needs no platitudes from me on the way he has shouldered responsibilities in carrying out the wishes of your council.

Also to Leo Dorsey, our faithful and efficient counsel, to the chairman, and to the members of all of our committees, thank you very much for your active support on all projects assigned by the council to your handling. Over all, it has been a year of great activity that he been possible only through the continued cooperation of the membership. Let us continue to have unity of purpose.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John E. Veblen has become associated with Francis I. du Pont & Co., 722 South Spring Street. He was formerly with Merrill Lynch, Pierce, Fenner & Beane on the Coast and also in New York and Milwaukee.

Dealer-Broker Investment Recommendations and Literature

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

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.

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.

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

Steel—Analysis—William R. Staats Co., Inc., 640 Spring St., Los Angeles 14, Calif.

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

American Box Board Company—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Anchor Hocking Glass Corp. — Memorandum — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **United Aircraft Corp.**

Blue Moon Foods, Inc.—Bulletin—Mesirow & Company, 135 South La Salle Street, Chicago 3, Ill.

Canadian Pacific Railway Company—Analysis—James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Christiana Securities Company—Analytical brochure—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Cosden Petroleum—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Delhi Oil Corp.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Tex. Also available is a memorandum on **Southern Union Gas Co.**

Filtrol Company of California—Special report—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a summary of **North Shore Gas Co.**

Fownes Brothers & Co., Inc.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

General Tire & Rubber Company—Analysis—Eastman Dillon & Co., 15 Broad Street, New York 5, N. Y.

Glidden Company—Brief Review—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Glidden Company—Analysis—Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Gray Manufacturing Company—Analysis—Walston, Hoffmas & Goodwin, 35 Wall Street, New York 5, N. Y. Also available is an analysis of **Cleveland Cliffs Iron Co.**

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.**

International Utilities Corporation—Analysis—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

M & M Wood Working Company—Brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Muntz TV, Inc.—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 18, N. Y.

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

Paterson Parchment Paper Company — Bulletin — Sheridan Bogan Paul & Co., Inc., 1528 Walnut St., Philadelphia 2, Pa.

Portland General Electric Company—Review in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a review of the **Koehring Company.**

Continued on page 43

Progress of Voluntary Credit Restraint Program in New York

By DAVID C. BARRY*

Senior Vice-President,
Lincoln Rochester Trust Company, Rochester, N. Y.

Mr. Barry explains purpose and methods of the Program of Voluntary Credit Restraint and its organization in the New York Federal Reserve District.

Our assignment today is to discuss with you the "Program for Voluntary Credit Restraint." In the preamble of this program the following statements appear:

"The task of restraining strong inflationary pressures is one of the most difficult and most important in the whole range of economic problems today.

"One part of this task—the restraint of unnecessary credit expansion—presents a challenge to the financing institutions throughout the nation."

The preamble further states:

"At the invitation of the Board, and in company with it, representatives of the American Bankers Association, the Life Insurance Association of America and the Investment Bankers Association of America have been examining the possibilities of this method of credit restraint."

We now have a program prepared by commercial and investment bankers and by life insurance executives which was approved and adopted by the Federal Reserve Board. It is a very clear and concise program for voluntary credit restraint. This program is not law. It is not regulation. It is a request for voluntary action on the part of financing institutions.

The purpose of the program is to curb the inflationary pressures which might be engendered through lending for speculative purposes, whether it be in the realm of inventories, real estate or machinery and/or equipment. The program clearly outlines the necessity for daily screening by bankers of all loan applications presented to them and the need for determination by them of the inflationary or non-inflationary results that may accrue if the loan is made.

The Voluntary Credit Restraint Committee has been organized by the establishment of an over-all Credit Committee appointed by the Federal Reserve Board. Regional subcommittees have been created for the insurance group, the investment banking group and more recently the savings and loan group. Under this general committee are twelve subcommittees for the commercial banking group, one in each of the Federal Reserve Districts. The members of the Second District Commercial Banking Voluntary Credit Restraint Committee are as follows:

George Whitney, Chairman; David C. Barry, George Champion, Horace K. Corbin, Charles H. Diefendorf, R. E. McNeill, Arthur Phelan.

Operations under the program are simple. Forms have been devised and are available at all of the Federal Reserve Banks which can be used by bankers when they are in doubt as to performance or non-performance of loan application presented to them. These forms are very brief, do not disclose the name of the loan applicant and are in effect a simple request to the Committee for its opinion as to conformity or lack of conformity with the Credit Restraint Program. The Committee will provide a prompt reply (possibly in six days) advising the bank whether or not it believes the loan should or should not be made. This response by the Committee will be much more intelligent if the applicant bank in filling in the form gives all data having a bearing on the case. Too little information may result in a decision differing from similar cases where all facts have been included in the request. Some of our larger banks have been cooperating by filing weekly reports with their respective Federal Reserve Banks covering essential and nonessential loans, and it may be that ultimately all banks may be requested to do so.

The New York Committee is anxious to see these reports standardized and is working in that direction. If possible, it would like to see the reports limited to loans in excess of a minimum amount so that such reports would cover 70 to 75% of the dollars loaned and the job would not be too cumbersome, but would supply an ample cross section of what is being done by the banks. The program of restraining credit on a voluntary basis presents some very practical problems to the banker. First, the banker must decide that he will comply with the intent of the program by screening all of his loan applications. The banker's part in the whole program is admittedly small but it is extremely important, and failure on the part of the banker to do his share will certainly result in a reoccurrence of the criticism which was so distasteful and so unwarranted in the past. It might also cause the imposition of mandatory controls in addition to Regulations W, X, T and U, and a further regimentation of bank operations. It could easily result in a changing of the law relative to an increase in reserve requirements. Secondly, there is the necessity of defining inflation. It seems appropriate at this point to suggest that the definition of inflation appearing in the program is about as good a definition as could be devised. For emphasis, I repeat it here:

"Inflation may be defined as a condition in which the effective demand for goods and services exceeds the available supply, thus exerting an upward pressure on prices.

"Any increase in lending at a more rapid rate than production can be increased exerts an inflationary influence. But loans which ultimately result in a commensurate increase in production of an essential nature are not inflationary in the long run whatever their temporary effect may be."

(Please note the last part of the quote because here is a realistic approach to the whole inflationary problem.)

After the banker has accepted a definition of inflation for himself, he then has the problem of selling the definition to his customer and securing the customer's cooperation in discussing the desirability of the program and operations under the program. Such an approach can certainly minimize the risk of offending a customer, lessen the chance of losing good loans, as well as lessen the chance of losing loans to other banks more liberal in their definition of inflation or less cooperative under the program.

I think we all agree that inflation should be controlled. It was recognized at the inception of the program that many borderline situations would be presented—situations that are in the twilight zone. It was for this reason that the regional committees were formed so that the bankers could submit to them cases which they could not decide for themselves. Despite the fact that the bankers may do everything in their power to conform with the program, all of us recognize that inflationary actions on the part of government may cancel out what the bankers are trying to accomplish, but this should not discourage us. To again quote from the program:

"It is appropriate to point out that this program of voluntary credit restraint does not have to do with such factors as inflationary lending by Federal agencies, unnecessary spending, Federal, state or local, and the wage price spiral and other much more seriously contributing factors. These should be vigorously dealt with at the proper places. It assumes that the proper governmental authorities will exercise the requisite fiscal and monetary controls."

Intelligent bankers will sense the obligation that is present and attempt to make unnecessary the imposition of mandatory regulation.

*A paper presented at the Panel Discussion on the "Voluntary Credit Restraint Program" at the 55th Annual Convention of the New York State Bankers Association, Spring Lake, N. J., June 24, 1951.

Magill Calls House Tax Bill "Worst Ever"

Chairman of Committee on Federal Tax Policy and former Under-Secretary of the Treasury, says measure shows fundamental shortcomings in all three main categories of revenue.

According to a statement released by Roswell Magill, Chairman of the Committee on Federal Tax Policy, and in 1937-38 Under-Secretary of the Treasury in the "New Deal" Administration, "the tax bill just passed by the House of Representatives is the largest and probably the most badly devised tax measure in our history. At a time when we are relying heavily on increased production to strengthen our defenses, the new tax bill incorporates confiscatory rates on individuals and corporations and thus levels serious blows against the nation's productive machine by destroying incentives to build up production."

Roswell Magill

Continuing his criticism, Mr. Magill stated:

"The tax bill passed by the House shows fundamental shortcomings in all three main categories of tax revenue—individual income tax, corporate income tax and excises.

Individual Income Tax

"When we need millions of men in the armed forces, the government must call men from all income groups. Similarly, when we need billions of additional revenue to pay for war expenditures, the government should levy taxes on all incomes. The government cannot obtain the huge additional amounts needed for rearmament without levying on the 91% of all net taxable income below $10,000.

"This principle cannot have guided the House when it decided, first, to limit new income taxes to present taxpayers; and, second, to increase all individual income taxes by 12½% of the present tax. The confiscatory nature of this move became evident even to members of the House Ways and Means Committee when they discovered they had adopted tax rates of over 100% in the case of higher incomes. So the Committee reconsidered; and the bill as passed includes only a 94½% rate on income over $80,000, subject to an overall ceiling of 90% of an individual's taxable income. How much incentive to expand production remains with a taxpayer who is allowed to keep only 5½ cents of every additional dollar he earns? How much is his incentive increased when the 90% ceiling applies and he can keep 10 cents of every dollar of his taxable income—in some cases, not even enough to pay his state income taxes?

"Apart from the obvious inequity of such confiscatory tax rates, the fiscal philosophy embodied in the House bill jeopardizes the health of our rearmament economy in other ways: (1) It destroys the financial incentive to produce. (2) It brings us closer to a socialistic state by giving the government much more than half of the incomes of many individuals and many corporations. (3) It leaves us with a badly unbalanced budget.

Corporate Income Tax

"The normal and surtax rates have been raised to 52%, and a ceiling of 70% has been placed on corporate income and excess profits taxes. This means that any reasonably prosperous corporation, large or small, must pay between 52% and 70% of its income to the government. Out of the fraction of income it has left, it can hardly finance itself and pay enough dividends to warrant investment in it. Present corporate rates are already too high. The new rates, which are far above the peak wartime rates, would make it practically impossible for corporations to find the funds needed to keep production going at a high level and to expand production.

"The evil effects of the heavy corporate rates and the discriminatory excess profits tax passed last year have been compounded in the new bill passed by the House. The difficulties in making the excess profits tax operate will be increased by the move to lower the average earnings credit from 85% to 75% of the corporation's normal earnings. In effect, the House bill subjects to an 82% rate one-quarter of normal corporate profits, in addition to those profits which are defined under the bill as excessive. This change is particularly illogical since the excess profits tax has not been in operation for even one full year—the minimum period needed to measure and correct its defects.

Excises

"The excise increases embodied in the House bill expand the present illogical, inequitable and discriminatory group of excises. The result is too little and too late in excise revenue.

"Since excises should be levied on the broadest possible base, it is easy to understand the difficulties that the House faced when it decided to avoid the logical solution of levying a uniform excise tax at a moderate rate. To get substantial revenues, the House was forced to levy heavier special taxes on automobiles, on gasoline, on cigarettes, and on liquor. Their burden will inevitably fall in a selective and discriminatory way on people with moderate and low incomes.

Clean Slate on Taxes

"These faults in the House bill are so fundamental that a balanced tax program can be achieved only if the Senate makes a completely fresh start on the tax measure. The House bill illustrates the illogical extremes to which we are forced to turn when we try to raise increased revenues from an inadequate tax structure. As in the case of expenditures, only a clean-slate approach can lead to a tax structure that will raise the needed funds without imposing crushing burdens on the economy."

With French & Crawford

(Special to The Financial Chronicle)

AUGUSTA, Ga.—Roy P. Herring, Jr. has joined the staff of French & Crawford, Inc., 22 Marietta Street, Atlanta.

With A. C. Allyn & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Bernard F. Supple has been added to the staff of A. C. Allyn and Company, Inc., 30 Federal Street.

Chace, Whiteside, West & Winslow Forming

BOSTON, Mass.—Effective July 1, Chace, Whiteside, Warren & Sears, Inc., and Perrin, West & Winslow, Inc., will merge to form Chace, Whiteside, West & Winslow, Inc. Offices will be located at 24 Federal Street, Boston, and in the Phenix Bank Building, Providence.

Officers of the firm will be Jonathan Chace, Chairman; Thomas A. West, President; W. Richmond Arnold, First Vice-President; Thomas Whiteside, Timothy D. Murphy, Carroll E. Sawyer, Vice-Presidents; Andrew N. Winslow, Jr., Secretary, and Clarence E. Botsford, Treasurer.

Edward Hines will be associated with the trading department and Lester O. Simonds with the municipal department.

The new firm will be members of the Boston Stock Exchange.

Joins Marache Sims

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert E. Van Deventer has become connected with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Hannaford Talbot

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Lilian E. Maib has been added to the staff of Hannaford & Talbot 519 California Street.

N. Y. Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Richard Pigeon to Stedman Buttrick will be considered by the Exchange on June 28.

Transfer of the Exchange membership of Robert N. Kastor to Sydney S. Schatz will be considered on June 28.

Alfred Greenwald retired from partnership in H. W. Goldsmith & Co. June 1.

The Economic Outlook And the Washington Scene

By EMERSON P. SCHMIDT*
Director of Economic Research, Chamber of Commerce of the U. S.

Dr. Schmidt reviews inflationary and expansionary pressures of rearmament program, and contends recent inflation has come from private credit expansion and activation of liquid assets. Holds balanced budget and tight credit controls can prevent inflation, and sees opposing expansion and contraction forces creating a mixed situation. Looks for reduced net profits in business.

The cross-currents shaping our economic outlook are always confusing. But today this is more than normally the case.

Dr. E. P. Schmidt

The recent lull in prices, production, and retail sales can be misleading. Normally, the economic forecaster projects into the future the current trends for "the next six months." And then, for the more distant future, he consults his glands: if he is pessimistic by nature or an "economic stagnationist," he is bewildered and without hope. If he is an optimist by nature, he projects good times.

Deflationary and inflationary forces are present, of course, in every economy at all times. Our economy seems to work best when people are a little uncertain as to which is in the ascendancy.

If everyone fears imminent deflation, the contraction forces take over and we tend to have a recession.

If everyone fears that inflation is imminent, then the expansionist forces take over and we have the kind of high-pressure situation we had after Korea.

Today, there are forces making for contraction and forces making for expansion. How will they balance out for the remainder of 1951? For 1952?

(1) The Inflationary and Expansionary Pressures

The loss of our confidence in the United Nations as an instrument for assuring peace, makes it necessary to rely on our industrial capacity and military might for our international security.

The current "half-war half-peace" psychology and public temper make it difficult to add a large military program onto our capacity-operating civilian economy. Since this state of cold war, with occasional other "Koreas," may continue indefinitely, our government is committed to continuing expanded military expenditures and to expand industrial capacity by very large amounts over the next two years—steel, aluminum, chemicals, mineral production and many other lines. With this enlarged capacity, it is hoped that, a few years hence, we can maintain a civilian standard of living without retrenchment and, at the same time, divert two to three times as large a fraction of our resources to the military as we did between the end of World War II and Korea.

This two-headed simultaneous plant expansion and defense production program involves a very large diversion of manpower and resources from civilian production for two years more.

Although our annual steel capacity is now nine million tons in excess of that at the end of World War II, another 14 million tons are to be added so that by the end of 1952 we will have a total of about 118 million tons.

In the case of aluminum, we expect to have in another year or so an annual capacity of 1.3 million tons, as against only 175,000 tons in 1939, or about 750,000 tons at the time of Korea. This means an increase of nearly 75% within two years over the available capacity of last July.

Increased output of steel, aluminum, etc., furthermore, means a proportionate (or at least large) increase in many other parts of the economy—railway rolling stock, steel fabricating and machinery plants, warehouse facilities and the like.

Accelerated amortization, provided for in the Defense Production Act of 1950, has greatly stimulated planning for new production facilities. It is anticipated that, in 1951, expenditures for new plant and equipment will reach about $25 billion as against an average annual figure of about $18.5 billion from 1948 to 1950—which, itself, was more than three times (in current dollars) the 1939 figure.

Actual military expenditures (for our military, atomic energy, stockpiling and foreign aid) are now running at the rate of nearly $3 billion a month, or $36 billion a year. In the fourth quarter, next December, an annual rate of $45 billion or even more is planned. By the spring of 1952 the target is about $65 billion. Most of the increase will be in the form of military "hardware"—guns, tanks, airplanes, etc. Even though the total may not exceed 18% of our gross national product, the expenditures for some types of goods will be many times that figure—up to 100% in some cases.

Defense expenditures have expanded less rapidly than was anticipated. It takes time to decide upon specifications, types of items and quantities. New defense orders are now going out at the rate of nearly $5 billion a month. President Truman stated last May that, by June, 1952, another $58 billion in defense orders will be placed. This stepped-up rate of activity will reflect itself in rising demand for steel, aluminum, copper, fuel and electric power and thousands of other materials and supplies. The government's mammoth raw material stockpiling program is going forward.

Even though the civilian economy is cut back due to saturation of consumer markets, or high inventories, or credit controls, or scarcity of raw materials—defense production, including $4.5 billion of new defense construction in the way of warehouses, war plants, enlarged airfields, etc., may quickly replace such civilian contraction.

In addition, the Administration has requested $8.5 billion of foreign military and economic aid. Whether this, if the Congress votes it, will take the form of goods and commodities or of dollars will not greatly alter the fact that most of this money will be spent here in our own markets.

While plans never quite work out as intended, it is expected that the peak pressure on raw materials in the metal and chemical markets will come late this year or next winter. Some types of steel and many nonferrous metals are now allocated 100% to defense and defense-supporting uses for the fourth quarter of this year.

These materials are sought and purchased in advance of fabrication. As they are converted into finished war material and delivered, contract settlements take place—with a lag in final payments of two to three months. Meantime, however, expenditures for labor, raw materials and components are made by manufacturers and others, and the income stream is fattened thereby. Payments by government to the war contractors follow a prior outpouring of dollars to workers suppliers, transportation agencies etc. For this reason, it is expected that the war program will subject our economy to growing pressures in the months ahead and into next year. The peak squeeze is expected within the next six to eight months. But any slackening in defense production thereafter is likely to be accompanied by the released material being diverted to stock-piling.

That, so far as one can see in confused Washington, is the plan. If "Korea" blows away and no new "Koreas" are started, there may be some relaxation.

The walk-out from the defense program of the labor leaders last winter and their apparent unwillingness to shoulder the sacrifices necessary to the program, is causing some slow-down in the implementation of the plan.

While the "war or peace" sentiment shifts from day to day, depending on accidental or planned official pronouncements, or our fortunes in Korea, basically we appear to be moving into a period of reduced international tensions.

There is a growing number of people who believe that World War III can be prevented and is likely to be prevented, providing we do not provoke it. While we have only 6% of the world's surface and of its population, we produce over 40% of the world's output. Our biggest steel company produces more steel than all of the steel capacity in Russia and behind the Iron Curtain. Our steel capacity, to say nothing of that of our Allies, is nearly four times that of the Soviet Union and its tenuously-held satellites. Much the same could be said of aluminum, petroleum and many other ingredients of modern war potential. If the Politburo is manned by men who are as realistic as we commonly say they are, the Soviet Union would indeed be ill-advised to launch a major war against the western powers in the near future.

While we can never be certain in these matters, and are well-advised to build up our economic and military capacity, fear of the Soviet Union "starting something" in the near future is declining.

This, plus the attitude of some labor leaders, is causing the program to expand less rapidly than was planned.

Will the Budget be Balanced?

The inflation since Korea has come not from any current unbalanced Federal budget. It has come primarily from private credit expansion and the activation of liquid assets owned by the American people, which assets are the outgrowth of earlier Federal deficit spending.

In the first quarter of 1951 the United States Treasury had a cash surplus of nearly $7 billion due chiefly to the March 15 heavy income tax payments. In the current quarter we are operating on a deficit but will end the fiscal year in June with a gratifying surplus for the year. After that, deficits are likely to be generated. This will mean that the government will pay out more than it collects. The government will add to purchasing power more than it is taking away. There will be a strong tendency for this deficit to be financed in part through credit expansion, by borrowing from the commercial banks. Such borrowing, whether done by private individuals or government, means that brand new, previously non-existing purchasing power is created. This is inflation. Rising prices are the result of this inflation.

We should, of course, pay for this war as we go, but the resistance to higher taxes is on the rise.

Colin Clark, a well-known Australian economist, and a disciple of Lord Keynes, noted during the course of his research in many countries, that when the tax burden reached a certain point, governments take the "easy way" out by monetary devaluation, deficit spending, and inflation, rather than through further tax increases. This tendency seemed to be so widespread and so uniform that Clark thought he saw an economic law in motion. He decided to study this typical reaction more closely.

Clark's analysis covered the taxation - expenditure - inflation patterns of countries all over the world. Out of his long study came this conclusion: ". . . the critical limit of taxation is about 25% of the national income, or possibly rather less." ("Economic Journal," December, 1945.)

The United States has reached or exceeded this critical level. In the first quarter of 1951 our national income was running at an annual rate of $265 billion. Federal, state, and local taxation may reach a rate of $80 billion, or about 30% of our national income, by next year, even without any new taxes.

And we are now reacting in accord with Clark's economic law: We seem to prefer deficits to higher taxes or reduced expenditures. The pressures for greater spending are tremendous at every level of government. New government services and expenditures are being urged daily.

For this reason everything in our power should be done to encourage all levels of government, Federal, state and local, to cut down less essential expenditures and postpone public improvements that can be deferred. We should be selective, however, in making the cuts.

Unless we are willing to increase the tax burdens and pay as we go, we must expect upward wage and price pressure to continue in sipte of Mr. DiSalle and an enfeebled Wage Stabilization Board. The deficit for fiscal 1952 is currently estimated at a minimum of $5 billion assuming that

*An address by Dr. Schmidt at the Business Leadership Conference University of Washington, Seattle, Wash., June 15, 1951.

the Congress provides for another $7 billion in taxes this year.

Rise in National Income

Under these military and defense expenditure plans, our national income and spendable income will rise. From the first quarter of 1950 to the first quarter of this year the national income rose from $217 billion to $265 billion, or by $4 billion per month—a total for the year of $48 billion. This *increase* in one year was larger (in dollars) than our entire income in 1933 or 1934!

If the economy expands as intended, many forces will combine to generate many, many more dollars of income—nearly everybody will gain except the stockholder and those living on fixed, or more or less fixed incomes. A longer work week with time-and-a-half for overtime, upgrading, more and more wage increases, and a larger labor force—all these will combine to pay into the hands of the consuming public more and more dollars — even after higher taxes to be voted this year.

So far we have found no way in a democracy of avoiding a steady deterioration of the buying power of the dollar under full employment and powerful labor unions. Public support for price controls is evident, but every wage increase is applauded. Here is an area of almost complete public illiteracy on which more work could be done.

The newly constituted Wage Stabilization Board has on hand some 3,000 wage cases which pierce the wage ceiling established by the prior Board. The decisions of the new Board have steadily broken the stabilization formula. Every break-through is seized upon by labor leaders as ground for their demands.

The labor leaders are in a competitive struggle to outdo each other. Every Board decision is widely publicized and used as a stepping-stone for the next higher break-through. Thus, there is some basis for the view that government wage "fixing" actually stimulates a rise in wages, production costs and greater pressures on consumer markets than would be the case under normal wage negotiations and bargaining. The Wage Stabilization Board has become a "Wage Stimulation Board," according to this view.

Actually wages have on the average outpaced consumer price increases for many years, and for the most part since Korea. The following tabulation tells the story:

Since Korea consumer prices have risen 8.5% while hourly earnings in manufacturing have gone up 8.3% and weekly earnings have gone up 9.1%. Since August, 1948, the pre-Korea peak in consumers prices, these prices have risen 5.8%, while hourly earnings have gone up nearly 15% and weekly earnings nearly 17%—two to three times as fast—to say nothing of fringe benefits.

The businessman gets blamed for high prices; he is accused of profiteering. Business management apparently has not done enough to give the workers and the public the facts. Since 1939 consumer prices have risen by 86%. But since then hourly earnings in manufacturing have risen by nearly 149% while weekly earnings have risen by nearly 170%—nearly twice as fast as consumer prices. Since 1929, to take a longer view, hourly wage rates in manufacturing have jumped from 57 cents to $1.58. or by 180%, while consumer prices have increased only 51%.

People are motived not only by facts, but also by what they think are the facts. The least that business management can do is to be sure that their employees and other people have the facts. If the labor leaders overprice the workers' services and thus they become disemployed, the businessman will also get the blame for the unemployment.

Thus, the pressures for expansion and for rising costs and prices are seen to be strong. There are, however, a number of deflationary factors to which we now turn, in order to balance out the picture.

(2) Anti-Inflation Factors

We can avoid further inflation if we have the courage to do so. We have come a long way in public understanding of the causes of inflation since the days of loose finance of the 1930's and the period of World War II. During the last war there was no popular support and little support from responsible groups and individuals for a strict pay-as-we-go war financing policy. Today, almost without exception, pay-as-we-go is a part of everybody's "defense mobilization program." This represents gratifying progress in economic literacy.

Inflation vs. Price Rises

Webster defines inflation as a "disproportionate and relatively sharp and sudden increase in the quantity of money or credit or both, relative to the amount of goods available for purchase. Inflation always produces a rise in the price level."

In popular language and even in some policy-making circles, Webster's definition has been telescoped together to read "Inflation *is* a rise in the price level."

This change in meaning has slipped into the language almost unnoticed, with some serious effects. A symptom has taken the place of the disease. And it is not surprising to find some groups advocating treatment of the symptom (price increases) by direct means (price controls), in a manner somewhat akin to immersing a fevered patient in icewater and letting it go at that.

In spite of this popular confusion most responsible groups and persons are recognizing more and more that inflation is primarily a monetary phenomenon and that therefore the basic treatment must address itself to money and its use.

Korean Aggression Builds Boom on Boom

Most economists, many bankers and others have been concerned over the "loose financial way of life" practiced by the Administration and particularly the United States Treasury in recent years. The North Korean aggression caught us in the midst of upward price pressures and recovery from the slight dip of 1949. Wholesale prices had been rising since the end of 1949. Consumer prices started rising in March 1950. Thus the Korean aggression in June, 1950, followed by a stampede to get wage increases, and anticipatory buying on the part of housewives and businessmen, built a boom upon an expanding economy.

From June to December, 1950, commercial bank loans increased from $44.8 billion to nearly $53 billion, a net addition of $8 billion in about half a year. At an annual rate this was an increase of 35%. Consumer credit during the same period rose from about $17.7 billion to over $20 billion—nearly 13.5%. Nonfarm home mortgages increased by $1.3 billion per month in 1950, more than one-third above 1948 and 1949. In the last half of 1950 demand deposits, our chief form of money, increased from about $85 billion to over $93.2 billion. During this period the total money supply (currency plus demand deposits) jumped upward from about $110 billion to over $118 billion, which is some $4 billion above the previous postwar peak. Furthermore, the rate of use of the money supply (velocity of money turnover) had been rising steadily and is continuing.

In the face of this expansion of the money supply, it is not surprising that the power of money-spending was reflected in a rise of wholesale prices from 157 (1926=100) in June, 1950, to over 183 in early 1951, or by almost 16%. Meantime, retail or consumer prices have risen only from 170 in June (1935-39=100) to about 185 in April, 1951.

While these price increases are not solely attributable to the increase in credit and the money supply, there is a correspondence in direction and size of these several movements, so that we are justified in recognizing a causal connection. Wage increases, rising costs of replacing inventories, higher prices for replacement and expansion of capital equipment, and strong markets for goods—all these work together to encourage bank loan expansion.

But if banks had not or could not have expanded loans and the money supply, all of these upward pressures would have been substantially reduced.

In spite of this picture, the Secretary of the Treasury, in a speech as recently as January of this year, reaffirmed what in effect must be a "loose" monetary policy.

Academic and industrial econ-

Continued on page 36

Percentage Rise in Manufacturing Wages and Consumer Prices*

Rise Since	Consumer Prices	Hourly Earnings	Weekly Earnings
1929	+51.1%	+178.1%	+156.6%
1939	+85.7%	+148.7%	+169.2%
**1948 (Aug.)	+ 5.8%	+ 14.6%	+ 16.6%
1950 (June)	+ 8.5%	+ 8.3%	+ 9.1%

*Most recent data. All data from U. S. Department of Labor. **Pre-Korean peak in consumer prices.

Are Railroad Securities Worthy Of Investor Consideration?

By CHARLES L. BERGMANN*
R. W. Pressprich & Co.
Members, New York Stock Exchange

Laying adverse sentiment toward railroad securities to unpleasant recollections, inherent instability of earnings, and failure to recognize recent basic improvements, Mr. Bergmann calls attention to some good points, such as (1) improved earnings performance since 1930; and (2) sounder capitalization and increased operating efficiency. Maintains there has been real growth in railroad traffic, despite diversion to other forms of transportation. Sees increasing recognition by regulating authorities of need of sound transportation agencies.

Railroad securities are subject to greater extremes of investor attitude than any other group of securities with which I am familiar. They enjoy the continuing favor of only a limited number of constant adherents. They appeal at times to a group which may be termed "fair weather friends," that is, a group who will consider them only when the outlook for the industry is considered to be favorable. Then too, there is another group of investors who will have nothing to do with railroad securities under any circumstances. My talk this afternoon is directed primarily to the latter two groups in the hope of dispelling some of the unreasoned prejudice which exists.

Factors in Creating Adverse Rail Sentiment

Summarized briefly, adverse sentiment toward railroad securities stems primarily from—

(1) unpleasant recollections of what happened to the industry and its securities during the 1930 decade,

(2) an inherent instability of earnings with wide extremes between good and poor years,

(3) over-emphasis on what are considered to be the problems of the industry, accompanied by a failure to recognize many basic improvements which have been achieved in its position.

The unhappy experiences of the 1930 decade were brought about by a combination of an unusually severe business depression and a revolution in transportation. A sharp reduction in railroad earnings brought about by depressed business conditions was further accentuated by the effects of what I describe as a "transportation revolution." The seeds were sown for several new forms of transportation during the 1920s, and by this I refer to the early development of the highway carrier, the pipeline and the airplane. These new forms of transportation developed rapidly during the 1930 decade.

Their most important effect was the creation of new markets for transportation and new markets for the products they moved. Nonetheless, they did make inroads on what was theretofore exclusively rail traffic. Of even more importance, because these new forms of transportation were unregulated, they could easily quote rates so low as to force reductions in competitive railroad rates. This rate-cutting process further depressed the level of railroad earnings.

As indicated previously, the combination of depression conditions and the effects of the transportation revolution precipitated a crisis in the railroad industry. In many instances overburdensome capital structures had to be revamped to meet changed conditions. Railroad operations had to be improved to cope successfully with new forms of competition and, last but not least, a new regulatory policy had to be promulgated which recognized through regulation the changed order of things. The new regulatory policy evolved as the Transportation Act of 1940 and extended the area of Interstate Commerce Commission regulation to include all common carriers except those by air.

It is also worthy of note that under the Transportation Act of 1940 regulation is intended to be protective as well as restrictive. Consequently, although regulation by a Federal body is generally considered to be one of the weaknesses of the railroad industry, actually under today's conditions it does add some elements of strength. Whereas regulation was originally conceived to protect the public against transportation monopoly, today it is designed to protect not only the public but also the carriers which serve the public. In support of that statement I would like to quote from the preamble of the Transportation Act of 1940:

"It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantages of each; to promote safe, adequate, economical and efficient service and foster sound economic conditions in transportation and among the several carriers."

To foster sound economic conditions the various forms of transportation need earnings. The measure of earnings for the railroad industry, as determined by the regulatory body, is net operating income, after deducting all taxes including Federal income and excess profits taxes. Because of this, one is automatically taking into consideration fluctuations in the income tax rate. Net operating income is used to measure the rate of return on investment. The problem of regulation is to determine the rate of return which will produce a sound economic condition and at the same time not result in excessive charges to the public. Of course, there is disagreement between the railroad industry and the Interstate Commerce Commission as to what constitutes a fair rate of return. The railroads want 6%—the Interstate Commerce Commission has indicated by its actions 4-4½%. However, this difference is only one of "degree"—there is no disagreement as to the necessity for a return on investment.

Now what produces earnings? A combination of volume times rates. Volume fluctuates from one year to the next. Rates, because the industry must go before a regulatory body, tend to lag behind changes in the cost level. However, over the longer term, rates must keep pace with costs or the industry can't produce earnings on investment. But because of the fluctuations in volume and the lag between rate increases and cost increases, there is apt to be, in any twelve months' period as compared with a previous twelve months' period, a wide fluctuation in earnings which ultimately must be made up through rate increases if there is to be a satisfactory rate of return on investment, and the objectives of the Transportation Act are to be realized.

In this connection, it should be realized that the railroads are regulated on a national basis. Transportation transcends state lines and can't be localized as to state or area. Therefore, in the matter of regulating the industry as a whole, regulation must be within the national concept, even though regulation may be modified within any given region. But the important point is that **the needs of the industry as a whole determine the regulatory policy.**

Measures of Earning Power

Now, to properly measure the earning power of the industry, one must look at it over a period of time—a period which is long enough to flatten out the effect of the lag between rate increases and costs, as well as the effect of fluctuations in the business cycle. We have found that this is best accomplished by using a moving three-year average of reported earnings statistics. Net operating income for the twelve years ended 1950 (and this includes the good war years) averaged approximately $933,000,000. In the postwar period (1946-1950), which is a more valid guide, net operating income averaged $826,000,000. However, if earnings of each of these last five years are analyzed, it will be found that there is a variation of over $400,000,000 between the low and the high net operating income in this period, while on the moving three-year average basis the variation is only about $160,000,000. Thus, you can see how by a three-year average you flatten out the effects of the cyclical characteristics of the earning power of the industry and in no way misrepresent the soundness of its average annual earning power. Similar results are obtained by using a moving three-year average of income available for fixed charges before Federal income taxes, of net income, and even earnings per share.

As previously indicated, railroad regulation is designed for the industry as a whole. However, within the whole there are many roads which perform better than the industry and others which perform less well. Nonetheless, the needs of the whole must dictate the general regulatory policy. In effect, regulatory policy designed to recognize the needs of the industry as a whole aids to a greater degree the strong elements within the industry while merely serving to satisfy some part of the needs of the below-average performers.

For example, one western railroad accounts for 6% of the gross revenues of the industry but produces 8% of the industry's net operating income. By contrast, a large eastern road contributes almost 10% of the industry's gross but only 6% of net operating income. In spite of such discrepancies the Interstate Commerce Commission until recently has granted rate increases on a national basis, with resultant greater benefits to the above-average performer group.

Only recently has any recognition been given to regional differences in operating problems and costs with the resultant need for more favorable treatment for one territory than another. However, except for one major question which I will discuss subsequently, there is a limit to the extent by which territorial distinctions can be recognized in the rate making philosophy.

Now, what makes an "above-average performer"? Not regulation nor rate increases by the Interstate Commerce Commission, but a combination of factors which include geographical location, traffic characteristics and management ability. First, traffic performance—is it better than that of the industry as a whole, or of other roads serving the same general territory? For example, in 1949 one large eastern road handled only 6% more traffic than in 1940, compared with an increase in originated traffic for the industry of 21%. By contrast, a southern carrier handled 72% more traffic in 1949 than in 1940, and a western carrier increased its traffic 86% in this period. Secondly, control of transportation expenses has an important bearing on the end result. The lower the ratio of transportation expenses to operating revenues, the greater the degree of efficiency. For the industry as a whole, this ratio stood at about 37% for 1950. By contrast, the eastern carrier's ratio was 42%, but the western carrier's was 30%, and the southern's 38%. And finally, the relation of fixed charges to earnings available for paying such charges gives another key to the "above-average performer."

For the industry as a whole average annual income available for fixed charges (before Federal income taxes) for the last three, five or 12 years has exceeded three times the present level of fixed charges. Many roads have bettered this ratio while others, such as Pennsylvania, New York Central and Baltimore & Ohio, fall short of the industry average. Let me emphasize that these average results have been accomplished in spite of the background of a regulated industry which presumably cannot keep pace with economic changes or cost changes.

Put another way, in spite of the inflationary trend of recent years, regulation under the Transportation Act of 1940 has permitted railroads sufficiently good average earnings to cover their fixed charges by a comfortable margin. If any criticism be directed at regulation it would be on the grounds that the rate increases made necessary by rising costs are granted only after a costly period

*An address by Mr. Bergmann at the Investment Banking Seminar of the University of Pennsylvania, Philadelphia, Pa., June 18, 1951.

of delay and are not sufficient to produce a level of earnings which railroad management and some investors consider wholly adequate. The average level of earnings in recent years certainly does not support a view that the industry is in imminent danger of bankruptcy.

In addition to the improvement in the earnings performance since the 1930 decade and under the regulation of the Transportation Act of 1940 there has also been a marked improvement in the capitalization of the railroad industry. The transportation property is valued for rate making purposes at approximately $21 billion. Against this figure the industry is capitalized at less than $15 billion, of which approximately $7 billion is bonds and $8 billion is stock. The overall capitalization figure represents a reduction of $3.5 billion from the capitalization at the end of 1929. This was accomplished largely through reduction in outstanding debt, partly through reorganization and partly through voluntary debt retirement by solvent companies.

