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EDITORIAL

As We See It

The silly season appears to have fallen with full force upon Washington discussions of budgetary matters. Representatives of an Administration which has outdone itself in underestimating revenues and overestimating expenditures, particularly defense outlays, during the fiscal year just ended now come forward with a good deal of rather vague talk about outlays in the fiscal year beginning a year from this date of some $80 or $90 billion, which is far in excess of previous forecasts and considerably larger than is now generally expected. On this basis it was easy for the Administration to argue for heavy increases in taxes.

This testimony before Congressional representatives appears to be of a piece with most of the "line" of the powers that be for some months past. It has become evident that they had in many respects been crying wolf over fiscal and other matters, in connection with rearmament and the rest. It has been clear for a good while past that the President felt under the necessity of preaching disaster in the event his own program was not enacted by Congress and the rank and file of the people failed to proceed as he desired. The difficulties of the Administration have, of course, been greatly magnified by the unexpected piling up of inventories and the price weakness which has been so much in the headlines. Military successes in Korea in this sense likewise added to its burdens. Now the possibility of some sort of settlement of the trouble in that bedeviled peninsula constitutes a further difficulty for the President in carrying forward plans which, right or wrong, owe their existence to the outbreak there a year ago.

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No Present Danger of Further Inflation

By RAYMOND RODGERS*

Professor of Banking, Graduate School of Business Administration, New York University

Professor Rodgers, after defining inflation and analyzing its causes and effects, contends, in view of heavy inventory situation and current price wars, together with growing ratio of savings to disposable income, there is no danger of further serious inflation in months ahead. Calls present inflation exaggerated and, because of industrial expansion and increasing production, accompanied by decline in rate of rearmament, sees end of it by early part of 1953.

Socrates counselled "Define your terms"! So, let us see what is meant by the term inflation. Even the most casual study discloses that it means "all things to all men."

To the man in the street, for example, inflation means any consequential general increase in prices, especially of food. The economist, as you might expect, is much more technical, and speaks of monetary inflation, credit inflation, price inflation, and so on. A sharp, adventitious and, usually, artificial increase in any one of such factors is viewed by the economist as a species of inflation.

Raymond Rodgers

What Inflation Does

Basically, inflation is a transfer of wealth between classes—debtors versus creditors; savers versus spenders; pensioners versus those with escalator clauses—because of a change in the existing relationships of economic factors. Such changes, of course, go on all the time in a dynamic economy such as ours. It is only when such changes become sharply acceler-

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*Part of an address by Prof. Rodgers before the Leaders' Round Table of the Connecticut Mutual Life Insurance Co., Bald Peak Colony, Melvin Village, N. Hamp., June 28, 1951.

Some Fallacious Economic Slogans

By RENE LEON

Author, in calling attention to false and misleading economic slogans of last two decades, attacks policy of price fixing, pegging of foreign exchange rates, and managed currency. Denies free exchanges necessarily invite speculation, and opposes current policy of all-out foreign economic aid. Condemns "hoarding" of U. S. currency by foreigners.

When mankind supplanted barter with the price system it took the longest step forward in the development of civilization. By reducing all goods and services to a common denominator and, later, by superimposing thereon the systems of banking and of credit, trade, commerce, industry, communications, transport, all developed and spread, to the benefit of mankind everywhere.

Rene Leon

For 20 years past the forward march of civilization has been impeded chiefly because of the apathy of a slogan-ridden, slogan-thinking community which will not trouble to think through problems of great urgency involving the price system by which it exists. Merchants, industrialists and politicians are prone lightly to dismiss questions of money, of prices, of exchanges as being "over their head" and, more often than not, to delegate these vital matters to incompetents, to theorists or to just plain charlatans. Two cases in point will suffice as illustrations: the first is the late President Roosevelt's ready acceptance of the absurd gold theory of the late Prof. Warren. This thoroughgoing economic illiterate proposed to raise or lower the general price level by the simple expedient of raising or lowering the price of gold. However grotesque Warren's proposal, it nevertheless was swallowed whole by President Roosevelt and Secretary of the Treasury Morgenthau. The second case in point is the ease with which the late Harry Dexter White

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SECURITIES NOW IN REGISTRATION—Underwriters and dealers in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

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

Japanese Dollar Bonds—Winfried H. Oppenheimer, partner, Oppenheimer, Vanden Broeck & Co., New York City. (Page 2)

Corning Glass Works—Richard V. Wood, Investment Counsel, Louisville, Ky. (Page 2)

WINFRIED H. OPPENHEIMER

Partner, Oppenheimer, Vanden Broeck & Co., Members of New York Stock Exchange, New York City

Japanese Dollar Bonds

Recent events again focus attention on the Far East. A spokesman for our State Department in Tokyo has expressed the belief that a peace treaty would be negotiated with Japan by about Sept. 1, 1951. It is known that we have no punitive intentions toward Japan and are demanding no reparations. We are anxious to restore Japan to economic health and political independence. From all reports the ties between Japan and our country have grown stronger than ever. The outcome of the war and subsequent events had a deep effect on Japanese psychology and created a feeling of admiration for the United States exceeding any previous ties between Japan and the western world. The center of the world's money market has moved from London to New York and because we have outdistanced all other nations in economic importance, Japan's rehabilitation will be closely tied to its general relationship with our country.

W. H. Oppenheimer

During World War II Japan decreed that all outstanding Japanese bonds in enemy currency in the hands of Japanese or allied nations should be converted into Yen bonds. At the time of such conversion, in 1943 and 1945, Vichy France was not an enemy of Japan and, therefore, only sterling and dollar bonds were affected.

At the outbreak of World War II there were more than $283 million Japanese dollar bonds outstanding. This amount has since been reduced to about $68 million. With regard to sterling bonds, the reduction was considerably smaller. There were only about £88 million Japanese sterling bonds outstanding before the war against about £61 million outstanding now. Naturally, the reduction in the outstanding Japanese franc bonds was negligible.

It may be too much to say that outstanding Japanese dollar bonds will receive preferential treatment but it is certain that they will get at least equal treatment with all other outstanding foreign obligations.

A settlement of the outstanding Japanese dollar bonds should be proposed as soon as the peace treaty is signed. It is generally assumed that Japan will propose refunding of its debt into 4% bonds. Japanese dollar bonds are carrying 10 years' accumulation. There are two possibilities to settle these: either to issue additional 4% bonds, or to pay cash. Although nothing is certain, cash payment of back interest is a possibility as only a little more than $30 million might be needed to reestablish Japan's credit standing.

Japanese dollar bonds are outstanding in the amount of about $68 million, of which Oriental Development 6% and 5½% bonds, whose plants are in Korea, and Taiwan Electric 5½%, whose plants are in Formosa, amount to nearly $15.4 million. Thus, bonds of purely Japanese character amount to less than $52.5 million, on which the accumulation to the next interest date is approximately $31.6 million.

In the event that Japan should decide to pay cash for accumulations. I can see profit possibilities of 100% or more for the bonds mentioned below. Should Japan decide to refund outstanding issues and accumulations, I still can see profit possibilities of 50% of current prices.

The five most active outstanding issues, mentioned below, are listed on the New York Stock Exchange, and the most interesting of these appears to be Tokyo Electric 6s, 1953.

Issue—	Amount Outstanding	Total Claim Per Bond	Recent Price
Japan 6½s, 1954	$11,761,000	$1,650	78⅞
Japan 5½s, 1965	9,593,000	1,550	68¾
Tokyo 5½s, 1961	3,068,000	1,550	66
Yokohama 6s, 1961	3,274,000	1,570	66
Tokyo Electric 6s, 1953	18,803,000	1,600	66¼

RICHARD V. WOOD

Investment Counsel, Louisville, Ky.

Corning Glass Works

In the planning of an investment portfolio, foremost in the mind of the Investment Counselor as a safety factor is diversification. Speaking in a broad sense, one would have to say that diversification among sound securities is the best security yet found. The choice of Corning Glass Works common is based primarily on my judgment that the growth possibilities of this very sound company are great.

Richard V. Wood

At the present time its greatest growth possibilities are to be found in the glass fibre division. As we read of the dreams that have become actualities in this field, we realize that the days of romance in research are not over. Tiny glass fibres, some so small that they can be observed only with the aid of a microscope and others as large as a broomstraw, are used in many ways. Some are now used to catch the dust in a furnace air filter, others are used instead of kapok in life preservers, others take the place of steel in washing machines, others are used in place of peat moss in packing vegetables, others are used with entire satisfaction as insulation for gas pipelines, while others are expected to be used in ways too numerous to detail in this article. In 1939, the first year of its operation, the sales of this division amounted to approximately $3,000,000. Last year sales amounted to $79,000,000.

In thinking of the glass industry today it is well to have in mind that glass companies in the past have been thought of as being dependent upon the building and automotive industries; however, through alertness to the possibilities of research this industry has opened new fields and today they are no longer dependent solely on the building and automotive industries.

Corning Glass Works, the result of a sound foundation started in 1851, is a leading manufacturer of a wide variety of glass products that total more than 40,000 items. The glass products are made with special chemical and mechanical qualities for numerous commercial uses. These include incandescent lamp bulbs, radio and electronic tubes, fluorescent light tubes, ophthalmic and optical glass, art glass and tableware, and many others.

The company's main plant is located at Corning, N. Y. In addition the company operates through several subsidiaries and affiliates. Let us consider first its subsidiaries and later its affiliates.

Steuben Glass, Inc., a wholly-owned subsidiary, designs and distributes fine glass tableware and art glass. Corning Glass Works of Canada, another wholly-owned subsidiary, manufactures Pyrex Brand glass baking ware and glass tableware. Cristalerias Corning de Sud America, 100% owned, and organized in Argentina, has an interest in glass plant operations in Argentina, Chile, and Columbia, while another subsidiary operates a glass plant in Brazil. Cornart Refractories Company, Inc., 88% owned by Corning, owns and operates a refractories plant at Louisville.

The Corning affiliates include the following: Pittsburgh-Corning Corp., which is jointly owned on a 50-50 basis with Pittsburgh Plate Glass Company, produces hollow glass building units and cellular glass products used as insulating material; Dow-Corning Corp., jointly owned on a 50-50 basis with Dow Chemical Company, manufactures electrical insulating resins, varnish, fluids and elastometers; Owens-Corning Fibreglass Corp., organized in association with Owens-Illinois Glass Company, in which a 47% interest is held, manufactures fibreglass.

Corning Glass Works has been one of the most outstanding leaders in the glass industry because of its willingness and ability to spend for research. Through this research not only were new items developed but old ones were greatly improved. Many of the articles mentioned above were solely the result of research. This month a new Glass Center with facilities for research is being opened in Corning, N. Y.

Under the able direction of William C. Decker, President, Amory Houghton and Glen Cole, Chairman and Vice-Chairman, the company has undertaken a large plant expansion and modernization program which has totaled $27.5 million since 1946. During 1950, $13.5 million was spent for expansion, and despite this outlay the net working capital increased 11%. Earned surplus was increased from $15 million to $27 million in 1950. I do not feel that the effect of this expansion has had time to be fully discounted. Accompanying the expansion pro-

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Abolish Corporate Taxes

By BEARDSLEY RUML*

Formerly Chairman of Federal Reserve Bank of N. Y.

Author of pay-as-you-go tax plan calls taxation of corporate profits an evil, and urges their abolition. Says corporations, as such, can pay no taxes, since such levies are borne by shareholders, customers, or employees. Points out as bad consequences of corporation taxes: (1) burden upon production, purchasing power and investment; (2) distortion of managerial judgment; and (3) double taxation. Renews attack on excess profits tax, calls it subsidy to certain business concerns.

Recent tax history might cause practical men to abandon the search for reason and equity in the formulation of tax programs. But perhaps we are not practical men. And perhaps recent history is not a symptom of the future but is a disease which by its own nature will create the means for its own cure. Clearly we shall be wasting our time if we deal with short-term policies and short-term solutions. Short-term considerations are for others who are specially organized and who have special talent in dealing with situations that have for them immediate threats and benefits.

Beardsley Ruml

Looking ahead, however, we know that one particular tax on corporate profits, the excess profits tax, must either be re-enacted, or be altered, or be allowed to lapse on July 1, 1953. There is also the possibility or probability, depending on one's own individual optimism, that by or shortly after July 1, 1953 the hump of defense expenditures caused by our need of catching up will have been passed, and that constantly rising productivity from now until then will produce in this country an economic situation where tax reduction and tax reform will have become a compelling necessity.

So I believe that it is worthwhile to spend time in thought and in discussion on longer-term tax questions, even on policy considerations affecting taxes on corporate profits.

If we are to understand the problems involved in the taxation of business profits, we must first ask the question, "Why does the government need to tax at all?" This seems to be a simple question, but as is frequently the case with simple questions, the obvious answer is likely to be superficial or in error. The obvious answer to the question "Why tax?" is, of course, that taxes are needed to provide the revenue from which the government can pay its bills.

The necessity for a government to tax in order to maintain both its independence and its solvency holds true for state and local governments but it is no longer true for a national government with a favorable international trade balance. Two changes of the greatest consequence have occured in the last 25 years, changes which have completely altered the position of the national state with respect to the financing of its current requirements. The first of these changes is the gaining of vast new experience in the management of central banks. The second change is the elimination, for domestic purposes, of the convertibility of the currency into gold or into any other commodity.

Since the United States is a national state which has a central banking system and whose currency, for domestic purposes, is inconvertible, it follows that our Federal government has final freedom from the money market in meeting its financial requirements. Accordingly, the inevitable social and economic consequences of any and all taxes has become the prime consideration in the imposition of taxes. All Federal taxes must meet the test of public policy and practical effect. The public purpose that is served in a tax program should never be obscured under the mask of raising revenue.

Social and Economic Purposes Of Federal Taxes

Federal taxes can be made to serve four principal purposes of a social and economic character. These purposes are:

(1) As an instrument of fiscal policy to help stabilize the purchasing power of the dollar.

(2) To express public policy in the distribution of wealth and of income, as in the case of the progressive income and estate taxes.

(3) To express public policy in subsidizing or in penalizing various industries and economic groups.

(4) To isolate and assess directly the cost of certain national benefits, such as highways and social security.

By all odds, the most important single purpose to be served by the imposition of Federal taxes is to aid in the maintenance of a dollar that has stable purchasing power over the years. Without the proper use of Federal taxation, other means of stabilization such as debt management, monetary policy and price controls are unavailing. Federal tax policy must be integrated with all other means if we are to have tomorrow a dollar that has a value near to what it has today.

The over-riding importance of maintaining a reasonably stable dollar through the assistance of taxation must not distract us from the social and economic conse-

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*An address by Mr. Ruml at the Fourth Annual Summer Institute of the University of Michigan Law School, Ann Arbor, Mich., June 26, 1951.

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Regular Features

*Mr. May is still abroad and no report from him was available at press time.

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June Just Blossomed Out All Over—With Convertibles!

By IRA U. COBLEIGH

Author of

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

Containing a highly topical discussion of that fashionable hybrid—the convertible second preferred

It was not in the guise of some financial Schiaparelli, a Dior, or a Ceil Chapman, that I wrote, early in April, an article in the "Chronicle" entitled, "The Convertible Is Now in Season". But really, how modish can you get? For if ever there was a clear, authentic and highly discernible fashion in finance, it's the current vogue in convertible securities.

Ira U. Cobleigh

This rage for investments with a two-way stretch has, in the last 90 days, brought forth the largest convertible bond issue in history —$415,000,000 of American Tel. and Tel. convertible 3⅜s. Next, along came $100,000,000 Celenese convertible 4½% preferred (outlined in the "Chronicle" for May 31). Tens of thousands of investors tried these on for size and liked them. They also liked that premium look when each issue advanced more than 10% over subscription price! (No plunging market line here.)

Just what is it that makes convertibles so attractive? Well, there are two sets of answers to this. The first is from the viewpoint of the issuing company. It's the low cost of the financing. The coupon or dividend rate is kept low, and that's economical. And convertibles are easier for bankers to sell—hence underwriting fees should be kept real reasonable. Further, most such securities have conversion priviliges at above the current market price for common stock. This simply means that when conversion does take place, the company will, in effect, have sold common stock in quantity at a very favorable price; with much lower underwriting cost than though a direct issue of common had been sold in the first place. More than that, good market performance of a convertible issue builds a fine investor following for a company's securities — it creates favorable financial climate for new flotations.

On the side of the investor, uppermost is perhaps the defensive quality of the "convert." The guy says to himself, "Even if the market goes down, I've got a steady income from preferred dividend or bond interest; and if it goes up, I'm in clover. I can sell or convert — either way I make dough. The common stock holds the bag while I ride the gravy train!" With the market at or near a 20-year historical high, lots of investors are defense-minded. They're selling commons and hedging with converts.

Now that we've discussed why companies sell, and why people buy converts, let's step down to the third man on today's financial totem pole (after bonds and first preferred)—the second preferred convertible. The month of June saw four of these creations launched and that's some sort of a record. For you see a second preferred is a real maverick. It has no claim or lien like a bond; it stands in line till supper is on the table for 1st preferred stock before it can eat; and it's just a pace ahead of the common at dividend time. But there it is, living high on the market hog—and three of the four we're going to talk about owe the mink on their backs to the conversions on their faces! As plain second preferreds they'd be in the kitchen, not in institutional portfolios.

On June 14 United Stores Corporation offered 103,170 shares of $4.20 Non-cumulative Second Preferred Stock ($5.00) at subscription price to warrant holders of $9.375 per share. Now this is a real special second preferred—unique—for the stated dividend rate has, believe it or not, no relationship to actual earnings or dividends paid. It's convertible into common, share for share, but it's really more like a common itself. Paid $1.00 a share in 1950.

United Stores is a chain store holding company, its principal assets being ownership of 34.70% of common in McCrory Stores Corp., 48.18% of McLellan Stores Company and 100% of Cassels United Stores. These appear to be excellently managed units providing good earnings for United, and building up an equity in undistributed profits. This is not a new security, earlier outstanding shares of same having been traded on the Stock Exchange for years. The potency of conversion into common (share for share) is described in the prospectus as "nor in the proximate future can it reasonably be expected to have any value." If you find yourself intrigued by this unique security, by all means look up the earnings, equity and growth facts about the McCrory, McLellan and Cassels stores, given in the United Stores 2nd preferred prospectus.

Also on June 14 there came to view 96,000 shares of Oswego Falls Corporation 5% Convertible Second Preferred Stock, Series A (par value $30) at $31.75 per share. This company, in case it's new to you, manufactures several types of paperboard containers, hoods and bottle caps for the dairy and ice cream industry. Its trade-name "Sealright" may be familiar. Net sales grew from $17,921,767 for 1945 to $29,417,699 for 1950; net profits in the same years from $581,087 to $1,290,968.

This second preferred follows in priority $3,137,500 of 1st mortgage 3½s and 21,000 shares of 4½% $100 par 1st Preferred. It's convertible into common at rate of 1.8 shares of common for each share of preferred. An interesting situation in a growing company. (Callable at $33.25 to June 1, 1953.)

Thirdly, let's talk about Victor Chemical Works which placed privately with institutional investors 100,000 shares of 4% Cumulative Second Preferred Stock ($50 par value) at $50 a share. This is convertible into common at 32 'til June 30, 1955; at 34 for the next 3 years; then at 37 until June 30, 1961. This is a nearby call as common sells around 28 and pays $1 (with 1951 earnings estimate perhaps $2.50). It's too bad the private investors didn't get a cut at this issue.

Victor Chemical is a typical growth item producing in great quantity phosphorous — a vital element for soaps, detergents, baking powder, paint, etc., in civilian economy and essential for military purposes. To expand production, Victor is spending $5,000,000 for a new electric furnace plant for phosphorous production in Silver Bow, Montana. Gross has expanded from $25,765,342 in 1948 to $33,787,124 in 1950. Net is even more impressive—from $2,158,735 in 1948 to $3,754,510 in 1950. Surging intake like this tends to allay whatever fears one might normally have about dividend coverage for a second preferred. As I said before Joe Investor would have loved this one.

Finally we come to June 27 when Chas. Pfizer & Co. Inc. let go with 150,000 4% Cumulative Second Preferred Stock ($100 par) at $101.50 a share — an underwriting better known as the battle of the allotments. One of the liveliest investor scrambles in years broke out from the moment this romancy dreamboat was first bruited about. And those who didn't get any are older—but no Pfizer! Ouch!

Pfizer, leading producer of penicillin, and creator of terramycin, is one of the real pace-setters in pharmaceuticals, with a sales growth 1940-1950 of 1000%. Earned $6.60 on old common for 1950, then split same 3 for 1. Then on June 27 this new product of financial fission sold at 44. Convertible into common through June 30, 1956 at 42, this 2nd preferred soared, on offering day, to 116. Egad! (It's callable to June 1, 1956 at $106.50.) Even though the stock gained altitude, you owe it to yourself to read the prospectus —a fantastic saga of research and forward financial motion.

So we conclude that June was an historic month, indeed, busting out with peak production of convertible junior preferreds; and giving perhaps an important clue as to where we are in the market cycle. For if history serves, a spate of "converts" could denote that our current bull market might be due to flatten out, or even enter an interlude of downward slope.

Money Market Readjustment Has Been Completed: Nadler

In lecture to Life Officers Investment Seminar at Beloit, Wis., he foresees continued protection for Government market, but looks for tight short- and long-term funds for remainder of year

In his first lecture in a series of four, delivered before the Life Officers Investment Seminar at Beloit College, Beloit Wis., under the sponsorship of the American Life Convention on June 22, Dr. Marcus Nadler, Professor of Banking and Finance at New York University, in speaking of the "Outlook for Interest Rates," expressed the belief that the readjustment in the money market is well near completion and interest rates will remain steady, though short-term as well as long-term capital will be tight for remainder of year.

Marcus Nadler

"The credit policies of the monetary authorities, which from the outbreak of World War II to Mar. of this year were influenced primarily by the needs of the Treasury, are at present guided chiefly by the aim of stemming the tide of inflation" Dr. Nadler stated. "In changing their policies the objective of the monetary authorities was not so much to bring about an increase in money rates as to restore to the Reserve banks the initiative in open market operations, thereby making availability of Reserve bank credit more risky and reducing the potential supply of liquid funds at the disposal of holders of government securities, notably institutional investors.

"The money market and the policies of the monetary authorities in the period ahead will be influenced by: (1) business conditions, and particularly the movement of commodity prices; (2) the position and needs of the Treasury; and (3) the effectiveness of the voluntary credit restraints under which the financial institutions are now operating. The increased rearmament program, coupled with large capital expenditures by corporations, will stimulate the demand for bank credit. The inflationary pressures will continue to grow, and hence the task of the Reserve authorities will not be an easy one. At the same time the needs of the Treasury are great. Not only is the Treasury confronted with the problem of refunding billions of dollars of obligations but it may also appear as a borrower of new money in the not-distant future. It is essential that these funds be obtained from ultimate investors and not from the commercial banks.