The railroads' own depreciated valuation on their books exceeds the Commission's rate making valuation by some $3 billion and, while not strictly comparable, does indicate a disagreement between the railroads and the Interstate Commerce Commission on the valuation of the properties. In spite of this disagreement the important point is that the industry's capitalization is about 70% of the valuation of the property for rate making purposes. Further, it should be noted that about $10.5 billion of new property has replaced old during the last twenty years, the greater part, that is nearly $8 billion of replacement, occuring during the last ten years. More recently, new property has been replacing old to the extent of a billion dollars a year. In other words, almost half of the total property investment today is represented by investment in new and modern facilities.

There is no statistical basis for arguing that the industry is overcapitalized today.

Just as the experiences of the 1930 decade brought about a change in our regulatory philosophy and a marked improvement in railroad capital structures, so it also made necessary an improvement in railroad efficiency. In the interest of brevity, because the statistics have been so often quoted, I will merely state that new standards of efficiency have been achieved and the forward progress is by no means over. Increased efficiency has contributed materially to making it possible for the railroads to absorb higher costs without commensurate rate increases.

Railroads Are Not Decadent

In my introductory remarks I referred to the tendency of many to over-emphasize the problems and apparent weaknesses of the railroad industry. The problems thus weighed include a belief that the railroads are decadent or that they lack growth potential, that diversion of traffic to competing forms of transportation is proceeding at such a rapid rate as to threaten the existence of the railroad industry and that, as a regulated industry, the railroads are caught in a squeeze between rising costs and a regulated selling price. Further, it is also argued that additional rate increases will ultimately price the railroads out of the transportation market. I would like to deal briefly with each of these statements.

Those who contend that the industry is decadent use as one of their arguments that the railroads have been handling a decreasing portion of the total volume of freight traffic. They point to the fact that in 1929 the railroads handled 75% of the total volume of intercity traffic and by 1950 the proportion had been reduced to about 60%. The statistics are correct but the conclusion is at least partly in error. By way of argument, I would like to point out, for example, that pipelines, which began to expand in the early part of the 1930 decade, created new and larger markets for the product which they transport —markets which probably would not have been achieved to the same extent had it not been for the development of pipeline transportation. The same thing may be said with respect to the large volume of commodities which move to suburban and urban areas via trucks. It is questionable whether we would have had the same development of such areas without the availabiity of the highway carrier, which also was largely a 1930 decade development. Both of these forms of transportation created new demands for transportation which, being included in the whole, tend to reduce the railroad proportion, but do not necessarily indicate that the railroads have lost ground.

Another measure often used to support the contention that the railroad industry is decadent is that freight traffic volume has not kept pace with the F. R. B. index of production. By way of rebuttal, may I remind you that certain industries included in the F. R. B. index, and which have experienced spectacular growth, do not require railroad transportation to make their products available to users. Several examples of these are—aircraft, crude and refined petroleum, and many types of chemical products.

Actually, if you use what I think are proper measures, there has been real growth — tangible growth—in railroad volume to the current period. In order to explain what I mean by saving "using the proper measures" I would like to remind you again of the 1930 decade to which I referred as the period of a transportation revolution. The development during that decade of unregulated competitive forms of transportation did precipitate a crisis for the rails from which they had to recover.

Since then we have witnessed a very measurable recovery in the position of the railroad industry and in the volume of traffic which it moves. I might digress for a moment here to say that some analysts will use originated tonnage as a measure of volume handled by rail, whereas others will use ton-miles, which is simply the number of tons handled multiplied by the distance carried. I prefer to use originated tonnage rather than ton-miles, because we know that, as a result of the development of the country, the average distance each ton of freight is hauled has been increasing. Therefore, merely because of an increase in the average haul, you could have had an increase in ton-miles but no growth in actual tonnage.

If you accept my use of the originated tonnage base and look back to the boom year 1929 we find that in that year the railroads originated 1,339,000,000 tons of freight. However, during the 1931-1940 decade, partly as a result of depression conditions and partly as a result of this transportation revolution to which I have already referred, the average tonnage originated declined to 845,164,000. If you take the end year of that decade, that is the year 1940, as a better measure than the average of the period, we find that even then the tonnage originated for the railroad movement was 1,009,421,000. Now let's see what has happened since then.

By 1948 the originated tonnage had incrased to 1,506,878,000 tons an increase of 49% over the 1940 level and 78% over the 1931-1940 average. Even in 1949, a year which is actually not satisfactory as a measure of railroad performance—not satisfactory because of recurrent interruptions in the production of coal, strikes in the automobile and steel industries, and even railroad strikes, the effects of which weighed heavily against railroad traffic—even in 1949, originated tonnage amounted to 1.2 billion, a figure 21% higher than 1940 and 45% higher than the 1931-1940 average. For the year 1950 originated tonnage is estimated to approximate 1.4 billion tons.

Thus, there is evidence of real growth in the industry if you will go along with the theory that the transportation revolution in the 1930 decade produced a major change in our transportation requirements.

It may be argued that such growth is only natural because of the growth in population in the period. I concede that, but we have another measure which will appraise that aspect and that is—originated tonnage per capita. Viewed in that aspect, average tons originated per capita in the 1931-40 period was 6.7; for 1940 it was 7.7; by 1948 it was 10.3; in the poor or distorted year of 1949 it was 8.2; and for 1950 it was 9. Using the ton-mile measure, there is even greater evidence of growth because of the multiplying factor of increased average haul.

Question of Competition

The argument that railroad traffic is being increasingly diverted to other forms of transportation is true to some extent but leads to several erroneous conclusions. I have already referred to statistics which show that in 1929 the railroads handled about 75% of the total volume of intercity traffic, whereas in 1950 their proportion was about 60%. In the same period the proportion handled by truck increased from 3% to 10% and the proportion by pipeline from 5% to approximately 13%. The proportion handled by waterways during the same period actually declined, although nowhere near as much as the railroad proportion. I have already indicated that the increasing proportion handled by truck and by pipeline was due in large measure to the creation of new markets (and nonrailroad mar-

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Credit Controls and Rearmament

By PAUL EINZIG

Commenting on plea of Bank for International Settlements for credit restrictions to offset inflationary effects of rearmament, Dr. Einzig points out difficulties involved in credit controls. Says recent inflationary trend in Europe and elsewhere arises from increased materials prices and not from excess money supply. Holds politically impossible for Britain or any other Western European nation to indulge in a deflationary policy.

LONDON, Eng.—The annual report of the Bank for International Settlements, of Basle, Switzerland, puts forward an emphatic plea for a return to prewar economic and monetary policies. It agrees with the views recently expressed by the International Monetary Fund that exchange restrictions should be removed and import restrictions relaxed. In addition, it strongly advocates credit restriction as a means for avoiding the inflationary effects of rearmament.

Dr. Paul Einzig

The B. I. S. emphasizes the need for efforts to avoid deficit financing, and to that extent it favors both curtailment of unnecessary expenditure and increase of taxation. It realizes, however, that many governments will find it impossible to increase taxation to a sufficient extent to cover the growing deficit due to rearmament. Consequently, some government borrowing would be unavoidable. The report emphasizes that, what matters is that there should be no direct or indirect recourse to the Central Bank. Since an expansion of credit for the benefit of the arms industries is inevitable, the report demands that lending for other purposes should be curtailed.

So far the policy advocated by the B. I. S. corresponds to the views expressed by British Government spokesmen on various occasions, and to the policy of discouraging credit expansion for non-essential purposes. Where the policies differ is in that the B. I. S. appears to be in favor of indiscriminate credit restrictions, while the official British policy aims at discriminating according to the purposes for which the credit is intended to be used. Moreover, while in Britain financial controls are supplemented by physical controls, the B. I. S. is firmly opposed to any physical controls and firmly believes that credit restrictions alone could produce the desired results.

What the B. I. S. appears to overlook is that the credit expansion which is taking place at present in Britain and other European countries is the result of the increase of raw material prices which has led to an all-round increase of prices. Higher prices mean higher currency and credit requirements. Hence the increase in the amount of the note issue, bank deposits and bank advances. This expansionary trend has nothing to do with inflationary financing of budgetary deficits. If an attempt should be made for a reduction of the total volume of credit the result would be an acute shortage of credit which would penalize all branches of industries, whether engaged in the production of arms, goods for export, essential goods for home consumption, or luxuries.

It seems that the B. I. S. can only think of inflation in terms of monetary inflation—when too much money chases too few goods—and ignores the possibility of an inflation of prices through nonmonetary causes. This one-sidedness of its theoretical basis vitiates its conclusions and recommendations. For instance, it advocates an increase of taxation and deplores that it is impossible to increase taxation sufficiently to cover the whole additional arms expenditure. Yet any such increase of taxation would inevitably produce an inflationary effect. In prevailing circumstances it would mean an increase of prices and wages, and the resulting increase of requirements for money would lead to a subsequent expansion of currency and credit. The fact that the increase in the volume of money succeeds the rise in prices instead of preceding it does not alter the inflationary character of the movement as a whole.

In so far as high taxation reduces the volume of monetary resources at the disposal of business firms, their requirements for additional monetary resources will increase. In order to enable them to continue to produce, their monetary requirements have to be satisfied either through a corresponding additional credit expansion or through an increase of their capital resources. If the credit expansion is not forthcoming readily enough, the business firms will endeavor to raise the necessary capital through the issue of stocks in the market. They have to make these issues sufficiently attractive in order to divert capital from savings in the form of government loans. If they succeed in doing so, this means a decline of savings, which is a powerful inflationary factor.

The only way in which credit restrictions could produce a deflationary effect would be through leading to wholesale unemployment. This is not, however, what is in the mind of the B. I. S. report. On the contrary, simultaneously with advocating drastic curtailment of credit, it advocates an increase of production and criticizes business interests for being obsessed by fears of a postwar depression. Yet if the governments were to carry out the credit policy advocated by the B. I. S. to an extent to which it would begin to be effective, these fears would soon materialize. In reality, it is politically impossible for Britain or any of the Western European countries to indulge in deflationary credit policy. A substantial increase of interest rates, favored by the B. I. S., would moreover aggravate the budgetary problems of the governments concerned. It would lead to an increase of the deficit. The moment it caused unemployment the governments concerned would become subject to irresistible political pressure to reverse the policy. A certain amount of credit control and higher interest rates would be undoubtedly useful for checking over-full employment. For the rest, physical controls are indispensable in order to moderate the inflationary effects of rearmament.

Malik Proposes Korean Truce; Truman Replies

Head of Russian Delegation to U. N., though accusing United States of transforming the world organization into "an instrument of war," says Soviet people favor a cease-fire and an armistice providing for military withdrawal of armed forces from the 38th Parallel. Truman reiterates desire for peace but says any settlement must end aggression and restore peace and security to Korean people.

In a radio address delivered under the auspices of the United Nations on June 23, Deputy Foreign Minister of the Soviet Jacob A. Malik, who is Chief Soviet delegate to the United Nations, after denouncing the United States and its allies as fomenting war and protesting that the Soviet peoples desire peace, made the following statement at the conclusion of his address, suggesting discussions of a cease-fire and an armistice be entered into by the belligerents in Korea as "the path of a peaceful settlement of the Korean question":

"By the efforts of the ruling circles in the United States, however, the United Nations is being transformed more and more into an instrument of war, a means for unleashing a new world war; and at the same time it is ceasing to be a world-wide organization of nations endowed with equal rights. The United Nations adopted the illegal decision sanctioning, post-factum, the American aggression in Korea and China. The United Nations branded as an 'aggressor' the People's Republic of China, which is defending its own frontiers and endeavoring to secure the return of the island of Taiwan, which had been seized by the American forces. This is also borne out by the illegal decision to declare an embargo against China and by the fact that 400 millions of Chinese people are still not represented in the United Nations.

"The Soviet Union will continue its struggle to strengthen peace and avert a new world war. The peoples of the Soviet Union believe that this is possible to defend the cause of peace.

"The Soviet peoples further believe that the most acute problem of the present day—the problem of the armed conflict in Korea—could also be settled.

"This would require the readiness of the parties to enter on the path of a peaceful settlement of the Korean question. The Soviet peoples believe that as a first step discussions should be started between the belligerents for a cease-fire and an armistice providing for the mutual withdrawal of forces from the Thirty-eighth Parallel.

"Can such a step be taken? I think it can, provided there is a sincere desire to put an end to the bloody fighting in Korea.

"I think that, surely, is not too great a price to pay in order to achieve peace in Korea."

* * *

Truman's Reaction

Without referring directly to the foregoing proposal of the head of the Russian U. N. Delegation, President Harry S. Truman, at the concluding part of an address made at the dedication of the Arnold Engineering Development Center at Tullahoma, Tenn., on June 25, made the following statement:

"We are ready to join in a peaceful settlement in Korea now just as we have always been. But it must be a real settlement which fully ends the aggression and restores peace and security to the area and to the gallant people of Korea.

"In Korea and in the rest of the world we must be ready to take any steps which truly advance us toward world peace. But we must avoid like the plague rash actions which would take unnecessary risks of world war or weak actions which would reward aggression.

"We must be firm and consistent and level-headed. If we get discouraged or impatient we can lose everything we are working for. If we carry on with faith and courage we can succeed.

"And if we succeed we will have marked one of the most important turning points in the history of man. We will have established a firm peace for the whole world to last for years to come.

"That is a goal to challenge the best that is in us. Let us move toward it resolutely with faith in God and with confidence in ourselves."

COMING EVENTS

In Investment Field

June 30, 1951 (Chicago, Ill.)
Bond Traders Club of Chicago golf outing at the Nordic Hills Country Club.

Aug. 23, 1951 (Rockford, Ill.)
Rockford Securities Dealers Association "Fling Ding" at the Mauh-Nah-Tee-See 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.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of William Wallace Thornton to Carl L. Dennison will be considered by the Exchange on July 5.

Albert Bradick retired from partnership in Emanuel Deetjen & Co. June 13.

Robert F. de Coppet, member of the New York Stock Exchange, retired from partnership in Granbery, Marache & Co. June 30.

Interest of the late Hartley C. Davidson in Henderson, Harrison & Struthers will cease as of June 30.

John D. Penick retired from partnership in Reynolds & Co. June 1.

Fulton, Reid Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Robert B. Egan has become affiliated with Fulton, Reid & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—J. Kent Cole, Gerald S. Kitchen and James R. Pierson are now affiliated with Investment Service Corporation, 650 17th Street.

Stop Dissipation of Our Gold Reserves!

By B. F. PITMAN, JR.
Pitman & Company, San Antonio, Texas

Asserting socializing the people's gold and replacing it with debauched irredeemable paper money is most potent force in swing to collectivism, Mr. Pitman calls attention to international distrust of U. S. dollar. Points out, despite utopian theories of our money managers, gold remains only universally accepted measure of value, and concludes stopping profligate dissipation of our irreplaceable gold reserves by restoration of dollar convertibility at realistic prices, will stop inflation.

Through the centuries, alchemists have vainly sought to change lead, copper, zinc and other base metals into precious gold. What these scientists and magicians could not accomplish is now an everyday occurrence. Foreign nations and individuals possessed of strategic metals are converting these and other critical materials into United States gold at a breakneck rate. In this they are, perhaps inadvertently, encouraged by the myopic attitude of our government finance officials.

Benj. F. Pitman, Jr.

Gold at the present time is domestically priced at 35 depreciated U. S. dollars per ounce. We have less than $22 billion of the yellow metal to serve as a reserve against our money and the astronomical amount of "near-money" represented by demand government bonds and other forms of investment readily convertible into currency, or deposits.

The Roosevelt-conceived Gold Standard Act of 1934 devalued our money by declaring the dollar capable of purchasing only 1/35 of an ounce of gold instead of 1/20 of an ounce as previously was the case. U. S. citizens, moreover, were denied the theretofore inherent right of converting their currency into gold. Possession of the metal domestically became illegal. The catastrophic results of socializing the gold rightfully belonging, under our free enterprise system, to the individual citizens is only now becoming apparent to the average man of the street.

In the decade preceding the ascendency of Franklin Roosevelt, the matter of the value assigned to an ounce of gold was largely academic. Our currency was redeemable in coin or bullion on demand. Intuitively we had learned to trust it without giving very much thought to the basic reasons. The historical integrity (convertibility) of the U. S. dollar largely accounts for the bewilderment of the American people concerning the steady depreciation that has, since fateful 1934, been insidiously going on, but which of late has, belatedly, developed into widespread distrust. Thus the great mass of ordinary U. S. citizens, denied the right to possess their own gold, frantically search for other ways of "swapping" off the eroding dollars for something—anything of value in itself. Common stock, land, commodities, jewelry, tires, or tractors—anything useful or that promises future enjoyment or security have become stylish.

Despite the studied attempts of the new and fair dealers to discourage thrift, it is still firmly inculcated in a large segment of our people. While a hectic scramble to protect savings against further betrayal by the adroit money managers proceeds apace internally, an examination of the working of external economic forces resulting from our capricious gold policy is appalling.

The starry-eyed braintrusters and welfare state bureaucrats, calling the signals during the early part of the FDR era, had little regard for the fashion in which the dollar held up its proud head in the eyes of the American people. Conceivably, the managed currency advocates of the 1930's, as well as those of the 1950's, knew that the unchallenged way to weaken a capitalistic country, in order to convert it to Communism, is to destroy confidence in the currency. Socializing the people's gold, and replacing it with debauched, irredeemable paper money, has been the least understood, but most potent, force in our swing to collectivism.

Universal Faith in Gold

The maintenance of the supremacy of the dollar internationally, however, presented the Washington intellectuals with a difficult problem. The bitter experience of generations has taught older civilizations to distrust any currency not convertible into gold. The faith of the Swiss, the Mexicans, the French, the Arabs, the Italians, the Asiatics, and even the Russians, in gold, is as indestructible as the metal itself. Tacitly acknowledging this tenacious reliance on the yellow metal, the "managed money" proponents found it necessary to adopt the present hybrid, so-called International Gold Standard. Under these regulations foreign central banks and foreign governments have access, in virtually unlimited amounts, to United States gold stocks at $35 an ounce. Hence, we stand ready, with possibly 60% of the world's monetary gold, to redeem for foreigners, our money on the basis of one ounce of gold for 35 paper dollars.

So what? Hasn't this condition existed for the past 17 years? Indeed it has, but during normal times foreigners seldom use their dollars to buy gold. Funds are rather utilized in the purchase of machinery, automobiles, and an impressive list of other articles which our skill and technical know-how enable us to "mass" produce in unexcelled quality. Moreover, since the gold standard was abandoned, the essential automatic control of the money printing presses, which a convertible currency virtually guarantees, has been completely missing. The immutable inflation spiral characteristic of fiat money, so familiar in all financial history, has accordingly proceeded without restraint. Our unwholesome and deceptive printing press adventures have now overtaken us. The intuitive distrust, now clearly discernible among U. S. citizens, is worldwide. The increasing international clamor for our mountains of the glittering metal testifies to the "fire sale" price. By comparison our exportable products even when available, are less attractive.

During 1950 we lost over $1¾ billion of the precious metal. In the first quarter of 1951 gold moved out at an annual rate of over $3½ billion. The alarming implications of this "flight from the dollar" at this crucial period in our history, so far have evidently been ignored. A little publicized example of the alarming outlook is supplied by the petroleum industry in the Middle East. Iraq Petroleum Co., 23¾% jointly owned by Standard Oil of New Jersey and Socony Vacuum, recently agreed to increase royalties paid to the Iraq Government. The Baghdad authorities stipulated that these (increased) royalties be *paid in gold, on a free market basis.* The magnitude of the potential gold payments is staggering. In the past 14 years the known oil reserves of the Middle East—chiefly Iran, Iraq, Kuwait, and Saudi Arabia — have risen from 14% of the world's known reserves to 47%. Iraq alone is credited with 10%. The new agreement is understood to provide royalty and other payments (in gold) amounting to perhaps 50% of the profits, versus 34c a barrel called for in the previous arrangement. The new schedule is conservatively equal to 50c a barrel. Iraq's 10% of the world's reserves amount to roughly 90,000,000,000 barrels. In the unlikely event that royalty payments are not further increased, the Iraq Government will still, over a period of years, theoretically get at least $5,000,000,000 in gold, based on a U. S. price of $35 an ounce and a composite world "free market" of $42. $5,000,000,000 is more than 20% of the total—shrinking —U. S. reserves. Isn't this indeed a modern Arabian Nights tale, significantly pointing up one of the many ways the people of the world are, at our expense, using modern alchemy to convert their products into our irreplaceable gold? Similarly, the ruler of Arabia requires that royalty be paid in gold sovereigns—or dollars — depending on his choice. Saudi Arabia is credited with an additional 10% of the world's known reserves. Here again a further $5,000,000,000 of the yellow metal might in due course leave Fort Knox to enrich the Arab Government. If the United States and European interests are able to retain their oil properties in the Middle East, collectively amounting to 4% *of the world's known oil reserves* (versus 29% for the entire United States), the shrewd Arabs, distrustful of all fiat money, will undoubtedly all demand royalty payments in gold. Where will all the glittering metal come from? If it once leaves our shores or is earmarked for foreign account, is anyone so gullible as to believe that with a replacement value of possibly $100 an ounce it will ever come back in exchange for 35 depreciated dollars?

What an anomaly — the great United States, carefully conserving its oil, timber, copper, zinc, and other natural resources on the one hand, while on the other

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Stop Dissipation of Our Gold Reserves!

wantonly dissipating, at perhaps one-third of its replacement value, the one and only substance that can in war or peace, under any circumstances, be used in payment for any kind or description of materials or services throughout the world. Once gone, the despairing cry may well be: "Too late we wake up to the fact that we have too little."

Gold at a Premium

Despite the exposure (to foreigners) of our entire reserves at $35 an ounce, the global demand is so insatiable (and the U. S. printing presses so prolific) that in *all the free markets of the world* gold sells at an appreciable premium. For example, in early May (1951) gold bullion sold in the free (internal) Paris market at $44 per ounce. Twenty U. S. gold pieces brought more than $53 in U. S. currency. The Bank of France was reported in late January to have gotten as high as $42 an ounce for the metal, some of which, it is rumored, was acquired from the U. S. for $35. The recent quotation in Mexico was $41, with Brussels at $43, and Bombay, Budapest and Karachi above $50.

While the free markets indicate the striking undervaluation of our gold, in terms of inflated money, the grave consequences to our national security are more obscure.

Wars are paid for in gold. It will be recalled that General Mark Clark was burdened with gold—not currency—when he first landed in North Africa in the last World War. Mercenary soldiers have traditionally demanded their pay in hard money. Foreign oil, as heretofore explained, must often be paid for in gold.

Conservation of Our Gold Ignored

Conservation of our gold, a vital element of our national defense, is being completely ignored. But the yellow metal is popularly believed to be particularly nonessential in times of war so why stress its importance now. Partially because of our little realized dependence on foreign sources for urgently needed raw materials. For example, manganese, at the top of the list of critical metals, is largely imported. Formerly a substantial part of our annual requirements of more than 1,300,000 tons came from Russia. Today less than 10% is produced domestically and the balance comes principally from India, Africa and Brazil. India and Africa are particularly insistent on specie payment.

An examination of the "barter" value of our reserves in relation to other imported metals and materials further illustrates how wars (and preparedness) are paid for with gold. Quicksilver, for instance (chiefly from Spain and Italy) was selling less than two years ago for approximately $60 per 90-lb. flask. Recently, the price was around $200. In 1949 it took 1¾ ounces of gold to buy a flask; today it requires over 5¾ ounces. Copper (Chile, Canada, Peru and Africa) cost 18c per pound a year ago; today the domestic ceiling price is 24½c, although world prices are reported as high as 50c. Zinc (Mexico, Canada) has almost doubled (from 9c to 17½c). Here, too, world prices are even higher. It is a jolt to our national complacency to realize how dependent we are upon Canada, Brazil, Rhodesia, Venezuela, India, Spain, Bolivia, and South Africa, to mention but a few, for our manganese, chrome, tungsten, cobalt, nickel, uranium, zinc, tin, copper, iron ore, and other vital metals. All require in exchange 50% to 250% more in gold than a few years ago.

Our whimsical money managers must admit, though no doubt reluctantly, that the once almighty (U. S.) dollar has toppled off its high pedestal in terms of virtually all materials essential for national defense. Apart from the insane "police" action in Korea, an army is necessary to defend our own country. Equipment is as necessary as rain is for wheat. Pitifully short imported raw materials that go into the equipment frequently must be paid for in gold. Doesn't this support the assertion that our Fort Knox "nest egg" is of first importance in our national defense program.

To get the American people sufficiently aroused to correct the present Roosevelt impelled, dishonest monetary system is a colossal task. The true gold coin standard, used by this country during virtually all of its world ascendency, as well as all other countries that have ever made economic progress, is almost meaningless to the younger generation. Financial history is ignored. The gold standard is not fashionable. Most of the "liberal" colleges do not teach it, or openly condemn it. The "managed money" advocates scoff. With a few notable exceptions, our most influential life insurance executives, bankers, investment bankers, and foremost financial advisers in the Treasury Department and Federal Reserve System either openly support our (domestically) irredeemable fiat currency or apathetically condone it. It is the contention of these "planners" that the plain U. S. citizen should not be permitted by law to possess gold because it might be "hoarded." The word hoard—not save—is emphasized and a reprehensible connotation is implied. Frugality is discouraged; but if practiced, our great financial geniuses urge that savings be "protected" through the purchase of obligations of the (welfare) State, savings accounts, or other form of "investment" payable in irredeemable greenbacks of unpredictable future value.

Yet, paradoxically, these same skillful money managers insist that the government itself "hoard" gold in Fort Knox, available solely to, often unfriendly, foreigners.. In typically Russian style our "socialized" gold is used and manipulated by our (often politically appointed) financial clairvoyants, for the "collective good" of all the people.

But, of course, we can increase our dwindling pile, if necessary. Or can we? In 1939 world gold production, excluding Russia, was 34.6 million fine ounces. By 1949, it had fallen to 23,850,000 ounces. During 1949 world monetary gold reserves rose less than 11 million ounces, indicating that industrial consumption and "hoarding" accounted for over 50% of that year's production. This trend may be expected to continue.

Older mines throughout the world are being worked out. The exploration cost of discovering large new mines and bringing them into production has been estimated as high as $100 per ounce. Many countries, including Canada, have thus found it advisable to subsidize their gold producers, in effect circumventing U. S. policy. Significantly one of the important Canadian gold producers seriously considered closing its mines. South Africa has indicated that it will stop selling gold at $35. Our unrealistically low price for gold has discouraged new exploration. Consequently, few gold mines of any importance have been brought into production in this country in the last decade. Mines are selling the scarce metal to the U. S. Government at far less than the replacement cost. Unless of government and its obdurate step-child, The International Monetary Fund, wake up to the long-range danger and establish a reasonable price for gold, the wise producers may valuntarily shut down soon, and all will, in the not too distant future, be forced to.

The golden flood is surging away from our shores at a yearly rate in excess of 50 years of our annual production.

Our factories are becoming progressively more dependent on foreign sources for essential raw materials. Foreigners shrewdly demand and get payment in gold. Are we, as a consequence of our unwise monetary policies, confronted with the inability to pay for vital raw materials at possibly the most critical time in our history?

No matter the utopian theories of our money managers; the fact remains that gold remains the only universally acceptable measure of value in the ultimate settlement of international balances. We are, nevertheless, because of our absurdly low price permitting our supply to dwindle at a rate that could conceivably exhaust it in 6½ years, with indications that the annual loss may increase by geometric progression.

Quick action is called for. This country should immediately restore its currency to free convertibility at a realistic value for gold. A free market, to determine the price at which permanent redemption can be maintained, seems the logical first step. However, time is the essence and a commission to fix an appropriate value may be better. Thereafter irrevocable free convertibility should be maintained, preferably confirmed by constitutional amendment.

Admittedly, it is as dishonest to move the official price up from $35 to, say, $80 as it was to change it from $20 to $35 in 1934. Supportable only because devaluation is a *fait accompli*. The destructive fires of inflation have irretrievably burned up a substantial part of the value of the dollar in terms of gold.

The two problems of transcendental importance to the people of United States today are:

(1) Stopping the profligate dissipation of our irreplaceable gold reserves; and

(2) Arresting the inflation and its handmaiden, communism.

While not a panacea, the immediate restoration of free convertibility of U. S. dollars into gold at a realistic price, will, to a large degree, solve both of these problems.

Joins Boettcher Staff

(Special to The Financial Chronicle)

DENVER, Colo. — Logan Shillinglaw, Jr. is now associated with Boettcher & Company, 828 17th Street, members of the New York Stock Exchange.

Diamond Co. Forming

Harry D. Diamond, member of the New York Stock Exchange, and Robert Shene as of July 2 will form Diamond & Co. with offices at 120 Broadway, New York City. Mr. Diamond has been active as an individual floor broker.

Join Pacific Coast Secs.

(Special to The Financial Chronicle)

LOS ANGLES, Calif.—James H. Shaw and Paul J. Stewart have become associated with Pacific Coast Securities Company, 634 South Spring Street. Mr. Shaw was previously with Paul R. Flynn Company.

Investment in Europe

By FREDERICK AYER, JR.*
Attorney at Law, Boston, Mass.

Prominent Boston attorney, recently returned from Europe, tells exporters our already heavy investment in Europe would be further bolstered by application of additional governmental and private capital. Says we must continue to take calculated risks and advocates reduction of tax on income from capital invested in allied countries. Enumerates errors of Administration's international policy.

We have invested billions of dollars in Europe, first to liberate it from the Nazis, secondly under the Marshall Plan aid to bolster a tottering economy and prevent the spread of communism. Now the problem facing us is how best to protect this investment and to increase its yield both financially and in terms of friendship to the United States.

Frederick Ayer, Jr.

Much that we have done, and much that we must do has been forced on us by crimes committed by our Administration in 1944 and 1945. It is necessary to list but a few to demonstrate the point:

(1) Permitting Russia to occupy and hold the territory surrounding Berlin when we could have had it for the asking. This action has resulted in a nearly impossible strategic situation and a huge expense in such emergency measures as the airlift.

(2) Agreeing to a Russian domination of the Balkan countries and believing the Soviet promise to permit self-determinations to these nations. Such belief was either criminally stupid or incredibly naive in view of the mass of historical precedent and intelligence information available to our government concerning Russian plans for the Balkans. The first and fatal scene in this tragedy—a tragedy planned at Yalta and Teheran was the recognition by us of the Lublin government in Poland.

(3) Rapid demobilization and return home of our European forces in response to Communist inspired propaganda in the United States, leaving us in the crucial years of 1947 and 1948 with a loud, if whining voice and a very small fragile stick.

(4) Announcing and implementing the so-called Morgenthau plan for the agrarianization of Germany, forgetting that the economy of Western Europe has always been dependent upon the heavy industry of Germany. What we accomplished by the post hostilities destruction of factories and the limitation of production was to leave a huge gap in certain countries—a gap which had eventually to be filled by ECA shipments.

It is far more than incidental to note that the Morgenthau plan was drafted largely by one Harry Dexter White, one-time Communist party member who has since committed suicide.

It is unnecessary further to elaborate other than to say that our government further compounded its errors by failing in time to recognize the true nature of Russian plans and delayed beyond reason in taking steps to remedy the evil conditions it had helped to create.

Admittedly effective action has now been taken. We saved Greece from being swallowed up—a strategically vital action on our part. We bound Turkey with her 30 divisions to us. We prevented the immediate collapse of the Italian, French and British economies. We aided Tito in his split with the Cominform — and we have extended loans to Spain.

We created the Atlantic Pact organization and despatched to Europe General Eisenhower who has personally lighted a new flame of hope and optimism. We have gained sufficient time and reduced the spirit of "neutralism" to the point where most informed opinions in Europe believe that the Soviet will not soon march.

We Have Not Gone Far Enough

We have not, however, in my opinion gone far enough. From a political propaganda and military point of view there are stands as well as steps which we must take. From a recent tour of inspection in Europe these are the conclusions which I have reached:

(1) The overall European economy is weak, but improving. Certain nations can bear without lowering of the standard of living, a portion of the rearmament program if it is skillfully allocated so that each country concentrates on the products for which it is most nearly adapted.

(2) Nations which are basically agricultural must not make the error to which our publicity is beginning to lead them. This error is deciding that if their major cities can emulate Detroit or Pittsburgh, all will be well. We must in these countries, as was successfully done in Northern Greece, do all in our power to help them increase their agricultural production.

(3) We must urge upon the leaders in European countries programs which will encourage wealth to remain at home and be invested in an expanding economy rather than in inventory and which will take some effective steps to combat inflation.

Perhaps the best thing we could do is set a good example in slashing our nondefense budget and applying effective brakes to both price and wage increases with particular emphasis on the price of foodstuffs.

(4) We must revise and improve our public information service in Europe and see that it operates more closely with our intelligence service. It is today equally, if not more important, than adding arms and troops that we reach the mass of the people. We must give them a chance to take the lead in deciding to cooperate with the rest of Europe in setting up a block, strong enough economically, militarily and spiritually against Soviet expansion.

(5) We must drive the Chinese Reds out of Korea, not temporize or compromise at the 38th Parallel. Additionally, we must make it perfectly clear we will continue to regard all areas West of the Iron Curtain as Territories whose integrity we will help to guarantee.

(6) In this connection I believe that Spain, Greece and Turkey should be included in the Atlantic Pact.

(7) We must strive for a unification of Germany, but we should go along with the Russian requests

Continued on page 36

*An address by Mr. Ayer before the New England Export Club and Foreign Credit Interchange Bureaus, Boston, Mass., May 16, 1951.

Reasons for Buying Land

By ROGER W. BABSON

Mr. Babson lists as reasons for buying land: (1) its limitation in quantity; (2) it is indispensable source of all wealth, and (3) land will always be in demand. Advises buying land which carries itself, but not to "hoard" it and not to put all you have in it.

People say that most land is now too high to buy. I do not believe this. The price of new homes seems high — three times what they sold for in the "30s"—but both good lots and fertile acreage are still comparatively cheap.

Roger W. Babson

There are three reasons why I believe everyone should own a little land somewhere:

First, there is only just so much land within a certain area—and there never will be any more. It is easy to make more stocks and bonds. The Government can always print more dollar bills when taxes do not balance the budget. New houses, factories and stores can be built; but the amount of land is fixed. There is today no more land within five miles of your postoffice than there was thousands of years ago and there will be no more a thousand years from now. So, you had bettter own some that you can use or rent.

A *second* reason why I would like to see everyone own a little land is because land is the source of everything we have. Land gives us not only food, but also clothing and shelter. We just can't get on without it. The *third* reason is that to own a little land is a human instinct like the craving for food, children or other basic things. Therefore, land will never go out of style.

Buy Land Which Carries Itself

When buying land get something which carries itself or "pays its board," so to speak. Vacant lots or unused acreage can quickly "eat their heads off." If you pay $1,000 for a vacant lot, the taxes and interest on what you pay could amount to $1,000 in ten years. This means you must then sell it for $2,000 in order to make a penny. Hence, the importance of getting enough income to pay these carrying charges. These—in case of a building—must also include cost of insurance and maintenance.

The above explains why I like woodland, upon which the taxes are low. The trees will grow enough to balance the taxes and interest cost. Moreover, trees grow seven days a week, including Sundays and holidays! They have no labor unions which limit them to growing only eight hours a day, nor do they practice "birth control" to prevent them from multiplying. Their only enemies are fires and debt. Fires are getting better controlled every year; and you can now get mortgages which can be paid off over 20 years, as you get the money.

Don't Hoard Land

The above is not written for rich investors. It is just as dangerous to *hoard* land as to *hoard* anything else. Thus, don't attempt to buy too much land. Too big family holdings might some day be divided and sold very cheaply by the U. S. Government, as has been done by several other governments. Or, there might be a graduated real estate tax, increasing as the number of acres increase.

In fact, it is wisest not to concentrate on any form of investment. Don't get hipped on anything; railroads, motors, steels, chemicals, department stores or anything else. Proper diversification is the first rule of successful investing. Yes, you can even become "land poor" by having too much land that produces no income in the form of rents, crops or woodland growth.

My European Friend

I have a European friend who, only ten years ago, was a very rich woman in Poland. She had a beautiful home of 60 rooms; she had 50,000 acres of forest land; she had valuable paintings and other works of art. But when the Russians overran Poland, she could not take away any of these. (She had no stocks or bonds except Polish Governments, which became worthless.)

My friend, however, had some valuable jewelry, including many diamonds. These she concealed on her person and got away. She is now in the United States living humbly on these diamonds and such work as she can get. This friend of mine advises all women to diversify their investments by having some good jewelry. Don't put everything in stock or bonds or even in land!

Munic. Bondwomen's 1st Annual Outing

The serious side of the municipal bond business was left in the hands of the men on Friday, June 22, when the distaff side congregated at the Canoe Brook Country Club, Summit, N. J., for the First Annual Outing of the Municipal Bondwomen's Club.

Sunny skies smiled on approximately 50 members of the club as they participated in the day's activities which included swimming, golf, tennis, soft ball, and putting contests.

Series E bonds were won as follows: $100, Louisa Bullwinkle; $50, Madeline Kessler and Elaine Haggerty; $25, Kathleen Daly, Cathleen Morin and Mildred Johnson. Eleven other prizes (including a beautiful Ronson table lighter, donated by Lee W. Carroll & Co.) were won by various members.

The climax of the outing took place at the evening dinner when an Outing Day "Dividend" was declared and paid to each guest present. Before the dinner was over, a newsboy rushed in yelling "Extra—Extra—Read All About It" and distributed a Special Ladies' Day Edition of the daily "Bond Buyer" with a lead story describing some of the activity and hilarity of the party.

At the close of the day, all the girls told the Chairman of Arrangements, Gladys S. Degner, that while it was the club's first outing, it must not be the last.

Pressprich Gov. of New York Bond Club

R. W. Pressprich, Jr.

The Bond Club of New York announces that Reginald W. Pressprich, Jr., has been named to fill the unexpired term of John W. Valentine as a member of the Board of Governors.

C. L. Kauffman With Rambo, Close & Kerner

PHILADELPHIA, Pa.—Rambo, Close & Kerner, Inc., 1518 Locust Street, announces that Charles L. Kauffman has become associated with them to represent them in southeastern Pennsylvania. Mr. Kauffman was formerly an officer of Euler & Co., Inc.

Joins James Ebert

(Special to The Financial Chronicle)

BAKERSFIELD, Cal.—Louis J. Hirt has joined the staff of James Ebert Company, 120 Chester Avenue. Mr. Hirt was previously with Waddell & Reed, Inc.

Canadian Securities

By WILLIAM J. McKAY

Less than a decade ago it could be confidently predicted that the Canadian economy was on the threshold of an era of unprecedented expansion. A survey of the present situation more than justifies the highly favorable forecasts that could be made at that time. Many long-range economic possibilities that were not expected to materialize in the foreseeable future are now at a definitive stage and previous horizons have immeasurably expanded. Moreover in comparison with the promising economic growth prospects of other relatively undeveloped areas, the chances of their successful realization in Canada are unrivalled elsewhere.

When consideration is given to the possibilities of the exploitation of known resources in other undeveloped countries of the world, imposing obstacles in the shape of political and financial instability, distance from markets, and lack of local means of transport invariably constitute immediate deterrents. These barriers in the path of economic progress hardly exist however in the Canadian case. On the contrary as far as the all-important factor of political stability and financial rectitude is concerned, the Canadian record in this respect is unique. As a young country Canada has always possessed the tremendous advantage of adult government based on the best experience of older countries. As a result external investors do not consider capital held in the Dominion as a risk but in many cases as safer and a more lucrative means of placement than domestic investments.

This judgment moreover is supported by a wealth of currently favorable statistics and the prospects for the future hold promise of even greater progress. Since the war a conservative policy of debt management has permitted the Federal Government to reduce its net debt by 15%. Whereas before the war the Canadian national debt on a per capita basis was larger than that of the United States, it is now 50% less than that of its southern neighbor. During the same period the Canadian budget has registered substantial surpluses in each year and a similar result is anticipated for the next fiscal year. In conjunction with the policy of balanced budgets, the Dominion authorities have successfully countered inflationary pressures by restrictions on credit, higher interest rates, and adequate taxation, but have avoided cumbersome controls on prices and wages.

The success however of these capable efforts to maintain a healthy economy has been aided to an incalculable degree by the Dominion's tremendous economic growth potential. This factor has exerted an exceptional influence in the post-war period. During this time Canada has become one of the world's major producers of oil. Whereas only a few years ago the Dominion was dependent on external sources for over 90% of its requirements it is now almost 50% self-sufficient and it will not be long before this vital commodity will constitute a leading Canadian export instead of a costly import item. In a similar way Canada has suddenly emerged into prominence as the world's greatest potential supplier of iron-ore as a result of the proving of the immense deposits of Quebec-Labrador, Steep Rock, and Michipicoten all of which are considered to rival the fabulous Mesabi range before the latter approached its near exhaustion stage. In addition to these epochal economic events the vast mineral-rich Canadian Pre-Cambrian Shield continues to yield valuable results in the shape of new discoveries of titanium ore, uranium, and other base and precious metals.

However in the immediate future it is likely that the development of the hitherto neglected natural-gas industry will temporarily steal the economic limelight. On both sides of the border there is a growing appreciation of the importance of natural-gas not only as a low-cost and conveniently transportable fuel but also for its growing utilization in many industrial processes. In development plans for Canada's fast growing chemical industry increasing recourse is being made to the Dominion's vast resources of natural-gas. The operations of the Celanese Corporation of America's new $50 million plant near Edmonton are based on natural gas, the Shell Oil Co. is building a plant in the Jumping Pound field for the extraction of sulphur from natural gas, and the Royalite Oil Co. has similar plans based on Turner Valley gas. Ambitious schemes for the construction of gas pipe-lines will soon enter the definitive stage and with their consummation natural-gas will gradually replace other forms of fuel in Canadian homes and factories throughout the country.

During the week both the external and internal sections of the bond market continued in the doldrums. Following its recent rally from 6¾% to 6¼% the Canadian dollar sagged once more to 6½% but finally showed a firmer tendency around 6 5/16%. The persistent failure of the Canadian dollar to respond to customary seasonal influences still continues to bewilder exchange experts and it can still be surmized that the market is being held at a lower rather than a higher level in accordance with official policy. Stocks again declined sharply with the industrial group under the greatest pressure. Ford A was notably weak and reached another new low for the year. Base metals, Western oils, and the golds were also lower but showed some disposition to resist the general trend.

Joins Gibbs & Coe

(Special to The Financial Chronicle)

WORCESTER, Mass. — Frederick H. Bauer has joined the staff of Gibbs & Coe, 507 Main Street.

Joins Waddell Reed

(Special to The Financial Chronicle)

LINCOLN, Neb. — Herschel F. Garhan is with Waddell & Reed, Inc., Barkley Building.

With King Merritt & Co.

(Special to The Financial Chronicle)

LUMBERTON, N. C.—Angus W. McLean, Jr. is now associated with King Merritt & Company, Inc., of New York.

Now Southern Brokerage

DALLAS, Tex.—The firm name of Southern Brokerage and Sales Co., Tower Petroleum Building, has been changed to the Southern Brokerage Company.

With E. E. Mathews Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Joe Miller has become affiliated with Edward E. Mathews Co., 53 State Street.

With Paine, Webber

(Special to The Financial Chronicle)

BOSTON, Mass. — Nelson J. Darling, Jr. is now with Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York and Boston Stock Exchanges.

That "Single Lesson"

"The most important single lesson learned from our fight against inflation during World War II is that we cannot successfully administer creeping inflation. There is one way, and only one way, that inflation can be held in check, and that is by establishing a firm average price, rent and wage line, and then proceeding to hold that line with the utmost firmness. This does not mean that no price, rent or wage increases ever can be granted. But it does mean that the averages must remain steady.

Chester Bowles

"The second lesson is that such a line cannot be established and held without the understanding support of the three major economic groups — businessmen, farmers and labor. If any one of these three groups feels that it has been unfairly treated the resulting pressures will soon get out of hand.

"A balance of this kind was established during World War II. Far from slowing down production, this wartime stabilization program, by assuring stable costs for raw materials, industrial parts, consumer goods, food, rent and apparel, was instrumental in pushing production in actual units and not inflated dollars to heights which even in 1951 have not yet been equaled." — Chester Bowles in the New York "Times."

It seems to us that the most important lesson that we should have learned from our fight against inflation during World War II is that we lost the battle.

Holds Income Tax Laws Favorable to Real Estate

Walter W. Brudno, in study prepared for National Institute of Real Estate Brokers, an affiliate of National Association of Real Estate Boards, finds income tax laws give real estate better tax position than stocks and bonds.

Real estate, as an investment, enjoys a particularly favored position under the government's income tax laws, Walter W. Brudno, key official with the Bureau of Analysis, Davenport, Ia., pointed out in a study for the National Institute of Real Estate Brokers. Mr. Brudno made this observation at a commercial property clinic of the Institute, an affiliate organization of the National Association of Real Estate Boards.

Real estate occupies this favorable tax position, Mr. Brudno pointed out, because it is "the only tangible asset which is commonly purchased as an investment." This situation allows, he said, a "freedom of action" in tax planning that is not so common with most other types of investment. Furthermore, he continued, "there are many beneficial provisions of the Internal Revenue Code which are either specifically applicable to real property alone or applicable to tangible property generally but not to most intangible property."

As an example, the expert compared the person who invests in stocks with a purchaser of investment real estate. The former investor, he said, is dealing "in intangibles that are completely impersonal and as such are severely restricted by market practices and conditions over which he has no control." In contrast, he pointed to the realty investor who deals directly with his prospective purchaser or tenant, thus possessing "almost unlimited control over the form the transaction will take. This flexibility enables him to exercise that control so as to regulate, within broad limits, the tax incidence of his dealings."

As an example, Mr. Brudno explained that it is sometimes desirable to dispose of an investment but to postpone the time at which the gain will be taxable. "This may be the case when the bunching-up on the gains in a single year will increase the applicable tax bracket, or where the asset is a capital asset which has been held for less than six months, or for a variety of other reasons.

"There are a number of methods whereby postponement of the taxing date can be achieved in a real estate transaction," he pointed out. One way, he said, is through the "instalment sales" system, which permits the reporting of a proportionate part of the gain as each instalment is received.

Technically, he said, this method is available to investors in securities, but as a practical matter "it is generally impossible to sell listed securities on the instalment method. As to them, the entire gain must be reported at the time of sale."

In an instalment sale of real estate, Mr. Brudno states, "it is possible to eat your cake, and have it too. Since tax plans, as all plans, are merely a considered guess, the postponement of taxable gain may, as a result of later developments prove to be less desirable than originally anticipated. The real estate investor who has selected the instalment method has a second guess. At any time emphasis can be shifted from tax deferment to tax acceleration by disposing of the instalment obligation. Also, if it is desired to postpone the tax, but to receive most of the cash at once, this can be accomplished by borrowing on the instalment obligations and giving them as collateral—which, since it is not a final disposition, does not accelerate the gain."

Moreover, the tax analyst said, the instalment sale plan, while the most common, is not the only method of postponing the taxing date. He mentioned the case where a firm sales contract provides for the payment to be made and title to be delivered at a future date as further proof of the flexibility of realty transactions. In this instance, he pointed out, the deal is not closed for tax purposes until the obligations of both parties have been completed.

Regarding tax-free exchanges of investment real estate as compared with securities, he said the latter category can only be swapped under "rigidly prescribed" circumstances which are seldom useful to the ordinary investor. Real estate held for investment or the production of income, on the other hand, can be exchanged tax-free for other real estate to be held for investment or the production of income. "Thus again, the real estate owner has considerable freedom in controlling the tax impact of his transactions," Mr. Brudno said.

Another special favor conferred upon real estate investments under the income tax laws may be found in the capital gains provisions. "If real property which is used in a trade or business . . . is sold after having been held for six months or more, any gain realized on the sale is capital gain, but any loss will be treated as an ordinary loss, fully deductible from income.

"This is a distinct advantage in favor of this type of investment over investments in securities, since the actual loss hazard is thereby materially reduced," he continued.

Among the other tax opportunities open to real estate investors are the declining balance method of depreciation, accelerated amortization of defense facilities, reversion of tenant-erected improvements, and sale and lease-back deals.

Milwaukee, Wis., Bonds Marketed by National City Group

A group headed by The National City Bank of New York is offering $6,750,000 City of Milwaukee, Wis., various purpose 3% and 1¾% bonds maturing July 1, 1952 to 1971. The bonds are priced to yield from 1.15% to 1.85%, according to maturity.

Other members of the offering group are—Harris Trust & Savings Bank; The First Boston Corporation; R. W. Pressprich & Co.; Robert W. Baird & Co., Incorporated; Weeden & Co. Incorporated; Alex. Brown & Sons; Aubrey G. Lanston & Co. Incorporated; C. F. Childs and Company Incorporated; Andrews & Wells, Inc.; Paul H. Davis & Co.; Reinholdt & Gardner; and Sills, Fairman & Harris Incorporated.

Rockford Dealers To Hold Outing

ROCKFORD, Ill.—The Rockford Securities Dealers Association will sponsor a "Fling Ding" starting Thursday at Noon, Aug. 23, 1951, at the Mauh-Nah-Tee-See Country Club, near Rockford, Ill. The affair is open to all securities dealers in Illinois, and the purpose of the "Fling Ding" is to provide an opportunity for an afternoon and evening of golf, entertainment and whatnot for those who can attend. This Country Club has a very sporty course, and the bar facilities are excellent.

The committee planning the affair includes Sigfred A. Sandeen of S. A. Sandeen & Co., Chairman; John C. Ralston of Ralston Securities Co., and Paul Conrads of Conrads & Co.

Samuel Slaff Opens

PASSAIC, N. J.—Samuel F. Slaff is engaging in the securities business from offices at 135 Gregory Avenue.

Optimistic on Business and Security Markets

V. Lewis Bassie, Illinois economist, says, though "psychological flip-flops" have taken place and there have been shifts in business sentiment, the economic outlook is favorable.

Writing in the current issue of the "Illinois Business Review," a publication of the Bureau of Economic and Business Research of the University of Illinois, V. Lewis Bassie, its director, characterizes recent let-up in business activity as "a mere pause in the way up." According to Prof. Bassie:

V. Lewis Bassie

"Business sentiment has shifted drastically in recent months. Six months ago it was all shortages, eagerness for goods, and inflation of prices. Now, there are surpluses, buyers are holding back, and price cutting is headline news. Congress is debating the extension of controls. There is even talk of the 'terrific' letdown that will occur if military programs are cut back.

"A remarkable feature of these psychological flip-flops is that they have taken place in a situation that remained basically unchanged during the entire period. The international situation has continued tense, with prospects for war or peace in about the same balance. The outlook for business is still moderately upward, dominated by the projected rise in the military program. Instability arises mainly from the alternation of excitement and depression.

What's Behind the Letdown?

"The present mild letdown is no more than a reaction from earlier excesses. It is no better as an indicator of what is to be expected than was the severe inflationary pressure experienced some months back.

"At the core of the sharp upsurge was anticipatory buying by both consumers and business. Now that we are relaxing, activity is less than it would be if we had not overbought at that time. Consumers who felt that there were things they had to have acted in all possible haste. Now, those needs are satisfied. On the other hand, those who felt they could afford to wait can still afford to wait. Theirs is the sensible attitude that just because there are price ceilings, there is no need to pay ceiling prices. But this, too, is a passing phase.

"As important in the earlier upsurge as the efforts of consumers to anticipate future needs were those of business to accumulate larger inventories. In the fourth quarter, accumulation reached an annual rate of $11 billion—anticipating, in effect, a half year's advance in the war program. In the first quarter, the rate of accumulation had dropped back to $8 billion; and since March, orders have been cut back to prevent the still higher rates of accumulation that temporarily accompanied the decline in sales.

"Further reduction in the rate of accumulation appears to be in order, but there is no reason for over-all liquidation to develop. Just as there never was a need to pursue inventory accumulation with such abandon, there is no need now to liquidate the inventories accumulated. The possibility of liquidation is not ruled out; but as long as the conditions responsible for the accumulation persist, it appears improbable.

"At present, inventories are about in line with demand, as measured by long-term relationships between inventories and sales. In the face of a possible emergency, these long-term relationships seem to provide a conservative measure of inventory holdings. Some excess over the normal level would seem to be justified as a kind of insurance against future dislocations and shortages. Moreover, aside from the temporary setback, the trend of demand is still upward, so that future demand will again tend to make inventories look relatively low.

"Thus, some further accumulation appears likely, but only at so greatly a reduced rate that no large excess will be accumulated. In the lines where higher production is possible, price risks are great, and business will not attempt to carry large surpluses. In other lines, particularly those where restricted material supplies make shortages inevitable, business will be unable to carry as large inventories as it would like. In other words, there will probably be a tapering off in inventory accumulation, and the reduction will partially offset the stimulating effects of increased military procurement.

Any Setback Only Temporary

"Also working to restrict incomes and demand are the controls designed to curtail nonessential civilian output. These are just now beginning to be effective. Each cutback in consumer durables or residential construction correspondingly offsets higher military spending. In effect, the war program has not been superimposed on the business boom, but has partly displaced booming civilian production on our industrial schedules.

"The effect of these cutbacks, together with the reduction in inventory accumulation, has been to bring the advance in industrial production to a halt. Recently, this hesitation has been aggravated by 'peace scares.' But policies of neither East nor West have changed; and until there is a more definite change, this kind of 'peace' can hardly involve a reduction in military programs.

"It is true that the pace of war spending grows with crises on the war front or other adverse developments. Although further incidents cannot be predicted at this time, their occurrence cannot be entirely discounted, even if both sides pursue 'peace offensives.' If no new incidents occur, there may be some reduction in the peak rate attained, but then it is likely that the same volume of war production will be realized over a longer period of time. In that case, the situation will be somewhat more stable, but with the upward movement continuing and the boom more definitely prolonged.

"We are, in short, in a period where business activity has temporarily levelled off, and may even fall back briefly. It is a situation in many ways similar to that which occurred in the spring of 1949, and in this case any decline is likely to be just as temporary as it was then.

"Whatever the course of events in the next four months, the upward movement seems likely to be resumed by the end of the year. Profits in the last quarter will probably be down from the year before, mainly because the stabilization of prices will eliminate the large element of inventory revaluation. Otherwise, they will probably be the highest ever; and even though tax rates are increased, the funds actually available for dividend distribution or capital purposes may well be higher. The outlook, in brief, is favorable—for business and for the securities markets."

With Geo. R. Holland

(Special to The Financial Chronicle)

MIAMI, Fla.—Russell F. Gleason has become associated with George R. Holland Associates, Pan American Bank Building.

With du Pont, Homsey

(Special to The Financial Chronicle)

BOSTON, Mass. — William L. Field has become associated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. He was previously with Townsend, Dabney & Tyson.

Railroad Securities

Chicago & Eastern Illinois

Despite the continued highly favorable trend of traffic and earnings both the class A and common stocks of Chicago & Eastern Illinois have been under continuing pressure for many weeks. Perhaps one of the reasons is the uncertainty as to dividend policies regardless of the level of earnings. The class A stock is entitled to a preferential dividend of $2 a year, cumulative to the extent earned. Four quarterly dividends of $0.50 each have been declared payable this year but that still leaves arrears of $2 a share. Obviously, the common is not in line for any distribution until this has been liquidated.

The dollar amount involved in the class A dividend accruals is not large—there are 383,751 shares of the stock outstanding. However, the management has been spending heavily on the property and has purchased a large amount of new equipment. Also, apparently, considerably more new equipment, and particularly hopper cars, will have to be purchased if the company is to reap the full benefits of dyamic new developments in the service area. Equipment debt is already quite heavy. Under the circumstances, and with substantial cash needs in connection with the program, unusually conservative dividend policies appear to be in order.

Regardless of the immediate prospects for dividends the stocks over the long run should benefit materially from the anticipated sharp increase in the traffic potential. The company is making strenuous, and successful efforts to attract new industry to its lines, particularly in the Chicago Heights and Evansville areas. For the same purpose a tract embracing some 74 acres has recently been purchased on the Calumet River near Dalton. A program is now under way to deepen this river channel. While all of this industrial development is of major importance, the real answer to the road's future, and the consideration that makes necessary the purchase of a large number of new hopper cars, lies in the expansion of electric power plants in the service area and contiguous territories.

A couple of the largest steam generating plants in the country are being constructed to furnish power to the atomic energy plant to be built near Paducah, Ky. They will be built to use coal rather than oil or gas. One of these large plants will be located at Joppa, on the Ohio River. This plant is local to the Chicago & Eastern Illinois so that that road will get the entire rail movement. This will be a privately owned plant. A similar plant will be built across the river and a couple of miles upstream. This one will be operated by TVA.

In addition to these two large power plants, each with a capacity of 652,000 kw., a number of smaller plants will be erected in the same general area. In all, it is planned to add new power capacity of roundly 4,300,000 kw. over capacity of roundly 4,300,000 kw. the relatively near term to service the atomic energy unit. It has been estimated that coal requirements will run between 12 and 15 million tons annually. This coal movement, initially for stockpiling, may get under way late this year or early in 1952. Naturally, some of this coal will be brought in by barge. Also, many of the plants will be served by roads other than Chicago & Eastern Illinois. Even at that, the increased tonnage for that road should be very substantial. What it could mean percentagewise to this road is obvious when it is considered that total bituminous coal movement last year aggregated only 2,835,643 tons, producing $4,086,583 in revenue.

Even without this new coal the road, as mentioned above, is making gratifying progress earningswise. Gross revenues for the first four months of 1951 were 23.4% above a year ago. Moreover, the transportation ratio was cut by four points, to 38.2%. As a result, net income was very nearly double that reported in the like 1950 interim. The outlook for the balance of the year is good. There appears little question, then, but that earnings for all of 1951 will be appreciably higher than in 1950. Last year earnings on the class A stock amounted to $7.82 a share and on the common to $6.50 a share, in both instances figured before sinking and other reserve funds.

Continued from page 13

Are Railroad Securities Worthy Of Investor Consideration?

kets) as a result of the development of these new forms of transportation.

There is another aspect of the traffic volume handled by truck which is also deserving of comment. Of the 10 or 11% of intercity freight traffic handled by highway carriers it is estimated that not more than a third, that is 3 to 4 percentage points of the 10%, should be considered rail-truck competitive traffic. The remaining volume is of a type the railroads are much better off without. I refer to short-haul, less-than-carload, and special service movements for which the truck is the natural and most efficient carrier. The cost of handling this type of movement by rail is excessive and with the level of rates currently in effect results in loss rather than profit. Yet as a public servant railroads have to accept such traffic if offered. To the extent that there occurs diversion of traffic for which the railroad is fundamentally the most efficient carrier, it is made possible primarily by the subsidies which highway carriers enjoy in the form of publicly provided and maintained facilities for the use of which the highway carriers do not adequately pay.

It is sometimes argued that such subsidies are in the public interest because they make available transportation which might not otherwise be available. I question that. If a service is necessary and it fills an otherwise unsatisfied need the user should be, and in many instances probably is, willing to pay for it.

On the brighter side there is a growing public consciousness of the need to improve our transportation policy and to provide each form of transportation with equal opportunity without benefit of publicly conferred privileges. Both governmental and private groups are considering the problem. State after state is reaching the conclusion that heavy trucks are not contributing adequately to the cost of highway construction and maintenance and new laws are being enacted to correct the situation.

The position of the regulated high cost ratio railroad industry during a period of inflationary spiral has caused concern to many. Actually, there is no reason for expecting that the cost of providing transportation service should be considered in any different light than the cost of producing other types of goods and services. The main difference lies in the fact that unregulated industries can immediately pass on their increased costs to the consumer of their product, whereas the railroads have to seek permission from a regulatory body to do the same thing. It cannot be denied that the delay inherent in such procedure has been costly but the fact remains that the principle has been recognized that even for the regulated railroads the increased cost must be passed on to the user of the service. From this follows the argument advanced by some that the continuation of the rate raising procedure will eventually price the railroads out of the transportation market. That would undoubtedly be true if there were a competing form of transportation which could produce the necessary service more cheaply than the railroads but there is no other form of transportation in existence today that could duplicate the railroad sphere of transportation as economically.

For example, it has been estimated that in order to move 100,000 tons of freight from coast to coast, it would require 3,500 man-days of train crew time and 90 tank cars of Diesel fuel. In order to do the same job by truck it would take 25 times as many days of truck-driver time (90,000) and about three times as much fuel (250 tank cars). For the airlines the proportion would be even higher. There is no question in the light of such figures that the railroads are the most economical mass transportation agency.

Competition in Passenger Traffic

Thus far this discussion of competition between the forms of transportation has been confined to the field of freight traffic. An even greater degree of competition exists for the movement of persons. In this field the private automobile and the airplane have been accounting for an increasingly large proportion of the total volume. In consequence, the total number of passengers carried by rail in the years 1948-49 was substantially less than the annual average in the decade prior to 1930, although it is to be noted that in these later years the number was nearly 20% higher than in 1940.

If, instead of using passengers, we use passenger miles, which reflects distance as well as numbers, the statistics show that there was more passenger service performed in each of the last two years than in any other annual period prior to World War II.

It is easy to understand that the private automobile and the bus has superseded the railroad as the short-haul carrier of people. The airplane makes its competition felt most in the field of long-distance travel and has been experiencing a spectacular uptrend in volume. Thus, the railroad is being relegated to a position of being primarily a carrier for intermediate distances or a standby facility to be available when the other modes of passenger transport fail.

As a result, and in spite of all that railroad management has attempted, the annual losses incurred in the passenger operation have increased each year and in 1950 were in excess of $600,000,000, a sum greater than the amount required for servicing the industry's total debt. The reluctance of state and federal regulatory bodies to permit the further curtailment or elimination of passenger train service makes a solution to this problem most difficult. Thus, in effect, the profits derived from carrying freight must subsidize in part the necessity of handling uneconomic passenger business.

However, let me remind you here that these comments apply to the industry as a whole. The position and experiences of individual carriers within the whole will vary widely and should be taken into consideration by the investor in appraising the position of an individual company.

The Large Eastern Carriers

Before terminating this discussion of the problems of the industry and their effect on investor attitude, I should refer to the relatively poor showing made by such large eastern carriers as the Pennsylvania Railroad and the New York Central Railroad which are considered by many to be indicative of the industry. Their poor performance earningswise cannot help but cause concern for rails as a whole. Their difficulties may be ascribed to a combination of factors:

(1) A large volume of unprofitable passenger service.

(2) Operation in territory where costs are high because of congestion and the necessity for providing terminal services with insufficient compensation in their relatively short-haul rates to offset such costs.

(3) Less growth in volume to permit the absorption through greater efficiency of the higher costs in this inflated period.

However, a partial solution to their problem may be in the offing. There is now pending before the Interstate Commerce Commission a proceedings which seeks to change the manner in which rates on interterritorial traffic are divided between the eastern carriers on one hand and the southern and southwestern carriers on the other. Under the present formula the southern and southwestern group get a relatively more favorable break of revenues on traffic moving between their territory and the east than do the eastern carriers. The present proceedings seeks to shift the division in favor of the eastern group. Without attempting to predict the outcome of the case, it may be said that the evidence appears to favor the east and several Interstate Commerce Commission decisions of recent years also support the conclusion that the eastern group is in need of special consideration. The amount of revenues which might thus be transferred from the other groups to the east could approximate $60 million. While this sum is not large when measured against the needs of the group, it would be a welcome addition to any other relief they may obtain.

A Summary

I will now summarize the several factors which should be weighed in seeking an answer to the question posed by the title of this address.

Since the enactment of the Transportation Act of 1940 the industry has covered the current level of fixed charges on an annual average of better than three times. Average annual net income in this period has approximated $530,000,000 and was equivalent to about 6.6% on the present $8 billion par value of equity securities outstanding. The ratio of debt and equity capitalization to property value is extremely conservative, especially when appraised against the large amount of modern property which has replaced older facilities. All of this has been achieved in spite of the problems with which the industry has been faced.

Then again I remind you that at least half the industry has bettered these national performance averages. The problems confronting the industry do not fall with equal weight on all carriers. There is no sound foundation for investor discrimination against all railroad securities. The railroad problem of today is more one of individual roads, but because the industry is viewed as a whole many railroad securities are available on more attractive terms than their absolute quality warrants.

Looking ahead, there is increasing recognition of the need to further improve our national transportation policy. Such an achievement cannot help but redound to the benefit of the largest segment of transportation — the railroads. Such an achievement will make the future even more assuring than has been the period we have had under discussion.

With King Merritt

(Special to The Financial Chronicle)

BENICIA, Calif. — Ervin E. Stein has joined the staff of King Merritt & Co., Inc.

Elmer K. Mason Opens

Elmer K. Mason is engaging in a securities business from offices at 14 Wall Street, New York City.

Joins Kidder Staff

(Special to The Financial Chronicle)

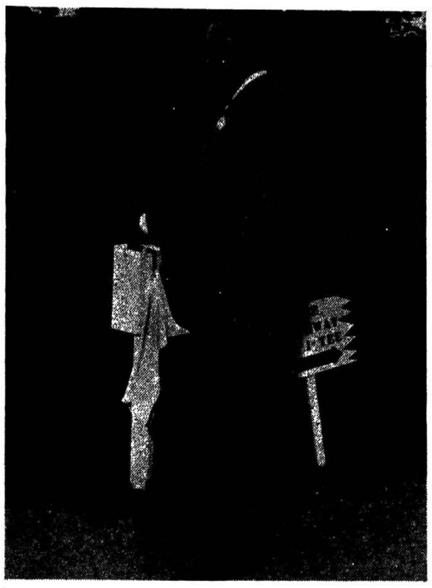
LAKELAND, Fla. — Frank H. Hastings is now affiliated with A. M. Kidder & Co., 131 South Tennessee Avenue.

Joins Courts Staff

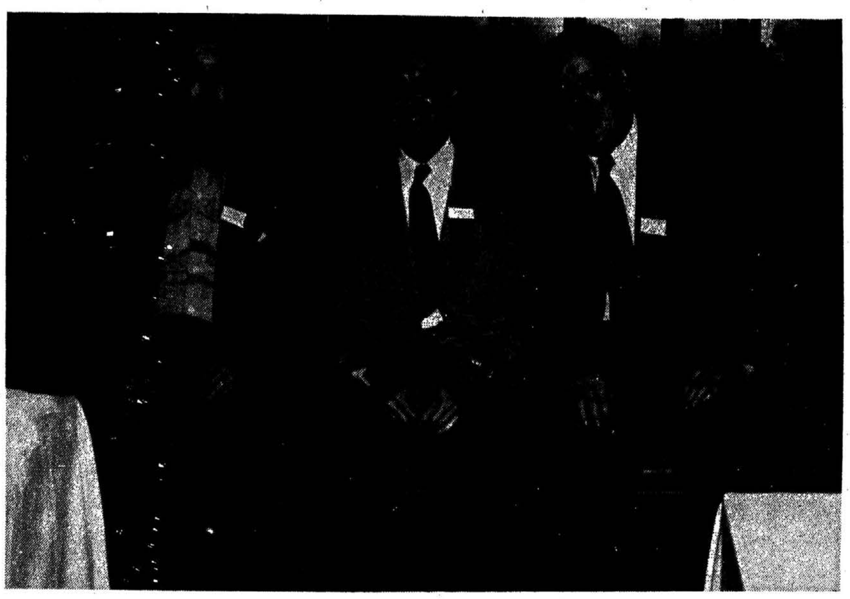
(Special to The Financial Chronicle)

ATLANTA, Ga. — Virginia L. Holmes is now affiliated with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

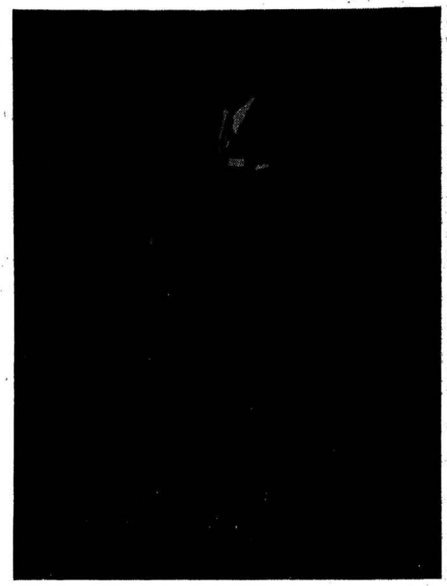
New York Security Dealers Association



Edward J. Enright, Executive Secretary of New York Security Dealers Association



George R. Brown; Charles H. Dowd, Chairman of the Outing Committee; and George J. Springer, all of *Hodson & Company, Inc.*



David Morris, *David Morris & Co.*, President of the New York Security Dealers Association

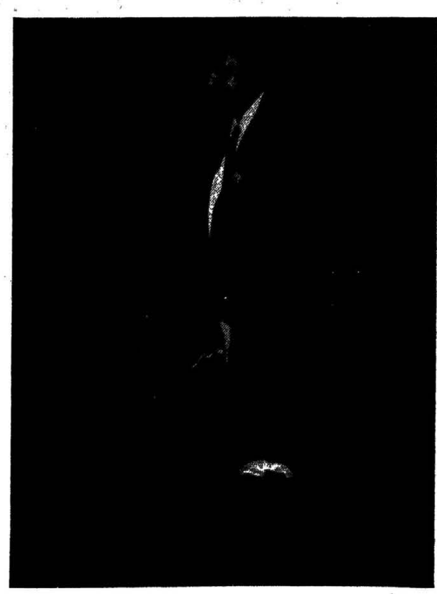
Fred J. Rabe, *F. J. Rabe & Co.*; Frank Dunne, *Dunne & Co.*

John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*, Treasurer of the New York Security Dealers Association; Melville S. Wien, *M. S. Wien & Co.*, Entertainment Committee

Hal Murphy and Edwin L. Beck, *The Commercial and Financial Chronicle*

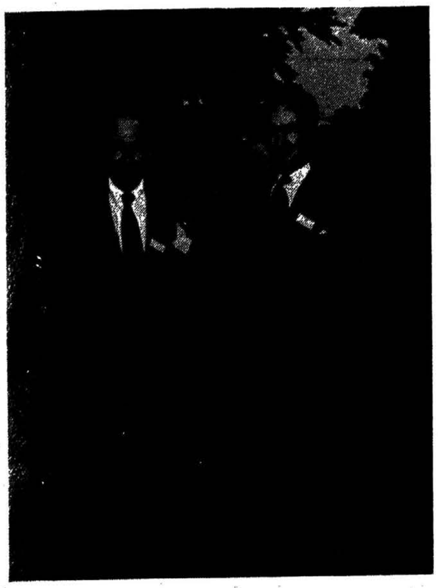
Harry MacCallum, Jr., *MacCallum & Co.*, Mount Vernon, N. Y.