"Because of the Treasury's problems the government bond market will continue to be protected. The voluntary controls have so far shown satisfactory results. If this situation continues, additional legislation will become unnecessary and there certainly will be no reason to invoke the special powers granted the government in the Emergency Banking Act of 1933 or in the Trading With the Enemy Act of 1917 referred to by the President in his memorandum on public and private credit of Feb. 26, 1951.

"The readjustment in the money market has to a large extent been completed. Because the demand for credit will continue strong and commitments by insurance companies and mutual savings banks are still very large, however, short-term as well as long-term capital will continue to be tight for the remainder of the year."

Vincent, Blaser V.-Ps. Of Carl McGlone Co.

CHICAGO, Ill.—Carl McGlone & Co., Inc., 105 South La Salle Street, members of the Midwest Stock Exchange, announce that Burton J. Vincent and William L. Blaser have become associated with them as Vice-Presidents.

Robt. Hudson Rejoins Gross, Rogers & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert W. Hudson has rejoined Gross, Rogers & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange. Mr. Hudson has recently been in the trading department of the Los Angeles office of Pacific Coast Securities Company.

Dates & Dyer to Admit

Dates & Dyer, 86 Trinity Place, New York City, members of the New York Curb Exchange, admitted D. Daniel Schwartz to partnership on July 1.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Joan Hayes has been added to the staff of Waddell & Co., Inc., 8943 Wilshire Boulevard.

The State of Trade and Industry

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

Nationwide industrial output the past week held virtually steady, but showed a noticeable improvement over the corresponding period of last year. Little or no change in total claims for unemployment insurance was noted for the latest recorded week.

Steel production, after holding steady at the same level for three consecutive weeks, declined mildly the past week and present indications point to a further tapering off from current high levels due to vacations and suspensions for repairs. Output may also be adversely affected by excessively warm weather.

Electric energy distributed by the country's electric light and power industry has shown continued expansion in recent weeks and for the period ended June 30, reached the highest point at 6,897,800,000 kwh., since the week ended March 17, last.

Automotive production the past week topped the number of units produced in the previous period, but was sharply below the corresponding level for 1950. Commenting on last week's advance in output, "Ward's Automotive Reports" had this to say:

"The increase from last week was recorded in spite of continued labor trouble at Hudson and the closing of Willys-Overland's Jeep line Thursday because of Dana Corp.'s Spicer Division strike.

"Assemblies next week are expected to slump to one of the lowest points of the year, and operations will do well to reach 111,000 units. Nash and Studebaker passenger car lines will be down all week, while the entire industry will be closed Wednesday for the July 4 holiday," the agency explained.

"Chrysler production in July is likely to be 25% off from June, while General Motors and Ford are expected to show drops of 10% and 12%, respectively," this agency further noted.

Peace feelers in the Korean War are causing no noticeable easing in demand pressure on the steel mills as yet, says "Steel," the weekly magazine of metalworking. The latest Russian move on the diplomatic front, however, is not without effect on trade sentiment. If nothing else, it is adding to the uncertainty prevailing in the markets for some time. Until it is clearly established Malik is not just "throwing dust in our eyes," this uncertainty is likely to intensify the confusion attending switchover of steel distribution to the Controlled Materials Plan.

No matter what the turn of events in Korea, strong demand for steel indefinitely into the future appears assured by the promise of continued large-scale defense preparations. Nevertheless, it is recognized that should the fighting in the Far East suddenly end, some easing in procurement tension might likely follow, barring outbreaks in other parts of the world such as now threaten in Iran, this trade paper asserts.

Business activity, according to a report of the National Association of Purchasing Agents, declined more sharply in June than it has since June, 1949. Lower output schedules were reported by 21% of the purchasing agents. Defense orders, the Association stated, aren't "filling the gap," although companies have stepped up their search for defense business. The Association's report added that prices are "showing weakness" and buying policy is "very conservative," with 85% of the firms buying on a 90-day forward basis.

The government's Controlled Materials Plan went into effect on July 1 and gives manufacturers specific allotments of steel, copper and aluminum, company by company and product by product, for each quarter. Makers of consumer hard goods won't come under the plan in the third quarter of 1951, but they may be brought in for the fourth quarter.

Farm prices, according to the United States Department of Agriculture, continued their decline which began four months ago, in the month ended June 15. Prices received by farmers during that period averaged 1% lower than in the previous month, ended May 15, the Department added, and in the month ended June 15, were 301% above the 1910-14 base period and 22% above June, last year, when the Korean War began.

New wheat price supports at a national average of $2.18 a bushel to farmers for the 1951 crop were recently announced by the United States Department of Agriculture. Last year's average

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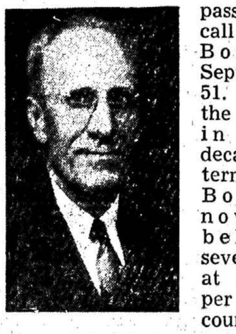
Government Bonds and Bank Investment Policy

By J. S. BUDD, JR.*

Vice-President, The Citizens and Southern National Bank, Atlanta, Ga.

Georgia banker traces fiscal, financial, and banking developments of past two decades and describes effects of heavy Government spending and low interest policies of U. S. Treasury. Holds anti-inflationary moves and change in interest rate policy have had some effect, but looks for renewed inflationary pressures and further credit restrictions in coming year. Discusses voluntary credit control program, and advises banks to keep investing in Government short maturities despite lower yields. Says either a sudden peace or all-out war will lead to lower interest rates.



James S. Budd, Jr.

For the first time since 1933 when it decided to defer the call of Fourth Liberty Loan Bonds, the Treasury early last month elected to pass up the call of the 2% Bonds due Sept. 15, 1953-51. And for the first time in over a decade, long-term Treasury Bonds are now selling below par, several in fact, at about $30 per $1,000 discount. Investors in U. S. Government securities have witnessed this decline within the short space of the last six months. Since the situation is unusual, to say the least, I thought we might consider this morning the chain of events that brought this condition about. It is an unusual sight, to newcomers in the banking business, to see government securities, the country's premier security, sell at par, to say nothing of a discount. What were the circumstances leading up to this situation?

During the past few years this nation has enjoyed one of its most prosperous eras. Production and the demand for goods and services have soared to levels few thought possible a few short years ago. America has attained a standard of living unsurpassed in world history. The fiscal policies of this government contribute in no small degree to the financial and economic welfare of the nation and have a considerable influence as well on world affairs. For almost 20 years the government has adhered to a policy of low interest rates and an ample supply of credit, not only through the depression period of the 30s but throughout World War II and the postwar era as well. The past few years are so fresh in the memory of everyone that a glance backward may seem a waste of time. Yet it is sometimes helpful to review past movements in the financial and commodity markets in the hopes that we may gain some insight into the relative strength of the different influences and at least determine the direction in which given factors operate. It does not follow, however, that the same events have identical effects at different times. Our economy is too complex for that. But there are times when certain basic factors cause similar reactions in the markets.

Initiation of Government Spending Policy

Our current fiscal problems stem from the days of the first Franklin D. Roosevelt Administration when, with the country in the depths of depression, a policy of public spending was adopted, with a view of stimulating business recovery, rather than a curtailment of expenditures in the hope of balancing the National Budget. The process involved a tremendous amount of deficit financing. The national debt increased, in fact, from around $16 billion in 1930 to more that $40 billion in 1940 and the budget then was still badly unbalanced. Then came World War II, the cost of which was stupendous. Looking to the preservation of our democracy, Congress did not hesitate to appropriate the sums required for defense, even though the amounts far exceeded the revenues that even heavily increased tax levies could produce. The national debt kept mounting until it reached a peak of $279 billion in 1946. Accompanying the tremendous increase in the national debt, was a substantial rise in bank deposits, and in the money supply — now $183.7 billion compared with $178.5 billion a year ago and $171.6 billion in 1949. Meanwhile, the supply of civilian goods available to the American people was shrinking steadily. The consequence was that the upward pressure on prices became tremendous and only through various controls was the government able to hold the line. With the supply of available goods restricted, savings of the people accumulated to amazing totals, and it was hardly surprising that the demand for goods exceeded expectations when the war ended and industry shifted back to peacetime operation. Contrary to the predictions of President Truman and his economic advisors, following the end of World War II, the postwar boom got off to a flying start. The demand that existed during the war for goods and services, which, of necessity, was deferred, came into the market place with pockets bulging with money. The people bought and business boomed. Many lines were operating at capacity, and some found it necessary to expand. Communities were growing and improvements were required. States, counties, cities and school districts came into the capital market for millions of dollars to finance this growth. Construction, meanwhile, was growing rapidly. You may recall how the uncertainty in the months immediately following the war, while industry shifted back to peacetime operation, finally gave way to a resurgence of activity. The boom was on, and the tempo increased with each passing year. In your banks, deposits continued to grow, and the demand for loans gradually expanded. Your holdings of government securities, formerly the big income producer of the war years, gradually faded into the background as you periodically sold off issues to provide for loans.

Then in June, 1950, like a bolt from the blue, came Korea. The prospect of a rearmament program piled on the existing boom had the obvious effect. With the World War II experience with scarcities, it was only natural that everyone set out to increase inventories all along the line. Consumer purchases increased tremendously. If the cash was not available, a loan could be easily arranged. Commodities advanced which brought about higher prices. Labor complained of the rising price level, and demanded higher wages. The upward movement of the price spiral grew quite disturbing to those dependent upon fixed incomes. The life insurance companies undertook a campaign of publicity, condemning inflation and seeking to reassure policyholders. The widespread demand for credit was aggravated, and the purchasing power of the dollar was declining at an alarming rate. Commercial banks, savings banks and insurance companies became sellers of Government securities to provide the funds for other commitments —loans of various kinds in the case of commercial banks, and mortgage loans on the part of savings banks and insurance companies. In such an environment, the Federal Reserve System became the chief buyer, aside from pension and retirement funds, of Government securities coming in for sale. The System bought, with increasing reluctance, with each passing month. The volume of such selling grew steadily until the Reserve System became, as

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*An address by Mr. Budd before the Georgia Bankers Association, Atlanta, Ga., June 5, 1951.

Benefits of Holding Company Act to Utility Industry

By HARRY A. McDONALD*

Chairman, Securities and Exchange Commission

After praising administration and accomplishments of Public Utility Holding Company Act, now in operation 16 years, SEC Chairman says Act has strengthened concept of private ownership, has promoted prosperity of utilities companies, and has improved markets for their securities. Reviews workings of the Act in the integration of utility properties, in the simplification of corporate structures, and in the elimination of capital write-ups and excessive charges. Explains policies of SEC in approval and regulation of utility holding company securities.

For the next few minutes I want to summarize for you some of the accomplishments of the Holding Company Act—what it has meant to investors, what it has meant to consumers, and what it has meant to you as officers and managers of utility companies.

Harry A. McDonald

Many of you, of course, have had personal experience with the statute, and probably have formulated opinions of your own. My viewpoint is naturally that of an administrator, who has had occasion—over four years—to observe every section of the Act in operation in a multitude of situations.

The Public Utility Holding Company Act has remained unamended in the 16 years of its existence. This is particularly worthy of note. The act was perhaps one of the most controversial pieces of domestic legislation ever enacted. There were dire predictions by its many very vocal critics of the terrible consequences which would follow its passage. None of these predictions, practically speaking, has come true.

I attribute this remarkable record to three things: first, to the wisdom of its authors—who drafted a statute on a most complex subject which was simple, comprehensive, and workable; second, to the administration of the act by the SEC—which, among other things, refrained from using the compulsory powers of the act in favor of voluntary and cooperative effort; and finally and by no means least, to the fundamental strength of the utility industry at the operating level—which enabled it to prosper and more than double in size, even while it was undergoing nothing less than a financial revolution.

Many of you here can take credit for your contribution on that last point. I am glad to give voice to the recognition you deserve. Congress was confirmed in its belief that the utility industry was fundamentally healthy, that the trouble was a financial one, and primarily at the holding company level.

It is unnecessary for me to recount again the condition of the utility industry in the 30's which produced passage of the act—the concentration of ownership in a few large holding companies, the heavily pyramided capital structures, absentee management, competition in bidding for properties leading to excessive write-ups, huge dividend arrears, the deterioration of credit, the abuse of the service company device and of the parent-subsidiary relationship, the loss of public confidence in both utility securities and utility management, and many other things—all brought to light in a most thorough study initiated by the Congress during the administration of President Herbert Hoover.

The holding companies originally had served a necessary function in the development of the utility industry. They brought together the thousands of individual isolated generating companies into large consolidated units incorporating the latest in technological developments. Some were formed by engineering firms. Some, like Electric Bond & Share, with the securities taken in return for equipment. But it was not long before the holding company acquired attractive potentialities as a device for financial mischief.

These practices adversely affected the interests of consumers and investors in many cases. Operating companies, essentially healthy, were prevented from expanding normally or from passing on operational savings to consumers because of the persistent pressure for more and more income to support top structures.

Those of us who remember those days also remember that they added up to a serious doubt whether private ownership of the electric and gas public utility services would be permitted to continue in this country.

How different is the pattern today, after a decade and a half of the Holding Company Act! The concept of private ownership in my opinion was never more firmly accepted by the American people than it is today. The privately owned utility industry was never more prosperous or better able to render to the public the service it requires promptly and at reasonable rates. Its credit is sound. Its securities enjoy a good market and have broad public acceptance.

I feel that the Public Utility Holding Company Act has been instrumental in this accomplishment.

How has this been brought about? Let us briefly review the record.

Integration of Properties

First, the integration requirements of the act—what were they aimed at? What has been accomplished?

When the act was passed, 16 holding company systems controlled three-quarters of the privately owned electric generating capacity in the United States. Four groups controlled over half of all natural gas transmission lines.

Right here in Michigan, for example, 25 operating utilities within its borders were controlled by no less than 14 holding company systems, including such names as Electric Bond and Share, Cities Service, Commonwealth & Southern, Middle West, North American, Standard Power & Light, and United Light & Power.

One primary objective of the statute was to free the nation's utilities from remote control. The Congress decreed that only those holding companies could remain in existence which serve a useful economic function, which control integrated systems limited to a single area or region and which were not so large as to impair the effectiveness of local management and local regulation. All others would have to disappear from the utility field.

The job accomplished under the act in eliminating unnecessary holding company control and in achieving better integration of utility properties has been monumental.

At the close of 1950, 759 companies—with gross assets of over $10 billion—had been divested by holding company systems, and are no longer subject to our jurisdiction. Included in this total are 249 electric companies and 147 gas utilities. Most of these have been released from holding company control and have become wholly independent. A substantial number have been acquired by other independent utilities, thus strengthening the over-all pattern of integration.

Also included in the total of divestments to date are 363 other enterprises, ranging from street railways to amusement parks, hotels, real estate development companies, paper mills, warehouses, laundries, brick works and even a baseball club—businesses which have little or no place in a utility operation, but which had been swept up in the pell-mell growth of the holding systems.

In addition, 225 companies with assets of over $6 billion have been divested by their original parents, but continue subject to the act because of their relationship to other holding companies. Most of these divested companies are emerging as components of about 20 streamlined and integrated holding company systems which will have achieved complete compliance with Section 11. For the most part, these groups of companies represent the integrated segments of the widely scattered systems of the 20s. These new systems have also rounded out their service areas by the acquisition of properties formerly controlled by holding companies since dissolved or now on the road to that end. A recent example was the purchase of Birmingham Electric Company by Southern Company from the Electric Bond and Share system. Another was the acquisition by American Gas and Electric Company of Indiana Service Corporation from the former Midland United system.

In the aggregate these changes in ownership and control under the integration provisions of Section 11 reflect that realignment of properties which Justice Douglas envisioned in 1938, when, speaking as a commissioner, he said, "The pink spots of one system which are now scattered amorphously over the nation's map will tend to draw themselves together into a solid mass—a symbol of economic and geographic integration for the better service of consumers and the greater security of invested capital."

The over-all results from a geographical standpoint are also illustrated by a comparison of the scope of system operations before and after the application of Section 11. As of December, 1938, 14 registered holding company systems were rendering gas or electric service in 10 or more states, and 14 other systems were serving five or more states. We no longer have any utility systems covering a 10-state area. The number of systems operating in five or more states has declined to eight.

Of the original 14 holding company systems which I mentioned as owning properties in the State of Michigan, only four remain in this area. Of these, American Natural Gas Company and American Gas and Electric Company are expected to continue as registered systems, while Standard Gas and Electric Company and Wisconsin Electric Power Company remain with unresolved problems under Section 11. The roster of divested independent Michigan companies is a long one, including Consumers Power Company, Detroit Edison Company, Michigan Gas and Electric Company, Upper Peninsula Power Company, Edison Sault Electric Company, Lake Superior District Power Company, National Utilities Company of Michigan, and others. Securities of these companies are widely held; their common stocks in several instances are listed and actively traded on the major exchanges of the country. More important, as Congress envisioned, their management has been returned to local people. Consumers Power is now run from Jackson instead of New York; Michigan Consolidated Gas is run from Detroit; so is Detroit Edison.

This transition has many ramifications. It means that local security dealers have taken a strong interest in the securities of the local utility company, encouraging ownership within the territory served, and giving rise to a strong potential supply of additional capital to the company's needs. It means increasing reliance on local banks for short-term money needs. Last month, for example, a subsidiary of the Milwaukee Gas Light Company borrowed some short-term money from a Milwaukee bank. I mention this not because it is unique, but because it is increasingly typical. If I say I think it is a healthy practice, provided that the local banks can meet the competitive rate for money, I hope I will not be charged with sectionalism, for I recognize the necessary place of the large eastern banks whose great resources have a definite part to play in all major financing. At the same time, the strength of this country lies in the strength of its individual communities, and I believe the Holding Company Act has definitely reinforced local ownership and participation in utility operations.

During the past 12 years, some 919 different electric and gas utility companies have been subject at one time or other to Commission jurisdiction. Today the number of "still subject" utility companies is down to 214 (at the close of 1950). Only about a third of all Class A and B electric utilities are now subsidiaries of registered holding companies; the proportion of gas utilities still subject is even lower.

Simplification of Corporate Structures

Second, let us consider the changes which have been wrought in the financial structures of these companies under the so-called "simplification" provisions of the Act.

In Section 11 (b) (2) covering corporate simplification, Congress sought to eliminate perhaps the

*An address by Chairman McDonald at the Annual Convention of the Michigan Gas Association and the Michigan Electric Light Association, Mackinac Island, Mich., June 25, 1951.

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The Security I Like Best

gram has been a very favorable relationship between management and labor.

The company is strong and has a long history of good earnings. It also has a satisfactory tax base for the excess-profits tax because it comes under the classification of a growth company. In 1950 sales and earnings reached new peaks and this has been reflected in the market price of the stock. Since doing my research and during the time of writing this article the market on the stock has risen, therefore a word of caution seems in order. My observation, however, is on a long-term basis and I believe the long-range growth possibilities will prove to outweigh the recent rise in the stock. I believe that this common stock is suitable for the common stock portion of the investment portfolio of an individual.

most undesirable element of holding company control, the complex pyramiding of corporate structures and corporate securities intended to achieve maximum control with minimum investment.

An early study of holding company system preferred stocks undertaken by the Commission in 1938 demonstrates the effect of these practices. Of some 153 holding company preferred stock issues outstanding at that time, three-fifths (with an involuntary liquidating value of some 1.4 billions of dollars) were in arrears. The arrearages totaled over $360 million. The same pattern was reflected at the operating company level where 121 issues out of a total of 365 suffered from arrearages in dividends, totaling $147 million. The equity of holders of securities below these preferred issues was, in many cases, approaching the vanishing point and the situation precluded many operating utilities from obtaining any new capital.

Of the 14 holding company systems operating in the State of Michigan in December 1938, 11 had outstanding preferred stocks with dividend arrearages.

To bring about compliance with the statute's simplification requirements and restore utility corporate structures to a clean and sound pattern, the Commission has, in some instances, been required to administer strong medicine. Some holding companies serving no useful purpose have had to dissolve, others to recapitalize to achieve a simplified structure. Many operating companies have also undergone major internal changes to achieve equitable distribution of voting rights.

The Commission has instituted 77 separate proceedings under this section. By such action, companies have been spurred to formulate voluntary plans of reorganization and the Commission has had the benefit of management's judgment and initiative in devising the ultimate means of compliance. The resultant reorganizations have often taken a great deal of time in litigation and court appeals. One may regret the delay, but it is the price we have had to pay to assure absolute fairness to security holders. The Commission is proud of its court record in these cases—we have never finally lost a case on fairness—because it means that we have shown a proper consideration of the rights of the tens of thousands of investors involved. It has been our purpose to save for everyone his legitimate investment values, and I think we have, in so far as it has been humanly possible.

Sometime ago, in response to an inquiry of the House of Representatives Judiciary Subcommittee on Monopoly Power, the Commission developed some data to reflect the effect of the integration process upon investors in terms of security market values. Three of the larger systems which had undergone drastic reorganization were selected for study. The market values of their securities were compared; first, as of the date the Act became effective, Aug. 26, 1935; second, as of the date the holding company registered, and, finally, as of the date in 1949 when this report was prepared.

The Commonwealth and Southern Corp., one of the three holding companies selected, had in its own capital structure bonds, preferred, common stock and warrants which, in August, 1935, had a total market value of $191 million. By March, 1938, that market value had declined to $124 million. In the years that followed, Commonwealth and Southern consummated numerous Section 11 (e) plans which resulted in the eventual divestment of its northern properties and the establishment of a

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Dearer Money in Britain

By PAUL EINZIG

Commenting on decision of British banks to raise their interest charges on investments, Dr. Einzig points out move is "too little and too late" to have substantial effect on inflationary trend. Foresees no likelihood of fall in prices due to lowering interest rates.

LONDON, Eng.—It looks as if the dream of orthodox financial experts would soon become reality. The British banks have decided to raise their interest charges on advances. This is what has been advocated for years by a number of British academic economists and financial editors as a remedy against inflation. Now that it is about to be done their satisfaction over the adoption of their remedy is tempered, however, by two considerations. The one is that the increase of interest charges is "too late and too little." The other is that what they consider to be the right thing is being done for what they consider to be the wrong reason.

Dr. Paul Einzig

If the orthodox experts had their way interest rates would have been raised years ago, before inflation had reached its present stage. And the increase would not have been a fraction of 1%—the banks intend to raise their rates by something like $\frac{1}{4}$ to $\frac{1}{2}$% only—but several percent. If, as seems probable, the increase will not check inflation, these experts will be in a position to claim that this is because their advice was not adopted in good time and that their remedy was not applied in a sufficiently large dose.