Stan Roggenburg, *Roggenburg & Co.*, Chairman of the Golf Committee; Mel S. Wien, *M. S. Wien & Co.*, Chairman of the Prize Committee, with a few of the many prizes on display



Paul A. Gammons, *Bradley, Gammons & Co., Inc.*

Annual Summer Outing



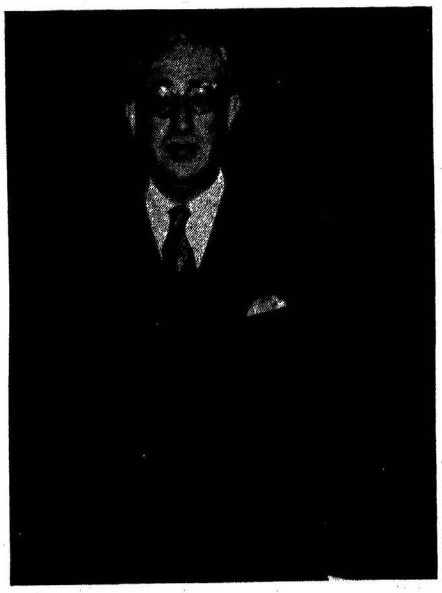
Maurice Hart, *New York Hanseatic Corporation;* James J. Canavan, *New York Hanseatic Corporation*

Percy J. Wien, *M. S. Wien & Co.;* Frank Y. Cannon, *J. W. Gould & Co.;* Joseph M. Berk, *Berk & Company*

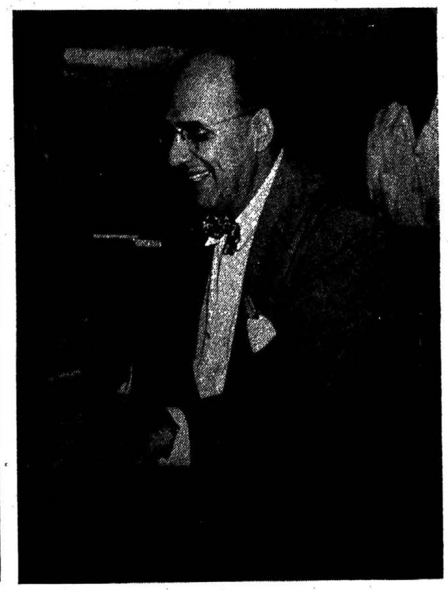
Hanns E. Kuehner, *Joyce, Kuehner & Co.;* James B. Durnin, *H. D. Knox & Co., Inc.*

Charles E. Stoltz, *C. E. Stoltz Co.;* Curtis J. Straus, *Heimerdinger & Straus*

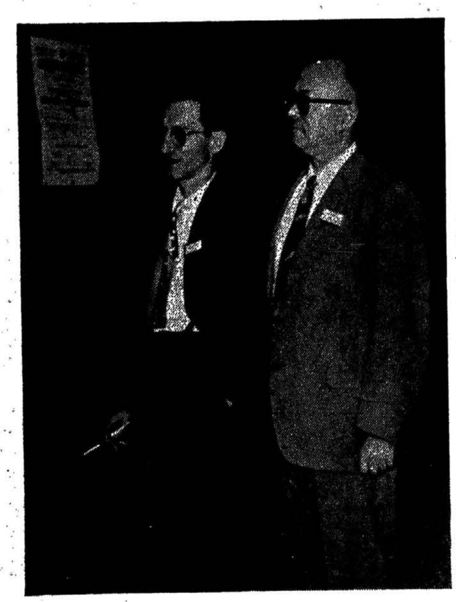
Dick Young (musician); Lester Frenkel, *Gersten & Frenkel*



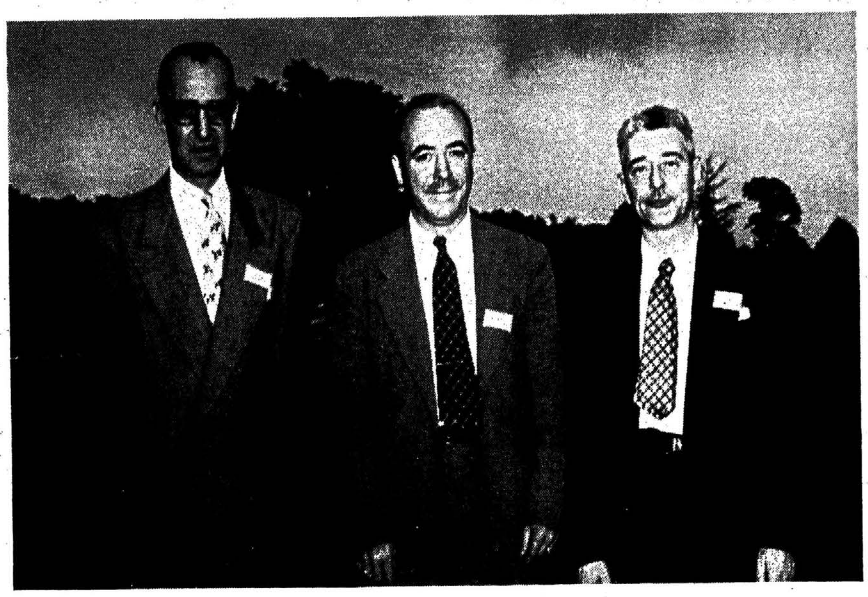
Sam King, *King & King Securities Corp.*



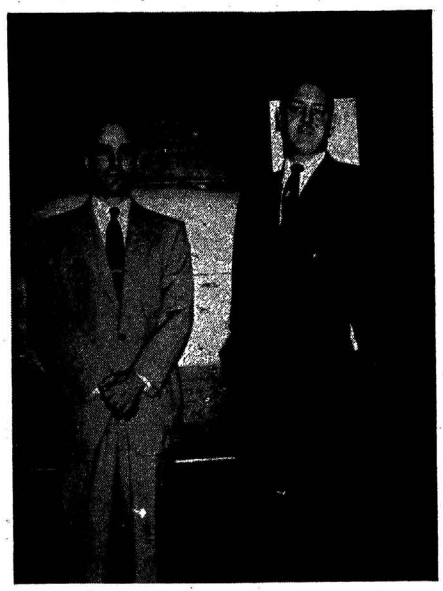
Frank L. Hall, *Gersten & Frenkel,* at the piano



Frank San Fillippo, *Gersten & Frenkel;* Irving Ittleman, *Frank Ginberg & Co.*

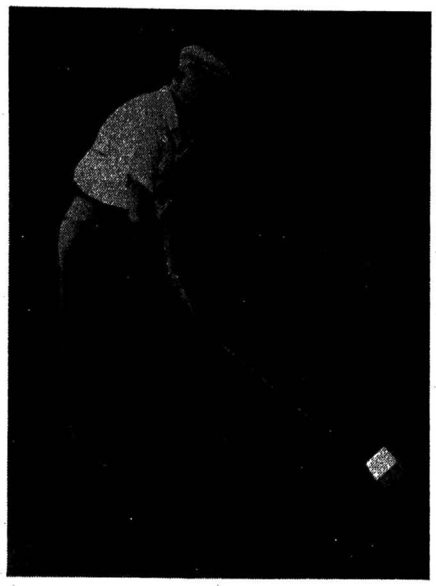


Alfred Nollman, *Berk & Company;* Arthur Marx, *Wilson & Marx, Inc.;* Robert F. Franklin, *M. S. Wien & Co.*

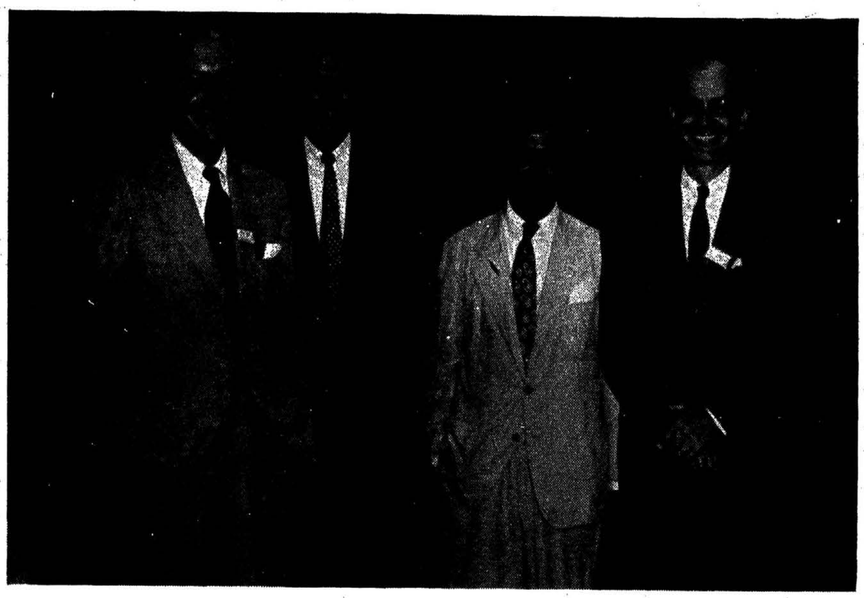


Bert Seligman, *Straus & Blosser,* New York City; S. E. Dawson-Smith, *Bonner & Gregory*

At Hempstead Golf Club



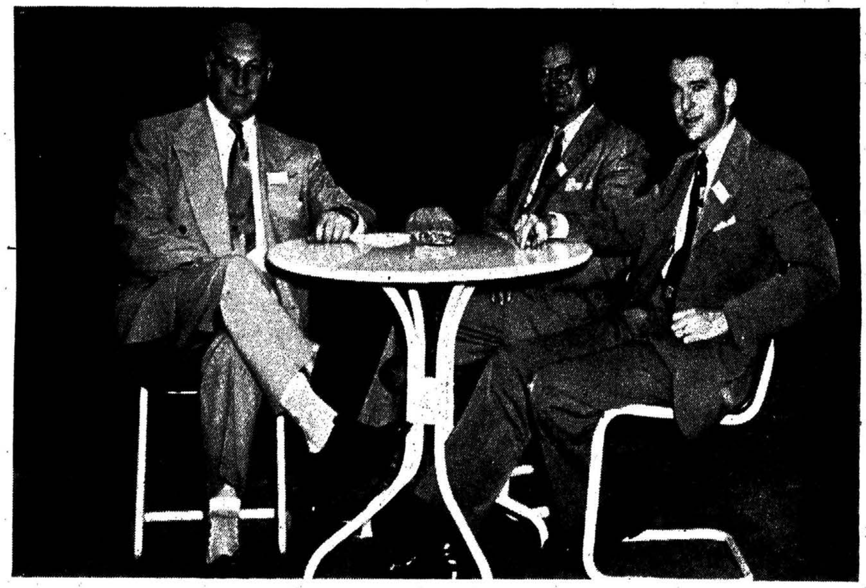
Samuel Weinberg, *S. Weinberg & Co.*



George L. Collins, Donald MacLeod, Willard C. Bastian, and John Butler, all of *Geyer & Co., Inc*

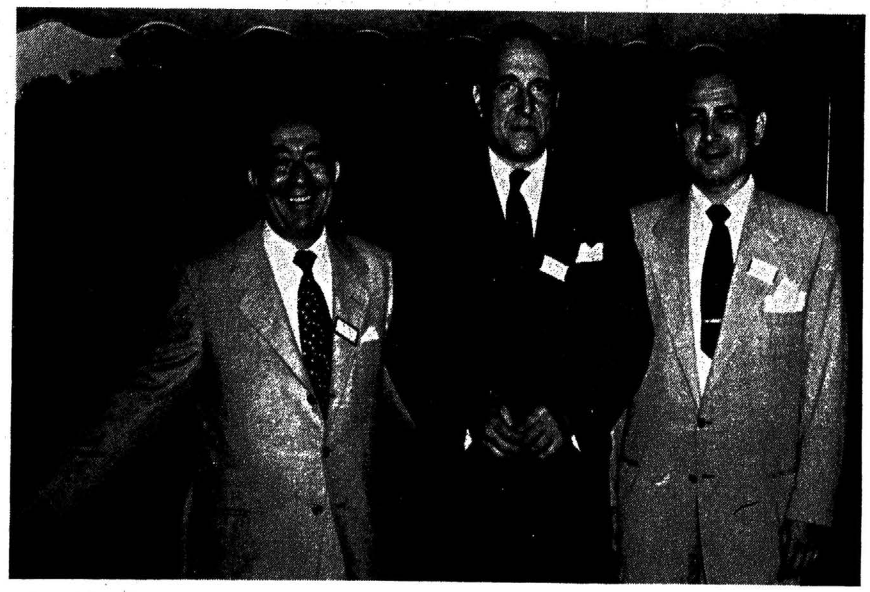
Irving A. Greene, *Greene and Company*

Edward Schaefer, *H. D. Knox & Co., Inc.;* Robert M. Topol, *Greene and Company;* Roy R. Larson, *H. D. Knox & Co., Inc.*

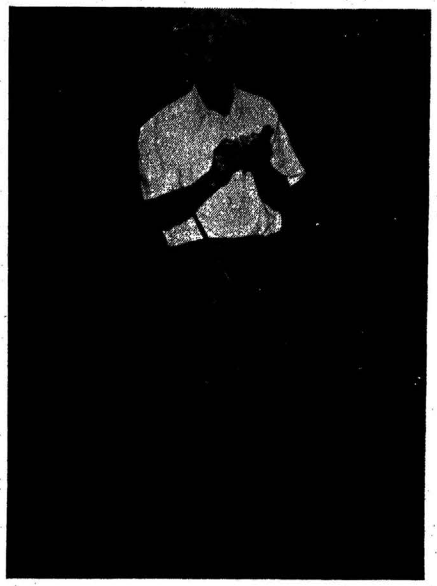


Guy DeSimone, Walter G. Schallitz, and Robert W. Smith, all of *Security Adjustment Corporation,* Brooklyn, N. Y.

Robert I. Herzog, *Herzog & Co., Inc.*

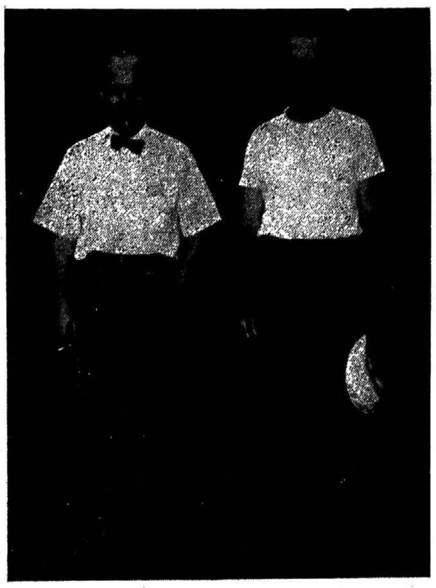


Edward Ruskin, John Stevenson, and Jules Bean, all of *Singer, Bean & Mackie, Inc.*



Charles H. Dowd, *Hodson & Company, Inc.*

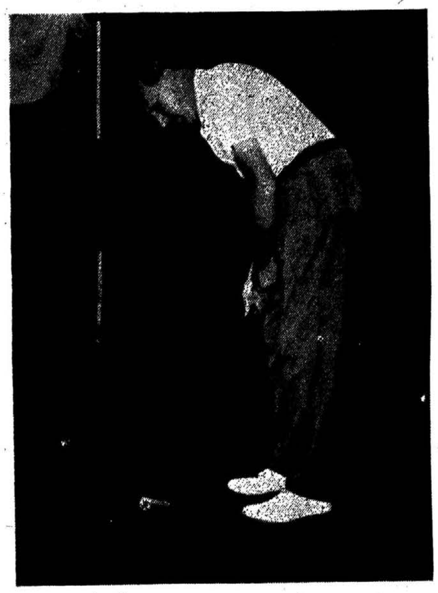
Friday, June 22nd, 1951



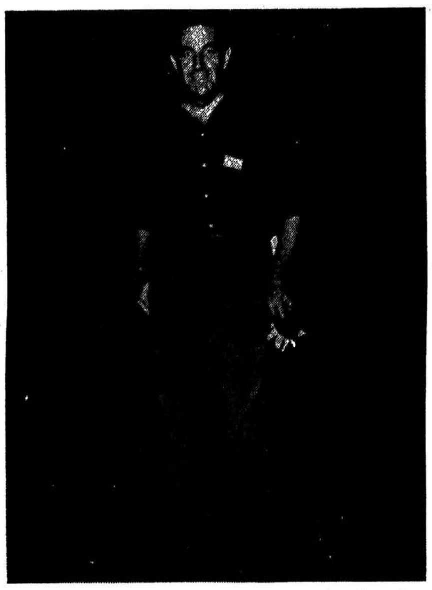
Milton Pinkus, *Troster, Singer & Co.;* Larry Wren, *Allen & Company*

Abe Strauss, *Strauss Bros. Inc.;* J. William Kumm, *Dunne & Co.;* George A. Searight, *Eisele & King, Libaire, Stout & Co.*

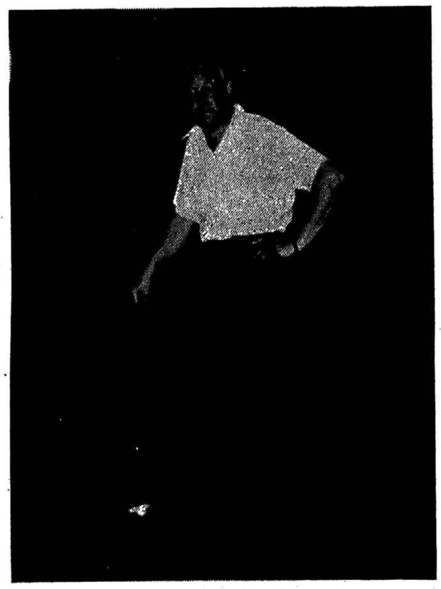
Charles M. Kearns, *Kearns & Williams;* Jack Maloy, *D'Avigdor Co.*



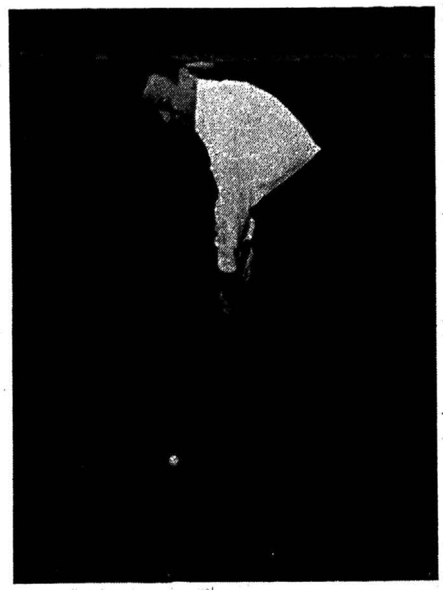
Stan Roggenburg, *Roggenburg & Co.*



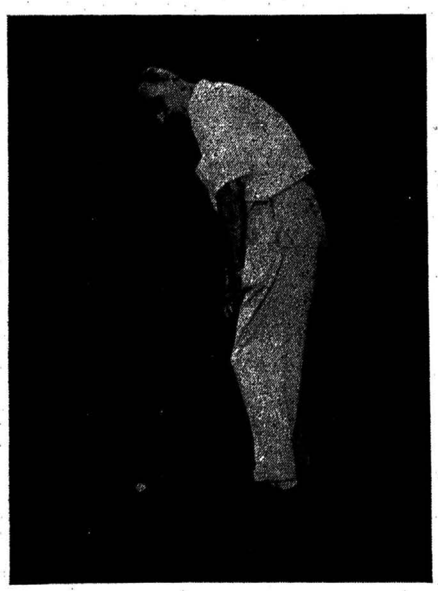
Irving L. Feltman, *Mitchell & Company*



Robert E. Eble, *Mitchell & Company*

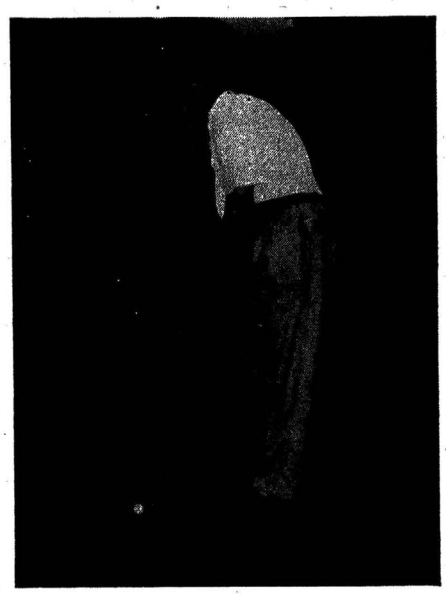


Frank W. Aigeltinger, *Aigeltinger & Co.*



Samuel D. Mallin, *Frank Kiernan & Co.,* financial advertising agency

A. A. Geller, Merritt Coleman, Larry Lyons, all of *Allen & Company*



Leroy Klein, *Lebenthal & Co.*

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The directors of **Corn Exchange Bank Trust Co. of New York** have appointed James W. Welsh, Jr. an Assistant Secretary.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Co., of New York,** announced on June 22 that Joseph J. Devine, Assistant Cashier, was advanced to Assistant Vice-President and Arthur E. Adamec, Administrative Assistant, was advanced to Assistant Cashier. Both are officers in the Personnel Department at the Main Office.

* * *

Richard T. Giblin, Vice-President of the **Bank of the Manhattan Company, of New York,** died suddenly of a heart attack on June 21. Mr. Giblin was 53 years old. He had been associated with the bank since 1922 as a member of the Foreign Department.

* * *

On June 26 the **National City Bank of New York** celebrated its 25th year of branch banking service in Brooklyn; 25 years ago the People's Trust Company of Brooklyn and its 10 branches were merged with National City, and since that time National City has added five branches, bringing to 16 the total number located in Brooklyn, and to 78 in the five boroughs of New York.

* * *

The **Bayside National Bank, of New York, at Bayside,** Queens Borough, New York City, announced the opening on June 16 of its new Oakland Gardens Office at Springfield and Horace Harding Boulevards, Bayside. This office marks the fourth now conducted by The Bayside National Bank, another having been opened in Little Neck in February of this year. Alvan B. Fehn, Vice-President, will be in charge of the new office, assisted by Samuel Dubner.

* * *

To celebrate his 10th anniversary as President, employees and trustees of the **Roosevelt Savings Bank of Brooklyn, N. Y.,** honored Adam Schneider, Jr., with a dinner and dance at the Garden City Country Club on June 21. Signs and banners on the grounds and in the clubhouse proclaimed that the occasion was Adam Schneider Day. On behalf of the staff and the trustees, Mr. Schneider was presented with a sterling silver coffee and tea service by Arthur Loehrer, President of the bank's employee club. On June 15 Mr. Schneider celebrated his 47th anniversary with the bank. His career since he started with the bank in 1904 has been marked by continued steps forward from office boy to Teller, to officer, to trustee, and in 1941 to President.

* * *

A 100% stock dividend has been declared by the Board of Directors of the **Franklin National Bank of Franklin Square, N. Y.,** it was announced on June 26 by Arthur T. Roth, President. This increases the outstanding stock from 125,000 to 250,000 shares. The dividend is payable July 1 to stockholders of record as of June 25. The stockholders approved the payment of the dividend at a meeting on June 25, subject to the approval of the Comptroller of the Currency.

* * *

The Chemung Canal Trust Company of Elmira, N. Y., has issued a brochure descriptive of its new West Church Street branch, which was opened on June 4. The institution dates back 117 years, having begun business Oct. 22, 1833, with a paid-in capital of $200,000, under the name of the Chemung Canal Bank. The new branch, it is announced, has been equipped with the finest available facilities for insuring "a complete complement of commercial banking services" and provision has been made, it is added, to accommodate the anticipated increased banking needs of the future. In its statement of condition May 7, 1951, the trust company reported capital stock of $1,000,000, surplus of $3,000,000 and undivided profits of $465,853; the deposits are shown as $27,066,490, and the total resources $32,223,366. Frederick W. Swan is Chairman of the Board, while Clarence M. Probst is President.

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As a result of the sale of $60,000 of new stock, the **First National Bank of New Bedford, Mass.,** increased its capital, effective June 7, from $600,000 to $660,000.

* * *

The Board of Governors of the Federal Reserve System announces that **The Colonial Trust Company of Waterbury, Conn.,** a State member, and the **Watertown Trust Company, of Watertown, Conn.,** a noninsured nonmember, were merged under the charter and title of The Colonial Trust Company on June 4. In connection with the merger a branch was established in the former location of Watertown Trust Company to be known as Watertown Branch of the Colonial.

* * *

Kelley Graham, Chairman of the Board of **The First National Bank of Jersey City, N. J.,** announced on June 20 the advancement of Kingsbury S. Nickerson, Vice-President and director of the bank, to Executive Vice-President. Before joining the First National organization in 1949, Mr. Nickerson was President of the Pittsfield (Mass.) National Bank for three years. Prior to that he was associated with the Chemical Bank and Trust Company, New York, for 17 years, resigning from that institution as Assistant Vice-President to accept the Pittsfield post. A native of Passaic, Nickerson graduated from Dartmouth College and attended N. Y. University Graduate School of Economics and Banking. From May, 1942 to November, 1945, he was on leave of absence from Chemical Bank and Trust, serving in the Air Corps Training Command and with the 14th Air Force in China.

On June 21 Mr. Graham announced the promotion of five members of the bank's staff. Edward N. Dean, Cashier of the bank, has been advanced to Vice-President and Cashier, and the following have been appointed Assistant Cashiers: Thomas J. Carlon, Louis De Frances, Thomas N. Flournoy and George Price.

* * *

The Bank of Nutley, at Nutley, N. J., a State member, and **The First National Bank of Nutley** merged on June 11 under the title of Bank of Nutley, it is announced by the Board of Governors of the Federal Reserve System. In connection with the merger a branch was established in the former location of The First National Bank.

* * *

Joseph A. Barber, Treasurer of **The Federal Trust Company of Newark, N. J.,** and a director of the Hayes Savings & Loan Association, died on June 19. He was 61 years of age. The Newark "Evening News" reports that Mr. Barber joined the Federal Trust Co. in 1910. Prior to his appointment as Treasurer in 1946, he had served as Assistant Treasurer and Assistant Secretary for 10 years.

* * *

Charles R. Hardin, a director of the **National Newark & Essex Banking Co., of Newark, N. J.,** and the American Insurance Co., and prominent in city and state affairs, died on June 21. He was 56 years of age. He was a member of the Newark law firm of Pitney, Hardin & Ward, successor to Pitney, Hardin & Skinner, and according to the Newark "Evening News," he had been Chairman of the Bureau of Municipal Research, a member of the Newark Chamber of Commerce and the American, New Jersey and Essex County Bar Associations. He was President of the county association in 1935. From 1943 to 1948 he was a member of the State Board of Bar Examiners.

* * *

Girard Trust Corn Exchange Bank, of Philadelphia, Pa., is offering to stockholders of record on June 18 the right to subscribe for 136,875 additional shares of capital stock at $35 a share in the ratio of one new share for each five shares held. The rights, which will be evidenced by subscription warrants, will expire on July 2. The offering has been underwritten by a group headed by Smith, Barney & Co. The group has agreed to purchase from the bank any shares of stock not subscribed for by warrant holders. Upon completion of the offering, the capital, surplus and undivided profits of the bank will exceed $44,000,000 and its reserves will be approximately $8,000,000. Capital shares outstanding upon completion of the financing will number 821,250, with a par value of $15 a share. The bank is the result of the merger, effective June 15, of **Girard Trust Company** and **Corn Exchange National Bank and Trust Company.** The Girard Trust Company dated back to 1836 and the Corn Exchange to 1858. The opening statement of the combined institutions shows resources of $555,210,000 and deposits of $501,064,000. The bank has more than 125,000 depositors and 12 branches. Other members of the offering group are Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; Stroud & Company, Inc., and Janney & Co. An item bearing on the merger appeared in our issue of June 21, page 2579.

* * *

Frederic A. Potts, President of **The Philadelphia National Bank, of Philadelphia, Pa.,** and J. Wilson Steinmetz, President of **The Ninth Bank & Trust Co., of Philadelphia,** announce that their directors have agreed to consolidate their respective banks, subject to the approval of stockholders and the Comptroller of the Currency, under the charter and name of The Philadelphia National Bank. Stockholders of the latter bank will retain the same number of shares as they presently hold, and stockholders of The Ninth Bank & Trust Co. will receive one share of capital stock of The Philadelphia National for each five shares of The Ninth Bank held by them. The consolidation will bring together the Philadelphia National Bank, the oldest and largest in the Philadelphia Federal Reserve District, and The Ninth Bank & Trust Co., which has been prominent for over 65 years in the northeast section of Philadelphia. The five offices of The Ninth Bank will be continued as branches of The Philadelphia National. The consolidated bank will have a capital of $14,660,000, a surplus of $38,340,000 and undivided profits of approximately $14,000,000, making total capital, surplus and undivided profits of $67,000,000. Messrs. Potts and Steinmetz stated that the officers and staff of The Ninth Bank will continue in the employ of the consolidated bank. It is planned that the present directors of The Ninth Bank will act as a local Advisory Committee for the consolidated bank.

* * *

D. Luke Hopkins, Executive Vice-President and director of the **Safe Deposit & Trust Company, Baltimore,** and Richard A. Froehlinger, President of The Arundel Corp., Baltimore, were elected directors of the Fidelity and Deposit Company of Maryland at the regular monthly meeting of the Board on June 20. In announcing the Board's action, President B. H. Mercer noted that the F&D's new directors would fill the vacancies created by the recent deaths of Edward N. Rich and Joseph V. Hogan.

* * *

In its June 11 weekly Bulletin of the Office of the Comptroller of the Currency reports that the **Suburban National Bank of Silver Spring, Md.,** with common capital stock of $800,000, was merged with and into the **Prince Georges Bank & Trust Co. of Hyattsville, Md.,** a state banking institution, under the title of the **Suburban Trust Company,** effective as of the close of business May 31. The Suburban National Bank was operating three branches at the time of the merger. In our April 19 issue, page 1650, we indicated that the bank had on April 5 increased its capital from $700,000 to $800,000 by the sale of $100,000 of new stock.

* * *

Malcolm B. McDonald of **First National Bank of Minneapolis** has accepted a new position as Vice-President of International Milling Company. The announcement was made jointly on June 7 by Charles Ritz and Arthur H. Quay, Presidents, respectively, of the milling company and of the bank. Mr. McDonald, described as a key figure in Upper Midwest banking affairs, will assume his new duties with the milling company about July 16, relinquishing his post as Executive Vice-President of the First National. Mr. McDonald joined the First National in 1940 as general counsel, from the law firm now known as Dorsey, Colman, Barker, Scott & Barber. He had been associated with that firm for 11 years, following his graduation from Harvard Law School in 1929. In January, 1941, he was elected Vice-President and general counsel of the bank, and in 1946 assumed the duties of General Vice-President. Since September, 1950, he has served as Executive Vice-President. Mr. McDonald has served as a director of First National Bank since 1949 and as a

Continued on page 26

Phelan Exec. V.-P. Of L. A. Exchange

LOS ANGELES, Calif.—Appointment of Thomas P. Phelan as Executive Vice-President of the Los Angeles Stock Exchange was announced June 21, 1951, by Board Chairman Phelps Witter, Dean Witter & Co.

Thomas P. Phelan

The appointment followed creation of the new position of Executive Vice-President at a meeting of the Board of Governors.

Mr. Phelan, who has been Vice-President and Secretary of the Exchange since 1947, entered the securities field in March, 1929, as a clerk in the statistical department of the Los Angeles Curb Exchange.

Advancing to the position of assistant to the Secretary and director of statistics and research, he joined the Los Angeles Stock Exchange as manager of the clearing house after the two organizations consolidated in 1935.

Appointed director of listings and statistics the following year, Phelan became assistant to the Secretary in 1938.

A year preceding the second world war he left the securities industry to accept the position of assistant to the Vice-President of production at Vultee Aircraft, Inc. In 1947 he returned to the securities field as Vice-President of the Los Angeles Exchange.

A native son, Thomas Patrick Phelan was born in Los Angeles in 1906 on St. Patrick's Day, attending elementary school near Whittier, and graduating from Whittier High School in 1922.

A graduate of U. C. L. A. (February, 1929,) he is a member of the national commerce fraternity Alpha Kappa Psi, and the Phi Delta Theta social fraternity.

Skowrup Joins du Pont

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Edward M. Skowrup has become associated with Francis I. du Pont & Co., 722 South Spring Street. Mr. Skowrup for many years was with Merrill Lynch, Pierce, Fenner & Beane.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues on the defensive with volume and activity about as light as they have been in some time. Offerings have not been heavy in either the taps or the eligibles, but at the same time bids have not been too frequent in either of these groups. The Central Banks continue to operate upon the "stable market theory" with spaced or area support, rather than specific price pegging. Purchases by Federal have been selective, spotty and in not sizable amounts, but sufficient, according to reports, to carry out what the monetary authorities intend to do at this time.

The short market continues to hold the spotlight because of the liquidity preference which seems to be definitely in the ascendancy at this time. Those that are not putting funds in near maturities seem to have taken to the sidelines which is indicative of the caution and uncertainty that are prevailing among operators in Treasury obligations. The intermediate and longer eligibles drifted lower, largely because of the absence of buyers, and quoting down. The taps are being taken here and there in relatively small amounts by outside investors, and this represents mainly reduced scale buying.

Market in Doldrums

Dullness with almost absurd inactivity is the way operators in the government market characterize the lack of volume in Treasury obligations. This may be carrying things a bit far, but the lack of interest, and in turn volume and activity, have been the highlights of a market which continues to give ground in the intermediate- and longer-term segments, with the nearer-term issues on the stable side. What has come over the market for Treasury obligations is not easily explained, although periods of very light volume and sharply curtailed activity have not been unusual in the past. First of all a major refunding operation has just been completed, and this may have satisfied the needs of certain institutions for a time at least. Secondly, there seems to be a great desire for liquidity which means most of the limited activity is taking place among the shortest-term obligation. Fear of what might happen in the future makes for this liquidity preference, and if not for that, it develops a wait-and-see attitude which seems to be catching. The pressure on the longest eligible issue which carried it to new lows does not help matters as far as the bank obligations are concerned, because prospective buyers of these securities are not sure enough of what might develop to take a chance and put funds into anything but the most liquid obligations.

Short Maturities in Spotlight

Nonetheless, the concentration of buying, which is still very modest, in the near-term maturities, does give some hopeful signs after all. Purchases of the shorts keep these rates from advancing and even push them down in some instances. In the past, after a period of stability in short-term rates, there has been a spreading out of buying, which has an influence upon the rest of the list. To be sure, it takes time for this to be accomplished, and this comes only after a test period which may be what the market is going through now. The 2% bank issues, the 1956/58's and the 1956/59's, have still to work out a pattern of yields as well as the set maturities in 1954, 1955 and 1956. Until this has been done only a limited amount of interest is going to be found among these various obligations. Just the same the feeling is not entirely absent that interest rates as a whole have gone about as high as they are going to go, and such an attitude with time generally has a favorable influence upon the whole government market.

The end of the month is approaching and this has an effect upon the buying policies of the commercial banks. Although money is tight, the deposit institutions for display purposes to a certain extent are buying shorts. Out-of-town banks seem to have gone to the sidelines almost entirely, despite the need for income, which some of them could use, especially those that have not been able to get other commitments. Losses in longer eligibles are not usually conducive to new buying, even where purchases were being made to replace those that had been sold out at higher levels.

Another factor that seems to be affecting the government market is the impending offering of the Public Housing Authority obligations. This has taken something away from the partially-exempt Treasuries and it has also affected switches into State and other municipal obligations. Despite the apparent attractiveness of certain fully tax-sheltered issues, there is no desire now to acquire these obligations. The feeling seems to be, let's wait and see what the Public Housing Authority bonds are going to look like before we go after these other securities.

Restricteds on Defensive

The restricted obligations continue to be on the defensive with a new low here and there, and inactivity is also prevailing in these bonds. There were, however, reports that the Central Banks relieved the market of some of the overhanging bonds during the week. Small amounts of the Vics were bought on a scale basis by some of the pension funds, but these purchases, according to advices, were well under those that were recently taken by them. Caution, as well as placement of funds in other investments, is the reason given for the lighter commitments by these funds. The 2½s of 1962/67 are still being bought by those that have been sellers of the bank 2½s of 1967/72. The 5/5/52 eligible tap issue still seems to be the most sought after of the ineligibles as it has been in the recent past.

The resignation of Marriner S. Eccles from the Federal Reserve Board was not unexpected and it had no effect upon the money markets. It is quite likely there will be many changes and new faces in the Federal Reserve Board in the not too distant future. Policies, however, will probably continue as they are irrespective of who is appointed to the Board.

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News About Banks and Bankers

member of the board's Executive Committee. He also is President and a director of First Edina State Bank, an affiliate of First National, and a director of First Service Corporation, operations affiliate of First Bank Stock Corporation. Among the various banking organizations in which he has been active are the Minnesota Bankers Association, the American Bankers Association, and the Association of Reserve City Bankers.

* * *

Besides increasing its capital from \$125,000 to \$175,000 as of June 1, the **Stephens National Bank of Fremont, Neb.**, is reported to have, at the same time, changed its name to the **First National Bank of Fremont.** Of the \$50,000 increase in capital, \$25,000 resulted from the sale of new stock and \$25,000 represented a stock dividend.

* * *

The First National Bank and Trust Company of Tulsa, Okla., is offering to its shareholders of record June 5 rights to subscribe at \$40 per share to an additional 50,000 shares of \$20 par value common stock on the basis of one-third additional share for each share held.

Warrants evidencing these subscription rights expire on June 25. An underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane will purchase the unsubscribed portion of these shares. Total deposits in the bank, it is stated, have grown from \$53,081,000 as of Dec. 31, 1940, to \$192,915,000 as of April 30, 1951. Capital funds of the bank have increased from \$5,467,000 as of Dec. 31, 1940, to \$10,883,000 as of April 30, 1951. Upon completion of this financing, capital funds will amount to \$12,883,000.

* * *

The First National Bank in St. Louis has received clearance from the National Production Authority to proceed with the \$5,000,000 modernization and new construction program voted by its Board of Directors in October, 1950. The bank will begin immediately to carry out the building program—one of the largest, it is said, to be undertaken in downtown St. Louis in recent history. William A. McDonnell, President of First National, pointed out that the program is the result of "more than a decade of planning." The bank first announced its preliminary plans two years ago when the first necessary property acquisitions were made. Recently the First National announced that its capital, surplus and undivided profits account would be increased \$4,400,000 by the issue and sale of 100,000 shares of additional capital stock. The building program calls for total remodeling of the bank's present 6-story building, resurfacing of its exterior, and the construction of a new 5-story building.

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An addition of \$1,000,000 has been made to the capital of the **Mercantile National Bank at Dallas, Texas**, by the sale of new stock to that amount, increasing the capital from \$6,500,000 to \$7,500,000 as of June 7.

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The Valley National Bank of Phoenix, Ariz., has increased its capital stock from \$4,000,000 to \$5,000,000 by the sale of \$1,000,000 of new stock. The enlarged capital became effective June 11.

* * *

The directors of **Barclays Bank** (Dominion, Colonial and Overseas) have declared interim dividends in respect of the year ending Sept. 30, 1951, of 4% actual on the "A" stock and "B" shares, subject in each case to the deduction of income tax at the standard rate of 9/6d in the £. These interim dividends will be payable on June 15 to holders of the aforesaid stock and shares on the register on May 30.

Millonzi Appointed Member of SEC

WASHINGTON, D. C.—Robert I. Millonzi was sworn in June 21 as a member of the Securities and Exchange Commission. The oath of office was administered by Justice Robert H. Jackson of the United States Supreme Court.

Appointed for the unexpired portion of a term ending June 5, 1952, Commissioner Millonzi succeeds to the vacancy recently created by the resignation of Edward T. McCormick.

At the time of his appointment to the Commission, Commissioner Millonzi was a member of the law firm of Diebold & Millonzi of Buffalo, New York, where he was born July 12, 1910. A graduate of the University of Buffalo (B. A., 1932; LL. B., 1935), he was admitted to practice before the New York State Supreme Court in September, 1935 (he also was admitted to practice in Federal Court and The Tax Court of the United States). He is a member of the American Bar Association, the New York State Bar Association, the Erie County Bar Association, and both National and State Title Associations. He was counsel to the New York State Department of Agriculture and Markets, 1940-1943.

Business associations of Commissioner Millonzi included that of Counsel for The First National Bank of Buffalo and The Western Savings Bank of Buffalo; Member of the Capital Expenditures Committee of the City of Buffalo; and Director of The First National Bank of Buffalo (also on the Executive Committee), the Monroe Abstract and Title Corporation, and other business enterprises. He also is a Director of the Buffalo Council on World Affairs.

Commissioner Millonzi is married and has two daughters. He is a member of The Buffalo Club; the Cherry Hill Country Club (a Director); and the Lawyers Club. He holds life memberships in the Buffalo Fine Arts Academy; Buffalo Historical Society; and the Buffalo Public Library, as well as memberships in various other civic and cultural organizations.

With Fabian & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Walter L. Berger is now with Fabian & Company, 9500 Santa Monica Boulevard.

With James Ebert Co.

(Special to The Financial Chronicle)

BAKERSFIELD, Calif.—Clinton R. Maddux has been added to the staff of James Ebert Company, 120 Chester Avenue.

Three With Waddell Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—John D. Blair, Ralph W. Olson and Clarence P. Bowyer have become affiliated with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Waddell & Reed

(Special to The Financial Chronicle)

STEAMBOAT SPRINGS, Colo.—Lloyd L. Brown is now associated with Waddell & Reed, Inc. of Kansas City.

Union Securities Group Offers Minn.-Honeywell 3.75% Preference Stk.

Union Securities Corp. and associates on June 26 publicly offered 160,000 shares of Minneapolis-Honeywell Regulator Co. 3.75% convertible preference stock ($100 par value) at $102.50 per share, plus accrued dividend. It is convertible into common stock at $55 per share.

The new preference stock is redeemable at prices ranging from $106 to $102.50 per share.

Proceeds from the sale of these shares will be used in part to repay $12,000,000 of temporary bank loans incurred in connection with the company's expansion program. Expansion in the company's business in the current year, due in part to the increasing demand for its products in connection with the defense program, has made it necessary to provide for substantial additional funds over and above those expected to be available from retained earnings and depreciation charges, in order to carry increased inventories and receivables and to pay the cost of additional manufacturing facilities.

Originally a manufacturer of domestic heat regulating devices, Minneapolis-Honeywell Regulator Co. has grown and expanded to cover a wide field of automatic control instruments. It manufactures more than 8,000 different types and models having more than 12,000 applications. These controls are used in a wide variety of fields, ranging from heating, air-conditioning and ventilation to aviation, railroads, steamships and industrial operations and for process control in the steel, textile, ceramic, food, chemical, pharmaceutical, petroleum and other industries. The company is the largest producer of controls for domestic heating systems in the United States.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co., Inc. and associates on June 26 offered $10,500,000 of Southern Pacific Co. series FF 3⅛% equipment trust certificates, to mature annually July 1, 1952-1966, inclusive. The certificates were priced to yield from 2.40% to 3.20%, according to maturi y. Issued under the Philadelphia Plan the certificates were offered subject to authorization by the Interstate Commerce Commission.

The certificates will be secured by new standard-gauge railroad equipment estimated to cost not less than $14,000,000. The equipment comprises 14 diesel freight locomotives, 570 box cars of 50-ton capacity and 330 gondola cars of 50-ton capacity.

Associates of Halsey, Stuart & Co., Inc., in the offering are R. W. Pressprich & Co.; L. F. Rothschild & Co.; Hornblower & Weeks; Otis & Co., Inc., The Illinois Co.; Wm. E. Pollock & Co., Inc.; A. G. Becker & Co., Inc.; Freeman & Co.; Gregory & Sons, Inc.; Hayden, Miller & Co.; Swiss American Corp.; First of Michigan Corp.; McCormick & Co.; McMaster Hutchinson & Co.; The Milwaukee Co. and Mullaney, Wells & Co.

Two With Samuel Franklin

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Dwight C. Gott and Jule Mandell have become affiliated with Samuel B. Franklin & Company, 215 West Seventh Street. Mr. Mandell was previously with Marache Sims & Co.

Taylor Now Pres. of N. Y. State Bankers Ass'n

William T. Taylor

Ernest H. Watson

Albert J. Gowan

SPRING LAKE, N. J.—William T. Taylor, Vice-President and Director, Bankers Trust Company, New York, N. Y., was elected President of the New York State Bankers Association at its 55th Annual Convention here recently. He succeeds Herbert J. Kneip, President, The National Commercial Bank and Trust Company of Albany, Albany.

Ernest H. Watson, President, First National Bank of New Rochelle, New Rochelle, N. Y., was elected Vice-President, and Albert J. Gowan, Executive Vice-President and Trust Officer, South Side Bank, Bay Shore, N. Y., was named Treasurer.

The association, founded in 1894, has a membership of 850 banks, trust companies and investment houses and represents almost a third of all the chartered banking resources of the country.

Continued from page 2

The Security I Like Best

per share on the present shares outstanding). Current estimates of the value of the shares, in the event of mutualization, range from a low of $500 up to $1,000 per share (on the new shares), after adjusting for excess reserves, undervalued assets and the value of the insurance in force.

While it is true that the present management of the company is composed of very sound insurance executives, a situation all too common has arisen since the early 'thirties. Top management which directly owns (or directly represents) a comparatively small amount of capital stock, has gradually assumed the position that the shareholders' rights are relatively minor as compared to other elements of the business. As a result of shareholders' apathy, this has progressed to a point where up to the middle of last year the company was paying out only about one-third of the dividends paid 20 years ago, while total assets, business in force, earnings for shareholders and the shareholders' equity have substantially increased in this period. (It is interesting to note that the total market value of the Sun Life common stock is almost equal to the appreciation on the company's investments in U. S. common stocks. As of Dec. 31, 1950, these investments were carried on the company's books at $40.3 million, while the market value was $59.9 million.)

For the first time in many years, a large number of shareholding interests in Canada have been uniting and under their leadership American shareholders are joining in to obtain more equitable recognition of the shareholders' rights. (The combined total of the shares thus represented is a very sizable percent of the total shares outstanding.) It must be remembered that legally the shareholders control this company until such time as it may be mutualized, since under Canadian law shareholders of life insurance companies are always entitled to elect the majority of the directors. The recent 10-for-1 split in the common shares (the first split of any sort in the company's history) and the 50% increase in the common dividend are, I believe, evidence that the shareholders *can now expect considerable better treatment from the management.*

Investors should not forget that well-managed insurance companies are excellent long-term inflationary hedges. While the number of persons covered by life insurance companies have been steadily increasing, as in every growing business, the amount of insurance per policy holder has been substantially increased. In 1930, the average policy holder of life insurance in the U. S. had a total coverage of $1,565, while, in 1950, this had increased to $2,820 per policy holder, or an increase of 80%. During this same period the cost of living as measured by the U. S. Bureau of Labor Statistics increased approximately 51%.

Summary

Sun Life is a huge international organization growing steadily larger and more profitable. However, the "owners" of the company have been very poorly compensated for the success of their business. They have finally begun to unite to correct this situation, and it is my belief that changing policies are being put into operation which will substantially increase the shareholders' return. I am firmly convinced that compared to similar securities of like quality, the Sun Life common shares are a very attractive investment.

Melniker Partner

Jerome Melniker & Company, 40 Wall Street, New York City, members of the New York Stock Exchange, will admit Alan Melniker to partnership on July 2.

Joins Crowell, Weedon

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Howard A. Foster has been added to the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Waddell & Reed Add

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Nova W. Cain has been added to the staff of Waddell & Reed, Inc.,

With Goodbody & Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—John S. Clapp, Jr. has become associated with Goodbody & Co., 50 State Street.

Conrad, Bruce Add

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Henry S. Van Dyke has been added to the staff of Conrad, Bruce & Co., 530 West Sixth Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Condition and earning reports of New York City banks for the second quarter to be published next week are expected to make favorable comparison with the statements of the previous quarter and those of a year ago.

Considering the fact that the banks have had to substantially increase their tax provision as well as meet increase in other operating expenses, the expected showing of the banks is very satisfactory. Also, it must be considered against a background of other institutions, many of which have had difficulty in maintaining their earnings at the level experienced in the early months of the year.

For most of the New York banks, earnings of the second quarter of the current year should be moderately above those of the first three months. These earnings, in turn, would be considerably higher than for the similar period of 1950.

The two primary factors accounting for this excellent showing are, (1) a high level of outstanding loans, and (2) the higher interest rates available on both loans and investments.

Final figures, of course, will not be available until next week, but certain general trends indicate the major changes which have taken place.

The total of outstanding loans was in an upward trend throughout all of 1950. This trend continued into the current year, reaching a peak at the end of the first quarter. After that outstanding loans declined for a period partly because of seasonal influences and partly because of efforts on the part of banking authorities themselves to restrict the expansion of inflationary credit.

In recent weeks loans have been increasing and at present are almost back to the record reached at the end of March and about $500 million higher than at the end of 1950. As compared with a year ago, outstanding loans are over $2 billion higher.

The other principal earning asset of most banks, U. S. Government securities, has shown a somewhat different trend. Holdings at present show only slight variations from those of a year ago, although considerably lower than at the end of last December. Maturities, however, are considerably shorter.

This rise in the volume of loans over the past year is very significant in its influence on earnings. Yields on loans are considerably higher than on other forms of investments. By utilizing a greater proportion of their earning assets in the higher yielding loans, pre-tax earnings have gained considerably.

The other important factor affecting bank operations over the past year has been the rise in interest rates.

The prime commercial loaning rate in New York has risen from around 2% a year ago to 2½% at present, and there are indications it may be raised to 2¾%. Other loaning rates have moved up a corresponding amount.

Yields on government securities have also risen, particularly since the government modified its policy of supporting securities at specific prices. These conditions enable banks to earn considerably more on the remaining holdings. Also, as loans and securities mature, the funds released can be employed at the favorable rates currently prevailing. Thus, the full effect of the increase in rates has not yet been realized.

As expenses have been well controlled, a large part of improvement in operations has been brought down to pre-tax net income. The higher provision necessary for the higher tax liability has absorbed most of the gain. Current normal and surtax rates are 47% as compared with 38% a year ago. Also, because of the certainty of higher taxes later this year, some banks have increased their tax reserves to over 50% of current income.

In spite of this, however, the bank earnings for the second quarter should show some gain over the first period, with comparisons with earnings of a year ago even more favorable.

For the remaining half of the year, much will depend upon tax legislation, including the excess profits tax. So far as bank operations are concerned the outlook is good. The higher loan volume currently outstanding and the increased interest rates should continue to aid pre-tax net income. Further increases in operating expenses are in prospect, but should be easily absorbed. Unless the tax bill is considerably more severe than that now anticipated, earnings for the year should show improvement over those of 1950.

Carey, Joost to Admit

H. T. Carey, Joost & Patrick, 120 Broadway, New York City, members of the New York Stock Exchange, will admit A. Hager Bryant, Jr., to partnership on July 1.

Butler, Wick Partner

YOUNGSTOWN, Ohio—Butler, Wick & Co., Union National Bank Building, members of the New York and Midwest Stock Exchanges, will admit Carl Dennison to partnership on July 2.

Public Utility Securities

By OWEN ELY

New England Public Service Company

New England Public Service Company (NEPSCO) is the third largest holding company in New England, and unlike New England Electric System and New England Gas & Electric Association, it appears to be slated for dissolution. It holds blocks of common stocks in three New England operating companies—Central Maine Power Co. (48%), Public Service Company of New Hampshire (52%), and Central Vermont Public Service (35%). Public holdings of these stocks are traded over-counter, as are also the holding company issues.

The company has already made substantial progress toward dissolution, by retiring its prior lien preferred stocks. A $4 million escrow fund had been set up to provide for contingent payments to holders of "stubs" of the old prior lien preferred stocks (representing redemption premium claims) but the entire amount was not needed. With SEC and Federal Court approval, the Trustee on Feb. 7, 1951 made final payments of $14.49 per share on the $7 prior lien preferred stubs, and $2.56 on the $6 series. Thus over half the amount of the reserve was released and applied by the company to reduction of its bank loan. Further quarterly payments of $180,000 must be made on the loan, which as of April 1 amounted to $1,490,000.

Last November the company resumed dividends (for the first time since 1932) on the two "plain" preferred stocks. Dividend arrears on these stocks will now remain "frozen" at about $130 on the $7 preferred and $111 on the $6 issue, and total claims (disregarding redemption premiums) are $230 and $211.

The company's current dividend income is about $2.3 million a year, overhead and taxes are estimated to be around $300,000, and preferred dividend requirements are approximately $1 million, so that the cash build-up probably approximates $1 million a year. Cash on hand at the end of 1950 was nearly $400,000. Hence, by this time next year the company might be able to pay off its bank loan and be "clear," it is estimated. Value of the stock holdings is about as follows:

		Approx. Price	Value (Millions)
1,055,181 shares	Central Maine Power	17½	$18.6
493,857 shares	Public Service Co. of N. H.	24 *	11.8
231,669 shares	Central Vermont Pub. Service	10½	2.4
	Total		$32.8

Future value of Public Service of New Hampshire may be somewhat dependent on the outcome of the company's application for higher rates, a decision on which may be forthcoming within a few weeks. The company is currently paying out nearly all the earnings in dividends. Current yield is 7.5%, however, so that the possibility of a dividend readjustment may be partially discounted.

The company has just filed a plan with the SEC to divide its net assets in the ratio of 75% to the preferred stocks and 25% to the common. It seems likely that the representatives of the preferred stockholders will seek a larger proportion of assets, in view of their heavy claims. Assuming that the plan is consummated when there are no net cash assets, and that the portfolio value remains as currently, such value might conceivably be assigned on one of the following formulas:

	Millions of Dollars			
	75%-25%	80%-20%	85%-15%	90%-10%
Preferred stocks	$24.6	$26.2	$27.9	$29.5
Common stocks	8.2	6.6	4.9	3.3
Total	$32.8	$32.8	$32.8	$32.8

There are outstanding about 48,000 shares of $7 preferred and 110,000 shares of $6 preferred (or a total of 158,000) and some 961,000 shares of common stock. Dividing by these figures we get the following approximate breakup figures:

	75%-25%	80%-20%	85%-15%	90%-10%
Preferred stocks	$154.00	$166.00	$176.00	$187.00
Common stocks	8.50	6.90	5.10	3.40

The amounts assigned to the preferred stocks would, of course, vary between the $7 and $6 issues. If we take the $7 claim as 100%, the $6 claim would be about 92%. On this basis, we arrive at the following range of potential values:

	Estimated Break-Up	Approximate Price
$7 preferred	160-195	142- 45
$6 preferred	147-180	129- 31
Common	3½-8½	7¼-6½

Northern New England Co. is a small "paper" holding company. Following a partial distribution of assets in 1948, its assets now consist of about 20 cents a share, and some 312,000 shares of NEPSCO common stock—approximately 1.4 shares for each share of its own stock outstanding. Breakup value might therefore be estimated in the range of $5-$12. The stock is currently quoted about 6⅞-7⅜.

McDonald to Admit

CLEVELAND, Ohio—McDonald & Company, Union Commerce Building, members of the New York and Midwest Stock Exchanges, will admit Chester H. Burke and H. Leonard Flynn to partnership on July 2.

Henderson, Harrison Admit

Henderson, Harrison & Struthers, 40 Wall Street, New York City, members of the New York Stock Exchange, will admit Peter F. F. Kissel to partnership on July 2.

Joins Oakes & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Jan van Heurn is now with Oakes & Company, 605 Lincoln Road.

Thomson McKinnon Add

(Special to THE FINANCIAL CHRONICLE)

DAYTONA BEACH, Fla.—Mrs. Gladys W. Roulstone has joined the staff of Thomson & McKinnon, 105 Broadway.

Continued from page 4

Government Bond Market Under New Federal Reserve Policy

tive. I have some figures at hand, however, that seem to indicate that many banks adequately protected themselves against a drop in the bond market by exchanging long governments for cash or treasury bills during the time the Federal Reserve System was supporting the market in conformity with the Treasury's wishes.

This data, covering the month of April, shows that mutual savings banks — nationwide — disposed of $100 million of U. S. Government obligations and, supplemented by a net increase in deposits, acquired $157 million of new mortgages. The latter figure is quite substantial, and compares with a $102 million monthly average investment of new money in mortgages during the first half of the year 1950.

However, it is freely predicted that the supply of mortgages will dwindle noticeably in the months immediately ahead, reflecting primarily the delayed impact of restrictions on residential construction brought about through the imposition of Regulation "X." Housing, instead of showing its normal April spurt, slumped to 88,000 starts, or 7%, below the March figure of 95,000. This left 1951 housing 65,000 starts below last year's total at the end of April. At the moment, availability of mortgages, insofar as savings banks are concerned, would appear to be largely of academic interest. In other words, it is reported that many savings institutions are rather tightly locked into the sharply deflated government bond market. In fact, the shortage of funds appears to have placed something of a squeeze on institutions having heavy forward commitments in mortgages.

I believe, however, that as the year wears on, the scarcity of mortgages will give rise to a major investment problem. As it looks now, savings banks are bound to accumulate a substantial volume of investable funds in the latter part of 1951. These funds, in my opinion, will be generated both internally and externally—that is, from maturities and amortization payments on outstanding loans, as well as from increased deposit volume. With respect to the likelihood of an expansion in savings bank deposits, let us examine some pertinent figures.

In the second quarter of 1950—the pre-Korean months of April, May and June—personal consumption expenditures (on an annual basis) were $10.4 billion less than disposable personal income. During this three-month period, deposits at all United States mutual savings banks showed an expansion of $230 million—a very substantial figure, by way of contrast, however, the buying wave of July and August, touched off by the invasion of South Korea by the communists, narrowed the third quarter spread between personal consumption expenditures and disposable personal income from $10.4 billion to $6.3 billion. Interestingly enough, deposits of all mutual savings banks showed a net decline of $96 million, a sharp reversal of form from the preceding three-month period.

Tracing these relationships to the final quarter of last year, my figures indicate that personal consumption expenditures (on an annual basis) failed to match the volume of disposable personal income by $15.8 billion. The lull in the forward buying spree, induced by the success of the United Nations Forces in Korea, was translated into a marked increase in the rate of net savings. All mutual savings bank registered a $272 million spurt in deposits during the October, November, December period.

In the initial three months of 1951, the public spent all but $10.1 billion of its disposable income, while mutual savings bank deposits increased by a modest $20 million. A period of dis-saving in the latter part of January and throughout February, caused by a second wave of scare buying, influenced these first quarter statistics.

Savings on Increase

In recent months, there has been a return to a more normal level of personal consumption expenditures with an accompanying uptrend in the volume of savings deposits. During March and April, the latest months for which figures are available, mutual savings banks reported increases in deposits of $37 million and $38 million respectively. I am of the opinion that this recent upturn in deposits will continue, and quite possibly accelerate, for a number of months to come. Incidentally, I should be quite surprised, if the much publicized buying rush caused by the price war on fair-traded merchandise early this month in many large centers, has materially disturbed the general savings-expenditure pattern of the public.

In the first place disposable personal income has already increased from an annual rate of $197.7 billion, as of March, 1950, to $214.9 billion, as of March, 1951. With the assurance of a further intensification of the rearmament program in the months immediately ahead, it seems only reasonable to expect an even higher level of employment, attended with more overtime compensations and the pre-election-year expediency of giving the political nod to higher wage scales for the unions. In May, 1,014,000 additional persons were brought into the nation's labor force, a part of which admittedly represents seasonal influences. However, the fact remains that unemployment dropped to 1,609,000—the smallest total since August of 1945. Thus, I look for a further substantial rise in the annual rate of disposable personal income, which should definitely more than offset any proposed upward revision in income tax rate schedules. Should this prove to be substantially correct, it will undoubtedly result in a sizable net increase in savings deposits.

In the second place, I doubt very much that personal consumption expenditures will be able to maintain their recent uptrend. Increasing cut-backs in the production of consumers' goods, associated primarily with military stockpiling, together with other government expenditures along the lines of furthering the preparedness program, though not bringing about the severe scarcities of goods witnessed during World War II, should nevertheless, divert increasing proportions of disposable personal incomes into savings channels.

If we can assume therefore, a build-up in savings bank funds seeking investment later on in the year and, in the absence of sufficient mortgages for employment of these funds, the question arises—what investment medium would constitute the most desirable outlet? This question leads us to an appraisal of the relative market attractiveness of high-grade corporate bonds with long-term Treasury obligations.

Although prices for government bonds have declined rather sharply from the February, 1950 level, the drop in municipal and corporate securities has not been uniform. For example, tax exempt municipals, which I appreciate are of only academic interest to savings bankers under prevailing tax laws, show a much more pronounced drop since the beginning of the year than is the case with corporate bonds. As a matter of observation, the after-tax yield differential on long-term governments and municipals is currently approximately 30 to 40 basis points greater than it was earlier in the year when the Federal Reserve open market committee was supporting the tap issues above par. Since this situation has developed in the face of virtual assurance that both corporate and individual taxes will move higher, the disparity in yield between governments and municipals is even more striking. Hence, one feels fully justified in saying that this situation is only temporary in nature and as soon as the present congested condition in the municipal market is relieved, together with a greater appreciation of the impact of the impending boost in taxes, the spread between governments and municipals will tend to resume a more normal relationship.

Corporate and Government Bond Spreads

The situation regarding corporates versus governments, however, is quite different. Here we find that the yield on corporate bonds has behaved in much the same manner as the yield on long-term Treasury tap issues.

For purposes of comparison, I have taken the before-tax yield on the victory 2½s 1967/72 and the composite yield index on corporate bonds (before tax) of a triple-A through BAA quality rating. At the end of February, the victory 2½s showed a return of 2.44%, as against a 2.88% yield for the composite corporate bond group, which produced a yield spread of 44 basis points in favor of corporates. By the end of May, this spread had remained virtually unchanged; long-term governments yielded 2.67% and the triple-A to BAA rated corporate index yielded 3.11%. In other words, after the three-month reshuffling of interest rates, the yield differential between corporates and governments remained unchanged at 44 basis points. It would appear, therefore, that the corporate field is virtually no more or less attractive in terms of long governments than was the case at the termination phase of our cheap money era earlier in the year. Carrying this a step further, however, can it be shown that the existing yield spread is more attractive than that prevailing in recent years? I think not. For, as of the 1947, '48 and '49 year-ends, the government-corporate yield spreads were 64, 62 and 61 basis points, respectively.

While the foregoing may be an interesting and timely observation, I most certainly do not wish to imply that none of you should consider the purchase of corporate bonds. It has always been my contention that a portfolio investment policy should be formulated on the basis of the individual requirements of a given institution, rather than on the ability to prognosticate the future course of the bond market, and thereby attempt to prescribe a formula to suit all investors. I might add that the latter course of action would be an erroneous one, if only due to the broad variety of individual situations encountered among your own group of 23 New Jersey mutual savings banks. In this connection, it will be noted that the ratios of mortgages to total assets ranged from less than 2% to well over 50%, according to the 1950 year-end figures. Furthermore, most of those savings banks having a mortgages-to-total-assets ratio of less than 20% show rather modest commitments in corporate obligations—something less than a conservative 15% of total resources.

Therefore, should these banks feel the need for additional income, and what bank does not in these days of evermounting operating expenses, I believe they would be fully justified in acquiring appropriate amounts of high-quality corporate bonds in an effort to supplement current income not otherwise obtainable from mortgages. I say this, regardless of the existing yield spread differential between governments and corporates and without any thought as to where this spread may be a year from now. At this point, it might be well to mention, that all mutual savings banks—nationwide — increased their ownership of corporate securities by $50 million last April, during which month their deposits rose $38 million. This portfolio action contrasts rather sharply with that of the 23 New Jersey institutions, whose corporate security holdings increased only $1½ million in April against an increase in deposits of $5½ million. These figures lead to the obvious conclusion that mutual savings banks in other states have in recent months, been more active buyers of corporate securities.

I find there are a great many bankers who look upon the relatively depressed level of today's bond prices with dire misgivings and a high degree of gloom. The basis for this feeling of pessimism often stems from the fact that the decline in the bond market has not only wiped out a very sizable paper profit in the investment portfolio but has left in its place a substantial book loss. Obviously, no one enjoys a loss whether it be actual or on paper. However, from a practical point of view—and I think you will all agree that an investment policy should be practical—so, as I say, from a practical viewpoint, should we not adopt a more realistic attitude toward today's bond market and welcome the opportunity to acquire good quality investments at yields which have not been obtainable since before the war.

Is it not so that savings bankers are essentially income minded—primarily investors for the long pull at the best rate of interest available on good quality securities? Therefore, why not adopt a positive, rather than a negative attitude toward the present level of bond prices.

During the past decade, we have seen unprecedentedly low yields on all classes of fixed income securities, which, as previously mentioned, produced substantial book profits in the bond account. However, the only time it was profitable to capitalize these gains was when the funds could be invested in mortgages at higher rates of interest for to switch from one issue to another in a rising bond market merely establishes a profit which must be set aside as a reserve or used to write the newly acquired issue down to par.

Therefore, rather than a cause for alarm, I feel that the present situation affords an opportunity to employ investable funds at interest rates heretofore unobtainable on good bank quality investments. This should become more apparent as we head into the last half of the calendar year 1951—a period when we can anticipate an increase in deposits and a decrease in the available supply of mortgages.

Government Bond Market Healthy

Contrary to the dire predictions of many bond men, since early last month when the Treasury passed up the initial optional call date on its 2% bonds due September, 1951-53, the government security market has displayed considerable stability. The announcement this week of the successful refunding of the maturing 2¾% bonds and 1¼% notes with a 9½-month 1⅞% certificate, gives further evidence of a very healthy condition and reemphasizes the working accord which has been established between the Treasury and Federal Reserve Banks. Also, I believe it can be said with something more than reasonable assurance that we have seen the peak of the short-term interest rate, at least for the balance of the year 1951. This is not to say that we will witness a sharp reversal in the recent trend toward higher short-term rates, but rather that we can look forward with confidence toward a period of stability, with the distinct possibility that yields on short-term treasurys may once again tend toward lower levels in the months ahead.

Attempting to forecast the future trend of any market is, of course, a risky business at best and under present conditions, where it involves one's ability to guess what course the money managers will follow in addition to attempting to evaluate the many currents and cross currents tending to shape our economy, it requires nothing short of a speaking acquaintance with the oracle at Delhi. Furthermore, as previously indicated, I do not feel that it should play more than a minor part in shaping the investment policy for a savings bank's bond portfolio.

On the other hand, as intimated at the beginning of my talk, it is very definitely the duty of every bond portfolio manager to study all available factors likely to affect the course of the bond market. Therefore, in conclusion, I should like to call attention to a few highlights which, in my opinion, may help to serve as a guide during the months immediately ahead.

Factors in the Future Outlook

Probably the most important factor bearing on the immediate course of prices for fixed income securities deals with the outlook for loans in commercial banks. The rapid rise which got under way in the second half of 1950 carried through in the early months of 1951, although at a somewhat more moderate rate. During recent weeks, business loans, which have accounted for most of the rise, have shown a tendency to decline. Obviously, the question arises whether this leveling off is due to belated seasonal effects or from other causes affecting the economy.

In attempting to gaze in to the future, there are several factors which may tend to temper the rate of loan expansion. First, the almost perpendicular rise in prices, which was responsible for much of the demand for credit, is showing signs of leveling off. The rate of price increase appears to be slowing down in face of the government's anti-inflation program. Second, there is evidence that concern over enlarged inventories may cause some liquidation. Third, as government payments on defense contracts materialize, the pressure on private funds for working capital and plant expansion should tend to ease. And, finally, we have already noted a reluctance on the part of holders of government bonds to dispose of them at present depressed prices in order to shift into loans and other types of investments.

In contrast to the foregoing, there are strong underlying forces which will undoubtedly tend to bring about a further increase in loans. The enlarged financing requirements of businesses associated directly and indirectly with defense production will stimulate the demand for credit, and, if present plans for industrial expansion are carried out, we should witness an almost unprecedented increase in capital expenditures. Therefore, in attempting to formulate an investment policy, we should study carefully from week to week the figures published by the Federal Reserve Banks pertaining to loans of all types, because the demand for bank credit will exert considerable influence on the future course of the bond market.

It now appears that the Treasury will end the fiscal year 1950-51 with a $3 billion surplus, due primarily to the fact that expenditures for defense have been considerably less than anticipated. This should not, however, blind us to the fact that fiscally speaking, we have been living on borrowed time, because official estimates have already forecast a $10 billion deficit for the coming year. Just how much of this deficit will be offset by additional taxes is too difficult to predict, but it would seem reasonable to assume that the threat of deficit financing is still a real one, especially in that we are approaching a presidential election year when tax legislation is an unpopular topic.

Therefore, as payments are stepped up by the Treasury in keeping with the accelerated tempo of the government's preparedness program, we can expect member bank reserves to expand, with the resultant increase in both commercial and savings bank deposits. Thus, as the supply of mortgages begins to dwindle and greater restraints are placed on nonessential borrowings, it seems quite likely that banking institutions will once again tend to direct more and more of their attention to the bond market.

Joins Chas. A. Day

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Roy W. Moore has joined the staff of Chas A. Day & Co., Inc., Washington at Court, members of the Boston Stock Exchange.

Two With Ed. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Raymond D. Palmer and Walter J. Sears have become associated with Edward E. Mathews Co., 53 State Street. Mr. Palmer was formerly New Bedford Manager for Trusteed Funds, Inc.

Walsh & Chapman Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Bernard H. Gagnon is with Walsh & Chapman, Inc., 84 State Street.

Joins L. B. Gage

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Earl G. Engelmann is now associated with L. B. Gage, 1387 Main Street.

With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Arthur M. Carlson has become affiliated with John G. Kinnard & Co., Baker Arcade.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Albert Hovdeven is now with Minneapolis Associates, Inc., Rand Tower.

Arthur A. Newfield Joins Walston, Hoffman Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Arthur A. Newfield has become associated with Walston, Hoffman & Goodwin, 550 South Spring Street. Mr. Newfield was formerly with Shields & Co. and A. W. Morris & Co. and in the past conducted his own investment business in Los Angeles.

Securities Salesman's Corner

By JOHN DUTTON

Prospecting

(Article 1)

Whether you are new to the job of selling securities or an old hand at it, don't underestimate the matter of prospecting. It is the easiest thing in the world to slip into a habit of going back to the same old customers time and again until you completely lose the good habit of looking for new business. Working old customers and old prospects over and over again is just about the same thing as overworking a good piece of soil—someday the ground will become fallow. If you will stand back and look at your job you will see that it is divided into three parts: What you sell; Whom are you going to sell and, Where and When are you going to sell them. So your job is not only knowing securities and how to sell them but **How to Get Before the People Who Can Buy Them at the Right Time.**

What Is Prospecting?

(1) *Getting names of people.* You can see people all around you. People who may look like they buy securities or should do so, but they are no good to you unless you know their names.

(2) *Getting information about these names.* You must qualify the names you obtain.

(3) *Recording this information.* Don't trust your memory because it is impossible to retain information you will need to enable you to approach these prospects effectively unless you have a method of recording the facts in the handiest possible form.

(4) *Getting introductions to people.* It is always preferable to meet people under the *best possible* circumstances.

(5) *Eliminating poor prospects from your files.* Don't waste your time, it is your most valuable asset.

A Vital Part of Your Job

Take the best salesman and turn him loose among a group of people who have little or no money and he won't sell them many dollars worth of securities, Mutual Funds, or anything else. That is just common sense arithmetic. But take two men of equal sales ability, and in the case of one of them you have a man who is constantly on the lookout for prospects, and the other who relies solely upon the office for leads, it will be only a question of time until the man who is *always looking for people who can buy*, will forge ahead in his business. In future articles in this series we are going to present some practical down to earth methods of building up a prospecting list that have been used successfully in the life insurance business. I believe they are adaptable to the securities business. For example, every good life insurance man will tell you that the first thing he learned to do in order to be successful in his business was to "ask for prospects." Every time he made a sale he asked for names. Even when he didn't make a sale but gained the confidence of his prospect to an extent where he could ask for names, he would do so. Life insurance men tell me that they have actually perfected not one, but three different prospecting talks which they give to prospects and customers that are designed to give them names of *qualified* prospects. These talks are short but they make it easy for them to obtain the desired information they need.

In Article 2 we will go further into this matter of prospecting and see if some of these ideas that have been so successful in the life insurance business cannot be adapted to the sale of securities. I believe so.

General Foods Corp. Debentures Offered

Goldman, Sachs & Co. and Lehman Brothers head a group of underwriters which are offering publicly today $35,000,000 General Foods Corp. 3⅜% debentures due July 1, 1976, at 100% and accrued interest.

Proceeds of the financing will be used for general corporate purposes, including the carrying of increased inventories and receivables resulting from the growth of the business and generally higher price levels, and for plant equipment replacements and additions.

The debentures will be entitled to a sinking fund providing for the retirement of not less than $750,000 nor more than $1,500,000 of the debentures for each of the years 1957 through 1965 and not less than $1,500,000 nor more than $3,000,000 for each of the years 1966 through 1975. They are redeemable otherwise than by operation of the sinking fund at prices scaled from 103% to 100% in the last year. If redeemed by operation of the sinking fund the redemption price is 100%.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Lawrence A. Gaertner has become associated with Francis I. du Pont & Co., 1010 Euclid Avenue. In the past he was with Sutro Bros. & Co. and Jackson & Curtis.

Wacker Opens Office

(Special to THE FINANCIAL CHRONICLE)

LANCASTER, Ohio — Gail W. Wacker is engaging in a securities business from offices at 1710 North Columbus Street.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ellsworth C. Wolf is now affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Joins Slayton Staff

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Edna B. Barnett has joined the staff of Slayton & Co., Inc.

Mutual Funds

By ROBERT R. RICH

"DEFENSE EXPENDITURES are now rising rather rapidly," Axe-Houghton's General Survey reports. "The rise is not enough," the analysis continues, "to confirm the budget estimate of a $3 billion deficit because there is almost certain to be a surplus despite the government's most valiant spending efforts. But these expenditures have now reached an annual rate of $31 billion and are getting within striking distance of the budget estimate of $41 billion for the fiscal year beginning July 1. The way these expenditures have picked up in recent months is shown by the following table.

Defense Expenditures
(000,000 omitted)

	1950	1951
January	$1,084	$1,715
February	975	1,743
March	1,051	2,105
April	928	2,086
May	1,007	2,571

"If this increase were being offset by lower ordinary government expenditures there might be little net influence on the business outlook, but actually non-defense spending has been reduced only a trifle so that business is likely to feel the full effects of the increased spending. This influence should continue to offset whatever additional unfavorable effects there may be from the overaccumulation of consumers' durable goods and the recent tendency toward slackening demand in the consumers' goods industries.

"We believe that in normal times it is the producers' goods industries that hold the key to the business outlook, but even so it is most unusual to have a recession in the demand for consumers' goods without it having considerable effect on the general business index. In April, 1951, however, there was such a recession with almost no effect on the business index. Nor is this because our weekly business index contains no direct representation of activity in the consumers' goods industries, as shown by the fact that the Federal Reserve index of industrial production advanced in April notwithstanding a sharp decline in cotton consumption, lower automobile production, and declines in the production of furniture and rubber products."

A NATIONALLY distributed mutual investment company finds that women have constituted the largest single market for its shares; that they predominate among the Fund's list of owners; and that on the average their individual investment is larger than men's.

The 14-year old Delaware Fund in an analysis of its list of owners made public reported that nearly half of its 552,000 shares outstanding are owned by women; another 20% by men and women jointly; only 27% by men; and the balance by institutions and trustees. Of the 10 largest shareholders, exclusive of institutional shareholders, seven were found to be women. The Fund's shares are offered for sale daily to the public through security dealers from coast to coast.

Of its approximately 4,000 owners the Fund found that 57% are women. Average investment of the women owners amounted to 170 shares with a current value of $2,800 as compared with an over-all average investment in the Fund of 160 shares and an average investment of 164 shares by men.

W. Linton Nelson, President, observed that in view of the rapid growth of Delaware Fund, the analysis would seem to prove conclusively that the modern woman is a highly investment-conscious individual. The mutual fund executive pointed out that his Fund has quadrupled in size in the past 2½ years and in this period has added 2,600 shareholders. "When the analysis is viewed against this background," he said, "there would seem to be little doubt that our growth is accounted for largely by women investors."

Business Analysis

The principal unfavorable business indication aside from recent declines in semidurable goods raw material prices has been the Department of Commerce report on manufacturers' new orders received in April, showing a further decline. The ratio of new orders to inventories showed an even more pronounced decline because of a further rise in inventories, but new orders were nevertheless high enough to bring about a further increase in unfilled orders.

In the past declines in the ratio of new orders to inventories have often forecast declines in general business activity, as in the second half of 1948, but at that time there had been a steady decline in unfilled orders, whereas today they have reached a new high record of 53 billion dollars, as compared with the 1946-47 plateau of 34 billion. On April 30, moreover, unfilled orders were 15 billion dollars higher than inventories, whereas on January 31, 1949, when inventories reached their previous peak, inventories were 7 billion dollars higher than unfilled orders.

Axe-Houghton Survey

BECAUSE OF the recent decline in the price of good quality bonds and preferred stocks, which account for about half the assets of Whitehall Fund, investors will be interested in a special report prepared by the Fund.