The bankers are subject to criticism on the part of the orthodox school not only on the ground that they have delayed their decision too long and that the extent of the increase is not sufficient, but also on the ground that they have arrived at the right decision for the wrong reason. Financial editors sarcastically observe that the increase is not due to any sudden enlightenment of the bankers as to the healing qualities of the remedy of higher interest rate against the disease of inflation, but simply to their desire to maintain their profits in face of their growing overhead charges. This is undoubtedly true. The banks were forced to take the first timid step towards dearer money, not as a matter of monetary policy, but as a result of their increasing expenditures on salaries, stationery, the maintenance of buildings and equipment, etc. They are not in a position to cover their additional costs through lowering deposit rates, for these are already very low, and they have to face the competition of higher savings certificate rates. They are reluctant to charge higher commissions to their customers, many of whom would be reluctant to pay. The only alternative is to charge higher rates on their advances.

This is inevitable, for the banks will have to raise the level of their salaries in order to be able to attract a sufficient number of new clerks to replace those who retire or die. Their intake of young men and women has for some time been far from satisfactory. The reason for it is that industry and commerce is in a position to pay more attractive salaries owing to the rise in the trend of prices and profits. Moreover, the offices of a large number of industrial and commercial firms have adopted the five-day week, while banks have to keep open until 1 p.m. on Saturdays. This makes it necessary for banks to provide costly counter-attractions for their staffs in the form of higher pay and various amenities. The expense of this must have been largely responsible for the decision to raise interest charges. The result of higher interest rates is, of course, an all-round increase in the cost of production. This provides a striking example of the way in which "featherbedding" contributes to inflation.

In theory, the higher interest rates are supposed to make for lower rather than higher prices. In practice, however, in prevailing circumstances they are likely to produce exactly the opposite effect to that stated in textbooks. Owing to the rising trend of prices, most industrial and commercial firms will find it easy to add the increased interest charges to the prices of their goods, so that the consumer will pay the higher charges in the form of higher prices. The number of instances in which the increase of $\frac{1}{4}$% or $\frac{1}{2}$% per annum would induce the firms to abstain from borrowing and to cut down their production or their stocks will probably represent a very small fraction of the total of advances. In a much larger proportion of instances the borrowers will cheerfully add the extra interest to their prices.

It must be remembered that wartime practice resulted in a "cost-plus-profit" mentality in business. During the war most armament contracts did not contain any fixed prices, and the prices were fixed on delivery on the basis of the cost of production plus an agreed percentage of profit. This practice was abandoned at the end of the war. The habit of adding any extra cost to the price of the goods continues, however, to prevail to a very large degree. Manufacturers and shopkeepers can pursue this practice with impunity, because they know that their competitors are also pursuing it, so that they are not exposed to being undercut by their rivals if they add the higher interest charges to their prices.

In such circumstances, it seems doubtful whether even a much more substantial increase of interest rates would make a fundamental difference to the level and trend of prices. Turnover is rather quick these days, so that even an increase of interest charges by, say, 2% per annum would only mean an addition of between $\frac{1}{2}$ and 1% to the prices of goods. Amidst the present rising trend, an extra $\frac{1}{2}$% or 1% does not make much difference. But since it is added to the prices of raw materials and fuel, semi-products and final products, wholesale prices and retail prices, in many instances the cumulative effect of the higher interest rates, would represent an appreciable burden to the ultimate victim, the long-suffering consumer. Even so, he is likely to continue to buy so long as the trend remains inflationary. In such circumstances, higher interest rates would fail to act as a disinflationary factor, unless the increase is so substantial that it more than offsets the prospects of a further rise of prices. This is certainly not the case with the increases just decided upon by the British banks.

Dealer-Broker Investment Recommendations and Literature

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

The Break in Bond Prices — Discussion in current issue of "Investors' Almanac"—Estabrook & Co., 15 State Street, Boston 9, Mass., and 40 Wall Street, New York 5, N. Y.

City of Philadelphia and School District of Philadelphia Bonds —Semi-annual appraisal and valuation in pamphlet form—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is a record of the dollar valuations of over **500 Railroad Equipment Trust Certificates**, in pamphlet form.

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.

New York State School District Bonds — Brochure — Blair, Rollins & Co., Inc., 44 Wall Street, New York 5, N. Y.

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

Pennsylvania Authority Issues—Directory of 177 Authorities —Butcher & Sherrerd, 1500 Walnut St., Philadelphia 2, Pa.

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

Textiles—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

American Agricultural Chemical—Brief data in current "Survey"—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available in the same issue are data on **Dresser Industries, Erie Railroad, McKesson & Robbins, Mathieson Chemical, National Distillers, Pittsburgh Steel Co.,** and **United States Lines.**

American Gas & Electric—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **Dayton Power & Light; Florida Power Corp.; Florida Power & Light; Kansas City Power & Light;** and **Wisconsin Electric Power.**

Barium Steel Corp.—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y. Also available is a memorandum on **Woodall Industries.**

Boston Edison Company — Bulletin — Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y.

Central Public Utility 5½s of 1952—Revised memorandum—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Chicago Mill & Lumber Co.—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Drewrys Limited U. S. A. Inc.—Brochure—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Dresser Industries.**

Gimbel Brothers, Inc. — Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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.**

Lucky Stores, Inc.—Study—First California Company, Inc., 300 Montgomery St., San Francisco 20, Calif. Also available is a detailed brochure on **Transamerica Corporation.**

Montana Power Company—Bulletin—Pacific Northwest Company, Exchange Building, Seattle 14, Wash.

Pan American Sulphur — Analysis—Beer & Company, Gulf States Building, Dallas 1, Tex. Also available is an analysis of **Wyoming-Gulf Sulphur Corporation.**

Phillips Petroleum—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

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

Remington Rand, Inc.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Republic Steel — Brief data—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Riverside Cement Company — Card memorandum — Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Transamerica Corporation — Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

"What Did They Use for Money?"

By ALEXANDER WILSON*

Mr. Wilson enumerates the various commodities and other instruments that have been used as money from earliest times. Distinguishes soft money from hard money, and points out nations have conducted war on paper money. Stresses money is not synonymous with wealth.

Paraphrasing Bret Harte's "For ways that are dark and for tricks that are vain," perhaps as much can be said for the whyfore and wherefore of the Washington political "fantasia" which Mr. Berkeley Williams berates in his letter to the Editor, published in the March 15 issue of the "Chronicle."

Alexander Wilson

Mr. Williams aptly observes: "The discovery that the New-Fair-Truman Deal currency policy was sired by an infidel" (Great Kahn of China as reported by Marco Polo) and "damned by the Dark Ages has never been exploited." Yet when we consider what "thin ice" currencies and circulating media were based upon in days gone by, it may be of interest to our readers to read the following notations covering the evolution of money and financial systems from their crude beginnings.

Stranger Than Fiction

If one were to trace the origin and history of what different countries have "used for money" over the centuries, which is so ably recorded by Dr. Paul Einzig, of London, in his book, "Primitive Money," he would be astounded by the fascinating variety of objects that were used for currency or as a medium of exchange. It is almost incredible, but it is true, nevertheless, that in the course of man's long search for a stable circulating medium of exchange, the present monetary systems in the world owe their origin in many countries to an almost unbelievable list of such things as whale and porpoise teeth, cowry shells, stones, cattle, pigs, sheep, reindeers, buffaloes, beads, slave girls, red feathers, dogs' teeth, boar tusks, woodpecker scalps, goats, porcelain, electrum, rice, cocoa beans, beeswax, tin ingots, gold dust, copper, knives, hoes, pots, weighted silver and other weighted metals, lead, nickel, paper, pasteboard, playing cards, brass rods, tea, rings, cloth, leather, gin, rum, wine, beer, furs, wheat, barley, sugar, almonds, tobacco, mahogany logs, uncoined silver money, the salt money of China, the snail shells of Paraguay, the American Indian's *wampum*, not to forget clay, horses, pitch, wool, boats, porcelain, butter, fish, arrows and bronze guns.

It may surprise American banking circles to know that the American Indian's *wampum* was extensively used by the early American colonists for monetary purposes. In Massachusetts, *wampum* was introduced as a currency in 1627. Contracts were made payable at will in *wampum* or in silver or in beaver skins. In 1637 and 1643, *wampum* was made legal tender at certain valuations. In 1641, in New Amsterdam, the Council passed an ordinance fixing the value of *wampum*. For a long period *wampum* played a most important part in the monetary history of the British and Dutch colonies in North America. In 1661, *wampum* ceased to be legal tender, but in New York it was still the chief currency in 1672. The main reason why *wampum* maintained its monetary role for so long was that it was freely convertible into beaver skins which were in constant demand in Europe. It was the decline of the beaver skin trade which led to the decline of the monetary use of *wampum* among American settlers.

According to Dr. Einzig, "the monetary use of *wampum* as small change among white people lingered on during the early years of the 18th century, long after it ceased to be legal tender."

Financial Transactions in the Colonies

Not many Americans of this generation know that tobacco as a medium of exchange was the most important among the commodity-currencies in Virginia and other Southern States back in 1619. Beaver skins were one of the earliest forms of currency in New England as well as corn, wheat, rye, oats, barley, peas, dried fish, pork and beef.

In Connecticut wheat, barley, oats, peas, Indian corn, rye, pork and beef were used as currency. New Hampshire during 1701-1709 listed eight kinds of board or staves and four kinds of fish, as well as pork, beef, peas and Indian corn as currencies. Rhode Island currencies included wool. North Carolina currencies included tobacco, corn, pork, pitch and tar. These products were called "specie" and were more readily accepted as currency than money. In South Carolina rice was the principal commodity-currency, along with wheat, peas, pork, beef, tobacco and tar. Maryland's currencies were tobacco, flour and hemp. New York listed pork, beef and winter wheat as its monetary commodities. New Jersey used wheat, Indian corn,

Continued on page 43

*Writer of the following "Chronicle" articles: "Why a New League of Nations Will Not Insure Permanent Peace," and a "Reply to Critics" of this article, also "Peace by Force in an Uncivilized World," "Are Americans Isolationists?" "The Failure of the White Man's Civilization," "How President Truman Can Regain his Lost Prestige," "Is Capitalism the Cause of Wars?" "A Critical View of American Politics," "Straight From the Shoulder Advice to Gov. Dewey," "Can America Prosper Without Foreign Trade?" "A Plan for Solving the British Crisis," "The 'Sun' That Was," also "The Widow's Mite and The Indispensable Penny" and "A Defense of Man's Right to Intellectual Freedom."

Era of Continued Prosperity Ahead

By COL. HERBERT G. KING
Member, N. Y. S. E.

Col. King holds businessmen can take heart and face future with hope of an era of unprecedented prosperity.

After Korea, WHAT? That is the uppermost question in the minds of most American businessmen today and it is quite understandable because this country's economy has been geared upon a wartime basis for some time. Many executives are now fearful that any let-down in government spending and defense preparations will mean a collapse of our present prosperity. Our defense effort will be continued indefinitely for no matter how much we may fear Russia or Communist aggression, the termination of hostilities in Korea will mean that great quantities of war materials will not be going up in smoke, but instead, will be stockpiled for probable future use.

Col. Herbert G. King

However, with the tremendous productive capacity of American industry, it will not take long for us to accumulate sufficient war materials to gather dust and rapidly become obsolete. Then public pressure will be exerted to reduce spending and the unpopular taxes, and without the distant rumble of guns the Administration will find it increasingly difficult to hold their adherents in line.

No wonder our businessmen are wondering what lies ahead. But they can take heart and face the future with great hope, for this country is upon the threshold of an era of unprecedented prosperity such as we have never known before. This nation will be approximately in the position that England held during the last half of the nineteenth century when she was the banker and leading industrial nation of the world and her huge fortunes were amassed. Now the United States is the financial center and our industry will help to rebuild and develop the war-torn and backward nations.

The industrial advances that are in the offing are stupendous. Just think what the harnessing of atomic energy for industrial use will mean. The great advances in electronics, chemistry, medicine, and agriculture that lie ahead will also bring great prosperity to this country. Science and industry have joined hands to create wealth and give employment and where the emphasis was formerly on destruction, it will now be converted to constructive and creative uses.

With all the wonderful things ahead of us, the American businessman can face the future with great courage and expectation. We are about to enter a period of world peace and this nation has taken its place as the world's leader. The responsibility is great but the rewards will be manifold and those of us who live to enjoy this golden age will be most fortunate indeed.

Mistakes in Our Far Eastern Policy

By JOHN C. CALDWELL*
Former Attache, U. S. Embassy in Seoul

Mr. Caldwell lists as mistakes in our Far Eastern policy: (1) failure to evaluate the strength, aims and weaknesses of communism in Far East; (2) failure to develop honest intelligence; (3) failure of Voice of America to counteract communist propaganda; and (4) retention of incompetents in important overseas positions. Refutes Acheson statement on State Department's attitude toward Chinese communists.

After eight years of service in our Far Eastern diplomatic service, I can point to a number of serious errors in the Far East which have contributed to the situation in which we find ourselves today. Unfortunately, we seem to have learned very little from these errors and continue today to make the same mistakes we have made since 1943. Unless we can learn from these mistakes—mistakes made both in China and in Korea—it matters little whether we arrange a truce at the 38th or 40th parallel. The basic reasons for our troubles will still be present, apt at any time to plunge us into further difficulties.

First Mistake

The first and most serious mistake in our policy has been a failure properly to evaluate the strength, aims and even the weaknesses of Communism in the Far East. When Mr. Acheson states that no officers in the Department of State have ever written off the Chinese Communists as mere "agrarian reformers," he is simply not stating the truth. All through 1944 to 1947 every one of us in the Department of State was subjected to indoctrination as to the fact that the Chinese Communists were not real Communists and that if we were patient long enough, we would find a *modus vivendi* with Far Eastern Communism. I was in China during most of this crucial period, serving as Director of the Voice of America program during the Marshall Mission in 1946-47. All through this period our policy was to work with the Communists, to do nothing to antagonize them. In 1946 I was asked to prepare a report on Communist propaganda methods in China. My report was a revealing document, showing the full scope of anti-American bias apparent in every medium used by the Communists in their propaganda. Even though I was ordered to make the study, I was severely reprimanded for doing so when the full nature of my report was known in Washington.

This failure to evaluate the aims of Communism was in part responsible for the Korean War. The official intelligence estimate of the American Embassy in Seoul (of which I was an officer) just prior to the outbreak of hostilities was that the North Koreans had no idea of attacking the South, the Korean Communist morale was poor, military equipment poor, that under no circumstances would the North Koreans receive either Chinese or Russian aid and finally that, so weak were the Communists that the South Korean Army could withstand any attack and could any time it wished capture North Korea within two weeks. When the Communist armies began to mass at the parallel within 30 miles of Seoul last June, our Embassy (the largest in the world with a staff of 1,800 men and women) just ignored the facts. Even after hostilities began and efforts were being made to evacuate the huge American staff, the Ambassador stated that perhaps an evacuation wasn't needed since even if Americans were captured, everyone would be treated with diplomatic immunity.

To my mind, the basic — and most important difference between MacArthur and the Administration is built around this mistaken evaluation of the aims of Communism in Asia. By now any intelligent observer should realize that Chinese Communists are no mere reformers. The Communist Government in China is the most hated in China's history; land reform and other economic reforms have turned out to be myths. The Communist governments of Asia are ruthless dictatorships, led from Moscow, incapable of keeping pledges and sworn to overthrow the forces of "imperialistic" America. Any idea that an honest peace can be made with these forces—based upon a settlement on the 38th parallel or any other place — is foolish. Peace in the Orient and probably in the world, can only come when we recognize the aims of Communism there and are courageous enough to fight it for what it is. Unless we do fight it within the coming months, it will be too late. Now there are hundreds of thousands of guerillas waiting for leadership; the people are bitterly opposed to their government; Chinese coming from the mainland report that the average man would actually welcome an American atomic attack on Manchuria just to rid the land of the Communist menace. But the Communist Government is ruthlessly exterminating all who oppose it and unless we are able to act to help the guerillas, soon there will be no one to help. This week I had news directly from Fukien Province, just across the straits from Formosa, that 2,000 English-speaking Chinese are being rounded up for deportation to Siberia. . . .

Second Mistake

A corollary mistake to the first I have mentioned is a failure to develop honest intelligence in the Far East. Fundamentally, this is a responsibility of the State Department rather than of CIA or any other agency. But during the past five years we just have not had honest reporting. Too many reports have been colored by the misguided belief in the basic "goodness" of the Chinese Communist cause. Too much has been reported merely from the basis of wishful thinking. In Korea, particularly, our intelligence was incredibly poor — yet we had the largest diplomatic staff ever maintained abroad.

Third Mistake

A third mistake in the conduct of foreign affairs in the Far East is the failure of the Voice of America in all its media to mean anything to the average native and to counteract in any way the steady lies of Communist propaganda. I was Director of the U. S. Information Service in China and Deputy Director in Korea. I *know* that we have failed and are continuing to fail to project propaganda that means anything. In Korea we showed the people magnificent Hollywood-type movies; we had English language libraries where Koreans could come and read the "Ceramics Journal", "The Atlantic Monthly", or "Vogue Magazine." We had the largest information staff stationed anywhere overseas. But none of these men and women were stationed anywhere outside the City of Seoul. No one knew what the people were thinking; no one studied the Communist line to see what we had to fight against. Most of the staff of 34 Americans were engaged in teaching English to the Korean people with a naive idea that if everyone could speak English the country would be safe for democracy. The movies, the exhibits we showed portrayed the very best in American life. When the Korean Government requested an exhibit on housing in America, the State Department sent out a magnificent exhibit of the Peter Stuyvesant Village Project in New York—to help a people who had nothing but plaster and straw with which to build. The Voice of America has failed to portray a picture of democracy that can be understood by the farmers of Asia; it has failed to answer the attractive and oft repeated lies of Communism. It goes on year after year making the same mistakes and those who suggest criticisms and changes are given short shrift.

Fourth Mistake

The fourth and perhaps one of the most serious mistakes we have made in the *conduct* of foreign policy is that we have too many incompetent Americans in positions of importance overseas. The Department of State has grown tremendously since the end of the war. There are today 10,650 men and women in the Voice of America program alone. These people have the job of selling America to the world. They receive practically no training in the customs, history, or language of the country to which they are sent. No one knows whether they can adapt themselves to life in a foreign country. No real effort is made to weed out the alcoholics or the administratively incompetent. In Seoul it was necessary to dismiss several key men for black market operations, for stealing and selling government equipment. One of the first secretaries of the Embassy was a chronic alcoholic, actually confined to a hospital for treatment, yet kept on the payroll and not even recorded as being ill.

There are many good men and women in the Foreign Service but a few bad apples in critical areas of the world can do immeasurable harm. There are entirely too many people who are out for all they can get; too many who look down on the natives or have nothing whatsoever to do with either the people or the country. There are too many alcoholics and too many men who will operate just within or just outside the regulations to make a few extra dollars. This presence of poor personnel has done much to weaken us in the Far East. It has weakened the effects of our ECA programs. The President of the Philippines stated recently that the corruption in his country "has an intimate relationship to the American example in racketeering." He did not mean the rackets in America. He was speaking of the activities of official Americans in his country.

I believe our policy in the Far East is wrong. Until we admit that Chinese Communism is evil, that it aims at driving us from the Pacific, that it is cruel, that it does not have the backing of the people, that Chiang is today far more popular than Mao, we shall have no peace. But even if we have the right policy we must have the right people to implement it. A lowly Embassy clerk in Seoul is more important to the Korean people than is Mr. Acheson. Mr. Acheson is just a name; the clerk is a person who is seen every day and who can make friends or enemies for America by the way he or she lives and acts. The State Department must learn that it cannot bring about world peace simply by hiring more people and getting more appropriations. We must have men and women who are good Americans, who live democratically. Otherwise the millions spent on the Voice of America will be wasted and are being largely wasted today.

General MacArthur was a man much criticized. He was aloof, perhaps terribly egotistical; he certainly made some mistakes. But to millions of Orientals he stood for the best in America. He ruled firmly, but with complete fairness. No one could ever question his stand on Communism. No one questioned his stand on anything. He typified American strength and democracy at its best and was the hope of the millions of Orientals already behind the curtain or about to be engulfed. It would appear to these millions that we are to continue on the course we have followed during the past years and that we have learned nothing yet from the mistakes we have made.

*Summary of address by Mr. Caldwell before the 60th Convention of the Illinois Bankers Association, St. Louis, June 13, 1951.

Wm. Parker Director of Rayonier, Inc.

William A. Parker

William A. Parker, President of Incorporated Investors, Boston, Massachusetts, recently was elected Chairman of the Board of Directors and Chairman of the Executive Committee of Rayonier Incorporated, large producers of wood cellulose for the rayon and cellulose industries. Mr. Parker has been a Director of Rayonier since 1946.

E. N. Carson Joins Van Alstyne, Noel

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, announce that E. N. Carson has become associated with the firm as manager of its municipal department. Mr. Carson formerly was Assistant Vice President of C. F. Childs & Company in charge of the municipal bond department.

Alexander Represents Johnson on Coast

Wallace B. Alexander, formerly manager of the Providence, R. I., office of R. H. Johnson & Co., dealers in investment securities, is now representing the firm in California and adjacent states, in wholesaling Franklin Custodian Funds.

With Inv. Research

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ralph J. Munroe is now with Investment Research Corporation, 53 State Street.

Pennsylvania Brevities

U. S. Steel Mill Rises

Only three months after the start of work on United States Steel Co.'s Fairless Works at Morrisville, Penna., foundations for many of the installations are nearing completion, according to J. D. Rollins, assistant chief engineer of the manufacturing division.

Under an accelerated program of construction, finishing mills of the $400,000,000 project are expected to be ready for operation the latter part of this year and facilities for the basic production of steel by next spring.

Foundations for blast furnaces are completed; those for the open hearth furnaces are well started and the coke ovens are beginning to take shape, said Mr. Rollins.

Construction of the mill will require about 500,000 cubic yards of concrete, sufficient to build a highway 20 feet wide, eight inches thick and 200 miles long. About 2,000 yards are being poured daily.

Care is being taken to provide against pollution of the Delaware River when the plant is in operation. Fifty acres of the 3,800-acre site have been set aside for a water-treatment plant for the elimination of trade wastes. The mill will also embody the latest and most modern equipment for the control of smoke, dust and gases.

* * *

Pennsylvania's Building Share

The vast military building program proposed by Secretary of Defense Marshall includes allocations totaling $146,436,650 to be spent in Pennsylvania.

The largest single item is $74,093,000 which the Air Force proposes to spend on the Olmstead Base at Middletown, near Harrisburg.

Construction requests for Philadelphia and adjoining Montgomery County aggregate about $41,000,000, headed by $12,943,700 sought for expansion of the Frankford Arsenal.

Other Philadelphia area requests are: Naval Shipyard, $5,131,500; Naval Boiler and Turbine Laboratory, $598,700; Naval Air Station at Willow Grove, $5,335,000; Naval Air Development Center at Johnsville, $5,112,250; Philadelphia Signal Corps, $4,000,000; Navy General Stores Supply Office, $2,054,600.

Elsewhere in Pennsylvania: Indiantown Gap Military Reservation, $2,152,900; Letterkenny Ordnance Depot, $15,176,500; Marietta Transportation Corps Depot, $4,129,200; New Cumberland General Depot, $1,980,000; Tobyhanna Signal Depot, $3,872,600.

Naval Inspector of Materials, Munhall, $137,500; Penn State College, $850,000; Greater Pittsburgh Airport, $2,556,000.

* * *

Pittsburgh Coke

PITTSBURGH — Pittsburgh Coke & Chemical Co. has awarded Koppers Co. a contract for the construction of a new blast furnace at its Neville Island plant. The installation will approximately double present capacity of 850 tons of pig iron daily.

* * *

Reading Co.'s to Merge

PHILADELPHIA—In line with Reading Co.'s program of capital simplification, a special meeting of stockholders will be held on July 30 to vote upon absorption of Mine Hill & Schuylkill Haven RR. and East Mahanoy Railroad Co., Reading subsidiaries.

* * *

Roberts & Mander

PHILADELPHIA — Charles A. Devlin, Elmer M. Atkinson and Charles C. James, Receivers for Roberts & Mander Corp., have filed a petition for permission to sell the defunct stove manufacturing company's assets at public sale. A hearing on the petition will be held before Judge Thomas J. Clary of the U. S. District Court for Eastern Pennsylvania on July 11. Last indicated book value for the 329,446 shares of $1 par common stock was $2.82 per share. It is believed that the court would approve a bid reasonably related to the above figure, if it should be forthcoming.

* * *

Welcome Mat Out

Philadelphia Electric Co. recently announced a new schedule of capital improvements to cost $320,000,000 over the next five years. This is in addition to approximately $180,000,000 spent for plant expansion since 1947. Now it believes it would be a fine idea for new industrial and commercial enterprises to avail themselves of advantages offered by moving into its service area. The company's latest quarterly report invitingly suggests:

"Here are manpower, housing facilities, availability of major natural resources, excellent transportation of all types, abundant electric power at moderate cost. Here is the most diversified industrial center in the entire United States, with industries representing more than 80% of all classifications. Here indeed is the workshop of the world."

* * *

Pennsalt Profits

The $30,000,000 spent by Pennsylvania Salt Mfg. Co. for increasing manufacturing facilities since the end of World War II continues to reflect favorably in sales and profits. Estimates for the first six months of 1951 are that net profit will reach $2,425,000, compared with $2,065,544 a year ago. Korean peace developments are not expected to have any appreciable effect on company's operations. A very small part of first half sales was the result of defense orders.

* * *

Speer Carbon Co.

For the purpose of financing its expansion program, Speer Carbon Co., manufacturer of carbon and graphite products, plans to raise approximately $10,000,000 through the public sale of 179,034 shares of additional common stock and the issuance of $6,000,000 in notes. The latter will be sold to the Equitable Life Assurance Society.

The stock offering will be made by a group headed by Lee Higginson Corp. Offering price and underwriting terms will be supplied by amendment to the registration statement filed with the SEC.

* * *

U. G. I. Exchange Offer

Stockholders of United Gas Improvement Co. have until July 13 to tender their shares to the company and receive in exchange therefore certain portfolio securities. For each five shares of U. G. I. offered, the holder is scheduled to receive three shares Philadelphia Electric Co. and two shares Consumers Power Co. common. Tenders of less than five shares will be settled for cash. The offer is voluntary on the part of U. G. I. stockholders, but the aggregate number of shares to be acquired by U. G. I. is limited to 363,285.

* * *

War Plant for Scranton

SCRANTON — The cornerstone of a $4,000,000 plant for the manufacture of highly specialized automatic gunfire control systems, bomb sights, sound-recording equipment, radar gear and 76-millimeter guns was laid last week. The plant, which will have 350,000 square feet of floor space, is being erected by Daystrom, Inc., formerly American Type Founders, Inc.

* * *

U. S. Lumber Co.

United States Lumber Co.'s No. 2 Well, located in the Leidy Field, Clinton County, was brought in late in May with an initial flow of natural gas of about 5,500,000 cubic feet daily. This is considerably below the volume of the No. 1 Well, brought in at 41,000,000 cubic feet in April. As a result of geological information gained in the second drilling, the company's No. 3 site, drilling on which will be commenced soon, has been relocated. Tentative arrangements have been made to proceed with the drilling of a fourth well. It is also reported that the company has discovered it owns an additional 188 acres of unproven land in Clinton County, exploration of which will await title clearance and exact determination of boundaries.

The company is at present marketing about 25,000,000 cubic feet of gas daily.

* * *

New Castle-Pennsville Ferry Co.

Ferry service across the Delaware River between New Castle and Pennsville will be discontinued with the opening of the Delaware Memorial Bridge early this fall. Properties of the ferry company, which are subject to condemnation proceedings, have been appraised at $7,300,000 by the American Appraisal Co. A further appraisal is to be made by Ford, Bacon & Davis. The sum eventually agreed upon will be distributed, less expenses, to stockholders. Wilson Line of Philadelphia owns a 72% interest in the ferry company.

* * *

Aetna-Standard Engineering

ELLWOOD CITY — Expansion plans of Aetna-Standard Engineering Co. call for the expenditure of approximately $3,000,000, principally for increasing production of weapons for the armed forces. A new foundry and new general office building will be constructed and capacity of present machine shop will be doubled.

* * *

New Philadelphia Municipals

At the primary election to be held July 24, voters in Philadelphia will be asked to authorized the issuance of $31,700,000 in City bonds, proceeds from the sale of which will be used for various municipal improvements.

Biggest chunk of the proposed financing is $14,000,000 for improvements and extensions to the city-owned Philadelphia Gas Works. Other purposes include $5,000,000 for airports, $3,400,000 for hospitals and health centers, $3,000,000 for street improvements and $2,000,000 for drainage and flood control. The remaining $4,300,000 would go for a number of lesser projects.

* * *

Allentown-Bethlehem Gas Co.

has received permission from the SEC to proceed with the sale of $1,500,000 first mortgage bonds. The issue, which will bear interest at the rate of 3.348%, will be sold at par to institutional accounts.

* * *

Effective June 29, Philco Corp.'s production of home radios and television has been cut back for a period of about four weeks. Two of these weeks cover the normal summer vacation period. Curtailment will not involve production of strategic defense equipment, including radar, microwave and other electronic material.

From Washington Ahead of the News

By CARLISLE BARGERON

It is still unbelievable to me that the American people accepted World War II, and I seldom mentioned it in my writings during its duration. By way of writing about the crime of it and those responsible for it since, I have had to admit that it happened.

Carlisle Bargeron

I am being asked now by some of my readers "if Truman is ending up the Korean war so we can get into Iran." Well, he would like very much to get the Korean war off his hands, not just because wars do not ordinarily give our Presidents appetites, though there are exceptions, but because this is one that he blundered into and knows that it is unpopular with the American people. He would like to get rid of it at most any price.

The Republicans, generally speaking, seem to have decided to let him get rid of it if he can before they renew the chant of appeasement. They have seemingly come to realize that they were putting themselves in the position of wanting the war to continue. There will be plenty for them to talk about once the war is ended, just why we got into it, just what have we accomplished. But they have learned that the people first want it ended. Under the circumstances there are high hopes in Washington that in some way it will be ended.

Is Iran next? Well, the military and the Administration who have been so worried lest the end of the Korean episode would mean agitation for the lessening of military and European aid expenditures, are not averse to the public's being excited about Iran. But in spite of the propaganda for many, many months, even before Korea, that Iran was a hot spot; now that it is the subject of cold analysis, not even the Administration or the military seems to be able to pretend any excitement, much less really feel any.

Strangely enough, in view of the propaganda we usually get, there seems to be no disposition in any responsible quarter to try to work up fear over this matter. There is, instead, a frank disposition to admit that Russia has no more to do with this trouble than American Communists have to do with a labor strike in this country. When you approach a responsible person here with the question "Isn't Russia liable to move in and take the oil?" it is amazing, but a fact that he is inclined to laugh at you. In fact, you will find in official Washington a very pronounced feeling of sympathy for the Iranian side; no official worry as to what Russia can or may do. But, of course, a worry can be developed and the alarms sounded, if there is any serious move to slow down on the remobilization program or the aids to Europe.

LETTER TO THE EDITOR:

Says Gold Value Of Dollar Must Not Be Changed

Frederick G. Shull takes exception to suggestion in "Chronicle" of B. F. Pitman, Jr., and says such move would be repeating "dishonesty" of former devaluations.

To the Editor of the "Commercial and Financial Chronicle":

As disturbing an article as has come to my attention for some time, appeared in "The Commercial and Financial Chronicle" of June 28. I refer to the article by Mr. B. F. Pitman, Jr. (page 15) under the heading, "Stop Dissipation of Our Gold Reserves!" It is "disturbing," because it is bound to add to the confusion that already exists in the public mind as to what is meant by such expressions as "sound-money" and the "Gold Standard."

Frederick G. Shull

Portions of the article appear to identify Mr. Pitman as a "sound-money" man, particularly his references to the "historical integrity (convertibility) of the U. S. dollar"; the "starry-eyed brain-trusters . . . of the FDR era"; and "managed currency advocates of the 1930's" as having tended to "destroy confidence in the currency," by having replaced it with "debauched, irredeemable paper money." Mr. Pitman also makes these statements: "The gold standard is not fashionable"; "Most of the 'liberal' colleges do not teach it"; and "With a few notable exceptions, our most influential life insurance executives, bankers," and others, "openly support our (domestically) irredeemable fiat currency or apathetically condone it." No sound-money man is likely to disagree with the accuracy of the foregoing statements.

After calling to attention that gold is selling "at an appreciable premium" in "all the free markets of the world," Mr. Pitman gives evidence that he does not regard the official price of $35 an ounce—at which our dollar has been "valued" since 1934—as the correct price for gold. He says that "Mines are selling the scarce metal to the U. S. Government at far less than replacement cost"; that "because of our absurdly low price," we are "permitting our supply (of gold) to dwindle at a rate that could conceivably exhaust it in six and one-half years," and that "this country should immediately restore its currency to free convertibility at a realistic value for gold," that "A free market, to determine the price at which permanent redemption can be maintained, seems the logical first step."

There are, of course, two important factors which make up the gold standard, namely "Fixity of value," and "Redeemability." And one of these basic factors is being entirely overlooked by Mr. Pitman. Specifically, here are those two "factors": (1) To go on the gold standard, a nation must firmly fix the "value" of its monetary unit in terms of a definite "weight" of gold, which factor is known as fixity of value; and, having so fixed the "value" of its currency, it must be willing to exchange gold for that currency, on demand, at that fixed-value, which is "redeemability."

If money is to be regarded as "sound," it must conform with both of these basic factors—its "value" in terms of gold cannot be determined by kicking that currency around in any market, "free" or otherwise. And Mr. Pitman appears to be fully conversant with these facts, for he admits that "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."

Having so frankly admitted the "dishonesty" of raising the "official price" of gold—with its concomitant result of thereby automatically "devaluating" the dollar, and with great loss in real value to the millions of people who have earned and saved billions of dollars carrying a "value" of one-thirty-fifth of an ounce of gold per dollar—one wonders how, in good conscience, Mr. Pitman can possibly favor repeating that "dishonesty" by again tampering with the gold value of our dollar.

What we need is to get back to first principles — we need an honest approach to this important subject, such as has been advanced by the leading monetary experts of the world for generations. The greatest economist of all time, Adam Smith, had this to say in his "Wealth of Nations": "The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment." A century later, Dr. Andrew D. White said, in his "Fiat Money Inflation in France": "There are financial laws as real in their operation as those which hold the planets in their courses." And in this Twentieth Century, the late Professor Edwin W. Kemmerer, of Princeton, frequently quoted an Old Proverb as saying: "We have gold because we cannot trust governments."

For our entire history as a nation up to 1933, we had well-justified reason to "trust" the honesty of our government; but the "devaluation" of the dollar in 1933-44 had the effect of shattering that "trust." It is to be hoped that all good citizens, who naturally want to be able to place explicit "trust" in our government, will not be unduly influenced by Mr. Pitman's article; and that they will use every reasonable effort to encourage a return of this nation to the honesty and integrity of the age-old and time-honored gold standard.

FREDERICK G. SHULL.
Connecticut State Chairman,
Gold Standard League,
June 30, 1951.

Joins Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph A. DeBoer is with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Soviet Propaganda, East-West Trade and Need of Gold Standard

By GEORGE A. SLOAN*

Chairman, United States Council of the International Chamber of Commerce

Financier asserts Soviet propaganda can be overcome by telling Europeans true story about American capitalism. Maintains we must formulate foreign economic policy through single agency in lieu of present multiple dabbling. Declares we should develop new commercial channels to replace our Allies' undesirable trade with Soviet bloc. Urges freeing of exchange rates under gold standard, to accord with economic realities.

It hardly needs saying that the division of the world into two camps is one of today's basic facts of life which we cannot ignore. Faced with this situation we must, on the one hand, do everything possible to destroy the effectiveness of communistic influences, and on the other we must create the maximum amount of unity of purpose among the non-Sovietized nations of the world. In these remarks I will address myself to three particular consequences of the division of the world into two camps.

George A. Sloan

First, I will speak briefly about the need of combating communistic propaganda. Second, I will make some observations on the dilemma of east-west trade. And finally, with an eye to the future, I want to say a few words as to monetary reconstruction in the free world.

Frankly, I have the impression that there are too many ardent anti-communists in Europe who are nevertheless taken in by Soviet-inspired propaganda to the extent of becoming suspicious of the motives of American capitalism.

If only all such Europeans could visit our great industrial centers, such as Cleveland, Akron, Detroit, Pittsburgh, Wilmington and Birmingham, and see what the American working men and women have attained under our American capitalistic system, then, I believe, they would understand why these people have a real stake in the maintenance and continued development of that system.

American Capitalists Must Tell Their Story

But since this is impossible, we Americans must tell the story here in Europe with unvarnished facts. We must explain the constant and remarkable improvement of living standards and working conditions of the average American citizen. In doing so we, with the cooperation of the free world business community, can develop perhaps our most successful weapon against Soviet propaganda.

Washington, through the Voice of America and its other overseas informational activities, has been too timid in explaining the true meaning and gains of free competitive enterprise in the United States. This is difficult to understand when this should be a major component of our foreign economic policy.

Perhaps the answer can be found in the multiplicity of agencies handling foreign economic policy in Washington.

Concentration in Single Agency

And that leads me to this observation: A proper formulation of foreign economic policy in our government demands a single agency in place of the score of agencies now dabbling in foreign economic matters. What I am referring to now is the way in which policy is being formulated in Washington, not to the way in which it is administered abroad once the directives have been given. What is needed is a consolidation of these scattered efforts in Washington into a single agency which should be headed by a man of outstanding ability with public acceptance and having the equivalent of Cabinet status.

Dilemma in East-West Trade

Now as to the second matter, a recent action by our U. S. Congress has put the spotlight on trade relations between free countries and the Soviet bloc. We object, and rightly so, to our allies and friends supplying countries behind the Iron Curtain with materials and equipment capable of increasing the Soviet military potential. What makes the problem far more difficult than it appears on the surface, is that this trade provides our friends with goods which they need for subsistence and production. Herein lies the dilemma of east-west trade. If such trade takes place, it strengthens the economy of the Soviet bloc. If this trade doesn't take place, it seriously weakens the economy of some of our best friends among the free nations.

In order to solve this problem, and it must be solved, we must help our friends in finding an alternative source of supply at comparable prices. The development of an appropriate program presents an immediate challenge to the foreign economic policy of our government. Merely to forbid our allies to sell to the Soviet sphere is a half-policy which must be supplemented if it is to become effective.

If, for example, Italy is obtaining coal from Poland in exchange for manufactured products, it hardly seems reasonable for us to expect Italy to break off that trade without being assured of coal supplies from another source within the free nations. A solution requires the replacement of this trade through the development of new commercial channels.

The Multilateral Trade and Payments Problem

Finally, I want to deal with a problem of importance for the long-term future.

Even though substantial progress has been accomplished with the help of ECA to repair the material damages in Western Europe inherited from World War II, the rehabilitation of multilateral trade and payments has lagged behind.

While it is presumptuous for me to enter a field in which businessmen, as distinguished from bankers, seldom graze, I shall endeavor to list the positive factors, as I see them, in the present situation:

(1) In the course of 1950 the dollar shortage has disappeared as a world-wide phonomenon. This is borne out by the figures for the U. S. balance of payments for last year which show that all but 10% of American Government grants to foreign countries (such as the Marshall aid) has gone into the expansion of gold and dollar assets held by foreign countries—rather than to fill in any "trade gap" that might exist.

(2) Although not all countries shared alike in this improvement, it is noteworthy that the Sterling Area, taken as a whole, largely through a three-cornered type of trade, saw its reserve position improve in a spectacular way. Sterling is a key currency and that improvement, therefore, brings us very much closer to international monetary reconstruction.

We in the United States have come far in getting away from the old-fashioned idea of trade protectionism. Witness the growth of our Reciprocal Trade Agreements. Witness also an ever-increasing number of businessmen in important industrial centers like Cleveland and Detroit who have come to recognize that international trade means two-way trade.

The situation has sufficiently improved by this time so that the International Monetary Fund in its recent report on exchange restrictions has urged a far-reaching liberalization of exchange controls. At the end of last year the Fund made an appeal for relaxation of import quota policies by countries whose monetary position had shown considerable improvement. All of these may be looked upon as straws in the wind. They indicate that the wind is getting stronger. They also indicate in what direction it is blowing.

Gold Put "in Dog House"!

Ever since the reconstruction of the Gold Standard a few years after the end of World War I had proven precarious, gold has been placed in the "dog house." We in the United States were quite effective, in 1933, in placing it there and although our own monetary system has been conducted as if we still were on a Gold Standard, this is limited to our relations with foreign central banks, while domestically private ownership of monetary gold is still prohibited by law.

It is not my intention to delve into the intricacies of monetary technique. What I want to say, however, is that throughout the whole period when gold has been placed in the "dog house," its prestige as a monetary instrument has been growing rather than declining. Academic debates notwithstanding, practical life seems to have proven that there was no substitute for gold either as a common denominator for the various currencies or as a means in the last resort for the settlement of international accounts. A left-handed compliment—but still a compliment—has also been paid to gold by the millions of hoarders the world over who regard the yellow metal as an unequalled "store of value." All this being the case, I believe that determined steps must be taken soon in the direction of reestablishing a stable international monetary standard. Surely, enough reconstruction has taken place to justify our firing the first exploratory shots in a battle for sound money.

Some economists say that the Gold Standard was only possible under conditions which do not exist today. Still others distrust any monetary system that would be vaguely reminiscent of the Gold Standard. I am not so much concerned about the opinion of the latter group. But when we analyze the reasoning of the former group, I believe we can use their arguments to strengthen the cause of gold. They say that the existence of the Gold Standard was made possible:

First, by the growth of world trade and foreign investments within the framework of free markets;

Second, the prevalence of multilateral settlements of international accounts; and

Third, the steady confidence existing throughout the greater part of the world.

What difference does it make as to which came first? The important thing was that confidence, world trade, foreign investments and the Gold Standard were interdependent.

In order to make possible the rehabilitation of an international monetary standard it is necessary that the various countries should make a more determined effort to bring their financial households in order, each in accordance with the particular conditions of its economic life. There is no greater enemy of international monetary stability than inflations brought about by budgetary deficits.

Exchange rates between various countries must be set free from major restrictions and allowed to settle at a level which corresponds to economic realities. It is impossible to operate international economic standards when the various parities are set at arbitrary levels. There is no predetermined way of knowing what the parities should be. Only the market, if allowed to operate freely, can supply the answer.

My own conviction is that economically conscious people in financially important countries must acquire enough understanding of international monetary mechanics to be able to judge official policy as sound or unsound. Sound policy involves self-discipline from which human beings always like to escape, and this has encouraged a school of thinking which holds that monetary factors—prices, wages, interest rates and exchange rates—are matters which people can fix to suit themselves as freely as they choose the color of a necktie. The influence of many such people is powerful. But sooner or later this influence must be checked, just as the supporters of high tariffs have been overcome. We had just as well start to work on this problem right away. Frankly, I have little patience with those who want to put off anything and everything until war clouds are less ominous. If they didn't have this alibi, the chances are they would drum up another.

Finally, may I suggest that the most important thing in the Gold Standard, as we used to know it, was not so much its technical setup, but the fact that the various countries who lived under that system adhered, through their governments and central banks, to the unwritten "rules of the game." It is noteworthy that these "rules" have never been spelled out by an international conference or ratified by national parliaments—not any more than the rules of good manners are written into the codes of law.

The important fact is that the Gold Standard worked and worked well for many, many years, not so much because of its technical intricacies, not so much even because of the yellow metal that underlied its operations, but because nations operating under that system behaved like gentlemen. This, I believe, is the ultimate explanation of the Gold Standard's success in older days and of the failure of international agreements in our time. The root of the matter is that nations and their governments must recapture the spirit of fair play and of gentlemanly behavior to one another and realize that in that direction, and in only that direction, lies their own greatest opportunity for growth and development.

In this field, as in everything worthwhile in life, a pioneering effort is called for. By improving our monetary system, by getting away from the betwixts and betweens which have caused us to lead such a precarious existence, by rationalizing our fiscal policy and by initiating agreements with foreign governments of like disposition, the United States of America can and should exercise leadership in the establishment of a new Gold Standard.

Some people may say that, in effect, I am proposing that we set back the clock of history. Actually, I am only interested in the future. True, the Gold Standard had existed in the past and I do propose a new Gold Standard for the future. There are many alternative forms of chaos; there are few alternative forms of order.

In the last analysis, free peoples everywhere must recognize the need for the adoption of high standards of behavior in human relations, not only in the lives of individuals, but also in those of their governments.

*An address by Mr. Sloan before the Anglo-American Press Association, Paris, France, June 20, 1951.

Reynolds Metals Co. Arranges $85,000,000 Private Financing

Reynolds Metals Company announced on July 2 it had entered into contracts for the private sale to 20 institutional investors of $85,000,000 of its bonds to finance its aluminum expansion program. The financing, the company's first since 1937 from private sources other than banks, was arranged by Dillon, Read & Co. Inc. and Reynolds & Co.