From Dec. 31, 1949, selected because it represents the approximate high of the market for fixed income securities, through April 30, 1951, the bond and preferred stock portfolio of Whitehall Fund showed a gain of roughly 2%. In contrast, good quality fixed income securities in general showed a shrinkage of 4 to 5% in the same period. Thus, by careful portfolio selection and supervision, the management of Whitehall Fund has been able to show a gain during a period of adverse general price experience for such securities.

The stated policy of Whitehall Fund has been to invest primarily in good quality bonds and preferred stocks, so as to limit the downside risk. The portfolio of such good quality securities at times has contained a considerable portion of convertible issues that were in a position to reflect a rise in common stock prices. In order to preserve the essentially conservative quality of the holdings, however, convertible issues have been sold when they became subject to what was thought to be excessive common stock risk. Currently, convertible issues comprise a much smaller portion of the bond and preferred stock portfolio than formerly.

EXACTLY one year after making its first investments in companies having a strong program of scientific research, United Science Fund had a total asset value of $7,433,460.

United Science Fund is one of the three investment portfolios under United Funds, Inc., whose total net asset value is $58,000,000.

Although most of the 64 companies represented in United Science Fund's portfolio are large nationally known corporations, there is a fair number of smaller companies which have been especially selected because of their research activities in new fields of industrial science.

HOW CAN A mutual fund's radio commercial entertain for a full minute and a half and yet stay within the legislative "tombstone" limitation of "prospectus on request"?

This may seem like an impossible-to-solve problem but Wellington Fund has just launched a radio campaign in Philadelphia with a commercial of that description.

The campaign marks the first time that the investment company has used radio in its history. Heretofore the $172,000,000 Fund has concentrated its advertising in newspapers and magazines.

The radio campaign marks a departure by the Fund not only in the use of medium but also in the kind of market it is attempting to reach for its shares.

The radio campaign is aimed directly at the average man and woman. It features a popular early morning radio personality with an audience made up of a broad cross section of the general public.

It is no accident that the radio campaign was launched by Wellington simultaneously with the inauguration of its plan to permit systematic purchase of its shares on a convenient monthly or quarterly budget payment schedule.

A. J. Wilkins, Vice-President in charge of national distribution of Wellington Fund shares, frankly calls the radio program an experiment.

"We feel," he says, "that the inauguration of our investment plan for the purchase of Wellington shares has created thousands of potential purchasers whom we have not been reaching with our advertising and sales promotion. We wanted an advertising vehicle that would reach these people. We think we may have found it with this type of program."

Wellington gets its "prospectus on request" commercial over largely by adapting it to the character of the program. Or perhaps it would be better to say that the commercial is adapted to the character of the program's commentator—Jack Pyle.

Pyle, heard each morning over NBC's affiliate, station KYW, from 6:30 to 9, entertains his listeners with news, music, and his own down-to-earth commentary on whatever he feels like talking about. He has a sort of homespun humor and philosophy and has quite a following in the Philadelphia metropolitan area.

Pyle deals with the carefully prepared commercial in much the same fashion as he deals with anything else that comes within his ken while on the air.

The remainder of the commercial is in the same vein. In deft fashion Pyle reveals the nature of a prospectus and indicates that it is obtainable by writing to the station.

While it is still too early to measure fully the effectiveness of such a program, preliminary results have been encouraging, according to Mr. Wilkins.

Should it prove successful, it might well establish a pattern in the industry for the use of radio. For there is no doubt that much of the mutual fund industry would welcome radio as an additional effective medium for merchandising its shares to the public.

THE PERCENTAGE of farmer-investors climbed to a new high last year, according to a market study released by Inves.ors Mutual, Inc.

The fund, which has more than 102,000 shareholders, revealed that farmers constituted 7.32% of the 22,586 new shareholders purchasing Investors Mutual securities in 1950. Farmer purchases, averaging $1,875 per investor, were 9.12% of the investment fund's total dollar sales for the year.

PHILIP L. CARRET, President of Pioneer Fund, Inc., and its chief executive officer since its organization, will sever his connections on June 30 with Gammack & Co. to become a general partner of Granbery, Marache & Co., members of the New York Stock Exchange.

Granbery, Marache & Co. became sponsors on June 15 for Pioneer Fund.

To assure continuity of management, a special meeting of stockholders has been called to be held at the office of the corporation, 60 State Street, Boston, Mass., on June 27, next, at 9:30 a.m. to vote upon the ratification of a management contract with Granbery, Marache & Co., providing for management services to Pioneer Fund at a fee of 1% per annum, covering all items except auditing fees, legal fees and taxes. Stockholders will also be asked to approve an amendment to the certificate of incorporation covering the basis for redemption of shares in effect since Oct. 6, 1950.

Mutual Fund Notes

The New York Curb Exchange announced on June 15 that the $1 par common stock of **Blue Ridge Corp.** will be suspended from dealings on that market on or about June 28, 1951, upon receipt of notice that the proposed merger of Blue Ridge Corp. into Blue Ridge Mutual Fund, Inc., has become effective.

The Curb has been notified that the directors of Blue Ridge Corp. has declared a dividend payable on or about Aug. 7, 1951, to the holders of its common stock of record June 25, 1951. The dividend consists of one share of 1-cent par common stock of Ridge Realization Corp. for each share of common stock of Blue Ridge Corp. held. Ridge Realization Corp. is a newly organized corporation to which Blue Ridge Corp. has transferred all its rights in pending litigation against others, its holdings of common stock of Central States Electric Corp., as well as cash to defray the expenses of litigation and corporate existence.

In exchange for such assets, Ridge Realization issued to Blue Ridge 7,422,483 shares of the former company's common stock.

Under the terms of agreement, one share of common stock of Blue Ridge Mutual Fund, Inc., will be issued in exchange for each $10 of asset value of Blue Ridge Corp. common stock on the effective date of the merger.

The common stock of Blue Ridge Corp. was quoted "ex" the above dividend on the Curb on June 21, 1951.

Investors Mutual, Minneapolis, on June 20 filed a registration statement with the Securities and Exchange Commission covering 3,000,000 shares of capital stock to be offered at the market.

National Securities & Research Corp. on June 13 filed a registration statement with the Securities & Exchange Commission covering 40,717 snares in First Mutual Trust Fund to be offered at the market through National Securities.

Bankers Underwrite Pfizer Stock Offers

F. Eberstadt & Co. Inc. heads a nationwide underwriting group which offered for public sale yesterday (June 27) 150,000 shares of Chas Pfizer & Co., Inc., new 4% cumulative convertible second preferred stock, $100 par value, at a price of $101.50 per share. Concurrently, the company is offering to its common stockholders for subscription 444,015 shares of new common stock. A 3-for-1 split of the common stock was effected on June 21 and holders are privileged to subscribe at $33 per share for one new share for each 10 shares of split stock held of record at the close of business on June 26, 1951. The underwriters have agreed to purchase any unsubscribed common shares following termination of the subscription period at 3 p.m. (EDT) on July 10, 1951.

The financing will provide approximately $29,000,000 of new capital for the 102-year-old Pfizer firm, leading manufacturer of antibiotics, pharmaceuticals and fine chemicals. The proceeds will be used for additional working capital and to defray the cost of the company's plant-expansion program, principally to increase production of antibiotics and citric acid.

The new preferred stock will be convertible into common stock at a conversion price of $42 per share of common stock, taking the preferred stock at its par value. The conversion privilege will expire on June 30, 1956. The preferred stock will have the benefit of a purchase fund during the conversion period and of a sinking fund thereafter.

John LeLong Forms Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—John D. LeLong has formed LeLong & Co. with offices at 21 Richmond Place to engage in the securities business. Mr. LeLong was formerly with Howard, Weil, Labouisse, Friedrichs & Co.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Herbert W. Nolan and Arthur Sewall, 2nd have become associated with Schirmer, Atherton & Co., 10 Congress Square. Mr. Sewall was formerly with Montgomery, Scott & Co.

With duPont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Allen I. Keller has become affiliated with duPont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. He was formerly with Jackson & Co., Inc.

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French Investor's Squeeze By Inflation—A Warning!

Over the same period fixed interest bonds lost 40% of their purchasing power.

But this apparently satisfactory hedge-performance recorded by equities, in telling only part of the story, is misleading. In the first place, had dividends been used by the holder (or, as now, by the tax collector) instead of added back, their real purchasing power would have showed a loss instead of a gain. For the investor willing to forego income, a holding of **gold** during the period would have gained 70% in purchasing power. In the second place, stocks' best showing was registered during the interval ending in 1913 before the outbreak of World War I, when they as well as bonds had gained 13 times in purchasing power (10/13ths of which, however, was attributable to the assumed income retention). In the ensuing interval of currency depreciation from 1913 to the present, equities' real value has fallen by one-half.*

This demonstration is not to belittle the hedge value of equities versus other media for capital placement. In the 1913-1951 interval the holders of government bonds and of urban real estate under rent controls, have each suffered shrinkages of 90% in their asset's purchasing power.

*Source: *Annuaire de la Statistique Generale de la France.* Figures re gold are based on Bank of France's official purchase price, and valuation vs. dollar.

Short-Term Inadequacy

Investor complacency over ability to achieve self-protection from inflation through equity investment must be realized as particularly dangerous, if the French intervening price swings of 7-13 years' duration are to be deemed relevant. Between 1914 and 1920, while the cost of living index was rising five-fold, the index of common stocks gained by only one-half.

Again during the 1938-51 interval, covering the wartime and post-war monetary expansions and depreciations, have French investors witnessed inadequate protection from equities — as demonstrated, along with the comparative performances of land, gold, and government bonds, in the following table:

COMPARATIVE PERFORMANCES OF SEVERAL INVESTMENT MEDIA IN SECOND WORLD WAR INFLATION

	1938	1st Quarter 1951	Percent Increase
Money supply (billions of francs)	192	3,075	1,500%
Cost of living index	100	2,284	2,100
Common stock price index	100	1,172	1,000
20 francs gold coin	225.75	*4,351	*900
Govt. bonds price (3% perpetual rentes)	86%	56%	—35
Agricultural land (in francs per hectare)	5,000	100,000	1,900

*The current gold price as listed represents drastic decline from peaks of 6,900 in January, 1946 and 6,200 in December, 1948.

During this period the typical common stockholder was additionally disadvantaged through the government's nationalization of many of the best companies at drastically low remuneration bases to the shareholders. Holders of leading utility shares and the like were compulsorily paid off in 1946-47 at only 3 or 4 times their 1938 prices, in the face of 10-12 time increases in the level of the general market; and the stock index was thereupon continued without them.

Inflation No One-Way Street

An additional difficulty for the investor — the early 1920's and 1930's vividly demonstrated that inflation itself is not a one-way street. Between 1920 and 1922 there were rises of 30% in the gold and dollar values of the franc and a 37% drop in the retail price index; accompanied by a 25% fall in common stocks and a rise of 20% in the 3% Perpetual Rentes. In the 1930-35 period there were deflationary declines of 40% in wholesale prices, of 6% in wages, and of 40% in the dollar rate; accompanied by a drastic fall of 60% in equities (industrial bonds declining by only 14%).

Recent Investor Reverses Through Mis-Timing

In the past few post-war years the difficulties of timing common stock purchases according to "inflation" elements, as well as according to earnings and dividends, has become increasingly noticeable; and the structure of the French market and the public's attitude have become remarkably similar to the American.

Midst their current "New Era" of inflation, Americans should note that even the experienced sophisticated French investor still awakens to the advent of inflation at the wrong time. In the latter part of 1947, fearing franc depreciation, he bought equities; only to run into a market drop of 30% within three months. Again at the end of 1948, having seen a doubling of wholesale prices and rising wages, the inflation-fearing investor again got in on a rising stock market, only to see it fall by 35% by the following June.

Today's Indifferent Markets

Now, in the face of the last three years' accompanying expansionary elements, as a 50% rise in the amount of currency outstanding, 40% growth in deposit currency, a 30% wage rise, and a 26% cost-of-living increase—the French market has nevertheless remained in the doldrums (of our 1946-49 type), and now stands 20% below its 1948 peak.

And this recent abortive performance by equities flies in the face of not only these monetary-depreciation forces, but of marked growth in quantative elements of value pertaining to the market itself. Enormous rises in corporate profits flowing down to general dividend increases, combined with the desultory course of stock prices, have resulted in great rises in earnings and dividend yields to their all-time peaks. After the average **dividend** yield on listed equity shares had fallen from 4.29% in 1939 to 0.95% in 1945, it has risen to 3.12% in 1949, 5.06% in 1950, and, based on distributions announced for 1951, now stands at a full 5½%.

The High Earnings Yields

As measured by earnings yields, also, the French market has radically reduced its appraisal of the attractiveness of common stocks. Whereas in 1937, the chemical company of Rhone Poulenc showed a ratio of but 4.0-4.4% in its ratio of market price to earnings, its earnings yield is now 5.8%. Other typical rises in yields are: from 6% to 27% in Forges & Acieres de Nord et d'Est (a steel company); from 3.4% to 8.1% in Pechiney (a chemical); and from 6% to 8% in motor shares.

This reduced market pricing of the common stock by the French public in terms of value factors, and the reasons therefore, are strikingly similar to the current American situation where, even after the 1950-51 bull market rise of 50%, values in terms of dividends and earnings are unprecedentedly high. The French capitalist formerly providing stock market buying power is hamstrung by taxation, by credit restriction, and by the squeeze from the continuing wage and farm-subsidization and general cost-of-living spiral.

The doldrum stock market situation may be regarded also as the result of a long-term decline in the investor's real buying power—similar to the American situation. Total money in circulation (including bank deposits) in France has been appreciably exceeded by commodity price rises during the past decade. Whereas prices have risen 24-fold since the onset of the last war, the total amount of means of payment has increased but 15 times. This decline in the **real** supply of money has raised the bond interest rate from 3 to 7½%, has acted as an important obstacle to equities' reflection of the great increases in earnings and dividends—a situation further accentuated by increasing availability of consumer goods, which has attracted individuals' spending in lieu of saving-in-securities.

Investor Apathy

Attraction of new effective buying power into the stock market from trust funds and middle-income groups, as through booming open-end mutual funds distribution of the American and British types, is absent here. Investment trusts remain practically non-existent in France, because the small as well as the large holder of capital is becoming ever more irrevocably "fed up" with common stock ownership—such public distrust growing quite apart from the quantitative motivations like the tax collector's emasculation of the stockholder's take-home pay."

In any event, it is quite evident that factors other than "inflation" and the currency distrust again have been decisive in the short-term course of the French stock market.

Bankers Offer Brown Shoe Co. Debentures

Goldman, Sachs & Co. and Smith, Barney & Co. headed a group of underwriters which yesterday (June 27) offered $10,000,000 of Brown Shoe Co., Inc. 3½% sinking fund debentures due July 1, 1971, at an initial public offering price of 100% plus accrued interest from July 1. The debentures will have the benefits of a sinking fund to retire not less than 4% of the debentures in each year commencing in 1954.

The proceeds from the sale of the debentures will, in the first instance, be added to the general funds of the company to reimburse it for the redemption of its $3.60 preferred stock and to be available for general corporate purposes including the carrying of increased inventories and receivables. It is expected that the $3.60 preferred stock will be called for redemption on July 2, 1951 and that at any time thereafter the holders thereof may receive from Bankers Trust Co. the redemption price of $104.50 plus accrued dividends.

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As We See It

to world defense against the imperialism of the Kremlin, that one has some difficulty in thinking about the state of affairs in what used to be known as ancient Persia and surrounding areas except in terms of this struggle between Russia and its satellites on the one hand and the remainder of the world on the other. Yet if reasonable and practical conclusions are to be reached as to what ought to be done or what can be done within the limits of practicality in such areas throughout the world as well as in areas here directly involved, it is quite helpful to analyze this Iranian affair and the situation underlying it without reference to the Kremlin or to any other similar world situation.

Capital at Work

Here is what is commonly known as a backward country within whose borders some decades ago vast petroleum deposits were discovered. Foreign capital (in those days relatively abundant and hungry for such opportunities as seemed to be offered there) rushed in. It has vigorously "developed" the petroleum industry in this part of the world. It has explored and drilled and is taking vast quantities of crude oil from the ground. It has built pipe lines at enormous expense, and it has erected within the borders of Iran the world's largest oil refinery. During most of the years in which all this was going on it was not much the fashion to talk about raising the standard of living of the native populations. We certainly should not set ourselves as qualified to pass judgment upon the benefits derived by the people native to Iran.

Certain it is that a vast amount of employment of the native population must have resulted and, of course, the government of that country has received enormous sums in royalties. Whether or not any or all of the native peoples now lead a happier life by reason of all this, or would be leading a happier or "better" life under any line of policy or action by the foreign capitalists depends so much upon definition of terms (about which there may be wide differences) that not much is to be gained by extended discussion of the subject in generalized terms. Primitive peoples (and some which are not quite so primitive) often have a habit of fading away like old soldiers under what we think of as normal existence, and it is conceivable that they are better off if left to herd their goats or do what ever they have been doing for the past century or two.

A Basic Question

But a basic question lies hidden in all this. Suppose a people prefer to continue to herd their goats despite the fact that it has become known that incalculable riches (as we count riches) lie under their feet in the form of oil or some other mineral, or notwithstanding that with the application of modern science in some other way production of what we (in our civilized conceit) regard as the good things of life could be multiplied many times over! Is the world prepared to say that the choice between "industrialization" or a continuation of the primitive way of life is one which the native population must be allowed to make without interference from abroad?

Certainly, a strict application of the doctrines applied as a matter of course to "developed" or "advanced" nations would require that some such conclusion be reached. If cold logic were applied uniformly to the behavior of human beings throughout the world no other reply is conceivable. The preachments of most politicians and of all "do-gooders" throughout simply ignore the question, and proceed upon the tacit assumption that "technical assistance," if properly presented, is wanted and industrialization or modernization is *per se* a blessing to any backward people. Historically private capital has not (and rightly so) greatly concerned itself with abstractions, but has gone where it believed it could make a reasonable profit and within reasonable limits at least take such profits home.

Until relatively recent years at all events, trouble, where trouble arose, usually came from rivalries among the capitalists and the imperialists. A sort of mid-twentieth century version of this old story is today found in Iran and some of the surrounding areas, to say nothing of the Far East. Now it is the Kremlin and satellites vs. the world in a number of areas. But as the decades have passed, this formerly largely neglected question of the real nature of the rights of native populations has come more and more to bear upon the question of the safety and general desirability of direct foreign investment by capitalists throughout the world. Long gone is the day when a Manhattan could be "bought" for a string of beads—and be recognized and approved by the civilized world. Gone also is a good deal which used to be regarded as basic in this matter of international financial dealings—a good deal which has much more in its favor than the expropriation of the land of the American Indians.

More Is Involved

The fact is that we have gone far beyond the question of leaving to natives the choice of permitting foreign capital to enter or of making it impossible or impractical. We are today increasingly faced with the problem of expropriation of property developed by foreign capital—expropriated without compensation or with quite inadequate compensation. In some instances, we are faced with expropriation in the face of a definite undertaking not to do any such thing. And the tendency of the day appears to be to concede the "right" of foreign governments to take such action.

Is such a tendency likely to be permanent, and if so what will be the result on the economic progress of mankind? Should we not be wise to take time off from consideration of Point IV generalities to study some of these basic questions?

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Expanding Bank Credit Minor Inflation Cause

ing to control inflation are already impairing the freedom of our economic life. We are spending many hours and wasting tons of paper to conform to new regulations. Price and wage controls, high taxes, allocation of materials, and bigger bureaucracies, all of these have taken their toll of freedom. The longer they are continued, the more they will impair the human values which are at the heart of our civilization and progress.

Thus our complicated and difficult economic task is to arm America, to restrain inflation, but to do so with the least possible loss of our democratic freedoms.

To a certain extent we have little choice. We must spend a major slice of our energy on arms, which yield no human satisfaction. We must, for the present, subject ourselves to controls of materials and prices and wages, even though these controls work badly. But there are some areas where we have a choice, where if we are wise we can use methods which impair our national freedom less than other alternative methods.

The field of bank credit is one of these areas where there is a choice of method, and we ought to review the methods and try to use those which are least damaging to our people.

Bank credit is, of course, only one of the factors in inflation. There are many others, particularly excessive government spending, unwise price and wage policies, over-spending and hoarding by the people in fear of inflation and shortages.

What the Figures Show

The place of credit in the present inflation is shown by the following changes in economic factors since a year ago.

	Increase
Industrial production	17%
Wholesale prices	17
Velocity of money___(April)	15
Total money supply__(April)	5
Total bank loans and invest.	3

The point to note about these figures is that the total money supply has risen less than production or wholesale prices. Much of the expansion is accounted for, not by an increase in money but by the more active use by business and individuals of the money they already had. This shows itself in the rise in the "velocity" or rate of turnover of money. The country entered this Korean War period with huge liquid assets in the hands of the people reflecting war and postwar expansion of the money volume.

These figures illustrate a principle of monetary policy often neglected. In Biblical language the lesson is that "The sins of the fathers are visited upon the children." Today's economic events are partly the result of policies followed months and years before. For almost two decades the Government of the United States has been following inflationary policies in government spending, unbalanced budgets, and easy money. The tinder has been laid, easily kindled into the fires of inflation whenever the spark is applied.

An anti-inflationary money policy today can only partly offset the unsound policies of many years. Today's bank loans are not the major cause of the current inflation, but each of us knows from experience that the bank loans placed since Korea have been used in part to build excessive inventories and to finance heavy consumer spending. They are one of the causes of inflation, and we bankers have a responsibility we cannot escape.

Methods of Credit Control

(1) **Traditional methods.** For many years the action of central banks in changing the discount rate or buying and selling securities in the market has been a powerful economic instrument. The management of huge national debts has indeed placed a limitation on freedom of action of central banks. Socialist and near Socialist governments have, moreover, shown a deliberate preference for a managed economy, for direct intervention in economic affairs instead of the more indirect and more democratic method used by central banks.

The recent agreement between the Treasury and the Reserve System once again gives the Federal Reserve System freedom to use, within limits, the old-fashioned methods of credit control, and the System has been using them courageously. There are evidences that they are working.

Even modest changes in interest rates and ease of money may be surprisingly effective. Of course, a rise of a quarter or a half of 1% in the rate of interest will not in most cases deter a business man from borrowing. But the position and attitude of the lender is greatly changed. The release of the pegs on bond prices means that most banks can increase loans only by selling government securities at a loss, or borrowing at the Reserve Banks. Therefore bank lending policy is more conservative and selective.

The case is clearer still with the insurance companies. For some time past life insurance companies generally had been lending more money than their current receipts and making up the difference by selling government bonds. Today they can sell those bonds only at a loss, and therefore insurance companies have been cutting down their purchases of mortgages, and screening more carefully their investments in securities.

Still another effect of higher yields on government securities is that they are more attractive for purchasers other than banks. Corporations are taking substantial amounts of short-term government securities off the market. This reduces bank deposits.

There are, of course, limits on the use of the traditional method at this time. The huge national debt is so interwoven with the country's economic life that the Reserve System can't run the risk of upsetting the government security market seriously. Fortunately this market has shown capacity for absorbing substantial changes in prices without panic or loss of confidence. U. S. Government securities are the world's best securities, and their value is not destroyed by moderate price fluctuations.

Another limit on the effectiveness of action is the pressure for credit because of the tremendous volume of business. In most cases bank credit is the only way of meeting the extra demand — the marginal demand—for funds to finance high level production to support the war effort. In spite of these difficulties the action taken recently by the Federal Reserve and the Treasury is powerful medicine and is having substantial effects.

It is of course painful for a bank or an insurance company to find its portfolio in the red. We are, however, partly compensated by higher rates on loans. Our greater compensation is the contribution to sound and stable money which may be made by a vigorous and flexible Federal Reserve policy. The Reserve System is the best instrument thus far devised for influencing economic events toward stability and away from inflation and deflation. It is a democratic instrument in contrast with the methods of direct and rigid economic controls. The freeing of the System from the shackles of a policy of pegging prices of securities is a truly great achievement. It deserves the support of every banker.

(2) **Qualitative credit controls.** A second method of checking the expansion of bank credit is the regulation of specific forms of credit. The Federal Reserve System now has power to make rules governing three types of credit—security loans, real estate loans, and installment loans. Regulations by the Board in these three areas have thus far been less effective than was expected, partly because they were applied slowly and with many exceptions, and partly because the people have held such large amounts of cash that they could meet requirements for large margins. There are signs that Regulation W is taking hold in television sets and household appliances, and Regulation X is limiting somewhat the market for houses. The best evidence is the protests from dealers who see their record-breaking inflationary sales fading in a saturated market. Like most sound economic medicine, this is hard on some individuals but good for the country.

There have been suggestions that the Reserve System should be given additional powers over other types of lending. If there were any ready formula, you may be sure it would have been suggested long ago. The fact is that the general run of bank loans does not subject itself to rules. Outside of mortgages, security loans, and consumer credit, loans do not run to patterns. Attempts to regulate would in effect substitute the judgment of some supervisor for that of the lending officer. That means a huge bureaucracy of regulators. It would be a move towards the government taking over the banking business. There are more effective and less dangerous ways of doing the job.

(3) **Voluntary restraint.** In this situation the banks, insurance companies, and investment bankers, working with the Federal Reserve System, have started the program of voluntary credit restraint. This is an attempt to plug the gaps in the present credit situation in a flexible, democratic way. It is an attempt on the part of the lenders to police themselves.

This may seem like a proposal to push water uphill—to ask private business to forego profit for the public good. Of course there are hurdles, and of course there are skeptics. When a good customer with good balances asks for credit the banker feels an obligation to meet his need.

But this is only part of the story. There are many borderline cases where the banker feels free to say "no" when the public good requires it. In most cases he has some choice as to amounts, maturity, and rate, and a chance to counsel with the borrower. Also, bankers are running out of money. They can get more money to lend only by selling governments at a loss, or borrowing from the Reserve Banks. They feel they are now pretty well loaned up, and they know from still vivid experience that loans made at such times may mean losses. The voluntary restraint program gives them standards for saying "no" or channeling credit wisely. So public policy is well buttressed by other reasons.

At any rate the program does appear to be working. A good many loans are being denied by banks and other lenders. Also the program is educational. It is teaching bankers and borrowers and the public the kind of action which must be taken to combat inflation and speed the defense program. The people of this country are far from being the typical "economic men" of the text books. They act upon ideas broader than their own immediate self-interest. The voluntary restraint program is one method of teaching people how they can serve their long term best interest. The policy is sound and patriotic, and calls for loyal support of every banker.

A Breathing Spell

Thus at present three general sorts of credit control are being used with considerable success: the traditional central banking controls, regulations over three kinds of credit, and voluntary controls.

These controls have been a factor in slowing down the inflation, in checking the price rise. Bank loans have leveled off.

There have been other factors including a little less international tension, an over-balanced budget, a natural reaction after the buying spree, and a fumbling attempt to set price and wage ceilings. But credit policies have been vigorously applied and have been an important influence.

It is not yet clear whether the back of the inflation has been broken. The inventory scramble may well be over but more substantial factors are at work. Military spending is still rising and is far from its peak. Under present spending and tax programs there will be a substantial Treasury deficit the second half of this calendar year. It is doubtful that production can be increased enough to meet military needs without heavier cuts in spending on buildings, autos, etc. The capital programs of business and states and municipal governments are larger than ever before. The Federal Government is still making huge non-essential expenditures. Manpower is likely to be scarce in the autumn, the demand for money larger, and wage policies inflationary.

This is a time of uncertainty. We can't predict what will happen but we ought to be prepared with the weapons to battle a renewed inflation if it appears.

Government Spending the Root Cause

In considering what steps should be taken if inflation flares up again the first point which should be noted carefully is that the primary responsibility for the inflation does not lie in bank credit. It is fair to say that today bank credit is under better control and is behaving better than most other segments of the economy. The figures indicate this: the volume of money has increased only 5% in a year, whereas production, prices, wages, and the velocity of money have increased from 15 to 17%.

The root cause of the difficulty lies in spending, actual and anticipated, by the United States Government. The first essential need is a balanced budget. We have been fortunate in having a balanced budget in the past year. This is partly due to the impact of inflation on government revenue, combined with higher tax rates, and partly a result of slower than expected government spending. But the coming fiscal year, unless stronger measures are taken, will show a substantial deficit. The first thing to do is to cut non-essential government spending. The United States Government itself should come to the fight on inflation with clean hands by cutting out waste and projects which, however desirable, can nevertheless be deferred. So far only a faint beginning has been made in this operation, and the government payrolls are still loaded down with unnecessary people. The related need is a tax bill which will cover the deficit after savings have been made.

Trying to Do Too Much

The second critical point in the country's whole anti-inflation program has been the notion that this country could have its full measure of guns and butter at the same time. We have been trying to carry on a record-breaking housing and public works program and business expansion in non-essential lines at the same time that we steadily increase our expenditures for war. We have simply been trying to do too much—more than even our own magnificent economy can accomplish. This has resulted in labor shortages, in pressure for higher wages, in shortages of material, and in a congested economy as a whole. It should be possible to devote from 10 to 20% of the country's productive capacity and manpower to defense without inflation, but we can't do it if at the same time we carry on a record-breaking program of these other activities. If we are to do the defense job promptly and without strain we must cut back the number of new houses and post offices and roads, and the number of new stores and automobiles and household appliances. Since there has been a boom for some years in these products the market is generally well stocked and the country can well afford to cut back production for a period. It is the only sensible thing to do.

In the past few years the people of the country have become accustomed to a lush economy, and anything less than that naturally is painful. It is clear, however, that if we try to continue such an economy on top of the defense program, everybody will suffer from higher prices, higher taxes, and lower value of the dollar. We shall be blowing up a bubble which will be sure to burst eventually when the war pressure recedes. Busts always follow booms. We don't want another 1933.

While Regulations X and W, and the voluntary program are playing their part in restraining civilian expenditures, the government has itself a more direct and sure weapon for dealing with this situation which it has not as yet used as vigorously as the situation requires, and that is the allocation of materials. Through the granting or withholding of licenses for building projects, for example, much can be done to avoid congestion in the durable goods market. A good start has been made, but there needs to be a clearer formulation of public policy and a clearer statement of these policies to the people of the country as to how much butter must be sacrificed to make way for the guns we must have.

More Saving Needed

A third direction in which public policy has lagged behind credit control is the stimulation of savings by the American people. Even with a vigorous tax policy there is no mechanical way of balancing off the volume of income and the volume of goods at a time of heavy government spending. Ways must be found to persuade the people to save larger amounts of their income and spend less. This was done in World War II by a vigorous campaign to stimulate savings, centered in war bond drives. Today government savings bonds have become less attractive with the rise in interest rates and with their reduced buying power. The stage has not yet been set for an effective savings campaign; but it must be done. The necessary preliminaries are a clearer-cut and convincing anti-inflation program, a more attractive savings bond, and a vigorous campaign.

To summarize, the Nation should prepare itself for a renewal of inflationary pressures first of all by an invigorated fiscal policy, a clarification of the relation of guns and butter in the economy, and a public campaign to stimulate savings. In all three of these directions the program lags.

Credit Control Powers Adequate

But granted progress is made in these areas, what are the necessary steps in credit control? Are new powers necessary, or are the existing powers sufficient?

The outstanding fact is that the Federal Reserve and the Treasury have only just begun to use the powers which they already have. The power of the discount rate and open market operation can be more vigorously applied without any new legislation. Recent experience has demonstrated that such powers used courageously, while they do affect the prices of government securities, do not ruin the market, as had been predicted.

Furthermore, Regulations X and W can, if necessary, be applied more vigorously without any modification of the law.

The voluntary credit control program can be substantially stiffened by a re-definition of "essential" or "non-essential." It can be fortified by stricter allocation of materials.

So far as new government credit powers are concerned, the fact is that the particular proposals which have been made don't stand up under careful analysis. The two types most commonly mentioned are increases in reserve requirements, and some form of ceilings on loans. Both of these proposals raise the highly controversial question of their application to non-member banks. This involves the whole question of states' rights and of Constitutional powers, and will be bitterly fought by the small banks and state officials and others who have great political influence. At a time when cooperation is essential, this is a poor way to get it.

Secondly, most of these proposals involve the same difficulty of their unfavorable effect on the government security market as is involved in the use of present powers.

Third, they involve putting the banking system into a straitjacket and impairing its strength just at a time when the banking system assumes added responsibilities in financing the defense program, financing a budget deficit, and spearheading the program for the sale of savings bonds. It must always be remembered that we face constantly a double objective, and the first requisite is to build up our armed strength and our industrial strength. This takes bank credit to support increased production. In this situation it is especially desirable that the controls be of the democratic and flexible kind rather than the straitjacket type.

What the government and the Federal Reserve System need are not new powers, but courage to use the powers that they have and leadership in attracting the cooperative effort of the whole Nation.

The Banker's Key Position

In this whole program we bankers have a key position. We can turn the great power of bank resources to the stimulation of the defense effort. We can support the Federal Reserve System in the exercise of its powers to control inflation. We can supplement their efforts by carrying out conscientiously the principles of the program for the voluntary control of credit. We can be leaders in persuading the people of our communities to save rather than spend the flow of new money.

A few days from now the Defense Production Bill which provides authority for present economic controls will lapse unless it is renewed by Congress. The Administration has been pressing for the renewal of the bill with some added powers. Under present conditions, and with the uncertainties which face the country, it is desirable that many of the present powers should be continued. They include, for example, the powers of the Federal Reserve under Regulations W and X. They include price and wage controls, which have probably had some influence in restraining price and wage advances, though how much is debatable. The very threat of these controls was itself responsible for a considerable number of price and wage advances, and the permissions granted under the legislation have encouraged some advances.

The real lesson from nine months of operation under this act is that such controls do not go to the core of inflation. The cause of inflation is the basic economic pressure of government and private spending. The way to deal with this pressure is to check the spending stream at its sources. This means dealing with the main arteries of public and private spending: that is the government budget, and the private spending for houses, factories, and other long term projects.

This means gaining the cooperation of the people of the country. Without that cooperation even the best price and wage controls and rules and regulations will not work.

We must always remember that in dealing with the citizens of the United States we are not dealing with the economic man of the text books, who always acts in his own immediate self-interest, or with the robots of communism. In our democracy we are dealing with decent, intelligent, American people who are ready and willing to take a longer look ahead and adjust their operations to the public interest, knowing that in that way they serve themselves best in the long run.

It is here that we bankers as respected members of our communities can exercise leadership. Today we can do so with a substantial hope of success in our efforts, for the task this country is asked to perform is well within its powers. With our tremendous production machine, with our high standard of living, with our widespread public education and high intelligence, we can devote 10 or 20% of our national income to building our economic and military strength without inflation, and without blowing up a balloon which will later collapse. It is our privilege as bankers to serve our country today in this economic and monetary crisis in providing leadership which the country has a right to expect from the people whose business is money and economic affairs.

Colombia Bond Issue Exchange Extended

Holders of various issues of Colombian bonds are being notified that the time of the offer of exchange of these bonds for Republic of Colombia, 3% external sinking fund dollar bonds, due Oct. 1, 1970, has been extended to July 1, 1952 from July 1, 1951. The period of exchange of convertible certificates for 3% external sinking fund dollar bonds of the Republic, due Oct. 1, 1970, in multiples of $500 principal amount, has been extended to Jan. 1, 1953 from Jan. 1, 1952. The National City Bank of New York is exchange agent.

With Robt. Baird Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Richard S. Wilinski has been added to the staff of Robert W. Baird & Co., Incorporated, 110 East Wisconsin Avenue.

Hill Richards Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Anton Gaspich has become associated with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

J. A. Hogle Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Patrick J. Palombo has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William B. Beggs and H. G. Guild have become affiliated with Shearson, Hammill & Co., 520 South Grand Avenue. Mr. Beggs was previously with Hill Richards & Co.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

SAN BERNARDINO, Calif. — Frederick C. Fitzgibbon is now with Dean Witter & Co., 279 E Street.

Brickley Opens

SILVER SPRINGS, Md.—John A. Brickley is engaging in a securities business from offices at 8 Post Office Road.

Martin T. Burns Opens

CHICAGO, Ill.—Martin T. Burns is engaging in a securities business from offices at 1226 Norwood Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The current "peace drive" set off by Russia's Jacob Malik caught the market by the long hair, gave it a jerk, and it came tumbling down. This situation left a lot of people long of stocks wondering if they should cheer for more war or more peace. It reminds me of a man long of a public utility who's also doing a slow burn because his gas, electric or phone bills are too high.

* * *

Whether or not the Korean "incident" will be terminated in the near future is an answer I leave to others. I can't help but refer you to a speech made recently by John L. Lewis in Detroit, where he quoted Charles E. Wilson as saying that he thought we'd be ready for Russia in 1953 at which time Russia wouldn't dare start anything. He then finished with the cynical observation, "if Russia won't start anything, we'll be in a position of being all dressed up and no place to go."

* * *

But so far as the market is concerned, it points up the advices appearing here in the recent past that the impact of news is usually forecast by market action itself long before the actual event becomes public property.