The proceeds of the loan will cover the construction cost of the new Reynolds 150,000,000 pound-a-year aluminum reduction plant together with a 175,000-kw. gas diesel power plant being built near Corpus Christi, Texas, and also additions to its Jones Mills, Arkansas, and Troutdale, Oregon, plants. The new plants will use alumina produced from bauxite obtained from Reynolds' reserves in Jamaica, B. W. I., which are presently being developed, and from Reynolds' reserves in Arkansas. Reynolds' holdings in the Caribbean account for a substantial portion of total Caribbean deposits of bauxite, which constitute the world's largest known bauxite reserves and are estimated to contain 350,000,000 tons, 90% being in Jamaica.

The total increase in primary aluminum capacity of Reynolds Metals under the loan agreement will amount to 200,000,000 pounds a year, increasing the company's annual capacity by approximately 44% to a total of 650,000,000 pounds, representing approximately 27% of the total capacity of the industry in this country, including the 900,000,000 pounds of additional capacity required by the government under the defense program.

The bonds, carrying 4% interest, will mature on July 1, 1962. A sinking fund will retire the entire issue by maturity.

Construction of the new facilities has already begun and is being rushed to completion. The additons to the existing plants, accounting for 25% of the new capacity, will be in operation by August of this year and the new Texas plant, which will provide the remaining 75% is expected to be completed early in 1952. Certificates of necessity for 80% of the cost of the new facilities have been issued by the government.

Fruita Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

FRUITA, Colo.—The Fruita Investment Company, Inc. has been formed with offices in the First Bank Building to engage in the securities business. Officers are Lewis Moore, Ray Tompkins, and Albert J. Little. Mr. Little was formerly associated with the International Trust Company of Denver.

Inherent Dangers of Debt-Secured Currency

By FRANK LILLY*
Statistician, Mine Research Bureau
President, "Hard Money" Association

Mr. Lilly contends we must win the war to restore sound money or we will lose the peace by destroying our economy. Calls our debt secured currency a "debt-bomb," and says only return to sound money can prevent further inflation.

"This country can, I believe, afford one more war, but I am not at all sure that it can afford ananother peace." This comment was made by the late U. S. Senator Key Pittman of Nevada in Sept. 1940 during an informal discussion with former U. S. Senator Robert L. Owen and myself as to whether or not the proposal to increase the U.S. debt limit from $49 billion to $65 billion might seriously endanger the financial stability of this nation.


Frank Lilly

The possibility that we could afford a second world war but not be able "to afford another peace" seems absurd on the face, but the fact is that the peace time depression of the early '30's nearly wrecked this country's economy at a time when the world was at peace and our economy seemed established and secure.

True some of the causative factors stemmed from World War I, but most of these were superficial and coincidental, merely setting the stage so to speak. I shall deal with the more basic and determinative cause later—the debt-bomb.

By increasing the debt from $45 billion to over $290 billion, or $215 billion more than the figure we were discussing as a possibility back in 1940, World War II was financed, but whether or not we can "afford the peace" which it was intended to win is still a matter of serious doubt.

The winning of this second World War with some allies who were our enemies in the first World War and against some enemies who were our allies in that first war, did not reduce government spending nor increase the value of the dollar which is now down to a 150-year all-time low of around 43¢.

Consider what this decline in the value of the dollar means to you and me. Every dollar that we have put into life insurance, savings accounts and E, F, and G bonds has shrunk and, according to Secretary of Defense General Marshall, is down over 30% in the last year. The total 1941-1950 overall loss in these three items for the people of the United States is over $120 billion. Stated bluntly we have been robbed!

The hue and cry over the loss of a total of approximately $2 billion in bank failures during the 13 years preceding the day when the New Deal finally grabbed our gold and took over the management of our money is still echoed and reechoed by the "dealers," although this loss of $2 billion through private management is only 1/60th as much as has been lost by government management in the last 10 years.

The "dealers" blame the decline in the dollar's value on that old "whipping boy," inflation, and tell you that "it will surely get you if you don't watch out" and submit entirely to the controls and regulations that they, in their superior wisdom, know to be best for you. "O tempora, O mores," Oh Hell!

*An address by Mr. Lilly before the Exchange Club of Spokane, Spokane, Wash., June 21, 1951.

Sound Money Can Prevent Inflation

Inflation is nothing more nor less than a reflection in price terms of the real value of the dollar. But why should the value of the dollar decline? Well, it shouldn't and could not have done so except for minor fluctuations if it were sound money and not merely a debt-based currency.

Most people assume that currency and money are one and the same thing but they are not. Currency performs only two of the functions of money; namely (1) medium of exchange and (2) measure of value. Money provides in addition to these the all important third function of *storage of value*, which your dollar must have if it is to have any stability and permanency in buying power.

Our paper currency is composed almost entirely of Federal Reserve notes and United States notes which are designated as "lawful money" and made redeemable in and by each other—note for note; promise to pay for promise to pay; debt for debt.

We do indeed have a small amount of silver money in the form of coin and silver certificates and, although they do not now have any greater purchasing power in this country than the notes, a silver dollar will buy three or more times as much as a paper dollar note in any of the Oriental countries. It could happen here!

You may lightly dismiss the whole matter by saying as so many people do: "Paper or hay! What do I care as long as it will buy what I want." Yes, but you must consider the fact that the time may come when it will be so diluted with debt that it will buy no more than the "Continental," the German mark and numerous other currencies, originally issued in good faith, that later became worth no more than waste paper.

I show you now a few paper currency casualties of the money war in the form of a "short snorter" that had a value approximating $50 in 1941—now worth less than $5. I also show you a Filipino gold coin now worth over $15 as compared with approximately $5 in 1941. I also show you a silver drachma more than 2,000 years old that has retained a storage of value while literally billions of paper drachmas and other paper currencies have become valueless.

These paper currencies lost their values because they were debt-based and could not be redeemed in anything but another form of debt. Gold and silver coins retain or increase in value because their values cannot be diluted with debt. An ounce of gold is always an ounce of gold, an ounce of silver is always an ounce of silver, but paper currency is just that—a paper I.O.U.

Inherent Dangers of the "Debt-Bomb"

Much ado has been made over the A bomb and we are impressed by it because we can see it and its effects. The dangers inherent in the debt-bomb are not generally appreciated because, like a disease, they cannot be so easily recognized. Actually, the debt-bomb is fraught with far greater destructive power because it can wreck the economy of a nation. Debt is human bondage and enslaves a people. It was debt-bombs and not mechanical bombs that destroyed the civilizations of Sumeria, Chaldea, Assyria, Egypt, Greece and Rome.

Incidentally, I do not underrate the A bomb and believe that with it this country could, if it chose to do so, lick both of our former allies Russia and China put together and thus gain control of the world, but in this connection I am reminded of the question posed in almost identical words by Luke, Matthew and Mark which slightly paraphrased would read:

"What shall it profit a nation if it gain the whole world and lose its own economy?"

My fear is that the debt-bomb we have already built into the largest of its kind in all history may enslave us and our children's children to the fourth generation. We can lick the world but can we lick our debt?

It was debt, then largely personal, that boomed in the late 20's and burst into the Depression of the early 30's. Today's total public debt is over 16 times as large as it was in 1930 and is increasing by leaps and bounds.

It is beside the point that our production has increased because the increase has been more than offset by the higher tax-take and the lower purchasing power of what is left to both the producer and the wage earner.

I don't like to think that Lenin was right when nearly 30 years ago he predicted that Germany would destroy itself by over-militarization, Great Britain by territorial over-expansion and the United States by over-spending itself into bankruptcy.

Incidentally, the Russian leaders have somehow been smart enough to get our bomb secrets, smart enough to implant at least one man in our State Department; smart enough to get us to propose through Alger Hiss the veto power that gives them the whip hand in the U. S.; smart enough to win every conference in which they finally got everything but President Roosevelt's shorts and Churchill's cigar; smart enough, as Governor Dewey pointed out, to bring into their sphere of influence over a third of the world's population without firing a single shot or losing a single soldier.

Did you know that Russia devalued its currency about a year

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Merchandisers See No Basis for Lower Prices or Reduced Sales

Threatened rollbacks, materials shortages, and inventory adjustments, however, may provide some disturbances.

CHICAGO, Ill. — Estimates and forecasts of American business based on the experience in home furnishings industries were presented by the leaders in that field who attended the International Home Furnishings Market in Chicago's Merchandise Mart from June 18 through June 20. The accompanying forecasts were especially prepared for the "Chronicle."

W. A. BLEES

Vice-President and General Sales Manager, Crosley Division of Avco Manufacturing Co., Cincinnati, Ohio

You are all familiar with what happened to television and the distressed inventories. And we have also had it in the white goods business in certain things like refrigerators. It varies by companies. I don't believe you are going to find in the white goods business any breaking of prices other than you will find with dealers or distributors who themselves have inventory troubles. In television, I think it is an entirely different business, because little people can get into it, get themselves in trouble very easily and disrupt the market, and sometimes big people do that too.


W. A. Blees

If we could keep proper control of inventory we wouldn't have too much trouble in this economy in this country, because it is going to be big and prosperous for many years to come.

I think the thing we have needed in selling organizations all during this period since 1939 is the realization that we ought to work to sell our goods and not depend upon the customer to walk in and buy. Now we are all going back to work.

I am not worried about the long haul other than the international situation. I think business is going to be wonderful, highly competitive. The organizations that can stand up and sell their goods will be very successful, and those that can't are going to be washed out. The boys are going to be separated from the men under the conditions under which we are working today.

There is no possibility of lower prices to attract heavier retail orders. I can't see where any basic costs are going down. We know that whenever you pay labor more, you never have a fundamental price break. What you are now experiencing is what you have always seen in business. Sometimes it is only with one or two merchants; in this case, everybody has an over-inventory condition, and the pressures are so great that those people who have that inventory, liquidate it.

It is most important to get money out of present inventory, but there is no indication whatever that price levels generally are going to be any lower.

M. G. HALVERSON

Senior Merchandise Manager, L. S. Ayres & Co. (Home Store), Indianapolis, Ind.

The furniture industry has been a very small industry until recent years. Very few furniture plants prior to 1946 did over one or two million dollars a year, and they didn't engage in national advertising. Now we have seen the development of much larger units and certain consistent standards around which manufacturers could advertise and build a name. We are having an economic development such as we have seen in many other industries.


M. G. Halverson

We will see more brand names as standards are developed. Some of us will be willing to attach ourselves to those brand names. We are a store that believes in brand names. They have a tremendous advantage to our customers and to ourselves.

We are getting back to a normal, competitive era of the future. There has been little incentive for manufacturers and retailers to work too hard. As we have more normal and healthy competition, we will have greater progress. We will have better values all around.

Merchandise cannot be replaced at a lower cost today. The current situation is one of high inventories, over and above the anticipation of six and eight months ago. There is no evidence in any general way that replacements in merchandise will be done at substantially lower prices. The motive for postponement of purchase is not one of price, but rather getting back to a normal position in inventories. Manufacturers are counting on retailers replacing their stocks as they are sold out.

We are not changing our buying pattern materially. We use key resources, and in those relations it is not a market buying operation. We are not buying heavily, and I don't think many stores are at the moment

JOSEPH L. BLOCK

Vice-President in Charge of Sales, Inland Steel Company, Chicago, Illinois

The outlook for the availability of steel for home furnishings during the immediate future, such as the next three months, is not very bright. To the best of my knowledge every important steel consuming industry except automobiles and home furnishings is now tabbed as "defense supporting," and they are all receiving help in getting steel through priorities and CMP allotments. Reports indicate that CMP may be made all-inclusive in the fourth quarter, but at present a home furnishings manufacturer is simply out of luck.


Joseph L. Block

The picture for next year is by no means equally clear. Providing that there is no spread in hostilities or other adverse change on the international scene, it is my belief that during the first half of 1952 there will be more, rather than less, steel available for civilian production, and the present overall shortages may even disappear. In support of this opinion I list the following reasons:

(1) The capacity of the steel industry is being rapidly and steadily expanded. Ninety-seven million tons of ingots were produced last year. We are now producing at the rate of 107,000,000 tons, and the capacity will be up to about 112,000,000 tons by January.

(2) The steel required for this expansion program, quite sizable in itself, will in the main be out of the way six to nine months hence.

(3) The "defense supporting" industries will in my judgment have received so much steel through priority assistance that their inventories will become abnormally high, and their needs will be reduced.

(4) Direct military requirements for steel will not be as great as anticipated. A figure as high as 20% of the supply, sometimes cited by Washington authorities, seems unrealistic in view of our World War II experience, unless we are engaged in all-out war.

(5) With higher taxes and credit restrictions it would seem likely that the demand for consumer hard goods would be at lower levels.

G. C. DENEBRINK

Vice-President for Sales, Bigelow-Sanford Carpet Company, Inc., New York, N. Y.

The carpet industry, along with many other civilian lines, including furniture and appliances, has suffered a slowdown in the last three months.

The situation stacks up about like this: Last summer and the first quarter of this year, this country went on the two biggest buying binges in its history. Everybody crowded into the market — wholesaler, retailer and consumer—afraid that shortages would develop. They saw prices skyrocket around them, so everybody loaded up.


G. C. Denebrink

You have had a production miracle in this country in the last six months. Industry has produced merchandise in volumes that they believed impossible six months ago. People haven't over-bought so much. The fear of substantial price increases was removed. So with the fear of shortages and higher prices eliminated, there was no urge for buying and loading up.

My own estimation of the industry is that the carpet industry has hit bottom this last week or so. This summer will show an upward trend. Retail business, like the furniture business, has been reasonably good. Many dealers are currently meeting their monthly figures as against last year. They are selling their inventories and the overstocks have been pretty well worked down. Many dealers have unbalanced stocks, and a lot of dealers are coming to market with an open to buy.

I think you will find that sales of carpets and rugs at both the retail and manufacturing level, in the last half of 1951, are going to be good. There will also be an adequate supply of rugs and carpets to meet this demand.

Fall business is going to be booming, but it is going to demand real selling. There will be strong competition for the consumer dollars. The fall will call for aggressive merchandising and selling, because in the midst of all these controls and regulations and ceilings, there is one thing we can be sure of: that there must be no ceiling on selling.

BURTON R. TUXFORD

Vice-President and Sales Mgr., Drexel Furniture Company, Drexel, North Carolina

One of the things that has been in people's minds principally is what is going to happen to prices at this market. A lot of people are waiting to see what the rollbacks are. That has had a very bad effect on business. The rollback is very slight in the wood furniture field. On the average in that field, the price will not vary as far as OPS ceilings are concerned—about 1%, and some of them less.


Burton R. Tuxford

The upholstery manufacturers are in a little different position because of the nature of their product and the cost of their materials. They felt that up to base grade, and by that I mean the price of a sofa or a chair, in their lowest priced cover, they felt their prices would be rolled back from 1¾% to about 4%. But where they put better covers on the pieces, this price rollback would be less effective. The occasional manufacturer is in about the same position as the case goods manufacturers, as far as his prices go.

There will be plenty of furniture. I think there will be more than enough furniture to go around this fall—early fall anyway. Right now most manufacturers have a very fine inventory. It is probably better balanced than the dealer's inventory.

Business has been relatively good. A lot of dealers become very hungry, and they become scared, of course. They have bought inventories which were way beyond their needs and they have found that their inventories are badly out of balance.

In our business we talk about basic stock items. Many of the dealers are very much in need of their basic stock items on their floors. I think at this market there will be quite a lot of replenishing of their basic needs. I don't think we are going to see any rush of buying. I think it will be orderly. I think some manufacturers, as always, will dump a little stuff. They will have some items that they don't think are good, and they will sell them at lower prices. But that is true at any market, except one of extraordinary stress.

We are very optimistic about middle and later fall. When we have an economy in this country that is running around two and a half billion dollars, and we have full employment, it can't spell anything but good business. As we find government spending and shortages on some critical items increasing, we feel that there will be more money for the home furnishings industry and we will get our part of it.

THEODORE GOTTLIEB

President, Porter's, Racine, Wisc.

The slow-up in buying is not due to a slow-up in selling on the retail floors of America. It is a readjustment and retrenchment to regain what we spent in advance buying for projected sales in January. Sales have not tapered off materially on a widespread basis across the country. Most alert home furnishings operations are selling as many or more units than they have sold in any previous year. There is no sign of any general softening in prices on the market. Prices are completely stable, and the price trend is slightly upward.


Theodore Gottlieb

One of the prime weaknesses in retailing today is that the average buyer or merchandise manager in a home furnishings store does not have his finger close enough on the pulse of what his clientele is seeking when they come into the store. The merchandise manager sets himself up as an arbiter of his clientele's taste. If some method could be devised where the man who was responsible for deciding what a store was or was not going to show, could find out what his people were asking for on his floor day after day, he could do a far more intelligent job of buying.

We have noticed a very important trend in the past few months that is influencing our buying at the market. Our clientele is more discriminating and knows exactly what it wants. So we are making a very substantial allocation of our open-to-buy dollars for special order work in each classification.

Fewer people in recent years furnish a complete home all at once. Most new home builders, spending considerably more on the home itself, find they do not have enough left over to furnish completely after they move in. New home owners furnish the areas they feel are vitally important, and they move into their new homes a great many of their old furnishings as a stop-gap measure until they can afford to complete furnishings on the same scale and in the same quality as the architecture itself.

F. A. HAYES

Vice-President for Purchasing, Bigelow-Sanford Carpet Co., Inc., New York, N. Y.

Wool has always been the most important component of a carpet, and it is going to remain so for all time. Synthetics will greatly modify, extend and complement the use of wool, but they will never completely replace it.


F. A. Hayes

In wool today, the supply does not meet the demand. There are 762,000,000 sheep in the world, producing about four billion pounds of grease wool yearly. But we have need of about 10% more than that—four billion, 400 million pounds—for consumption all over the world by both the apparel and carpet industries. The carpet industry, alone, uses between 700 and 800 million pounds a year.

There is no immediate prospect

of reduced carpet prices because of reduced wool prices. Wool prices depend on supply and demand. The supply is not going to increase rapidly enough to take care of the demands on our production for civilian and military needs and government stockpiling. There is not enough wool available at today's prices to make any material difference in our ability to quote a lower price on carpeting.

I am sure that something is going to happen to wool prices sometime, but meanwhile something new has come into the picture—rayons and synthetics. The future of the carpet industry is in carpet rayon. It is a better raw material, and when properly used, it produces better carpets at lower cost. It has new styling and texture possibilities, and consumer acceptance is high.

There still isn't enough rayon. There are only 10 or 12 million pounds of carpet rayon produced domestically and about 36,000,000 pounds will be used this year. Most of the rayon which the carpet industry uses must come from abroad, particularly from Europe. While rayon has been a bottleneck, foreign imports have made up the difference, and some manufacturing facilities have been acquired through the outright purchase of rayon producing plants.

The movement toward man-made fibers is well founded and moving much faster than we thought possible a few years ago. Bigelow today has pledged to increase the use of synthetics, regardless of the future of wool prices and wool supply.

PRESTON GROUNDS

Retail Merchandiser of Home Furnishings, Sears, Roebuck & Co., Chicago, Ill.

Retail business is going to increase gradually, as far as home furnishings are concerned, although business is not too bad at the moment. We are justified in looking over the long pull and recounting some of the basic things that tend to make good business. Last year we had 1,669,000 marriages, which is 7% over the previous year. This year we will have even more marriages, and eventually marriages mean homes. There will be 1,000,000 homes started this year, which means furnishings.


Preston Grounds

We have not yet really felt the effect of the defense program because it has been in a planning, retooling, relocating and rebuilding stage. A little later on we will get the full impact of the defense program, which will mean more dollars to be spent on home furnishings.

The "law of obsolescence" is going to begin to operate in the home furnishings industry, just as it has in the automotive and other industries. When consumers measure the progress, the technological improvements, the advances in styling and design, they will have a greater urge to buy than ever before.

The basic fundamentals are there for business, if we go after it. We must select the right assortment of merchandise, display it correctly and urge the customers into buying.

We will have to be continually buying merchandise to round out our assortment, and in the overall picture, we will buy about as much as we bought for last fall season. At the present time, we have a general inventory problem spread out in all types of home furnishings, but we are gradually working down our inventories.

We don't come to the market and actually buy a lot of merchandise. We are constantly working with our sources, and we use the market to evaluate, while our buying activities go on all the time. Our current level of buying is about the same as it was a year ago.

CARL RISHELL

Research Director, Nat'l Lumber Manufacturers Ass'n, Washington, D. C.

It is possible to be somewhat optimistic about the availability of lumber during the immediate future. Production in 1950 amounted to between 38 and 40 billion board feet, which is about 15,000 miles of box cars of lumber. There was tremendous concern when the defense program was first started that there would not be sufficient lumber to meet civilian needs and war needs. However, in reviewing various species and grades of lumber and plywood, there isn't a single item which we could honestly call critical.


Carl Rishell

We produced about the same amount of lumber during the years of the Second World War as we are producing today, but almost half of it went into boxes and crating that were shipped overseas. Unless something of that nature happens again, much of today's lumber will not be used for that purpose.

In furniture wood, the Army, Navy, Marines and Air Force buy practically every single item that civilians buy. The services use the woods strictly for combat purposes, such as furniture on ships, camp cots and truck bodies. So far they are not changing their designs from steel to wood in many cases.

The consumption of lumber at the present time is softening. We are producing more lumber than is being consumed, and the excess is going into stock. This is particularly true in the case of large manufacturers who are able to stockpile in considerable areas and who can go along well over a year building up supplies.

Prices also are softening. The price of lumber has gone up only about 7% since the start of the Korean war. But since that time there has been a reduction of about 5% by many manufactures in the top price of lumber. One reason for this is that small manufacturers have no place to stockpile lumber, and they must turn their number into money. The small manufacturer has to cut his price almost immediately, and the price schedule begins to sag.

But the price of lumber, or any other commodity, cannot go down to a very great extent if our economy is kept sound, unless labor and other costs go down, too. Labor costs are about 70% of the cost of producing lumber.

Gene A. Frantz With Wm. Blair & Co.

CHICAGO, Ill.—Gene A. Frantz has become associated with William Blair & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Frantz was formerly Vice-President of Weeden & Co.

H. L. Emerson Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Collins H. Lowery has become affiliated with H. L. Emerson & Co., Incorporated, Union Commerce Building, members of the Midwest Stock Exchange.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Russell Geiger is now affiliated with Waddell & Reed, Inc.

Jas. B. McFarland III Adds to Inventory

PHILADELPHIA, Pa. — James B. McFarland, III, H. M. Byllesby & Co., announces the issuance of an interest-bearing son, dated June 16, 1951, to mature in about 20 years. Price, not specified. Load, 10 lbs., 12 oz. Secured by a pledge of all assets now owned or hereafter acquired. Not subject to call. Associated in the business, Mrs. Sarah D. McFarland. Title, according to registration statement, James B. McFarland, Jr., subject to amendment and clarification.

Robert McCook Is Now With Hecker Co.

PHILADELPHIA, Pa. — Robert McCook, formerly of Hallowell, Sulzberger & Co., is now associated with the Trading Department of the Philadelphia office of Hecker & Co., members of the New York Stock Exchange, Liberty Trust Building.

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

HASTINGS, Neb.—Richard Rea is associated with B. C. Christopher & Company, Strand Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

THE NATIONAL CITY BANK OF NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	5,579,877,777	5,600,106,946
Deposits	5,078,996,110	5,167,682,639
Cash and due from banks	1,490,164,077	1,542,787,227
U. S. Govt. security hldgs.	1,508,670,959	1,466,370,819
Loans and bills discounted	1,823,836,643	1,870,015,906
Undivided profits	60,460,284	59,485,783

* * *

CITY BANK FARMERS TRUST COMPANY, NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	129,889,261	146,579,461
Deposits	95,373,660	112,145,057
Cash and due from banks	19,738,079	40,265,104
U. S. Govt. security holdings	84,846,609	81,361,889
Loans and bills discounted	1,306,712	1,243,767
Undivided profits	10,791,521	10,707,166

* * *

IRVING TRUST COMPANY, NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	1,291,103,703	1,288,217,771
Deposits	1,148,555,584	1,142,130,796
Cash and due from banks	363,174,034	353,951,106
U. S. Govt. security hldgs.	300,187,215	301,440,357
Loans and bills discounted	559,811,657	554,710,091
Undivided prof.	13,955,924	13,251,418

* * *

THE HANOVER BANK, NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	1,729,613,879	1,635,814,772
Deposits	1,563,435,883	1,478,597,204
Cash and due from banks	486,655,713	456,886,588
U. S. Govt. security hldgs.	560,274,490	530,776,635
Loans and bills discounted	587,731,412	551,403,446
Surplus & undivided prof.	113,121,579	112,639,867

In accordance with plans heretofore noted the corporate tile of the **CENTRAL HANOVER BANK AND TRUST COMPANY OF NEW YORK** was shortened on June 30 to the Hanover Bank.

* * *

BANK OF THE MANHATTAN COMPANY, NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	1,243,432,590	1,260,380,883
Deposits	1,129,098,332	1,144,791,192
Cash and due from banks	344,817,422	371,755,914
U. S. Govt. security hldgs.	294,079,433	266,279,862
Loans and bills discounted	515,815,655	525,735,515
Undivided prof.	16,541,155	16,091,093

* * *

CORN EXCHANGE BANK TRUST COMPANY, NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	784,611,307	784,857,918
Deposits	733,375,959	720,483,314
Cash and due from banks	242,141,574	221,473,759
U. S. Govt. security holdings	385,056,295	415,502,942
Lons and bills discounted	120,883,004	106,125,506
Undivided profits	8,469,631	8,124,423

* * *

J. P. MORGAN CO. INC., NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	770,261,453	745,470,795
Deposits	674,532,112	657,548,025
Cash and due from banks	186,331,158	231,482,787
U. S. Govt. security holdings	182,077,383	168,798,438
Loans and bills discounted	291,072,483	244,442,905
Undivided profits	13,017,273	12,635,454

* * *

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

	$ June 30, '51	$ Mar. 31, '51
Total resources	510,846,017	513,311,132
Deposits	456,836,930	466,343,961
Cash and dues from banks	128,310,069	134,203,108
U.S. Govt. securities	77,217,759	66,282,348
Loans & discounts	256,975,568	258,206,756
Undivided profits	9,371,260	8,993,028

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	June 30, '51 $	Mar. 31, '51 $
Total resources	245,569,935	242,537,765
Deposits	207,870,067	206,820,690
Cash and dues from banks	65,355,224	61,465,069
U. S. Govt. security holdings	49,947,070	46,102,838
Loans & discounts	57,472,534	67,507,725
Capital surplus	14,125,284	14,105,284

BANKERS TRUST COMPANY, NEW YORK

	June 30, '51 $	Mar. 31, '51 $
Total resources	1,972,570,367	1,850,523,728
Deposits	1,757,797,747	1,652,546,238
Cash & due from banks	504,969,112	520,994,986
U. S. Govt. securrity hldgs.	486,974,309	413,472,574
Loans and discounts	844,210,759	793,766,950
Undiv. profits	37,924,224	39,125,927

* * *

CHEMICAL BANK & TRUST COMPANY, NEW YORK

	June 30, '51 $	Mar. 31, '51 $
Total resources	1,764,035,535	1,741,236,736
Deposits	1,588,749,731	1,565,611,812
Cash & due from from banks	481,327,787	438,789,536
U. S. Govt. security hldgs.	435,375,604	398,058,947
Loans & disc'ts	685,096,342	722,499,424
Undiv. profits	18,223,814	17,201,622

* * *

MANUFACTURERS TRUST COMPANY, NEW YORK

	June 30, '51 $	Mar. 31, '51 $
Total resources	2,580,915,524	2,592,811,450
Deposits	2,374,568,437	2,396,263,928
Cash & due from banks	736,081,048	750,800,501
U. S. Govt. security hldgs.	874,339,581	903,231,332
Loans & disc'ts	795,955,886	746,666,778
Undiv. profits	35,814,263	31,391,323

* * *

THE NEW YORK TRUST COMPANY, NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	786,620,178	826,359,476
Deposits	703,579,141	746,257,425
Cash and due from banks	205,366,783	245,096,017
U. S. Govt. security holdings	257,383,732	260,786,196
Loans & discounts	297,890,238	295,956,842
Undivided profits	14,539,963	13,892,216

* * *

THE MARINE MIDLAND TRUST COMPANY OF NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	387,955,591	390,035,908
Deposits	358,599,886	360,560,520
Cash and due from banks	116,119,195	103,779,114
U. S. Govt. security holdings	109,992,334	117,950,803
Loans & discounts	152,424,772	150,051,840
Undivided profits	4,009,980	3,782,381

* * *

UNITED STATES TRUST COMPANY OF NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	164,767,714	169,863,443
Deposits	131,023,195	136,217,670
Cash and due from banks	26,790,108	30,764,411
U. S. Govt. security holdings	62,648,686	63,672,353
Loans & discounts	57,787,554	53,003,574
Undivided profits	2,442,343	2,333,943

* * *

J. HENRY SCHRODER BANKING CORPORATION, NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	92,366,014	119,229,349
Deposits	63,135,851	89,595,668
Cash and due from banks	8,464,466	14,499,028
U. S. Govt. security holdings	42,465,880	62,763,250
Loans & bills disct.	15,711,232	15,728,067
Surplus and undivided profits	4,010,683	4,006,877

* * *

SCHRODER TRUST COMPANY, NEW YORK

	June 30,'51	Mar. 31,'51
Total resources	$40,801,043	$42,490,629
Deposits	35,137,323	36,612,173
Cash and due from banks	10,710,923	11,765,715
U. S. Govt. security holdings	20,926,574	21,231,073
Loans & bills disct.	8,020,588	8,164,637
Surplus and undivided profits	3,011,796	3,006,789

* * *

GRACE NATIONAL BANK OF NEW YORK

	June 30,'51 $	Mar. 31,'51 $
Total resources	125,885,052	122,525,126
Deposits	109,475,171	104,721,337
Cash and due from banks	37,863,735	41,871,061
U. S. Govt. security holdings	44,616,569	37,638,675
Loans & bills disct.	31,626,926	31,301,428
Surplus and undivided profits	4,146,505	5,033,038

* * *

CLINTON TRUST COMPANY, NEW YORK

	June 30,'51	Mar. 31,'51
Total resources	$29,226,122	$28,418,649
Deposits	26,901,878	26,371,497
Cash and due from banks	7,576,542	8,320,798
U. S. Govt. security holdings	10,582,577	9,372,454
Loans and bills discounted	8,636,068	8,435,040
Surp. & undivided profits	954,290	877,977

The New York Agency, at 67 Wall Street, of the **Standard Bank of South Africa, Ltd.,** announced on June 27 the receipt of a cablegram from its Head Office in London stating that The Right Hon. The Earl of Scarbrough, K.G., G.C.S.I., G.C.I.E. has been elected a member of the board of the bank.

* * *

Frederick W. Bardusch, an Assistant Cashier, has been appointed an Assistant Comptroller of the **Chase National Bank of New York,** it is announced. Henry H. Brown and Paul S. Marsland, Assistant Managers in the credit department, were promoted to Assistant Cashiers, and the following employees were appointed to the official staff: Clarence H. Becker, branch administration, and Thomas W. McMahon, Jr., public utilities department, Assistant Cashiers; Charles L. Leist, Assistant Comptroller; Hans J. Pilgram and Palmer O. Turnheim, Assistant Managers in the credit department, and Francisco de Jesus T., Assistant Manager, branches in Puerto Rico.

* * *

N. Baxter Jackson, Chairman of **Chemical Bank & Trust Company of New York,** announces the appointment of Frederic E. Mar as Manager of the Credit Department, and the election of Thomas J. Burke, Ralph E. Northrop and Fred George Pfeiffer as Assistant Trust Officers in the Personal Trust Department.

* * *

Announcement is made of the incorporation of **Credit Suisse (Canada) Ltd.** under the Companies Act of Canada on June 29, 1951 with an authorized capital of $1,000,000. No public offering of stock is involved as all the shares will be owned by interests associated with **Credit Suisse of Zurich, Switzerland,** one of the leading European banking institutions. The directorate will include one of the managers of Credit Suisse. The new company will have its office in Montreal and will be active as custodians and administrators and in certain branches of the securities business.

* * *

Colonial Trust Company of New York has recently established a Chinese Department at its Wall Street Office, under the management of a newly elected Assistant Vice-President, Milton C. Lee, who was formerly attached to the New York Agency of the Bank of China. It is announced that as soon as the business men of Chinatown learned that the Colonial was offering special facilities for members of that colony, and that such business was handled by a Cantonese graduate of Columbia University and a former official of a number of well-known Chinese Nationalist Government financial organizations, they began to use new bus facilities as a quick method of reaching the Wall Street Office of Colonial. As a result, Arthur S. Kleeman, President of Colonial Trust Company, states that the bank has not only received a number of deposit accounts from Chinese businessmen throughout the city, "but the new Chinese Department is now handling a steadily growing volume of transactions for the business organizations in Mott and Pell Street."

* * *

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	June 30, '51	Apr. 9, '51
Total resources	$54,788,637	$47,103,578
Deposits	45,365,565	37,878,253
Cash and dues from banks	13,957,713	7,959,801
U. S. Govt. security holdings	19,493,195	18,869,086
Loans & discounts	3,328,030	2,566,532
Undivided profits	568,257	684,597

* * *

On Saturday, June 30, **The Lincoln Savings Bank of Brooklyn, N. Y.,** observed its 85th birthday, John W. Hooper, President, announced. The bank which claims to be the seventh largest savings bank in the United States; on the

Continued on page 36

Salesmen in Impending Sellers' Market

By ELMO ROPER*
Marketing Consultant, New York City

Forecasting American business will soon enter another period of shortages and renewal of sellers' market, prominent marketing consultant finds future task of salesmen is to improve techniques of distribution, so that limited supplies of goods and services get to right customers on a fair and equitable basis. Sees, also, prospect of uncovering new outlets, of adapting to new markets, and of more efficiency in gearing distribution system to people's changing needs.

I suppose the answer to the question, "What Do We Need Salesmen For?" might well have been given in a four paragraph dispatch in the New York "Herald Tribune" of May 6. That story told of a poll which had been conducted among Sales Executives. Apparently a question had been put to a cross section of the Sales Executive Club of New York, which asked: "Would you say that selling is easier, harder, or about the same as it was a month ago?"

Elmo Roper

The results, as reported by the "Herald Tribune," came out this way: 10% had no opinion, and let me pause just a moment right there. Many times in our own surveys when we report a certain number of people with no opinions, people ask us just who are these people with no opinions—are they the ones who still think William McKinley is President and who never found out whether or not MacArthur ever did return to Bataan, or are they wise old owls whose thinking runs so deep that any direct question is always an "iffy" proposition? As a matter of fact, we have found that the "no opinion" group is usually made up of those people who are either very ignorant or those who are very smart and we, being scientists, throw them both together!)

Getting back to the results of that question of selling, the results also showed that 10% thought that selling was easier at the beginning of May than it was at the start of April. And 32% more said it was the same—no substantial change. But the largest group, some 48%, reported that selling was getting tougher. And this stirred the "Herald Tribune" to some very pertinent speculation.

The paper asked, "Does this mean inflation's petering out?" And then went on to say that "according to some observers, these results might be a forerunner of a generally weakened market."

Well, that's pretty serious questioning, and there are a good many people around who are more concerned about the prospects of a levelling off and a deflation than they are of an inflation. I certainly don't have to report to you gentlemen that the inventory lines are jammed in a good many fields right now. The spring selling has been slow.

Why Prices Leveled Off

But I would like to submit that there are reasons for this leveling off. I would estimate that things have been slow thus far in 1951 for four main reasons, among others. First, there was an abnormal, in fact, a record rush to buy almost all consumer goods from June 25 last year until the end of the year. For many people, the purchase date was hastened and advanced by the scare of the Korean war. Second, there has been a tightening of consumer credit regulations, so that the credit market with even an abbreviated Regulation W isn't what it once was. Third, the anticipated shortages of raw materials haven't reached the point where there is much restriction on consumer products. Let me illustrate that by pointing out that back last November or December, it was widely anticipated that the boom we had been enjoying in new home construction would come to an abrupt end. But the latest figures on home construction show that while 1951's home building is expected to be some 20% off what it was in 1950, it is still the third highest in the history of the country. Somehow, new home construction hasn't dried up. Materials might be harder to get, but they aren't so hard as to create shortages of the finished product. Fourth, the flow of military orders from the government has actually been below what was anticipated by many, and what was outlined six months ago by our government leaders.

The combination of these factors, in your own words, has made selling tougher in May than it was in April. And the chances are that it is a good deal tougher to sell in May than it was last fall.

But I would also submit that this situation has all the earmarks of a temporary situation. If I had to become as speculative as the "Herald-Tribune" — and believe me, despite my past association with the "Tribune," I'm not always that speculative—I would guess that several of the things which have contributed to the present dip in the market will have ended and probably have been reversed by the last quarter of this year. If I were to guess, I'd say that the slack which was left by the rush buying after Korea will probably be taken up in the fall, when we can expect consumer demand to begin building up again. The anticipated shortages in raw materials and consequently in production which didn't take place in the first half of this year, will probably begin to show themselves toward the end of the year and the early part of next year. And the military orders are increasing at an accelerated rate, which will begin to pinch and to compete with the more normal civilian production.

Heading for More Inflationary Pressures

Every set of figures and every reliable estimate I have seen indicate that we are heading for more inflationary pressures, not less. I think a fundamental proposition in America in 1951 is that you just can't spend 60 or 70 billions a year on armaments which either get shot up or stored away for readiness and expect to have a deflation and no shortages.

Continued on page 35

*An address by Mr. Roper before the Annual Convention of the National Sales Executives, New York City, May 31, 1951.

Denies U. S. Buying Caused Europe's Inflation

Erik Kjellstrom, Research Director of NAM, says source of price rises in European countries lies in their inefficient and inadequate monetary policies rather than as result of U. S. bidding for raw materials.

Addressing the New York Rotary Club on June 21, Erik T. H. Kjellstrom, Associate Director of Research of the National Association of Manufacturers asserted that although some Europeans blame American bidding for raw materials for their price inflation, much of the price increases in Western Europe can be traced to unsound fiscal and monetary policies and uneconomic government spending.

E. T. H. Kjellstrom

"Inflation must be combated at its sources and not at its symptoms," Mr. Kjellstrom told a luncheon meeting of the Rotarians at the Hotel Commodore. "Although the Marshall Plan has worked exceedingly well, Western Europe still faces the problem of maintaining, and possibly increasing, the living standards of the individual countries in the face of added burdens placed on their productive capacities by the new armament programs."

The economist noted that the price developments abroad have not followed the pattern of the greatest price increases in raw materials and other basic commodities. The unevenness of the prices changes, he added, have worsened the terms of trade of most Western European countries, with the possible exception of Sweden, and thereby weakened their balances of payment.

"Some Europeans are inclined to blame the increases in prices on higher costs of production caused by American bidding in the world markets for strategic industrial and military raw materials," Mr. Kjellstrom continued. "However, much of the price increases in Western Europe may be traced to unsound fiscal and monetary policies which have their roots in the doctrine of full employment based not on free competitive enterprise but on political aspirations and uneconomic government expenditures.

"It is necessary for Western European countries to curtail civilian government expenditures and to stimulate the opportunities for individual savings, so that productivity can be increased, and to follow a policy of pay-as-we-go, if the inflationary forces are to be stopped. In addition, it is necessary to put curbs on expansion of both public and private credit of an inflationary character."

Mr. Kjellstrom emphasized that price developments in the world markets are of more vital importance to all freedom-loving nations than at any time heretofore. He said also that it appears unlikely "at the moment, at least," that the Western European countries will appreciate the value of their currencies, but will rely on other means to attempt to improve their terms of trade.

Purchasing Agents Report Slackening Demand

Composite opinion of Business Survey Committee of National Association of Purchasing Agents is that production, which started downward in April, continued to decline in June. Says prices not under controls are showing weakness.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Conn. indicates, in their June review of business conditions, that there is a continuation of the softening which was under way in May. Back order positions have been deteriorating now for four months. In June, 40% confirmed this condition and we have to go back to June, 1949, to find a comparable decline. Production, which started down in April, in an attempt to find a balance with the lower demand, shows a further slackening in June, with 21% on lower schedules.

Robert C. Swanton

Defense orders are not filling the gap. The Controlled Materials Plan is not expected to have much effect until the end of the third quarter. July and August, heavy industrial vacation months, are expected to be slow. The search for defense and subcontract business is increased by these conditions.

Prices, particularly of commodities not under control, are showing weakness. The largest number of items since Oct., 1949, record June declines. Industrial inventories are trending down because of the close buying policy. Some report stocks are in better balance because of improved deliveries.

Employment is holding fairly well. Few show increases in personnel. More plants are on shorter work time. Scattered labor unrest is noted.

Buying policy is reported to be very conservative. The movement is quite definitely into the lower brackets of a "hand-to-mouth" to 90-day range. Purchasing agents are taking a very cautious view of the next few months, and regulations restrict extended commitments of the scarce materials.

Commodity Prices

While the price structure is generally firm, increased supply and lower demand are depressing some prices of uncontrolled commodities. The effects of price regulations will not be felt in the markets before the middle of July. However, there has been a trickle of price rollbacks, none of them very drastic. If the few cutbacks now in evidence are an indication of the over-all results of CPR July 2 filings, the rollback will be very small, probably not over 5%. A more realistic approach to pricing is developing, caused by the stronger competitive trend of fabricated goods.

Inventories

Industrial raw material inventories declined in June. Reduction in new orders, cutbacks in production and postponed deliveries of finished goods are causes for deferring deliveries of the easier-to-get items. Coupled with the regulated intake of critical materials, this is helping to bring manufacturers' inventories into balance. CMP is expected to aid materially in this respect, by furnishing allotments of controlled materials sufficient to balance in-process operations. In the next few months, this balancing of materials can create a surge in production of finished products, but locating warehouse space for them is another problem.

Employment

The number on the pay rolls held fairly constant in June. More labor is being retained on shorter work schedules, awaiting an upturn in defense orders or a change in civilian goods demand. More, and longer, vacation periods for July and Aug. have been announced. School graduates are relieving tight spots of unskilled labor in some areas, and filling up trainee programs. Second shift operators are hard to get. A sprinkling of small strikes, with threats of more and larger work stoppages, is reported.

Buying Policy

The views on forward commitments are conservative; much like conditions of June a year ago. 85% are within 90 days, and the trend is toward the middle and lower end of that range. The definite allotment of controlled materials, and some adjustments in ceiling prices, may encourage a slightly longer coverage policy. At present, it is very cautious.

With McAndrew Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Marjorie H. Woods has joined the staff of McAndrew & Co., Incorporated, Russ Building.

Pigeon Retires

Estabrook & Co., members of the New York and Boston Stock Exchanges, announce the retirement of Richard Pigeon as a general partner on June 30, 1951, after 35 years as a member of the firm. Mr. Pigeon joined the Estabrook organization on Jan. 7, 1901 and was admitted as a general partner in 1916. He was the first Bostonian ever to be elected to the Board of Governors of the New York Stock Exchange and served as such from 1936 to 1940.

With Boettcher & Co.

(Special to The Financial Chronicle)

DENVER, Colo.—George N. Sery has become associated with Boettcher & Company, 828 Seventeenth Street, members of the New York Stock Exchange. Mr. Sery was formerly with Investment Service Corporation.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

One of the principal attractions of insurance stocks and one of the reasons for their high investment standing is the stability and security of dividend payments.

Most of the major companies have dividend records going back over 50 years with a number of institutions having maintained consecutive payments for over 75 years.

At the present time, when higher taxes, need for funds to finance expansion and restricted operations because of economic changes, may necessitate a lower level of dividend payments by some industrial companies, the outlook for insurance company dividends is believed relatively favorable.

While increased fire losses and an unfavorable experience on automobile lines have adversely affected the underwriting results so far this year, recent and prospective rate increases give promise of an improvement in this phase of the business in the future. Results for the year, however, may not show any improvement over those of last year.

Underwriting results, however, are not so important in the determination of dividend payments as are the investment earnings. While it is true that underwriting experience may exert a psychological influence on management at a particular time, the past record indicates that over a period of years the investment results have generally been more important in the determination of dividend policies.

Prior to the war a historical relationship showed that approximately 75%-80% of the annual investment earnings were distributed to stockholders. The balance and income from underwriting were used to build-up capital funds and provide for the growth of the business.

In recent years, a more conservative dividend policy has been pursued by most companies. One of the principal reasons has been the need for additional capital. Difficulties of public financing required retention of income to provide additional capital.

Thus in spite of the fact that dividend payments have been increased by most companies within the past few years, current distributions, amounting to only about 60%, are still conservative in relation to investment income.