* * *

The middle of May I wrote here that stocks were going up. Subsequently I commented on the retail war between department stores in New York and added that despite the pessimism, stock prices would advance and suggested that the time to buy was when things look bad. When prices did turn up and bullishness replaced bearishness I added, "Before you start throwing your hat in the air at the prospect of a new bull market allow me to caution you that a rally from this point is primarily technical... I don't believe that more than a two-thirds retrace from the extreme lows will be seen."

* * *

If you're statistical minded take a look at the market as it was when this was written and the levels it reached at the point from which a turn down occurred.

* * *

Last week I wrote here about group movements and what they indicated for the future. During the peace break of the past few days it was noticeable that at least one group stood out like a fractured thumb with a splint. The group is the amusements, principally the television issues.

* * *

This action doesn't mean they'll be immune to reaction. It does mean that on any further reaction they should be interesting to the seeker after profits. I'm not going to list each individual stock. You can get those from your current broker.

[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.]

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John R. Heslop is now affiliated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Heslop was formerly with Olson, Donnerberg & Co., Inc., and Slayton & Co., Inc. In the past he was with Dun & Bradstreet.

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Stock Market Timing Based on Credit Controls

000 deposit, it was necessary for his bank to increase its reserve account at the Federal Reserve Bank by $1,400, $2,000 or $2,600 depending upon the location of the bank.

If the bank does not have this money available in its excess reserves there are two courses open, either it can borrow the money from the Federal Reserve and pay interest on the amount borrowed at the rediscount rate, or it can sell government securities. The Federal Reserve can affect the ability of the bank to borrow funds to make up its required reserve by raising and lowering, within legal limits, the bank's required reserves. It can increase or decrease the bank's ability to raise cash through the sale of government securities by its own purchases and sales in the open market, and it can lower or raise the rediscount rate to make borrowing more or less attractive.

The Federal Reserve also has power to eliminate altogether the use of credit for carrying listed stocks on margin, which has been exercised once. (If such power had been available in 1929 brokers' loans could not possibly have been expanded to the extent they were and the stock market could not possibly have gone to the levels it did.) Regulation X is for the control of mortgage lending and regulation W is for the control of consumer credit by increasing the down payments and shortening the repayment period of such loans.

Controls Affect Cost and Availability of Credit

Credit controls boil down to the cost of credit and its availability. It readily can be seen that the Federal Reserve's activities in expanding or contracting the amount of deposit money outstanding is bound to have an effect upon business activity. Therefore major changes in Federal Reserve credit policies should have some forecasting value as to what might be expected in the stock market.

The Federal Reserve made its first major move to restrict credit after the miniature bull market which followed World War I had already passed its top. The 1918-1919 bull market is the only one in which stocks advanced while bonds declined for the whole of its duration. This market established a high of 119.6 as measured by the Dow-Jones Industrial average in the last quarter of 1919. In June 1920, with the market at approximately 95, the Federal Reserve banks, seeking to restrict the further use of bank credit for speculative commodity purchases, raised the rediscount rate (the interest charged to banks) to 6% in some districts, 7% in others. Even in those high interest rate days, this meant that the interest cost to the borrowers from commercial banks were so high as to be prohibitive. Banks began to call loans (they did not have large portfolios of governments to liquidate) in order to cut down the cost of borrowing to meet their reserve requirements. Business contracted and the stock market went down to 63 by the middle of 1921.

Biggest Bull Market of All Time

From this point, it started upward in the biggest bull market of all time. No immediate credit move of the Federal Reserve can be identified close enough to the bottom of the market to say that it was a primary influence in starting it. The New York Federal Reserve Bank did reduce its rediscount rate to 3% in 1924 which at that time was regarded as a low rate for Federal Reserve Bank accommodations. As in June 1928, with brokers' loans by banks at $4½ billion, the Federal Reserve banks became concerned about the amount of funds going into the stock market in margin operations, and on Aug. 9, initiated higher rediscount rates at 5%. crease and New York raised the Brokers' loans continued to increase and New York raised the rate to 6% as a method of slowing down the expansion of bank credit. This action preceded the top of the stock market by about six weeks and $6.8 billion of brokers' loans were cut to half that amount by the end of the year. The stock market went to its low in July 1932, with again no specific nearby move by the Federal Reserve which alone could carry much weight, although rediscount rates had been lowered and bank accommodations made much cheaper. The government's deficit financing, which pumped money into the streams of trade, together with the devaluation of gold, helped the natural recovery forces to carry the stock market forward to 195 in March 1937. In the summer of 1936 the Federal Reserve became concerned not so much about the actual expansion of bank loans as the potential expansion that might be built up by the tremendous inflow of gold to this country from abroad, which was rapidly adding to the banks' excess reserves. Accordingly in August, 1936, the Federal Reserve raised the reserve requirements of member banks which had not been changed since 1917.

	From	3/1/'37	To Max. 5/1/'37
Central Reserve City Banks	13—19½%	22¾	26
Reserve City	10—15	17½	20
Country	7—10½	12¼	14
Time	3— 4½	5¼	6

The stock market reached its top in March 1937, and turned downward in the sharp bear market that took off just short of 100 points from the Dow Jones Industrial average by March 1938.

In April 1938, the Federal Reserve reversed its position by lowering reserve requirements of the member banks to make their ability to extend credit much easier. The market immediately turned upward carrying back to 158. After inconclusive moves, neither greatly hindered nor helped by monetary operations, the market drifted down to establish the 1942 low of 92 in April of that year.

World War II Developments

As World War II broke out the Federal Reserve announced to the banking system that it would have a protected bond market and that banks need have no hesitancy whatsoever in purchasing U. S. Government securities and making necessary loans to business. The Federal Reserve would make reserves available by lowering requirements, would lower rediscount rates, and would purchase (or resell) short-term Treasury bills at ⅜ of 1%. There would be no limit to the amount of securities which the Federal Reserve would purchase. The stock market turned up in April 1942 and continued to rise until June 1946.

The war ended in August 1945, but the Treasury Department continued to borrow via the Victory loan, greatly over-estimating its cash requirements, and wound up with about $26 billion in its accounts with banks.

At the end of the first quarter of 1946, the Federal Reserve and Treasury decided that these funds should be employed to pay off government debt and reduce bank deposits, both of which actions are deflationary. An aggressive policy of debt retirement was initiated in March 1946, which lasted up to the end of 1947. The stock market made its high in June 1946, after this program had been underway about three months.

The bottom of a bear market occurred in June 1949, after the sidewise movement of 1946-48. In the last week of June 1949 the Federal Reserve threw its weight into the scales of credit expansion by lowering reserve requirements. Simultaneously, the Federal Reserve locked up its portfolio of government securities entirely for a short time and thereafter sold securities only reluctantly for the next six months. This action by the Federal Reserve occurred within weeks of the bottom of the stock market rise which has been underway ever since and constitutes the present bull market dating from June 1949.

A Summary

In summarizing we find that on three major stock market tops, drastic credit controls used as anti-inflation ammunition preceded the top by 1½ to 9 months. On two major bottoms, those of 1938 and 1949, easy credit policies coincided almost exactly with the turn from a bear market to a bull market, while in 1942 the credit loosening actions of the Federal Reserve preceded the upturn in equity prices by about three months.

In 1929 the bond market turned down early in the year; in 1937 it turned down in January; in 1946 it turned down definitely in March. Thus in every case credit control measures exerted in the first instance against short-term rates, were reflected in the price of long-term bonds which in turn gave adequate warning of an impending reversal in stock market prices. In 1932, 1938 and 1949 bottoms, the bond market as measured by the Dow Jones 40-bond average, turned up a week to a month ahead of the stock market. In 1942, the bond market had already been stabilized for a matter of months prior to the bottom and this stability itself was one indication that the first up-turn in the stock market would mark a real reversal.

Implications for Present Market

Now for the $64 question. What is the implication for the present market, having in mind that every bull and bear market is different and that a previous rule may not work at the present time? We must nevertheless recognize that on the precedents established in all three previous major bull markets the monetary moves of the Federal Reserve and the corollary action of the bond market suggest that an adjustment downward of undetermined proportions is the next logical expectation in the stock market. This conclusion is based upon the major move toward credit control which had its inception on March 4 when the Federal Reserve and Treasury agreed to an unpegged government bond market. This move was for the double purpose of making bank credit less available and denying free access to additional funds to insurance companies and savings banks, which until then could sell without loss long-term government issues to the Federal Reserve for purposes of transferring funds to other securities. The bond market definitely turned down in March, and while there is stability in governments below par, the Dow Jones 40-bond average as yet shows no conclusive bottom action.

The stock market, again following precedent, has rallied in the face of these credit restrictive measures and the down-turn in bond prices. It has had one correction from its high point and at this writing is in the process of attempting to hold the year's low with not very much assurance that this will take place.

Mr. Wm. McChesney Martin, Chairman of the Board of Governors of the Federal Reserve System, testified before a Congressional Committee that the Federal Reserve has sufficient powers, if fully exercised, to throw the economy flat on its back. Of course, no Federal Reserve or Treasury official desires to accomplish any such destructive purpose. They do desire, however, to stem the inflationary forces that they see at work and to bring about stability rather than excess. This will be the objective of the Federal Reserve at all times. Their objective now is reinforced by the implications of the contest between our way of life and that of World Communism. The Federal Reserve has learned to use more fruitfully its powers as years went by, and it has added to it monetary controls both as to the kind of credit and the amount of credit. This discussion has touched only the high spots of the use of such credit controls. The Federal Reserve without a doubt is the most powerful banking system the world has ever seen. If we can learn to identify its major moves to restrict credit or to expand it and make our major bets that the stock market will react as it has in the past to such moves, at least we will have very good precedents in our favor.

How do you know when the money managers are making a major move? You do not have to be a student of the highly technical subject of credit controls. Just read the newspapers and when the credit control moves become front page news—they are major in character.

With Security Assoc.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla. — Wallis R. Kinney is now affiliated with Security Associates, 137-139 East New England Avenue.

Blunt Ellis Co. Add

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert L. DuGene is with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins Bankers Bond

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—William P. Gregg is now with The Bankers Bond Co., Inc., Kentucky Home Life Building, members of the Midwest Stock Exchange.

Berwyn Moore Adds

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — Hugh C. Wright is now affiliated with Berwyn T. Moore & Company, Inc., Marion E. Taylor Building, members of the Midwest Stock Exchange.

Holton, Hull Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John H. Ashum has become associated with Holton, Hull & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was formerly with Gross, Rogers & Co. and C. E. Abbett & Co.

Lester Co. Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mori Nakashima and Joe H. Tedder have become affiliated with Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

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The State of Trade and Industry

Normally, steel plants would be building up inventories now. Instead, stockpiles have been dwindling to the point where inventories are as low as several days' supply.

A freight car shortage is due to hit within a month. The Defense Transportation Administration predicts a daily shortage of up to 50,000 cars for an indefinite period beginning with start of the wheat crop movements in the next several weeks. This may not hurt steel immediately, but the outlook is not encouraging.

In recent years, fuel to fire furnaces has been a perennial winter problem for steel producers due to shortages of natural gas in periods of extreme cold. There is no reason to believe that this year will be an exception.

The conversion market is a paradox, observes this trade authority. While some consumers report a steady decrease in tonnage available from conversion sources, others are reluctant to continue paying the premium prices required with automotive buyers more inclined to dicker on prices.

Steel warehouses report that demand while not as hectic as it was 60 days ago is still strong. They are trying to get their percentage raised from 85% to 100% of their base period. Inventories, "The Iron Age" concludes, are down to as low as 26% of normal.

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 102.8% of capacity for the week beginning June 25, 1951, based on the industry's increased capacity of Jan. 1, or a decline of 0.4 of a point from the 103.2% rate that obtained in each of three preceding weeks.

This week's operating rate is equivalent to 2,055,000 tons of steel ingots and castings for the entire industry, compared to 102.7% or 2,053,000 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 Rises to Highest Level Since Week Ended March 24

The amount of electrical energy distributed by the electric light and power industry for the week ended June 23, 1951, was estimated at 6,834,692,000 kwh., according to the Edison Electric Institute.

The current total was 88,001,000 kwh. above that of the previous week, 732,404,000 kwh., or 12.0% above the total output for the week ended June 24, 1950, and 1,368,523,000 kwh. is excess of the output reported for the corresponding period two years ago.

Carloadings Move Moderately Higher

Loadings of revenue freight for the week ended June 16, 1951, totaled 823,239 cars, according to the Association of American Railroads, representing an increase of 12,913 cars, or 1.6% above the preceding week.

The week's total represented an increase of 20,363 cars, or 2.5% above the corresponding week in 1950, and an increase of 176,888 cars, or 27.2% above the comparable period of 1949.

Auto Output Extends Upward Trend

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 159,503 units, compared with the previous week's total of 157,030 (revised) units, and 205,334 units in the like week of 1950.

For the United States alone, total output was 150,552 units against last week's revised total of 147,355 units, and in the like week of last year 196,348. Canadian output in the week totaled 8,951 units compared with 9,675 units a week ago and 8,986 units in the corresponding 1950 week.

Total output for the current week was made up of 118,225 cars and 32,327 trucks built in the United States and a total of 6,614 cars and 2,337 trucks built in Canada, against 6,914 cars and 2,761 trucks the previous week and 6,578 cars and 2,408 trucks in the like 1950 week.

Business Failures Advance Sharply

Commercial and industrial failures rose to 180 in the week ended June 21 from 130 in the preceding week, Dun & Bradstreet, Inc., reports. For the second time this month, casualties exceeded the 1950 level of 147 in the similar week, but remained below the 1949 total of 196. Despite the week's upswing, failures continued to be down sharply, 42%, from the 310 which occurred in prewar 1939.

Casualties involving liabilities of $5,000 or more increased to 136 from 103 and were higher than a year ago when 115 businesses succumbed in this size group. Small failures, those having liabilities under $5,000, advanced during the past week.

Both manufacturing and commercial service failures were twice as numerous as in the prior week, rising to 37 and 17, respectively. A 45% increase brought retail casualties to 97 from 67. In wholesale trade, mortality held steady and in construction declined. More concerns failed than last year in three lines—retailing, construction and service—while wholesaling remained unchanged and manufacturing dipped slightly below the 1950 level.

Food Price Index Remains Unchanged From Previous Week

After moving downward for four weeks, the Dun & Bradstreet wholesale food price index for June 19 remained unchanged at the previous figure of $7.07. This reflects a rise of 18.6% over the pre-Korea level of $5.96 recorded on the corresponding date a year ago.

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 Showed a More Moderate Downward Trend Than Week Ago

The downward trend in the commodity level was somewhat moderated the past week. The daily wholesale commodity prices index, compiled by Dun & Bradstreet, Inc., finished at 315.04 on April 19, comparing with 316.96 on April 12. The current level represents a rise of 18.7% above the year-ago index of 265.43, shortly before the start of the Korean conflict.

Grains were generally firm last week with strength in wheat featuring the market.

Firmness in the bread cereal was largely attributed to the announcement of subsidy rates under the International Wheat Agreement and the enactment into law of wheat-for-India bill, providing for shipment of 75,000,000 bushels of grain to that country. Another bullish factor was the large wheat and flour export allocations announced for the month of August. The June 1 official crop report, issued two weeks ago, showed a total of 1,054,000,000 bushels of wheat in prospect, or slightly more than the May 1 forecast and the actual yield harvested a year ago. Corn displayed a relatively firm undertone despite some selling by commercial interests and disappointing export demand. Prospects for this year's corn crop continued generally favorable as plantings neared completion in the major producing areas of the belt. Sales volume of grain futures on the Chicago Board of Trade dropped below the level of the preceding week and the like week a year ago.

Domestice flour business remained quiet with buyers generally inclined to await further crop developments before entering the market. Export flour inquiries showed some pick-up. Actual cocoa prices held at ceiling levels, reflecting firmness in primary markets. Cocoa futures worked lower due to selling by speculative interests. Demand for coffee was less active and prices were easier, reflecting increased offerings in the actual market. Lard and cottonseed oil prices moved irregularly lower, influenced by continued weakness in vegetable oils and soybeans. Hogs showed further strength, however, with prices advancing to the highest levels since last February.

Spot cotton prices last week were mostly unchanged at ceiling levels.

Futures were irregular with only the near-by and distant October deliveries showing losses. The market received support from mill price-fixing and buying influenced by the announcement of the export quota for the first four months of the new season. Crop news was generally favorable with rains relieving the drought conditions in dry areas of the eastern and central states. Export sales of cotton were light in volume.

Sales in the ten spot markets declined to less than one-third the total for the corresponding week a year ago. Consumption of cotton for the four-week period ending June 2, as estimated by the New York Cotton Exchange, amounted to 885,000 bales compared with 719,000 in the like period last year.

Trade Volume Shows Little Change for Week

Consumer spending underwent little change in the period ended on Wedensday of last week, as soft goods sales rose very slightly and durables were in slightly diminished demand. There was no apparent effect in country-wide sales volume from the localized "price wars" currently taking place and total dollar volume spent was slightly above the level for the comparable week a year ago, states Dun & Bradstreet, Inc., in its latest summary of trade.

Shoppers bought slightly more apparel last week than during the week before; aggregate dollar sales were moderately above those for the similar 1950 week. Sportswear and lingerie were largely sought by women, blouses and Summer skirts being in heavy demand in some communities. There was a seasonal dip in the purchase of men's wear following the passing of Fathers' Day. Also seasonal was a large increase in interest for children's clothing, paritcularly play-suits and cotton dresses.

Housewives spent slightly more money for edibles the past week than during the prior week; overall dollar volume was appreciably above that for a year earlier, reflecting upward price adjustments on some items.

While a general reticence to purchase meat continued to be evident, the interest in canned goods and many items of fresh produce rose sizably.

There was a noticeable decline in consumer demand for some lines of house-furnishings last week; total dollar volume of purchases was slightly above that for a year before. While there was a generally limited interest for some lines of furniture, large appliances, and television sets, requests from shoppers for housewares and floor-coverings rose moderately.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from unchanged to 4% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

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

There was a slight dip in nation-wide wholesale ordering during the past week as the buyer response to various showings of Fall merchandise became increasingly apathetic. The total dollar volume of orders was slightly above the level for the similar week in 1950. The number of buyers registered in many of the wholesale markets increased somewhat, but was very slightly below the level of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 16, 1951, increased 1% from the like period of last year. This compared with an increase of 3% in the previous week, and an increase of 3% for the four weeks ended June 16, 1951. For the year to date department store sales registered an advance of 10%.

Retail trade in New York last week rose an estimated 15% above the like 1950 period; the gain was attributable in part to good weather and higher prices.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of June 16, 1951, advanced 11% 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 16, 1951, an increase of 12% was recorded above that of a year ago, and for the year to date, volume advanced 11% from the like period of last year.

Continued from page 11

The Economic Outlook And the Washington Scene

omists and, much to their credit, bankers and others turned the heat on the United States Treasury.

Effectiveness of Credit Controls

Perhaps more quickly than we had a right to expect, the United States Treasury and the Federal Reserve System announced "an accord" on March 3, which is likely to go down in recent history as the most important monetary decision of our time."[1]

This decision led to withdrawal of Federal Reserve support of the fixed interest rate pattern, a prompt increase in interest rates, cutting off some marginal borrowing in the ensuing months. But far more important, it put to an end the rapid conversion of Federal debt into bank credit.

It restored, it is to be hoped, the Federal Reserve System's powers to control commercial bank reserves, which is the *key* to the control of credit.

Quickly, insurance companies and many other financial institutions found their lending plans overcommitted. New commitments were slowed down. They no longer could dump their government bonds on the market without a loss.

Meantime, of course, the control of instalment and real estate credit, provided for by the Defense Production Act of 1950, was beginning to show its effects. New housing starts in April, 1951, were only 88,000 as against 133,000 in April, 1950. May of this year will show a similar decline. Durable goods began to pile up on the shelves. Inventories of new and used cars began to mount. By May, 1951, some automobile manufacturers closed down for "readjustments." The "voluntary" credit restraint program worked out by the Federal Reserve, the commercial banks and other institutions in March, is having a telling effect. In May a soldiers' bonus bond issue in West Virginia found no bidders!

The revolutionary character of the monetary experience through which we have passed has not yet fully sunk into the public consciousness.

Money, credit, interest rates and bank reserves are today being recognized by close students as sensitive instruments which are capable of checking the level of economic activity in a way that was not recognized by the Congress when it provided for wage and price controls in the DPA.

It is becoming progressively more obvious that a balanced budget and tight credit controls can indeed prevent inflation. The politicians and their Washington agents will continue for a time to parrot the phrase "We need both the indirect monetary and fiscal measures as well as the direct controls over wages and prices." If we continue a tough credit policy and finance this war as we go, the politicians will look more and more foolish as time goes on if they continue to say the same thing.

To be sure, defense expenditure has built up more slowly than anticipated. Tax revenues have been better than was expected—due, however, to a large degree to the credit inflation itself—which is a poor way to keep a budget in balance. While there is talk of military expenditures reaching a $50 billion rate by year's end, there is reason to believe that this goal will not be fully attained.

The anticipatory buying since Korea, the balanced budget and the tighter credit controls will reduce the inflationary pressures below what was anticipated some months ago. To keep the budget balanced means a further tax increase of $5 billion, or more. The balance of 1951 is likely to be a period of less than feverish expansion in some sectors of the economy. Steel, copper and probably aluminum will remain tight or perhaps get even tighter. Residential construction will continue to taper off unless credit controls are relaxed. Partly because of credit controls and partly because of anticipatory buying and hoarding as well as scarcity of raw materials, durable goods production and buying are likely to remain at modest levels.

A few months ago it was anticipated in Washington that wage and salary income would stand by year's end at $20 to $25 billion above the figure of December, 1950. Now it is generally believed that the increase will be less. From April, 1950 to April, 1951, personal income rose by $31 billion. But in the first four months of this year the rise has been at less than half that rate of increase—only $4.3 billion increase from January to April. The Federal Reserve Index of physical production has remained almost stationary since January when price controls were instituted—January 221, and May 223 (1933-39=100). Commodity prices have shown a downtrend. One spot commodity index declined from 221 at the beginning of April to 210 by June 4. The futures index in the same period declined from 208 to 189.

Thus, while the picture is mixed, expansion and contraction forces both being present, there is some reason to believe that inflationary pressures will not be as strong for the balance of the year as they were a year ago. Yet, we would be on dangerous ground if we projected the current lull into the future.

(3) Profit Prospects

In the months ahead, net profits are expected to continue to decline to pre-Korea levels or lower. Stiff price controls and rollbacks and flexible wage "stabilization" will intensify the squeeze. Contract renegotiation and cutbacks in civilian production will take, for many companies, another nick out of profits. The two corporate tax increases of last year, plus the excess profits tax, applied to only part of the year's earnings. This year these tax increases will apply to the full year and another general corporate tax increase will be on the books before the Autumn frosts. Slower than previously anticipated military expenditures and tight credit conditions will make the economy less buoyant.

Furthermore, the Washington planners want to reduce profits in order to cut down the volume of plowed back earnings so as to reduce "inflationary investment" — a rather strange doctrine to preach at a time when nearly all agree that our security and progress depend upon strengthening our economic potential and industrial system. This plan, of course, is an admission that Washington does not have the courage to hold consumption in check—so something has to give—and they are willing to take it out of industrial expansion. All these forces will make for reduced profits.

Corporation net profits have already fallen from last year's levels. Most companies overstate their profits in a period of rising prices because they count a rise in the cost of replacing inventories as a profit! This prevalent error in accounting practice caused the annual rate of profits in the first quarter of 1951 to be overstated by $9.5 billion. Anyone who thinks that inventory profits are real and are available for dividends or plant expansion, should just try to sell his house in an inflationary period, only to buy another "just as good" in the same period. (And, besides pay a capital gains tax on that "profit," as business does on its inventory profits.)

Since 1939 corporate net profits have increased $17 billion. In the same period employees' compensation rose by $104 billion and the national income by $163 billion.

Profits being a residual—something left over after all costs are met—are the most volatile component in the national income. They may rise from zero, or even minus quantities, in periods of low activity to very substantial percentage increases during booms. Because of this fact, the politician, the demagogue and the Marxian may use a period of inflation to win support for his private plans. Business and the businessman are the victims.

How this works was never better stated than by the late Lord Keynes (John Maynard Keynes) who could hardly be accused of any undue kindness in attitude toword the businessman. He said:

"Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. . . . In the latter stages of war all the belligerent governments practiced from necessity, or incompetence, what a Bolshevist might have done from design. . . . But further, the governments of Europe, being many of them at this moment reckless in their methods as well as weak, seek to direct on to a class known as 'profiteers' the popular indignation against the more obvious consequences of their vicious methods. These 'profiteers' are, broadly speaking, the entrepreneur class of capitalists, that is to say, the active and constructive element in the whole capitalist society, who in a period of rapidly rising prices cannot but get rich quick whether they wish it (or desire it) or not. By directing hatred against this class, therefore, the European governments are carrying a step further the fatal process which the subtle mind of Lenin had consciously conceived. The profiteers are a consequence and not a cause of rising prices."

[1] For a more comprehensive analysis of the monetary basis of, and remedies for, inflation, see "Economic Policies for National Defense," Chamber of Commerce of the United States of America, March, 1951.

Continued from page 16

Investment in Europe

for withdrawal of troops only if they withdraw simultaneously. At the same time, we must demand that under the observation of a U. N. Commission they withdraw all of their forces from Hungary, Poland, Austria, Rumania, etc.

Further, we should have to assure that Western Germany had an army at least as large as that of Eastern Germany, or that the present East German forces were totally demobilized.

(8) In view of the fact that the above suggestion is probably just Utopian thinking, we must give priority to the rearming of France, followed by the rearming of Western Germany.

(9) England must get rid of her present government — it cannot lead. It is distrusted in parts of Europe and actively disliked in others. It has sold defense for political advancement and is incapable of rallying colonies or commonwealth states to its banner. It is plaintive, afraid and its weakness is communicated across the channel.

All of these conclusions, however, deal with matters which can be handled only at high governmental level. We can as individuals, of course, aid in seeing that these recommendations are heard.

Role of American Capital in Europe

Of immediate intent, however is the role which can be played in Europe by American capital. As I see it, the situation is this:

There will be a time when, and there are areas of endeavor where our government cannot meet our requirements in Europe. Marshall Plan aid cannot go on indefinitely with its heavy drain on our finances and industrial production. There are many fields of activity where private enterprise can be far more effective than government intervention.

Investment in a country, if on a large enough scale, is an effective method of influencing activities and thinking in that nation. For years we saw the British and the Germans highly influential through the media of their heavy holdings in the industrial, transport and communication enterprises of other lands.

We in this country have the financial power to do likewise. Should we invest heavily in Europe we would be able to exert influences for our point of view. We would be a part of economic and hence the social and political life of the continent.

We could create wealth in Europe and stimulate her power to export — without which we, in turn, will not have the export market essential to a healthy economy.

We can help assure through our presence and vigilance that strategic materials or produce will not go to Soviet dominated lands — but will come to us or our allies. An American in the management of a concern or in its sales department can be far more effective to this end than can an Embassy attache.

We can through holdings in European newspapers, motion picture companies, and other organs of public information, influence editorial policy, news coverage and ideological approach far more effectively than we can ever do by the Voice of America.

We can, as have the British, set up an intelligence network through our commercial enterprises which can truly keep our government informed and influence its decisions by furnishing the truth.

Admittedly there is risk. No one can guarantee that Western Europe will not be invaded. This much seems clear, however, if the Soviet marches, whether Europe falls or not, we will become involved in an atomic contest of annihilation. The problems of American business will no longer be those of dividends, net income, or taxes. They will be of straight national and personal survival.

We Must Take Calculated Risks

Many moves we have taken as a nation in Europe have been calculated risks. They have been risks such as those taken by a surgeon when he operates on a patient who will certainly die if the operation is not performed, but who has a 50-50 chance of survival under the knife.

It seems to me that our businessmen must take the same risks. They must begin to step in where the government must—or should eventually withdraw. They should, if they would preserve our beliefs and make them felt, step in where Federal agencies are ineffective.

I would like, however, to make recommendations. Investment in Europe is a risk. It can greatly aid our nation and our allies. It can lessen the drain on our taxpayers and help fill Western European stomachs, and the communist finds few converts among the well fed.

Because such investment is a risk, because it is for the common good—it should receive more consideration from Washington. Today investment in ECA countries can be insured against expropriation. But this is not enough.

There must be something really to attract individuals and concerns to send their capital and knowhow overseas. Something to compensate for the risk. Mining is a risky business whether for ores or petroleum. Under the guise of a depletion allowance a large tax benefit is afforded. A sizable percentage of income is permitted before the Federal tax is applied.

My recommendation is that our government permit any individual, national or corporate who invests in a country which we consider a present or putative ally to receive, let us say, 15% of his net income tax free. The economic survival of Europe is certainly worth as much to the Treasury of the United States as the drilling of an oil well.

The second consideration is more general and more political. To most of those I spoke in Europe a basic reaction was this "the most important thing you in the United States can do is help us have decent governments which we can trust and respect—then we can provide production, divisions of men and the will to fight. But, before you can lead us in this way you must give yourself a leadership of which your own people are proud. An America which is ashamed of the vaccilation, the inefficency, the venality and the corruption of its own leadership is a poor salesman for its ideas, its ideals and the right to lead."

Take More Active Part in Government

Thus, my second recommendation is that businessmen must play a more active part in our own government. Not for selfish reasons, but to assure a higher degree of decency, efficiency, morality and ethics in high places.

It may well be a sacrifice to a businessman to enter the arena of politics and government. It will certainly be in time in money and in homelife. It will certainly be a risk to invest in Western Europe.

Nothing enduring or of value has, however, ever been built without risk and sacrifice. If we are to make ourselves worthy to lead the free world—if we are to exert our enormous knowledge and power to strengthen its backbone we must do all in our power to answer the prayer of men of good will beyond our boundary of the Atlantic.

This prayer was best summed up to me by a Balkan refugee who said "would to God you had a Marshall plan for the human heart."

American business must, with its know-how and advertising knowledge—its understanding of the needs and wants of people, provide this aid. Our government must make it possible for them to provide it.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William J. Glander is now connected with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

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)	July 1	102.8	103.2	102.7	101.2
Equivalent to—					
Steel ingots and castings (net tons)	July 1	2,055,000	2,063,000	2,053,000	1,929,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	June 16	6,189,450	6,168,250	6,177,100	5,347,400
Crude runs to stills — daily average (bbls.)	June 16	¶6,598,000	*6,478,000	6,405,000	5,565,000
Gasoline output (bbls.)	June 16	21,895,000	21,227,000	20,847,000	19,034,000
Kerosene output (bbls.)	June 16	2,548,000	2,320,000	2,650,000	2,033,000
Gas, oil, and distillate fuel oil output (bbls.)	June 16	8,531,000	*8,678,000	8,353,000	7,065,000
Residual fuel oil output (bbls.)	June 16	9,169,000	8,921,000	9,148,000	7,467,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 16	128,467,000	129,353,000	132,742,000	116,374,000
Kerosene (bbls.) at	June 16	23,015,000	21,890,000	18,725,000	19,507,000
Gas, oil, and distillate fuel oil (bbls.) at	June 16	60,274,000	57,372,000	48,826,000	47,717,000
Residual fuel oil (bbls.) at	June 16	39,659,000	38,839,000	37,223,000	40,740,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 16	826,239	813,326	809,475	805,876
Revenue freight received from connections (number of cars)	June 16	679,144	655,639	682,469	655,324
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 21	$207,449,000	$206,897,000	$177,115,000	$256,200,000
Private construction	June 21	54,691,000	86,320,000	80,789,000	141,592,000
Public construction	June 21	152,758,000	120,577,000	96,326,000	114,608,000
State and municipal	June 21	100,061,000	77,783,000	69,840,000	88,598,000
Federal	June 21	52,697,000	42,794,000	26,486,000	26,010,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 16	10,302,000	*9,890,000	9,655,000	10,364,000
Pennsylvania anthracite (tons)	June 16	876,000	789,000	782,000	886,000
Beehive coke (tons)	June 16	148,200	*141,300	139,300	137,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 16	304	311	285	302
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 23	6,834,692	6,746,691	6,652,699	6,102,288
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	June 21	180	130	191	147
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 19	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	June 19	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	June 19	$43.00	$43.00	$43.00	$39.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 20	24.200c	24.200c	24.200c	22.200c
Export refinery at	June 20	27.425c	27.250c	24.425c	22.425c
Straits tin (New York) at	June 20	106.000c	123.000c	139.000c	76.750c
Lead (New York) at	June 20	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	June 20	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	June 20	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 26	97.20	97.33	97.45	102.02
Average corporate	June 26	109.24	109.97	111.25	115.43
Aaa	June 26	113.31	114.08	115.24	120.63
Aa	June 26	112.00	112.93	114.37	119.20
A	June 26	108.52	109.24	109.97	115.24
Baa	June 26	103.30	104.31	105.69	107.62
Railroad Group	June 26	106.21	106.92	107.80	110.15
Public Utilities Group	June 26	108.16	109.79	111.07	116.80
Industrials Group	June 26	113.12	113.70	114.85	119.82
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 26	2.68	2.68	2.67	2.35
Average corporate	June 26	3.21	3.17	3.10	2.88
Aaa	June 26	2.99	2.95	2.89	2.62
Aa	June 26	3.06	3.01	2.94	2.69
A	June 26	3.25	3.21	3.17	2.89
Baa	June 26	3.55	3.49	3.41	3.30
Railroad Group	June 26	3.38	3.34	3.29	3.16
Public Utilities Group	June 26	3.27	3.18	3.11	2.81
Industrials Group	June 26	3.00	2.97	2.91	2.66
MOODY'S COMMODITY INDEX	June 26	486.5	492.1	494.4	398.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 16	195,953	283,122	206,161	205,526
Production (tons)	June 16	243,313	244,690	257,930	209,448
Percentage of activity	June 16	103	102	106	93
Unfilled orders (tons) at	June 16	649,604	696,726	680,105	395,147
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 22	151.1	*151.7	153.2	120.6
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	June 9	20,482	20,988	35,027	29,623
Number of shares	June 9	708,405	600,390	1,054,901	904,850
Dollar value	June 9	$32,733,839	$28,163,536	$48,829,178	$41,289,592
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 9	21,603	16,655	30,853	34,629
Customers' short sales	June 9	292	285	208	321
Customers' other sales	June 9	21,311	16,370	30,645	34,308
Number of shares—Total sales	June 9	599,347	455,974	869,592	994,556
Customers' short sales	June 9	10,842	11,233	7,758	11,038
Customers' other sales	June 9	588,505	444,741	861,834	983,518
Dollar value	June 9	$24,599,224	$19,409,644	$37,121,079	$39,737,085
Round-lot sales by dealers—					
Number of shares—Total sales	June 9	176,820	113,630	262,910	342,130
Short sales	June 9	------	------	------	------
Other sales	June 9	176,820	113,630	262,910	342,130
Round-lot purchases by dealers—					
Number of shares	June 9	281,190	272,640	410,080	243,570
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 19	181.6	181.7	182.4	157.4
Farm products	June 19	199.0	198.0	198.1	166.6
Grains	June 19	177.4	181.4	183.0	167.9
Livestock	June 19	268.4	263.5	267.0	224.0
Foods	June 19	187.3	186.9	187.3	162.1
Meats	June 19	275.4	275.4	274.7	241.0
All commodities other than farm and foods	June 19	170.2	*170.6	171.1	148.8
Textile products	June 19	182.0	182.4	183.3	136.9
Fuel and lighting materials	June 19	138.7	138.7	138.5	132.9
Metals and metal products	June 19	188.2	189.0	189.5	171.9
Building materials	June 19	226.6	226.8	227.4	202.8
Lumber	June 19	357.3	357.3	358.9	†
Chemicals and allied products	June 19	139.2	140.1	140.9	114.2

*Revised. †Not available. ¶Includes 542,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of April	67,701	70,022	58,0[illegible]
Stocks of aluminum (short tons) end of April	13,415	12,048	13,637
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of May	9,094,000	*8,840,521	8,564,207
Shipments of steel products, including alloy and stainless (net tons)—Month of April	6,634,510	7,105,078	5,780,453
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of May:			
Manufacturing number	128	119	197
Wholesale number	84	76	109
Retail number	385	365	426
Construction number	94	81	80
Commercial service number	64	52	62
Total number	755	693	874
Manufacturing liabilities	$5,497,000	$5,894,000	$7,470,000
Wholesale liabilities	3,994,000	2,200,000	2,949,000
Retail liabilities	7,487,000	5,647,000	8,650,000
Construction liabilities	4,655,000	2,268,000	2,129,000
Commercial service liabilities	1,871,000	1,055,000	1,474,000
Total liabilities	$23,504,000	$17,064,000	$22,672,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of May:			
Earnings—			
All manufacturing	$64.35	*$64.74	$57.54
Durable goods	69.39	*69.76	61.57
Nondurable goods	57.78	*58.07	52.83
Hours—			
All manufacturing	40.6	*41.0	39.9
Durable goods	41.7	*42.0	40.8
Nondurable goods	39.2	*39.7	38.9
Hourly earnings—			
All manufacturing	$1.585	*$1.579	$1.442
Durable goods	1.664	*1.661	1.509
Nondurable goods	1.474	*1.466	1.358
FAIRCHILD PUBLICATION RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED AS OF JUNE 1):			
Composite index	148.7	148.5	137.3
Piece goods	140.0	139.8	127.3
Men's apparel	146.3	145.9	138.7
Women's apparel	137.6	137.3	130.1
Infants' and children's wear	136.8	136.6	129.3
*Home furnishings	163.6	163.4	146.5
Piece goods—			
Rayon and silks	116.7	116.5	112.8
Woolens	156.0	155.7	138.2
Cotton wash goods	162.5	162.5	146.6
Domestic—			
Sheets	197.1	196.6	167.3
Blankets and comfortables	174.7	173.4	142.8
Women's apparel—			
Hosiery	107.7	107.7	102.1
Aprons and housedresses	144.9	144.9	141.9
Corsets and brassieres	142.9	143.0	130.8
Furs	146.7	145.8	133.8
Underwear	137.9	137.9	133.0
Shoes	150.8	149.8	140.8
Men's apparel—			
Hosiery	148.0	146.9	139.8
Underwear	166.2	166.1	151.9
Shirts and neckwear	134.4	133.8	129.5
Hats and caps	127.9	127.9	127.2
Clothing including overalls	135.2	134.9	131.3
Shoes	186.0	186.0	167.7
Infants' and children's wear—			
Socks	132.8	132.4	130.4
Underwear	123.0	123.0	118.9
Shoes	160.3	160.1	143.5
Furniture	158.1	158.2	146.8
Floor coverings	193.5	193.1	161.5
Radios	126.3	126.3	117.9
Luggage	135.3	135.1	128.3
Electrical household appliances	148.7	148.7	138.4
China	136.3	136.3	132.9
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of May (000's omitted):			
Ordinary	$1,522,000	$1,510,000	$1,462,000
Industrial	505,000	466,000	503,000
Group	401,000	308,000	332,000
Total	$2,428,000	$2,284,000	$2,297,000
METAL OUTPUT (BUREAU OF MINES)— Month of April:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	82,469	*83,104	‡75,583
Gold (in fine ounces)	158,146	*161,667	‡199,307
Lead (in short tons)	33,478	*37,096	‡35,823
Silver (in fine ounces)	3,510,524	*3,704,749	‡3,534,927
Zinc (in short tons)	56,413	*60,670	‡51,517
PORTLAND CEMENT (BUREAU OF MINES)— Month of April:			
Production (barrels)	20,184,000	18,708,000	18,134,000
Shipment from mills (barrels)	20,953,000	17,692,000	18,424,000
Stocks (at end of month—barrels)	22,370,000	*23,139,000	22,936,000
Capacity used	91%	82%	85%
U. S. GOVT. STATUTORY DEBT LIMITATION —As of May 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	255,093,096	254,727,111	256,350,132
Guaranteed obligations not owned by the Treasury	29,335	20,665	20,047
Total gross public debt and guaranteed obligations	$255,122,431	$254,747,776	$256,370,179
Deduct—Other outstanding public debt obligations not subject to debt limitation	686,955	690,427	728,308
Grand total outstanding	$254,435,475	$254,057,349	$255,641,871
Balance face amount of obligations, issuable under above authority	20,564,626	20,942,650	19,358,128
ZINC OXIDE (BUREAU OF MINES) — Month of April:			
Production (short tons)	17,857	18,604	18,351
Shipments (short tons)	17,934	18,469	17,213
Stocks at end of month (short tons)	11,168	11,245	15,644

*Revised figure. ‡Monthly average 1950.