The following tabulation for 25 selected fire insurance companies shows the current dividend rate including extras, the 1950 investment income, the dividend as a percentage of investment income and the number of consecutive years of dividend payments:

	Indicated Annual Dividend	1950 Invest. Income	Div. As % of Inv. Inc.	Years of Consecutive Dividends
Aetna Insurance Co.	$2.25	$4.04	56%	78
Agricultural Insurance Co.	3.50	6.41	55	87
American Insurance (Newark)	1.00	1.84	54	79
Boston Insurance Co.	2.40	3.85	64	76
Continental Insurance	2.50	4.58	55	98
Federal Insurance	2.20	3.57	62	49
Fidelity-Phenix Fire	2.50	4.90	51	41
Fireman's Fund Ins. Co.	1.60	2.79	57	43
Firemen's Insurance (Newark)	.70	2.62	26	14
Glens Falls Insurance	2.30	3.16	73	85
Great American Insurance	1.50	2.76	54	78
Hanover Fire Insurance	1.60	2.68	60	98
Hartford Fire	3.00	6.21	48	77
Home Insurance	1.80	2.79	65	77
Insurance Co. of North Amer.	2.50	4.19	59	77
National Fire Insurance Co.	2.50	4.82	52	79
National Union Fire	1.60	3.17	50	17
New Hampshire Fire Insurance	2.00	3.39	59	81
Phoenix Insurance	3.00	5.38	56	77
Providence Washington	1.50	2.53	59	43
St. Paul F. & M. Insurance	.80	1.36	59	79
Security Insurance	1.60	2.51	64	57
Springfield F. & M. Insurance	2.00	3.30	61	84
U. S. Fire Insurance	2.40	4.11	58	41
Westchester Fire Insurance	1.00	1.46	69	79

In order to restore dividend payments to the historical relationship of 75%-80% of investment earnings, increases averaging 25% to 30% would be necessary. Under current conditions, however, it is not likely that distributions will be generally enlarged. Once again rising prices resulting in increased premium volume and higher losses have put a strain on capital funds. Thus while this may tend to keep dividend payments conservative, no major reductions are likely and there should be a number of modest increases.

Over the longer term the prospects for larger payments is considered bright. Investment income during the past several years has shown considerable growth. Increased dividend payments on security holdings plus a larger volume of funds invested has meant a considerable gain in investment earnings. Eventually this growth in business should be translated into larger dividend payments and a greater percentage of investment earnings distributed to stockholders.

Continued from page 5

Government Bonds and Bank Investment Policy

Mr. Eccles pointed out, actually an engine of inflation in creating reserve balances on which to build more bank credit. The Board of Governors became more restive in its role of supporter of the Government market. Charged, as the System is, with the supervision of the supply, availability and cost of credit, it viewed with growing concern the swelling volume of borrowings. Finally the Board was moved to action to restrict credit by making it more difficult to get, more costly and with greater risk. The fight on inflation was on.

Anti-Inflationary Moves

The first of several anti-inflationary moves came in August last year with an increase in the rediscount rate to 1¾% from 1½%, making it more expensive for banks to borrow, which the Federal decided was necessary because of the excessive expansion in bank credit in the previous six weeks alone. It then issued the famous warning that because "of this development and to support the Government's decision to rely in major degree for the immediate future upon fiscal and credit measures to curb inflation, the Board and the Federal Open Market Committee are prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the Government securities market."

The Federal Reserve and Treasury were not then in complete accord on monetary policy. At this point the behind-the-scenes differences over monetary management came into the open. The Treasury, at about the time of the Federal's move to increase the discount rate, announced the terms of the September, 1950, refunding of the 2% and 2½% Bonds, called for redemption on the 15th, and the 1⅛% Certificates due on the same date. A 13-month 1¼% Certificate was offered in exchange. Whereupon, the Federal Reserve Open Market Committee lowered its buying prices on the outstanding Notes and offered in competition with Treasury the outstanding 1¼% issue due July 1, 1951 to yield 1.29%, the Aug. 1, 1951 maturity at 1.30%, Oct. 1, 1951 maturity at 1.31%, and Treasury Bills at 1.25%. By comparison, the new issue was unattractive, and banks were quick to do their own refunding by selling the maturing issues to the Federal which, in turn, supplied the outstanding Notes. The situation was without precedent, and resulted in the Federal buying substantial amounts of the maturing issues which it (the Federal) exchanged for the new Treasury offering. The Federal Reserve authorities were now definitely committed to an anti-inflation policy. The Treasury, meanwhile, was non-committal, but boiling. Throughout the fall of last year, the Federal Reserve continued to purchase large amounts of long-term bonds at pegged prices from institutional investors. In September, New York banks increased prime lending rates from 2% to 2¼%, and the Federal Reserve Board Chairman again warned that alarming symptoms of inflation were evident, and the outlook for a serious inflationary spiral was foreboding, citing the $2½ billion increase in commercial loans since Korea, and the record volume of outstanding consumer credit. Then the Federal Reserve Board issued, under the authority of the Defense Production Act, the well known Regulation W which was initially used in World War II to regulate consumer credit. The terms were made more restrictive about a month later. By establishing the minimum down-payment requirements and maximum periods for repayment, the Regulation was the first move in the continuing comprehensive anti-inflationary program. Parenthetically, the restrictions have now stopped the highly inflationary expansion of outstanding installment credit — witness the six-month period October, 1950 through March, 1951 when installment credit outstanding declined $364 million. This decline contrasts sharply with the increase of $2.3 billion in the preceding six months and the rise of $1.2 billion in the period October, 1949 to March, 1950.

Regulation X

Another anti-inflationary move to restrict credit and conserve materials came, you remember, last October in the form of Regulation X, under the terms of which and companion FHA regulations, mortgage loans on houses are limited to various percentages of value. I might point out that this Regulation has been effective, which is confirmed by the Federal Reserve Board in a recent statement. Housing starts will be less than the 1,400,000 of 1950 but probably a bit more than the 850,000 goal for 1951. The Board believes the restrictions on mortgage credit should be extended, to be adequately effective, to cover loans made on existing properties on which almost $9 billion of mortgage credit was extended in 1950, or about ⅗s of all the credit extended on all 1- to 4-family properties. Total mortgage debt outstanding on 1- to 4-family houses, new and old, combined, is now 2¼ times what it was at the end of World War II, according to the Federal Reserve Board.

In November the Federal Reserve Chairman appealed to banks to help in the fight against inflation by holding down lending. The increase in commercial loans since July 1, the start of the Korean action, was then $5 billion, and he appealed for the maintenance of "a reasonable balance between available goods and services and the supply of dollars bidding in the market place." The unprecedented rise in bank loans has been the major factor in the country's increasing money supply, and the continued growth of bank credit, not balanced by increases in production of civilian goods, would put additional upward pressure on prices, impairing the buying power of the dollar and adding to the cost of the nation's defense program.

In January of this year the Federal next moved to restrict bank lending by increasing reserve requirements of member banks by two percentage points. Shortly thereafter the New York banks again increased the rate on prime commercial loans from 2¼% to 2½%. Later in the month the Federal ordered an increase in margin requirements on stock exchange collateral from 50% to 75%. This decision was calculated to head off undue expansion in the securities field since the volume of credit in the market on Jan. 1, was only $1.4 billion compared with $3.6 billion on Jan. 1, 1946.

Treasury Secretary Snyder, meanwhile, was vigorously defending the long-term 2½% rate. In February President Truman invited the Federal Reserve Board to the White House in an effort to compose the differences over monetary policy between the Treasury and the Board, from which came the statement that the President had received assurances from the Board that the 2½% rate would be protected. This was later said not to be in accordance with the understanding of some members of the Board.

Meanwhile persistent selling of Governments by commercial and savings banks and insurance companies was absorbed by the Federal Reserve Banks, but the support prices were being steadily lowered. The demand for credit was as vigorous as ever. In retrospect, the Federal Reserve Board points out that credit expansion has financed a substantial share of the increased consumer and business spending since June 1950. Without the restraints provided by the Defense Production Act, the expansion in credit and upward price pressures undoubtedly would have been even greater. From the end of June 1950 to the end of March 1951, outstanding loans and holdings of corporate and municipal securities by all banks increased by over $12 billion. This increase was almost as much as occurred in the two years 1947 and 1948 combined and these were both years of rapid credit expansion and inflationary credit trends. Credit extended by other lenders to businesses, municipalities and consumers also was in unprecedented volume.

Chairman Martin of the Federal Reserve Board pointed out early this month before the House and Senate Banking and Currency Committees that such credit was supplemented by drawing on holdings of liquid assets. Between the end of June 1950 and the end of March this year, redemptions of Savings Bonds exceeded cash purchases by over a billion dollars, and savings accounts were reduced by close to three-quarters of a billion dollars. Reflecting the demand for and use of ready cash, demand deposits of businesses and individuals increased by over $7 billion in the last half of 1950 and showed only a moderate seasonal decline in the first quarter of 1951. The turn-over or rate of use of these deposit balances rose sharply. About mid-February the Federal was becoming genuinely concerned over the way things were going and became convinced something must be done to halt the strong inflationary trend, and the steady depreciation in the purchasing power of the dollar. On the sheet before you a few figures have been compiled which mirror the steady growth of inflation. Notice, if you will, the steady uptrend in loans that accelerated late last year and through March of this year, also the steady decline in holdings of Government securities and the rising yields in all maturity classifications reflecting a lessening of demand. The failure of Federal Reserve holdings of Governments to increase in direct proportion to the decline in bank holdings of Governments probably means that corporations, insurance companies and savings banks absorbed, in part, the securities liquidated by the commercial banks. That, I think, was especially true of Treasury Bills and Notes which were absorbed in substantial amounts by corporations with excess funds and insurance companies seeking a spot to put temporary funds from sales of long Bonds to the Federal Reserve Banks, pending the closing of mortgage commitments made previously. The boom is reflected in the rising Gross National Product, Index of Industrial Production, Commodity and Cost of Living indices. The Treasury, meanwhile, was calling loudly for continued support of the market on the grounds that it was necessary to maintain low interest rates to facilitate refunding of the immense floating debt and the raising of such new money as might be necessary to finance the war. The fact that inflation was running strong was virtually ignored in the statements of the Treasury's position at the time. The pressure on the market continued to mount over succeeding weeks through relentless selling on the part of insurance companies, savings as well as commercial banks. The position of the monetary authorities had now become untenable. Then the Treasury and Federal reached a new agreement on credit control which is one of the most important developments in over a decade. At this point, in March this year, the Treasury made a dramatic move which not only marks the end of an era in monetary management, but a significant change in fiscal policy, which will have far reaching effects. The Federal recovered a greater measure of freedom in controlling reserve balances. The Treasury, meanwhile, undertook to reduce the selling potential of the large investors by making the exchange offer of a non-marketable 2¾% Bond for the June and December 2½s 1972-67, which were permitted to fall just prior to the opening of the subscription books to a new support price of 99. With the inclusion of some $5 billion of 2½s held in Treasury Trust and Old Age accounts, $13½ billion of the 2½s were exchanged and thereby removed from the market. The loan trend, meanwhile, was still up. The Federal finally withdrew continuous support from the market to shut off the supply of reserves from the banking system. The authorities have stood by with token support to keep the market orderly. There is, as far as I know, no continuous pin-point support at a specific price that can be relied upon as in the old days. We now have a flexible open market policy. But Governments will neither be unprotected nor permitted to fluctuate widely.

Inflation Pressures Will Be Revived

The foregoing highlights the struggle of the Federal Reserve authorities, in their valiant efforts, to hold in check the powerful forces making for inflation. Without these curbs, the rise in the price level might have been far worse than we have seen. Although we are momentarily seeing signs of the effectiveness of th curbs, some hesitation in general business can be attributed to the shift to defense production. Later this year, inflation pressures will be revived, and the prospect demands the unflagging vigilance of the monetary authorities, and the courage to take the necessary action to cope with this threat to our economy.

After many years of price support, why has our official policy now been changed? Why will the Federal Reserve authorities no longer protect an artificial 2½% long-term rate on long-term government bonds? The reason is that our former policy added so substantially to our money supply that it was rapidly outstripping the supply of goods and services available for purchase, and the purchasing power of the dollar was alarmingly shrinking in value. Under the former policy, government securities were convertible on demand into money without risk of loss at pegged prices. The Federal Reserve was frequently the only buyer at these prices. The practice not only created new money that had never existed before, but also creates a bank reserve which can support a further expansion of money in the ratio of about five to one.

Many observers do not feel, in which the authorities probably concur, that the unpegging of government securities and the rising trend of interest rates as such will stop the inflationary trend, but it is certain that without these influences, there would be no hope of checking effectively overall credit expansion. Higher interest rates in themselves would probably not restrain the prospective borrower, but flexible rates do have real significance in bringing into better balance the demand for money with the supply. As one authority pointed out, it was only through manipulation of the supply that rates have been maintained at the former fixed levels.

That the new forces are powerful there is no doubt, although the effects may not be apparent for a time. The liquidation of government securities has slowed up, and purchases by the Federal Reserve System have been effectively and substantially reduced. The volume of credit being manufactured through the purchase process has declined drastically. The effect is to make borrowers take a second look at their affairs and this makes for caution. The psychological effect is intangible but very real.

Money Beginning to Get Tight

For the first time in years, money is beginning to get tight, and the demand exceeds the supply. Rationing is now under way through the Regional Voluntary Credit Restraint Committees of the banks, insurance companies and investment bankers which will attempt on a voluntary basis to channel our available supply of credit into the defense effort, eliminating, so far as possible, loans for non-defense purposes. Only recently a $67½ million loan of the State of West Virginia was frowned upon by the Regional Credit Restraint Committee as being inflationary for it was to be used to pay a bonus to Veterans of that state. The Eastern Committee asked the state not to sell the bonds but the state attempted to do so. Through the cooperation of the investment bankers no bids were received on the date of sale.

Mr. Sherwin C. Badger, Vice-President of the New England Mutual Life Insurance Company, in a recent address to the National Association of Mutual Savings Banks, cited "a few figures which give a rough idea of how suddenly the position of one important group of investors, the life insurance companies, has changed." He estimates "that the life insurance companies had about $11 billion available for investment in 1950 and that in the 12 months starting May 1 this year, they will have only about $3 billion. The decline will be due because of the reduction in refundings of outstanding issues and a drop in insurance company sales of government bonds. In 1950, life insurance companies invested not only their $11 billion of available cash, but made future commitments for an additional $2 or $3 billion. Thus, they invested, or promised to invest, somewhere around $13 to $14 billion. In the year starting last May 1 out of their estimated $8 billion available, they will have to make payments for perhaps $2 billion of commitments made last year. Thus, there will remain only about $6 billion net for new investments and commitments which is in sharp contrast to last year's figure of $13 to $14 billion. This is the first time in nearly two decades that life insurance companies have had to figure out where their money is coming from before they invest. No longer is their problem one of finding outlets, as was the case until well after the war, and no longer are they in a position of knowing they can sell government bonds by the billions in a guaranteed and loss-free market in order to raise funds whenever they may want them." Mr. Badger concludes, "if my analysis is right and if the Federal Reserve does not reverse itself, and turn on the tap of new and easy credit, it seems to me that the demand for investment funds is likely to be larger than the supply, for the indefinite future." This, mind you, is from one of the leaders in the insurance field. This view was confirmed a short time ago by the President of the National Association of Home Builders at a meeting in Washington when he was quoted as saying that his industry was facing a serious crisis because the supply of mortgage money had just about vanished.

Credit Restriction Policy

That the monetary managers do not propose to rely wholly on open market operations to restrict credit was evident from President Truman's April 26 message to Congress recommending extension and strengthening of the Defense Production Act. The President stated that "the major impact of the military build-up on our economy is yet to come, and the inflationary pressures brought on by the defense effort likewise have not yet reached their peak." The stability of the last two months is viewed as something of a breathing spell, with the economy not to be hit with military production until this fall and winter. After citing the success of some measures, the President pointed out the less favorable situation regarding bank credit to business men. "Many of the loans are necessary," Mr. Truman stated, "but it is very important to cut down on unnecessary loans." The President further thought that "the Federal Reserve Board should be given authority to impose additional requirements for bank reserves, and I expect to transmit specific recommendations on this subject to the Congress in the near future." Control of bank reserves by means of additional requirements may become an important point in the Administration's program. Ingenious new techniques have been developed in other countries, although plans here are in the formative stage. These have been designed to supplement and reinforce policies of dearer and tighter money, created by raising interest rates and restoring flexibility to the government securities pattern. Aside from the more fundamental objective of controlling the money supply, the supplementary reserve requirements are designed to curb liquidation of government bonds and check the expansion of loans. The most recent proposal is to relate cash reserves to assets and empower the monetary authorities to vary the percentage of reserves required for loans, long- and short-term government bonds and other income-bearing assets. The current discussion of commercial bank reserves focuses attention on the point that the primary purpose of requiring reserves is to control the money supply rather than to promote safety. Proposals for changes reflect the problems of the times. The proposal to include deposit activity in the reserve calculation was an outgrowth of the high velocity of deposits associated with the stock market boom and collapse of the 1920s. The 100% and supplemental reserve plans grew out of problems arising in the size and ownership distribution of the national debt. The proposal to tie cash reserves to assets, rather than to liabilities, stems from the recent growth in bank loans and the persistent sale of government bonds. Underlying these proposals is a reluctance on the part of the monetary authorities to

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White, Weld & Co. Admit 3 Partners

White, Weld & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announces that Jean Cattier will again become a general partner of the firm, effective July 1 and that Harmon L. Remmel and John W. Valentine will be admitted as general partners as of that date. Mr. Cattier left White, Weld & Co. early in 1950 to serve as financial adviser to John J. McCloy, the U. S. High Commissioner for Germany. He subsequently was named Director of the ECA for Germany, succeeding Robert M. Hanes, President of the Wachovia Bank & Trust Company of Winston-Salem, North Carolina. Mr. Cattier has resigned from this office, effective July 1.

Jean Cattier

Mr. Remmel, previously associated with the Chemical Bank and Trust Company, joined White, Weld & Co. on January 1, 1951. Mr. Valentine formerly was a Vice President of Harris, Hall & Company, Incorporated in charge of the New York office.

With Hulburd, Warren

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harold D. Porter has joined the staff of Hulburd, Warren & Chandler, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Canadian Securities

By WILLIAM J. McKAY

It is now almost a year since the Canadian Government removed most of its foreign exchange restrictions relating to the Canadian dollar and has permitted a free market for the U. S. dollar in Canada. As a result of this situation, the external value of the Canadian currency actually improved—a marked departure from the trend of exchange rates in most other countries following the general European devaluations and the exigencies of the Korean conflict. Despite some unseasonal and unreasonable fluctuations in Canadian exchange rates, there has been no serious disturbing instability, so that Canada's gold and U. S. dollar reserves may be expected to accumulate, though, of course, the rate of growth may decline from its rapid rise that began with the year 1948.

In the recently issued annual report of the Bank for International Settlements, which covers the 12 months period ended March 31, 1951, the improvement in the Canadian foreign exchange situation is given special comment. Concerning this topic the report states:

"Canada has a growing number of manufacturing industries but more than half of its exports still consist of raw materials and semi-manufactured products, the main ready-made article exported being newsprint, which alone accounts for one-sixth of the country's exports. The abandonment by Canada of the rigidly fixed rate of the dollar for a freely fluctuating rate—a change made in the autumn of 1950—was the most important step taken in the field of foreign exchanges during the year. It is true that other countries—Italy and France—had led the way in permitting fluctuating rates; but in their case it was not initially a question of one single rate at which transactions could be carried out freely, and it was not, as in Canada, a step taken from strength. Canada is the first country since 1945 to relinquish a fixed rate because it could confidently expect that, as a result, its exchange rate would improve. In February, 1951, a relaxation was introduced in the provisions governing trading in Canadian securities owned by non-residents. There was a practical elimination of the restrictions on trading in government securities with a term of more than three years and it was, moreover, made permissible to switch from corporate to long-term government securities.

"After the devaluation in 1949 there had been a very rapid development in the direction of a more balanced trade account in relation both to the United States and to the rest of the world; but this was accompanied by a change from an overall surplus of Can. $187 million to a deficit of Can. $316 million on the current account of Canada's balance of payments. The sharp reduction in 1950 of Canada's previous import surplus in relation to the United States would not in itself have led to any major monetary measure in Canada had it not been for a stream of capital that began to come in from the United States after the outbreak of the Korean conflict.

"Immediately after the devaluation in September, 1949, some capital moved into Canada, but it was only in the third quarter of 1950 that the influx from the United States became a flood, the net addition to official reserves amounting to more than $530 million within the space of three months. Faced with a difficult situation, the Canadian authorities preferred the introduction of a fluctuating rate to the alternative course of raising the Canadian dollar to the old parity with the U. S. dollar, since such a change—in the words of the Canadian Finance Minister—'might not have been justified by fundamental considerations and might therefore be found to require reversal or further adjustment in the near future.' The International Monetary Fund explained that it 'recognizes the exigencies of the situation which have led Canada to the proposed plan and takes note of the intention of the Canadian Government to remain in consultation with the Fund and to re-establish an effective par value as soon as circumstances warrant.'

"Actually, the free market did not go right back to the old parity with the U. S. dollar but stopped about half-way. This limited alteration of about 5% proved sufficient, however, to arrest the flow of 'hot money' to Canada and even to reverse the movement.

"The general structure of exchange control, originally instituted in 1939, has been retained, its maintenance being prompted—according to the Finance Minister—by the desirability of providing adequate defense against possible adverse conditions in the future. An important point is that residents are still required to obtain a special license for exporting capital, and such a license is not normally granted except for necessary business operations. Similarly, non-residents wishing to withdraw capital from Canada still need a permit, which is normally granted only in the case of sale of fixed assets in Canada or liquidation of capital investments made since 1939."

Oliphant Admits Field & Earl

Malcolm G. Field

Clarence A. Earl

The New York Stock Exchange firm of Jas. H. Oliphant & Co., 61 Broadway, New York City, has announced that Malcolm G. Field and Clarence A. Earl, associated with them for over 20 years, have been admitted as general partners, as of July 1st.

Joseph W. Hicks Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Joseph W. Hicks is engaging in the securities business from offices in the Cooper Building. He was formerly a partner in Shelley-Hicks & Co. and prior thereto was an officer of Robert D. Bowers & Co.

Faroll to Admit

Arthur P. Silverberg will be admitted to partnership in the New York Stock Exchange firm of Faroll & Co. on July 5. Mr. Silverberg will make his headquarters in the firm's New York office at 67 Wall Street.

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Government Bonds and Bank Investment Policy

deal with the problems of the time with the powers already possessed. Some feel this may be due to fear of consequences of the use of the powerful weapons at hand which Chairman Martin of the Federal Reserve Board says could put the economy on its back. But as one astute observer, The National City Bank of New York, put it "In part it is a recognition of the fact that there is wide approval of the manifestations of inflation on an individual basis in the form of higher profits, dividends, salaries and wages although inflation in the abstract is deplored by all."