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Alabama-Tennessee Natural Gas Co., Florence, Ala.
June 14 (letter of notification) 2,700 shares of common stock (par $1). **Price**—At the market (from $18 to $20 per share). **Underwriters**—Scott, Horner & Mason, Inc., Lynchburg, Va., and Johnston, Lemon & Co., Washington, D. C.—**Proceeds**—To B. Franklin Grizzle, the selling stockholder.

American General Oil & Gas Co., Houston, Tex.
June 19 (letter of notification) 800,000 shares of common stock (par one cent). **Price**—12½ cents per share. **Underwriter**—West & Co., Jersey City, N. J. **Proceeds**—For drilling well and working capital. **Office**—623 M & M Bldg., Houston, Tex.

Armfield Plan, Winston-Salem, N. C.
June 23 filed $2,000,000 aggregate amount of class B stock of R. J. Reynolds Tobacco Co. to be sold under partial payment plan. **Sponsor**—Armrey Co., Reynolds Bldg., Winston-Salem, N. C.

Bar-B Ranch, Inc., Busti, N. Y.
June 20 (letter of notification) 1,000 shares of common stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For improvements, etc.

Buckskin Mines, Inc., Clayton, Idaho
June 15 (letter of notification) 640,000 shares of common stock (par five cents). **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To organize company and develop mining properties.

Cinerama, Inc.
June 21 (letter of notification) 100,000 shares of common stock (par one cent) through offer of rescission. **Price**—10 cents per share. **Underwriters**—None. **Proceeds**—To repay obligations. **Office**—10 East 52nd St., New York 22, N. Y.

Drezma, Inc., New York
June 20 (letter of notification) 10,000 shares of 6% non-cumulative preferred stock (par $10) and 1,000 shares of common stock (no par—stated value $1 per share) in units of 10 shares of preferred stock and one share of common stock. **Price**—$100 per unit. **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes. **Office**—730 Fifth Avenue, New York 19, N. Y.

Felters Co., Boston, Mass.
June 18 (letter of notification) 670 shares of common stock (par $10). **Price**—To range from $9 to $10.50 per share. **Underwriters** — J. Arthur Warner & Co., New York, and Proctor, Cook & Co., Boston, Mass. **Proceeds**—To Emma B. Proctor, the selling stockholder.

Fireman's Fund Insurance Co., San Fran., Calif.
June 12 (letter of notification) 5,320 shares of capital stock (par $5) to be purchased on the open market (estimated at $50 per share) for the account of the Firemen's Fund Savings and Supplemental Retirement Plan. Employee participation is not to exceed $300,000.

General Investment Corp. (Utah)
June 13 (letter of notification) 500,000 shares of capital stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To purchase oil, gas and mineral leases and to develop uranium claims. **Office**—Room 858, 19 West South Temple, Salt Lake City, Utah.

Glass Fibers, Inc., Toledo, Ohio
June 26 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Underwriter**—McCormick & Co., Chicago, Ill. **Proceeds**—For proposed Southern California plant and for working capital.

International Resistance Co., Phila, Pa. (7/3)
June 26 (letter of notification) 1,500 shares of common stock (par 10 cents). **Price**—At the market (approximately $6.37½ to $6.62½ per share). **Underwriter**—Stein Bros. & Boyce, Phila., Pa. **Proceeds**—To Harry A. Ehle, Vice-President, who is the selling stockholder.

Island Productions, Hollywood, Calif.
June 13 (letter of notification) 280,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To produce feature length motion picture to be entitled "Cocos Island." **Office**—Suite 712, 6331 Hollywood Blvd., Hollywood, Calif.

Loven Chemical of California
June 15 (letter of notification) 86,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Los Angeles, Calif. **Proceeds**—For working capital. **Office**—244 So. Pine St., Newhall, Calif.

Mahon & Gall, Inc., Baltimore, Md.
June 15 (letter of notification) 350 shares of 4% cumulative preferred stock, of which 170 shares will be issued to creditors on a dollar for dollar basis in lieu of present indebtedness, and the remaining 180 shares will be offered to the public at par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—Key Highway, Baltimore, Md.

Marquette Cement Manufacturing Co., Chicago, Illinois
June 27 filed 100,000 shares of common stock (par $10), of which 50,000 shares will be offered for account of the company and 50,000 shares for account of 15 selling stockholders. **Price**—To be supplied by amendment. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill. **Proceeds**—For general corporate purposes.

Mississippi Power Co., Gulfport, Miss. (7/23)
June 22 filed $4,000,000 of first mortgage bonds due Aug. 1, 1981. **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**—To be opened at 11 a.m. (EDT) on July 23.

Mississippi Valley Stock Yards, Inc., St. Louis, Mo.
June 18 (letter of notification) $180,000 of first mortgage 4½% serial bonds. **Price**—At par (in $1,000 units). **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo. **Proceeds**—For general corporate purposes. **Office**—61 Angelica St., St. Louis, Mo.

Montana-Dakota Utilities Co.
June 27 filed 162,838 shares of common stock (par $5) to be first offered to common stockholders on basis of one share for each eight shares held. **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—For construction program.

Multnomah Plywood Corp., Portland, Ore.
June 14 (letter of notification) 76 shares of common stock (par $2,500), of which 60 shares will be offered in 20 units of three shares each to 20 individuals who are not stockholders, and 16 shares are to be offered to present stockholders on basis of one share for each two shares owned. **Price**—Per unit, $12,500; and per share, $2,500 to present stockholders. **Underwriter**—None. **Proceeds**—To acquire timber and a peeler plant operation. **Office**—1500 S. W. Harbor Drive, Portland 1, Ore.

Murphy Ranch Mutual Water Co., Whittier, Calif.
June 12 (letter of notification) 1,103 shares of common stock. **Price**—$9.18 per share. **Underwriter**—San Gabriel Development Co. **Proceeds**—To Murphy Ranch Land Development Co. **Address**—Box 31, Whittier, Calif.

New York State Electric & Gas Corp. (7/17)
June 26 filed 217,904 shares of common stock (no par) to be offered for subscription by common stockholders of record July 17 at rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp., Lehman Brothers, Wertheim & Co., and Merrill Lynch, Pierce, Fenner & Beane, all of New York. **Proceeds** — For construction program.

Nova Scotia (Province of), Canada (7/10-11)
June 26 filed $15,000,000 of 15-year debentures due July 15, 1966. **Underwriters**—Smith, Barney & Co. and Wood, Gundy & Co., Inc. **Proceeds**—To provide funds for various Provincial purposes, including redemption of $9,661,500 of debentures.

Okonite Co.
June 21 (letter of notification) 2,300 shares of common stock (par $25). **Price**—At the market (approximately $40 per share). **Underwriter**—None, but A. C. Allyn & Co. acts as broker through the facilities of the New York Curb Exchange. **Proceeds**—To a selling stockholder.

One Eleven Forty, Inc., Palm Springs, Calif.
June 20 (letter of notification) 200 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To purchase land and drill water well. **Office**—482 No. Palm Canyon Drive, Palm Springs, Calif.

Pittsburgh Plate Glass Co.
June 27 filed 450,000 shares of common stock (par $10) to be offered to certain employees of the company and its subsidiaries under a stock option plan. **Price**—At 85% of the market price on the New York Stock Exchange at time options are granted. **Underwriter**—None. **Proceeds**—For working capital.

Pittsburgh Steel Co.
June 26 filed 12,569 shares of first series 5½% prior preferred stock (par $100) and 27,495 shares of common stock (no par) to be offered in exchange for Thomas Steel Co. 4¼% cumulative preferred stock (par $100) at rate of 8/10ths of a share of 5½% preferred and 1¾ shares of common stock for each Thomas Steel preferred share (unexchanged Thomas preferred stock will be called for redemption at $105 per share). **Underwriter**—None.

Pure Drug & Chemical Corp., N. Y.
June 21 (letter of notification) 90,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To buy new equipment. **Office**—285 Madison Avenue, New York 17, N. Y.

Ramsey Consolidated Mines, Inc., Phoenix, Ariz.
June 18 (letter of notification) 19,000 shares of capital stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For development of mining properties. **Office**—15 So. 1st Avenue, Phoenix, Ariz.

S & W Fine Foods, Inc., San Francisco, Calif.
June 22 filed 84,950 shares of common stock (par $10). **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—For new construction.

Skiles Oil Corp., Mt. Carmel, Ill.
June 14 (letter of notification) 10,500 shares of common stock (par $1). **Price**—At the market (not less than $9, nor more than $9.50 per share). **Underwriter**—F. S. Moseley & Co., Chicago, Ill. **Proceeds**—To go to Charles E. Skiles, the selling stockholder.

Speer Carbon Co., St. Marys, Pa. (7/9-14)
June 20 filed 179,034 shares of common stock (no par). **Price**—To be supplied by amendment. **Underwriter**—Lee Higginson Corp., New York. **Proceeds**—To finance expansion and construction.

Spiegel, Inc., Chicago, Ill.
June 21 filed 78,250 shares of common stock (par $2), to be issuable upon exercise of stock options granted to officers and key executives of the company under plan adopted by stockholders on April 18. **Price**—$11.70 per share. **Underwriter**—None. **Proceeds**—To reduce bank borrowings and for working capital.

Stewart-Warner Corp., Chicago, Ill.
June 15 (letter of notification) 2,000 shares of common stock (par $5) to be offered to employees in lots of 50 shares or less pursuant to provisions of "Stock Pool Plan." **Price**—At the market (about $17.62½ per share). **Office**—1826 Diversey Parkway, Chicago, Ill.

Stuyvesant Bond & Share Corp.
June 18 (letter of notification) 11,444 shares of common stock (par 10 cents) to be offered stockholders. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To replenish capital, reduction of which had been authorized by payment of a liquidating dividend of $25 per share on each one of the 1,513 outstanding preferred shares. **Offering**—Withdrawn on June 20.

Suburban Propone Gas Corp.
June 21 (letter of notification) 137 shares of common stock (par $1). **Price**—$16 per share. **Underwriter**—None, but Eastman, Dillon & Co. and Bioren & Co. are acting as brokers. **Proceeds**—To SBN Gas Co., the selling stockholder.

Taylorcraft, Inc.
June 18 (letter of notification) 20,590 shares of common stock. **Price**—At par ($2 per share). **Underwriter**—Graham & Co., Pittsburgh, Pa. **Proceeds**—To Ben J. Mauro, the selling stockholder. **Offering** — Withdrawn on June 20.

Television Equipment Corp.
June 20 (letter of notification) 1,500,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—238 William Street, New York 7, N. Y.

Urbana Wine Co., Inc. (6/30)
June 26 (letter of notification) 27,000 shares of capital stock (par $1) to be offered to stockholders of record June 23, 1951 on basis of nine new shares for each share held; rights to expire on July 16. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To retire bank loan and for working capital. **Office**—Urbana, Hammondsport, N. Y.

Washington Gas Light Co. (7/16)
June 20 filed $9,000,000 of refunding mortgage bonds due 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. **Proceeds**—For general corporate purposes. **Bids** — Expected to be received on July 16.

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 1173, 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.

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.

Arwood Precision Casting Corp.
April 18 (letter of notification) 4,000 shares of 5½% cumulative non-convertible preferred stock being offered to stockholders and public up to July 1, 1951. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—70 Washington Street, Brooklyn 1, N. Y.

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 30, 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.**
June 7 filed 197,737 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 73,550 shares are offered to key employees under the company's stock option plan. **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.

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.

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.

NEW ISSUE CALENDAR

June 28, 1951
Hawaii (Territory of), 10 a.m. (EDT) — Bonds

June 29, 1951
United Gas Corp. — Common

June 30, 1951
Urbana Wine Co., Inc. — Common

July 2, 1951
Victoreen Instrument Co. — Common

July 3, 1951
Bank of Nova Scotia, Toronto, Canada — Common
International Resistance Co. — Common
New York, Chicago & St. Lous RR. noon (EDT) — Eq. Trust Ctfs.

July 5, 1951
Lily-Tulip Corp. — Common

July 9, 1951
Iowa Public Service Co. 11 a.m. (EDT) — Bonds
Speer Carbon Co. — Common

July 10, 1951
Cornucopia Gold Mines — Common
Minnesota Power & Light Co. noon — Bonds
Nova Scotia (Province of), Canada — Debentures
Northrop Aircraft, Inc. — Common

July 11, 1951
Chesapeake & Ohio Ry. — Equip. Trust Ctfs.

July 16, 1951
Washington Gas Light Co. — Bonds

July 17, 1951
New York State Electric & Gas Corp. — Common

July 23, 1951
Mississippi Power Co. 11 a.m. (EDT) — Bonds

July 24, 1951
United Gas Corp. 11:30 a.m. (EDT) — Bonds

September 11, 1951
Alabama Power Co. — Bonds

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. Statement effective June 19.

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.

★ **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. Statement effective June 19.
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. Statement effective June 19.

★ **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**—Abandoned. To borrow from banks.

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.

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.

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.

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.

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.

★ **General Foods Corp.**
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. **Offering**—Being made today.

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.

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. Statement effective June 18.

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.

Gulf Coast Western Oil Co.
June 13 (letter of notification) 299,760 shares of common stock **Price**—At par ($1 per share). **Underwriter**—

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Continued from page 39

R. V. Klein Co., New York. **Proceeds**—For oil production. **Office**—916 Petroleum Bldg., Oklahoma City, Okla.

★ 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 July 27. **Dealer-Manager** — Carl M. Loeb, Rhoades & Co., New York.

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.

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.

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 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.

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.

★ 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. Statement effective June 18.

Lorain Telephone Co., Lorain, Ohio
March 13 (letter of notification) 6,705 shares of common stock (no par), to be offered to common stockholders at the rate of one share for each 10 shares held March 10; rights to expire on July 1. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—203 West Ninth St., Lorain, Ohio.

Magma King Manganese Mining Co.
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.

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.

★ 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 opened at noon on July 10.

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. (7/10)
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.

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.

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.
June 6 filed 444,015 shares of new common stock (par $1), being offered ot common stockholders of record June 26 in ratio of one new share for each 10 shares held; rights to expire July 10. **Price**—$33 per share. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—To complete expansion program already underway and 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.

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.

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.

★ Rose (Paul H.) Corp., Norfolk, Va.
June 4 (letter of notification) 6,250 shares of class A common stock (par $10) and 12,500 shares of class B common stock (par $10), being offered to holders of the respective stocks of record May 28 on a one-for-two basis; rights to expire June 28. **Price**—$15 per share. **Underwirter** — None. **Proceeds** — For working capital. **Office**—718 West 21st Street, Norfolk, Va.

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.

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.
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.

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.

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.

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.

★ 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**—$17.50 per share. **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. Statement effective June 21.

★ 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, Stuart & 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% promis-

sory 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. Statement effective June 21.

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 purposse. Statement effective June 11.

★ United Utilities, Inc., Abilene, Kansas
June 5 filed 199,451 shares of common stock (par $10) being offered initially to common stockholders in the ratio of one share for each three shares held June 26; rights to expire July 10. **Price**—$11.75 per share. **Underwirter**—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. (7/2)
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.

★ Video Corp. of America
June 15 (letter of notification) 1,200,000 shares of common stock now being 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.

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.

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.

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.

Prospective Offerings

★ Alabama Power Co. (9/11)
June 20 it was stated that company contemplates sale of $15,000,000 first mortgage bonds due 1981. **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 $800,000 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 26 stockholders approved 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.

● British Columbia (Province of), Canada
June 23 it was reported that early registration is expected of an issue of $35,000,000 bonds to mature serially up to and including 1976. **Probable Underwriters**—The First Boston Corp. and A. E. Ames & Co., Ltd. **Proceeds**—For refunding and for new construction.

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. (7/11)
Bids will be received by the company on July 11 for the purchase from it of $6,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. It had originally been planned to sell the issue on 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.)
June 20 FPC decided to issue 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, stimated 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.

● Derby Gas & Electric Corp.
June 22 corporation applied to SEC for authority to issue and sell $900,000 of debentures to mature July 1, 1957 (to be placed privately with an institution) and approximately 12,500 additional shares of common stock (latter to be offered to public pursuant to a negotiated transaction). **Probable Underwriter**—Allen & Co., New York. **Proceeds**—To be applied toward 1951 construction program.

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.

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.

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

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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, 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.

● Long Island Lighting Co.
June 25 it was reported that the company's next step in its financing program may include the sale of approximately $15,000,000 of preferred stock. Probable bidders may include Blyth & Co., Inc.

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 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.

★ New York, Chicago & St. Louis RR. (7/3)
Bids will be received by the company in Cleveland, O., up to noon (EDT) 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.).

Niagara Mohawk Power Corp.
June 6, 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, probably on a 1-for-7 basis, with Lehman Brothers, Union Securities Corp. and Dean Witter & Co. 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.

● Public Service Co. of Indiana, Inc.
June 25 it was reported that company may do some permanent financing "when market conditions permit." Earlier this year arrangements were made with eight banks for borrowing up to $40,000,000 on promissory notes bearing interest at 2½%. Of this total, it is planned to use $13,000,000 in 1951, $14,000,000 in 1952 and $13,000,000 in 1953. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. Probable Bidders for preferred stock: Blyth & Co., Inc.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Proceeds**—To retire bank loans incurred in connection with construction program.

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 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.

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.

● United Gas Improvement Co.
June 18, the SEC directed the company to dispose of its interest in six non-subsidiary companies, viz: Central Illinois Light Co., 35,340 shares; Consumers Power Co., 52,586 shares; Delaware Power & Light Co., 37,355 shares; Niagara Mohawk Power Corp., 145,000 shares; Public Service Electric & Gas Co., 36,801 preference common shares and 4,861 common shares; and Delaware Coach Co., a $1,000,000 note.

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 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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Dealer-Broker Investment Recommendations and Literature

Reeves Soundcraft Corporation—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

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.**

Rochester Telephone Corp. — Memorandum — First Rochester Co., Granite Building, Rochester 4, N. Y.

St. Joseph Lead Company—Analysis—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Sherwin Williams Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Skilsaw, Inc.—Memorandum—Cohu & Co., 1 Wall Street, New York 5, N. Y.

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

Texas Company—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

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

Our Reporter's Report

One swallow does not make a summer and, by the same token, two highly successful new offerings do not necessarily mean that the situation in the bond market has definitely changed.

But the remarkable reception accorded this week's two public utility bond underwritings served nonetheless to give a real boost to the morale of investment banking interests and the new security business in general.

Feeling had been running mighty low in recent weeks and the manner in which Cleveland Electric Illuminating Co.'s 35-year first mortgage bonds and Appalachian Electric Power Co.'s $17,000,000 of 30-year bonds moved out acted as a really strong tonic.

The response which greeted those two issues was the more impressive for what it did for recent offerings that had been lagging badly.

Bankers who had been lugging the Peoples Gas Light & Coke Co.'s 30-year refunders received a welcomed "lift", with latent demand spilling over into this and other issues in a way that promised to clean up a number of situations that have been hanging fire.

There was added impetus in the latter direction of course, by realization that nothing in the way of important utility financing now looms ahead for at least a month.

While inclined to cheer, observers nevertheless recognized the fact that both the Cleveland and the Appalachian issues were priced attractively even by comparison with the secondary market, and that therefore perhaps a bit more adjustment is ahead for outstanding issues.

Cleveland Electrics

Cleveland Electric Illuminating Co.'s experience this week in marketing its $25,000,000 of 35-year first mortgage bonds provided a pretty good bird's-eye view of what has happened in the money market in recent months.

The company received a top bid—there were five groups in all seeking the issue—of 101.6399 for a 3⅜% coupon rate. Last year the company financed by the sale of comparable bonds with a 2¾% coupon.

The successful group currently is offering the bonds at 102.39 for a yield of 3.26%. The previous issue was reoffered at 101⅞ for the lower interest rate, to yield 2.72%.

Bids Are Fewer

An interesting sidelight on this week's bidding for new securities was found in the fact that there appeared to be fewer groups in the running than had been the case in similar undertakings a while back.

The Cleveland Electrics, not an unusually large operation, drew five bids, while Appalachian Power's offering attracted a total of four.

People in a position to see what is going on ascribe this trend to the fact that firms operating municipal departments have been taking a beating for sometime and now find that portion of their capital "frozen" in inventories.

Firms which frequently head up syndicates are running into more and more such complaints and finding that there is a tendency to "shorten sail" in proportion. Firms usually good for five to six million "take-downs" in a given undertaking are now down to a million in some instances.

Watching the Market

The seasoned market is being watched closely at the moment for a cue to prospects ahead. Underwriters and traders would like to see evidence that the bottom has been reached.

But the best they can do at the moment is to trade in and out in search of a stable level, realizing that if the market sags here a further adjustment period is ahead.

Meanwhile, in some banking quarters there is a strong feeling that come next fall we may very likely see 90-day money commanding a 3% rate. In this frame of mind, even with this week's successful offerings, the underwriters are not too sanguine yet.

Appalachian Electric Bonds Offered by Halsey, Stuart Group

Halsey, Stuart & Co. Inc. and associates are offering $17,000,000 Appalachian Electric Power Co. first mortgage bonds, 3¾% series due 1981, at 102¼% and accrued interest. The bonds were awarded to the group at competitive sale on June 26 on its bid of 101.36999%.

Of the net proceeds to be received from the sale of these bonds, $8,000,000 will be applied to the prepayment, without premium, of a like aggregate principal amount of notes payable to banks, issued for construction purposes. A total of $5,000,000 of the proceeds will be deposited with the corporate trustee and may be withdrawn by the company from time to time. The balance, together with other funds will be used to pay for the cost of extensions, additions and improvements to the properties of the company.

Regular redemption prices of the new bonds range from 105¾% to par. Special redemptions are scaled from 102⅜% to par.

Appalachian Electric Power Co. is a subsidiary of American Gas & Electric Co. and a part of the American Gas and Electric integrated electric utility system. The company is engaged in the generation, purchase, transmission and distribution of electric energy and its sale to the public in Virginia and West Virginia and in the supplying of electric energy at wholesale to other electric utility companies and municipalities. The company serves 1,206 communities in an area having an estimated population of 1,508,000.

Cantor, Fitzgerald Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Simon Fernandez and Oscar Gavrilovich have joined the staff of Cantor, Fitzgerald & Co., Inc., 224 North Canon Drive. Mr. Fernandez was formerly with Wilson, Johnson & Higgins. Mr. Gavrilovich was with Bisno & Bisno.

Halsey, Stuart Offers Mont.-Dak. Util. Bonds

Halsey, Stuart & Co. Inc. are offering $3,000,000 Montana-Dakota Utilities Co. first mortgage 4½% serial bonds maturing annually June 1, 1952 to 1971, inclusive, at various yields ranging from 3.00% to 4.25% and accrued interest. Award of the bonds was made on June 26 at competitive sale on a bid of 100.24.

Net proceeds to be received from the sale of the bonds will be applied toward payment of part of the cost of acquisition of properties. To provide temporary financing for part of the cost of this property acquisition, the company on May 31, 1951, issued a $2,000,000, 2¾% note payable to The National City Bank of New York and provided the balance from its general funds. Net proceeds will be applied first toward payment of the note and second toward reimbursement of the general funds of the company.

Montana-Dakota Utilities Co. is a public utility operating company carrying on a natural gas and electric public utility business in Montana, North Dakota, South Dakota and Wyoming. Communities served by the company with one or more services at retail or wholesale had a 1950 population of 320,030.

With Waddell & Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Perry R. Adams, Jr. has become affiliated with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Reynolds Co. Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Ralph W. Thompson has become associated with Reynolds & Co., 208 South La Salle Street. He was formerly with Mitchell, Hutchins & Co.

With Kidder Staff

(Special to The Financial Chronicle)

TAMPA, Fla.—James R. Leonard has been added to the staff of A. M. Kidder & Co., 506 Florida Avenue.

Joins Francis I. duPont

(Special to The Financial Chronicle)

MIAMI, Fla.—George M. Wilson has become connected with Francis I. du Pont & Co., 121 Southeast Second Avenue.

With Louis C. McClure

(Special to The Financial Chronicle)

TAMPA, Fla.—Harry Diamantopoulos has become affiliated with Louis C. McClure, 308 Tampa Street.

Harry M. Forst Opens

LOS ANGELES, Cal.—Harry M. Forst is engaging in the securities business from offices at 3759 Wilshire Boulevard. In the past Mr. Forst was with Samuel B. Franklin & Co. and was an officer of California International Corp.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—In the current bread - and - circus atmosphere of Congress the cause of economy in government expenses may have been advanced a little bit—but at most only a little bit —by the recent show of economy staged in the Senate.

What the Senate has been doing lately has been to vent a little spleen on the bloated and arrogant bureaucracy, a bureaucracy encouraged, by the continual battle of the President with Congress, to think that all the cheap and ignorant politicians in Washington do business on Capitol Hill.

So the Senate made a start at cutting a government employee's annual paid vacation to four weeks a year from five weeks and a day. Anybody who has to drive a car around the Capitol grounds is annoyed at the squadron of glistening limousines which take the top civilian and military brass up to committee hearings, and then double-park all over the place while their drivers read comic books waiting for the brass to come out for a 10- or 15-minute drive uptown, a drive which could be made round trip in a cab for $1. So the Senate may have, if it doesn't change its mind, cut down on the driver-operated government limousines.

This doesn't add up to an economy drive, however. A genuine economy drive involves two things. It involves an organized and correlated effort, not an emotional striking back at some of the more spectacular wastes. It also involves, if there is to be any enduring economy, a cut-back in some of the multitude of subsidized or free governmental services enacted on a permanent annual or virtually perpetual basis by Congresses for the last 19 years.

While the Congress has been achieving some economies, it has been going almost as fast in the opposite direction. For instance, the House last week passed 11 bills expanding veterans' benefits. Two of these are of major importance. One would provide for the construction of 16,000 of additional hospital bed capacity. Another generally would readjust veterans' disability compensation upward.

These two bills were passed, however, with the blithe expectation that the Senate Finance Committee, which happens to have jurisdiction over most phases of veterans' legislation, would bottle up the bills, and the boys in the House would get credit with the heroes for heroically raiding the Treasury for their benefit.

This assumption is correct, for the Senate Finance Committee is overwhelmingly conservative and has no stomach for running up the costs of the taxpayer. The veterans' organizations are now putting some steam behind the idea of having a separate Veterans' Committee established in the Senate, like the Veterans' Affairs Committee of the House, to be their special pleaders. Incidentally, this would end the Finance Committee's power to pigeonhole much of this expensive legislation.

And while the Senate may be cutting one week and a day off the liberal vacations of the well-paid government slaves, this project of a government employee pay raise is still active. It has been delayed only by an argument as to how much and how to go about it, and whether postal employees should be given another round of pay raises at the same time as other government workers, or separately.

Finally, as expected, the Senate restored to 50,000 units the allowable program for constructing literally high cost but legally entitled "low cost public housing." The House had cut this to 5,000 units.

On the other hand, preliminary evidence — and only preliminary evidence—indicates that on net balance, the Senate is probably so far not adding to the sums appropriated by the House. Normally the House cuts, no matter how pathetically small, and the Senate "restores" all or part of the cut.

In the light of political realities, this indication that the Senate is not on balance boosting appropriations above the cuts made by the House is both a new trend and, in its limited way, spectacular. This means that a total reduction of appropriations below budget estimates of $3 billion, the real goal of serious-minded economizers, looks a little more hopeful of achievement.

* * *

By "unanimous consent," the Senate has passed the bill reported in this column last week to expand the 90% insured farm loans of the Farmers Home Administration.

In general this bill in several ways improves the capacity of the government-subsidized insurance system to engage in a general farm mortgage lending business. The objective of the bill is to move the farm-FHA farther away from its avowed purpose of making loans simply to finance share croppers and tenants in purchase of farms, and farther toward an institution which can lend for any farm purpose.

On the other hand, the floor debate indicated that the members of the Senate were hardly given an inkling of this broad purpose, and no one mentioned the fact that expanding the extremely liberal 90%-insured loan deal to aid farmers to expand their holdings, among other things, directly violates the system of voluntary credit restraint which insurance companies, mutual savings banks, commercial banks, and others are obliged to subscribe to voluntarily or face the threat that government will directly regulate and ration credit.

Furthermore, Senator Clinton Anderson (D., N. Mex.) who explained the bill, got his explanation mixed up. However, now that the Senate has passed the bill, the House Committee is expected to act.

* * *

When the Senate Finance Committee sat down this week to deal with the House-passed, so-called $7-billion-dollar tax bill, it did so with these premises, accepted by the committee members:

(1) The bill is, in fact, a bad bill, and will have to be rewritten completely.

(2) All the revenue and fiscal assumptions which have been argued by the Administration are subject to question. In other words, the committee will operate under no assumption that $10 billion or any other sum of new revenue is necessarily needed. It will cause Administration witnesses to sustain the burden of proof on revenue needs before the committee. The committee will also make assumptions of its own as to expenditure possibilities.

On the other hand, the Finance Committee "has not the remotest idea" at this stage what kind of a tax bill it will attempt to write. Instead of looking at the House bill and figuring how it should be improved, the members of the committee are going to take the approach frankly that it is their job to write a tax bill as though none had been written, for they candidly comprehend that the House has just passed the buck to the Senate, with its "soak the rich and corporations" bill.

* * *

As this was being written, the Securities and Exchange Commission was putting into final shape the Unlisted Securities bill which will be sponsored by Senator J. Allen Frear, Jr. (D., Del.), the Chairman of the SEC Subcommittee of the Senate Banking Committee. The Commission, it is understood, is writing the bill according to the specifications directed by Senator Frear, after frequent conferences between the SEC and the Delaware Senator.

Public introduction of the bill had been scheduled for the latter part of this week, or some time next week. However its consideration in committee for several weeks was said to be doubtful. It cannot be taken up before the Defense Production Act is extended, and if there is required a short extension and further prolonged consideration of DPA, the Frear bill may be delayed until late in the summer.

* * *

Because of the general public apathy about the war, any general War Damage bill, it now appears certain, will be confined to insuring property damage. Collateral questions such as re-insurance of workmen's compensation insurance liability, will be postponed.

However, a War Damage bill cannot be acted upon, either, for a couple of months, and its terms are likely to be framed in the light of public sentiment prevailing at the time it is reported out of committee. If there is no more general fear of bombing than prevails now, however, the bill will be restricted to property damage.

* * *

The two RFC bills reported out of the Banking Committee "without recommendation" probably will not be voted upon until after the Senate has finished voting on the Defense Production Act.

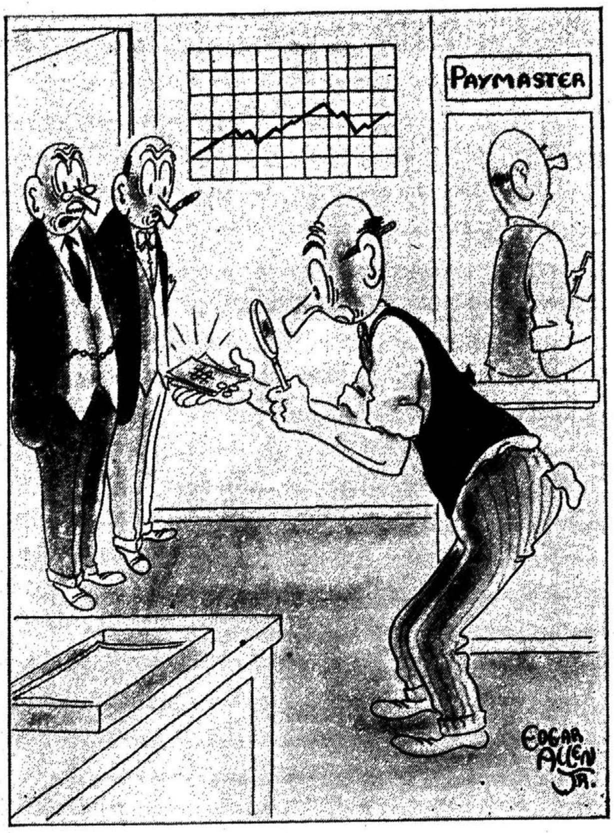
The committee adopted the unusual procedure of voting the two bills out without recommendation to give the Senate a chance to have a free-for-all debate and a free-for-all voting party on RFC.

One bill would abolish the RFC, put it in the Treasury for liquidation. This will get a lot of votes, but even if it is passed in the Senate, will not become law. The House Committee probably wouldn't consider the bill, and even if passed, it would be vetoed.

The second bill, sponsored by Senator J. William Fulbright (D., Ark.) would impose in substantive law most of the reforms adopted by the new Administrator of the RFC, W. Stuart Symington, simply by administrative procedure. The Fulbright bill also would have the effect of further limiting RFC loans and requiring an unsubsidized interest on these loans.

(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



"Oh, Twittle never comes right out and asks me for a raise, but he has the darndest way of throwing hints I've ever seen!"

Business Man's Bookshelf

Control of Capital Goods Prices —Machinery and Allied Products Institute, 120 South La Salle Street, Chicago 3, Ill.—Paper—25c.

Operation of Sickness Benefit Plans in Collective Bargaining—Fred Slavick — Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—Paper—$2.50.

Courts, Mitchell Dirs. Southern Electrical

W. E. Mitchell, formerly President, Georgia Power Co., and Malon C. Courts, of Courts & Co., 11 Marietta St., N. W., Atlanta, Ga., were elected directors of Southern Electrical Corp. at a recent meeting of its board. A dividend of 18 cents per share was declared on the company's common stock, payable July 16 to holders of record June 29.

Malon C. Courts

Southern Electrical Corp. produces aluminum and copper wire and stranded cable for the electric utility industry. Its plant at Chattanooga is one of the few sources of these products in the South. The demand for its output exceeds its present capacity. But additional plant facilities are under construction and are expected to be in operation by fall.

Corn Exchange Appoints

Thomas G. Anderson has been appointed Assistant Vice-President of Corn Exchange Bank Trust Co. Mr. Anderson formerly was an Assistant Secretary of the bank.