The "Big Four Committee" Program

Late last week the White House made public the eleven point program proposed by the Big Four Committee headed by Mobilization Director Wilson, and including Messrs. Martin of the Federal Reserve, Snyder of the Treasury, and Keyserling, Chairman of the Council of Economic Advisors. under the title "A Credit Policy Report" the program to combat inflation proposes to authorize the Federal Reserve Board to impose supplementary reserve requirements for all insured banks in an emergency. The Board of Governors is expected to ask Congress within a few days to consider definitive legislation providing for supplementary requirements. Mandatory control of bank credit was requested only as a standby device which would be imposed "only if the problem to be solved is most serious and only after a demonstration that more moderate measures are too slow in their impact, or too uncertain in operation or are otherwise inadequate."

The New York "Times" points out that although there are signs of a leveling off in commercial loans on a national basis—now at the levels of four weeks ago—decline in commodity prices and effectiveness of the controls on consumer credit—down $69 million in April for fourth month and $500 million since October, compared with a rise of $2 billion in preceding six months—the report warned that "the slightest darkening of international relations may set in motion another wave of buying." Further, that the actual spending on the defense program was only getting under way and that "there is no assurance that these measures (already taken) will prove sufficient to deal with the inflationary situation that may be anticipated as the national program expands."

In addition to the new authority in the Federal Reserve Board to impose higher reserve requirements than are now permitted by law, and the standby authority for mandatory limits on loans, the Report made the following recommendations:

(1) Extend beyond June 30, 1951, the Defense Production Act which provides the legal basis, for the Voluntary Credit Restraint Program by which banks, insurance companies and investment houses are trying to curb non-essential lending.

(2) Broaden the voluntary restraint program to include financing institutions not now covered by industry-wide agreements.

(3) Government lending and loan guarantee agencies should make their policies conform to those proposed by the Government for private lending institutions, because "if the policies of the two groups of lenders are not co-ordinated the voluntary program might be undermined."

(4) Extend provisions of the Defense Production Act authorizing Federal Reserve controls on installment buying and real estate transactions. Also broaden the latter to authorize restraint of real estate credit in the purchase of existing structures.

(5) Enact pending legislation authorizing the President to increase margin requirements on speculative or future transactions in commodities whenever he determined that such speculation "causes or threatens to cause unwarranted changes in the price of any commodity."

(6) Postpone issuance of state and municipal securities through the Voluntary Credit Restraint Program and seek the cooperation of such agencies as the Council of State Governors and the U. S. Conference of Mayors to this end.

(7) The Office of Defense Mobilization and the National Voluntary Credit Restraint Committee should maintain close liaison so that private lending policy can be "guided by up-to-date criteria of the shifting requirements of the defense program."

The Certificate Reserve Plan

It was reported recently from Washington that consideration was being given in top financial circles of the Government to a certificate reserves plan, which, if enacted into law, would list municipal bonds as risk assets of a bank along with corporate bonds and loans. Although the proposal has received little publicity, it is reported on good authority that the staff of the Federal Reserve Board has developed the proposal which is now under consideration as an amendment to the Defense Production Act. The certificate reserve plan is designed to curtail bank lending of an inflationary character. In brief, it provides that after some predetermined date, banks making loans would have to balance them with purchase of Treasury Certificates. And in the formula as to what constitutes loans, municipal bond issues and other similar securities would fall into the category of loans. In fact all types of bank investments, with the exception of Treasury securities, public housing bonds and FHA mortgages would be considered as risk assets in the portfolio of a bank. The exemption accorded PHA and FHA obligations along with some other assets of Government as risk assets is based on the "guaranteed" status of these securities, and the classification is therefore with Treasury direct obligations. It is freely admitted by Federal bank officials that municipal securities are less of a risk than bank loans, but the classification as risk assets would require an offset of holdings of Treasury securities.

As one source observes, the discussions of this question of reserves may strengthen the work of the Voluntary Credit Restraint Committees under the Defense Production Act. The overhanging threat of compulsion may very well increase cooperation. The Federal Reserve Board indicated that there is no intention to use these new powers, even if passed by Congress, until the effect of recent open market operations and the effectivenes of the Voluntary Credit Control Program have been tested.

Voluntary Credit Control

Expansion of the Federal Reserve Board's credit control powers is not likely at this time, some quarters believe. Congress probably will not extend beyond June 30, the Defense Production Act, which authorized present credit restraints.

The unpegging of the Government market and the Voluntary Credit Control Program will take time to work and its effects to show up. The recent levelling off of bank loan figures in the last several weeks indicates possibly the checking in some measure of the momentum of credit growth for the present. Over the long term, however, the end result hinges on Government expenditures and capital expenditures by industry. It will be difficult, if not impossible, to keep the volume of bank credit stable without sound policies in these areas. I repeat that the test will come later this year when the impact of the Defense Program hits the economy. Much of the responsibility for curbing credit rests, not alone upon private borrowers and lenders, but also upon Government agencies who are charged with allocating materials or who participate in the lending process. Credit controls will not function if Government lending and loan-guaranteeing agencies grant marginal loans to any one having difficulties in arranging such financing through the usual channels.

With private industry and Government cooperating. the credit control program must be made to work, if for no other reason than our own selfish interest. The cooperation of the bankers everywhere is a must. The bankers have been the whipping boy of the politicians once before within my lifetime and next time might be the last. I think it very vital that the banks generally lend their full cooperation to the monetary authorities, which I am sure will be forthcoming, in the fight on inflation.

Fortunately, Budget estimates of last January which indicated a dim view of fiscal years 1951 and 1952 now seem to have erred on the side of conservatism and revised estimates by a Congressional staff of tax experts provide a brighter prospect, a better balance between revenues and expenditures. The January estimate indicated a $2.7 billion deficit for the year ending June 30 next. The Secretary of the Treasury, however, in early April disclosed that the Treasury now expects to end the year with a surplus of about $3 billion. With Social Security taxes included and treated as trust fund transactions, the Secretary's estimate indicates that the Treasury could end the year with an overall cash surplus of $5 billion. The change for the better in the recent estimate stems from the fact that revenues in March proved to be much larger than expected. Unexpectedly heavy receipts of individual and corporate income taxes and excise taxes which flowed from the scare buying following Korea boosted receipts some $2.7 billion more than forecast.

Estimates of expenditures have been lowered by the Treasury almost $3 billion, $2.9 billion to be exact. This reflects, in part, the lag, which was anticipated by many. in the rise in military disbursements and, in part, the sharp uptrend in business which permitted reductions in some civilian programs, including outlays for farm price support and for veterans aid.

Looking ahead to fiscal 1952, the Treasury Secretary pointed out that, in the absence of unexpected developments, revenues are now estimated at about $3 billion higher than previously. If expenditure estimates remain unchanged, the revenue increase would cut the budget deficit from $16.5 billion to $13.1 billion. Latest estimates of a Congressional staff of tax experts are even more optimistic and place the deficit around $10.7 billion.

A Treasury Deficit Expected

During the current year, the transition from a surplus of revenues to a deficit is expected to come in the late summer. Recent estimates by Treasury experts indicated a deficit in the last six months of this calendar year of $2 to $3 billion, as the cost of armaments now in the mill are added to disbursements. From that point the deficit is expected to gradually increase through the remainder of fiscal 1952.

Fortunately, the Treasury's financing problem throughout this year, aside from refunding, and barring all-out war, may present no particular problem. Despite the prospect of budget deficits in the Fall, it is now believed that higher taxes, which the President is now advocating, may provide for a large part of defense needs, certainly in the early stages. The belief now is that new cash financing may be held possibly to $2 to $3 billion. Some competent observers believe that this sum might be raised through the sale of the new Treasury series A savings notes which went on sale May 15, replacing the old series D. These notes should appeal strongly to corporations most of which have heavy tax liabilities and substantial cash assets. The remainder, if needed, could come from an increase in the weekly offerings of Treasury bills by, say $100 to $200 million. Beyond the year end, the outlook is to obscure to hazard a guess at this time.

In yesterday's discussion I tried to outline briefly for you the rapid growth of the postwar boom and the accompanying difficulties of the monetary managers arising from the maintenance of a pegged market in government securities. How the Federal Reserve system, following the policies of the war years, in supporting the government market was, in the process, rapidly monetizing the debt or simply increasing the money supply. Commendable as their efforts were to maintain government prices, the authorities finally came to realize that their position was untenable and in March the Treasury and the Federal Reserve reached an agreement, with a view of tightening credit, to withdraw support of the government market, except to the extent necessary to maintain an orderly market. Extensive purchases for the purpose of supporting the market are no longer the rule. Transactions are still extensive in Treasury bills, certificates and notes, however, originating from open market operations on the part of the Federal to increase or decrease bank reserves. Right now money has been made easier, which is designed primarily to facilitate the current exchange of the new 1⅞% certificate for the maturing 2¾% bonds and 1¼% July notes. This just about brings us up to today.

Refunding of the immense short term debt is beginning to get under way with the announcement on Monday of last week that the Treasury will offer holders of the called 2¾% bonds due June 15, 1954-51 and all series of 1¼% notes due July 1, 1951, aggregating slightly in excess of $10 billion, the privilege of exchanging for a new Treasury 1⅞% certificate of indebtedness to be dated June 15, 1951, and maturing April 1, 1952. The subscription books opened on Monday and will close tomorrow. The terms of the new issue are more favorable than was generally expected. This refunding is the first of a series, which will extend to Dec. 15, next. Because of the formidable schedule of maturities amounting to $20.8 billion after the July refunding, the proper selection of new issues to insure the exchange or rollover of virtually all of the maturing securities is a neat problem confronting the Treasury. With the prospect that revenues will fall short of expenditures beginning late this year and for an indefinite period thereafter, it is quite important that substantially all of the maturing issues are rolled over or refunded in order that the Treasury will not be called upon to redeem in cash a substantial volume of these maturities, while the defense bills are coming in for payment in the Fall. The prospect now is that holders of the maturing issues can definitely look forward to more attractive yields than they have received in years as these issues come up for exchange.

Maladjustment in Yields of Long-Term and Savings Bonds

The price decline in the long term marketable bonds has brought about some unusual relationships pricewise which could lead to some minor adjustments in the offering terms on savings bonds. For several years, yields on the marketable issues have consistently held below those on savings bonds. At the moment, however, to cite an example, the ineligible 2¼s 1962-59 are selling at about 96 26/32. Compared to a series G bond purchased now, the maturity of the 2¼ is now one year earlier than the G and the yield of 2.56% compares with 2.50% on the G. The marketable 2¼ is not now eligible for commercial bank purchase, but it will become eligible in 1952 which will open up a broad field of demand once commercial loans begin declining. The situation, therefore, has raised a question in some minds as to the possibility of an ultimate upward revision in the rate on savings bonds to revive the popularity of these issues, which have suffered from a lack of interest in recent months. The maturity extension of the E bonds in recent months is a move in the direction of higher rates. The savings bond buyer is an important source of revenue to the Treasury, and should be cultivated intensively. There are many well qualified observers who maintain that individuals should be encouraged to save through greater inducements in savings bonds, perhaps a higher rate or even more probable some small tax exemption feature. Individual saving and bond purchasing would serve the dual purpose of decreasing the demand for goods, while making the funds available to the government. We may hear more about savings bonds if the government finds it necessary to come to the market for greater sums than now seems likely.

Action of the market in the long issues of late gives the impression that the Federal Reserve authorities are still unwilling to support prices at a particular level in order that the brakes on credit may prove really effective. Theoretically, a declining market will finally at some point, completely stop a seller, but the $57.8 billion Series E, F and G Savings Bonds in the hands of the American people, redeemable on demand, constitute a bulwark, so far as redemptions are concerned, unless the decline in the marketable issues should go to the point where holders of the Savings issues become disturbed and decide to cash in. Frequently, savings bondholders come in your bank for advice and counsel in connection with their affairs. Should the question of these Savings Bonds come up, especially regarding redemption, I think you would do a real service to your customer, the Government and to the anti-inflation forces to point out that the yield he gives up at the redemption price after the first three years approximates 3% and increases steadily throughout the life of the bond. It is frequently well worthwhile to continue with the com-

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Securities Salesman's Corner

By JOHN DUTTON

Prospecting

(Article 2)

Years ago, when the life insurance business was young, salesmen went around canvassing people in their homes, or wherever they could find them. They had just one approach—they dragged the hearse in front of their prospect and talked to him until they either wore his resistance down and he took a policy, or they got a turn down. It was the law of averages in earnest. It is no wonder that the life insurance man had been the brunt of comedians' jokes for many years. But all of this has changed. Scientific location of prospects, of finding needs, of filling wants, and the creation of a professional atmosphere around the work of qualified life insurance experts, has now become accepted practice. People no longer dodge the proficient life insurance agent. They don't have to do so. He knows how to approach them on a basis today that they will welcome, or at least not find objectionable.

Emphasis On Prospecting

A good life insurance man starts out prospecting with one thought in mind. Who are my friends? He lists them and he builds a private personal prospect file. He says, "Why be reluctant to approach my friends? I am selling one of the finest products in the world. Friendship works both ways. If I had a toothache and there were three dentists in town, all equally capable, would I avoid going to my friend? On the contrary, that is exactly what I would do." People **prefer** to buy the necessities of life from those they know—certainly they prefer to entrust such important matters as their future financial welfare and the protection of their families to a friend rather than a stranger. So step number one, is building a list of everyone who can either buy; or **Offer Names of Someone Else Who May Be A Prospect.**

Some hints that life insurance men use to build such a list are: Names of persons to whom you pay money periodically; those occasionally, such as druggist, jeweler, painter, haberdasher, shoe store proprietor, furrier, furniture dealer, etc., and professional people. Then there are churches you attend, clubs, lodges, how about people there? Also, social acquaintances, people with whom you went to school, relatives, wife's acquaintances, people you have met playing golf or through any other hobby, people you know in your community who have made the best financial progress. This personal list should be as long as possible. A good life insurance man starts with a minimum of 250 names and often this original list can grow to 400 or 500, or more.

Let Others Help You

With this personal list as a starter, if you were beginning a career as a life insurance agent, under the guidance of a competent manager, you would use these names to help you obtain the names of other prospects. In the life insurance business they call such people "Centers of Influence." You would be told to take your personal list and go over it. You would extract the names of those people whom you know well, who also know many people, and are favorably known themselves. Study that one again. You can see that among your present customers and friends you may also know some people who will qualify in this respect. But to get back to our life insurance man. He is even drilled on several talks which he can make to these "centers of influence" and he becomes proficient in their use. Prospecting to the life insurance man is so important that in some top agencies if a salesman finds that he has less than 200 **qualified** prospects upon whom he can call, he stops trying to sell and goes out for at least one or two days a week just to do prospecting. Tests have shown that if a man falls down on his prospecting his sales will fall. The life insurance men have made a scientific study of this thing and they don't guess about it. Prospects mean sales.

A Sample Life Insurance Prospecting Talk

Herewith is an outline of the method used by life insurance salesmen in securing prospects:

"Hello, Bill! I came in today to talk to you, but not about your life insurance. I've come to you because I value your judgment and need some help. You'll give me this help if you can, won't you?" (Notice how this disarms, flatters, and qualifies.)

"In order to be a success in the life insurance business I must see a great many people of the very type with whom you come in contact. Of course I don't expect you to give me the name of someone who expects to buy life insurance today. I'd be surprised if you did." (No one now—description.)

"Let me describe the kind of man I'm interested in. In general he is between 25 and 40, preferably married, but not necessarily so. He may be a professional—a doctor, lawyer, engineer, dentist, accountant. He may be an executive with a large corporation. He may own a factory or a store, or perhaps is a sales manager or production man." (Describes him.)

"Whom do you know like this?"

Additional prods: "Whom do you know who has secured a new job or promotion?

"Of course, you know someone who has had an addition to the family, or expects one?

"Who's buying a new home, or building one?

"Whose family is spending a lot of money?

"What old people with money would like more income from it?

"Whom do you know, young or old, who has recently inherited money, or will inherit money?

"Whose estate is going to pay a lot of money to the government in taxes?"

Close: "This will keep me from meeting this man as a stranger." If he hesitates: "If he were here now you would introduce me to him, wouldn't you? Then you won't mind giving me an introduction to him. Thanks very much, Bill, and I'll let you know how I make out with him."

In Article 3, the endless chain of prospects and how life insurance men use it. Also, some ideas for getting introductions.

Harrison Treasurer Of Sylvania Electric

Sylvania Electric Products, Inc. has announced the election of W. Benton Harrison, Jr., as Treasurer of the corporation. The new Treasurer, who will start his new duties immediately, came to Sylvania after serving for four years as Treasurer of General Aniline & Film Corp.

W. B. Harrison, Jr.

Harrison succeeds Max F. Balcom, who relinquished the Treasurership to devote his full time to his post of Chairman of the Board of Directors.

After joining General Aniline & Film in 1942 as assistant to the Treasurer, Harrison was appointed Assistant Treasurer in 1943 and became Treasurer in 1947. Prior to that, he served five years in the sales department of Halsey, Stuart & Co., Chicago and New York investment banking concern; three years in the trust department of Guaranty Trust Co. of New York; and four years in the investment banking firm of J. & W. Seligman & Co., and two years with Kidder, Peabody & Co. doing analysis work in connection with industrial financing and underwriting.

Georgeson & Co. Opens Two Branches

Georgeson & Co., 52 Wall St., New York City, has opened new branch offices in Cleveland and Pittsburgh. The firm acts as consultants to management on stockholder relations.

"The new offices were required to take care of our growing number of corporate clients in the two areas," E. C. Potter, Jr., a partner in the firm, said. Offices are also maintained in five other cities—Boston, Philadelphia, Chicago, Los Angeles, and San Francisco.

Lester G. Bender is Manager of the Cleveland office, Arthur L. Cotton of Pittsburgh.

Bernhard Sack With Walston, Hoffman

PHILADELPHIA, Pa. — Bernhard A. Sack has become associated with Walston, Hoffman & Goodwin as a Registered Representative in the Philadelphia office, 1420 Walnut Street. He was formerly manager of the Statistical department of Hallowell, Sulzberger & Co.

With Field, Richards & Co.

CINCINNATI, Ohio — R. L. Compton is now associated with Field, Richards & Co., Union Central Building.

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Government Bonds and Bank Investment Policy

mitment. I believe, too, that a holder who is disturbed may be reassured by your explanation that the fight on inflation today, of which a lower Government market is one point of attack, is aimed at preserving the purchasing power of the dollar, about which he may be concerned, and inures to the benefit of the bondholder. The individual bondholder can contribute his bit by withholding his request for redemption. It may be that those Savings Bond holders who are emotionally upset over the trend of affairs and attempt to hedge at this late hour, just as restrictions, controls and higher taxes are being applied, may stand to lose eventually more than by sticking with the Savings Bonds, and riding out the balance of the storm.

What About the Bank Portfolio?

What should I, as a banker, you may well ask, do about my portfolio now? Unless you foresaw where we were going when Korea broke and sold your intermediate and long bonds, you may be one of that vast company which has learned the hard way that interest rates can rise and that even governments under strained credit conditions, can really be a headache. Today's market has come to such a pass. If your holdings are short-term, you have nothing to worry about. If you hold intermediate and long-terms, especially the latter, you are naturally concerned over your book loss in these issues and what to do about it. If you have concluded to ride it out, all well and good. But if you are in excess-profits tax brackets and have no capital gains this year and do not expect to take any, I suggest you consult your tax expert on the possibility of taking a tax loss which might result in some savings on your tax bill. This suggestion might also apply to the three longest issues of Treasury Notes due in 1954 and 1955 which currently are selling at discounts of up to 1½ points. If you are not in excess profits, however, I would suggest the Notes be held, although you might effect some tax saving in taking losses provided you have no offsetting gains. The current period of tight money and rising interest rates is hardly the proper environment in which to buy other than short-term Governments; it might be well to point out that the 1⅜% Notes due March 15, 1954 now afford a 1.88% yield to maturity, and 1.11% after payment of the 47% corporate normal and surtax, whereas the 2% Bonds due June 15, 1954-52 at 11⅛ yield, 1.91% to 1952, but only 1.01% after the 47% corporate tax. The reason is that the 47% tax on the 1⅜% Notes applies only to the coupon and the discount, if held to maturity, is a capital gain taxed at only 25%. The issue is attractive for purchase by a bank that can ride through to maturity.

The following observations concerning more popular bank issues may be of interest:

For the investment of such excess funds as you may accumulate, the August, 1951 Notes look fairly attractive at this time. Yields are comparable to outstanding Treasury bills, although original bids on new bills will afford a larger return, but the exchange privilege accruing to the Notes, I think, affords an element of attraction. The Treasury will have to increase the interest rate on the new issues might substantially. This observation applies also to the other 1951 maturities.

The Treasury passed up the call on the 2s 1953-51 for Sept. 15, 1951, in view of the $44 billion maturing or called issues to be refunded this year, until a more appropriate time. The next call date is March 15, 1952, but it is uncertain, of course, when the issue will be refunded. Even if the issue runs to the ultimate maturity, the yield is not bad and the short maturity should make for a high degree of market stability. At the moment the market is appraising the 2% bonds due June 15, and Dec. 15, 1954-52 as a 1952 maturity, whereas it looked like a 1954 maturity a week ago. The bonds look attractive. If you hold the issues now, I would not disturb the commitment, but the 2s 1953-52 are more attractive, in my opinion, for purchase.

The bank eligible issues due beyond the 1953-52 2s strike me as possessing more risk at this time, as a new purchase, than the small increase in yield justifies. As a general rule, I would not undertake to lengthen maturities until you see a slowing down in general business and a decline in commercial loans ahead, or all out war. In either case, interest rates would begin to soften.

The ineligible Bonds, of course, are held by many individuals, insurance companies, pension funds and other investors. The commercial banker's interest in them is largely academic. However, customers frequently inquire about them now that the market has receded to a 2 to 3 point discount throughout. What the market will do is the $64 question. I do not pretend to know the answer because, as I cited earlier, the insurance companies are faced with mortgage commitments and are still, therefore, potential sellers of these Bonds. On the other hand, the effects of the various volunteer credit curbs may well bring about in time fewer business loans, fewer mortgages and consumer loans and it is entirely possible that the banks and insurance companies may again turn to the Government securities market with funds they have available for investment. The well known New York University Economist, Dr. Marcus Nadler, predicts that while interest rates will not again, in the current emergency period, be as low as they were a few months ago, they will go down somewhat from present levels before stabilizing, and they probably will be stabilized by the end of the year. Getting back to the ineligibles, permanent investors might start looking at the Bonds and purchase, on a scale down from around current levels, the issues with earliest eligibility dates for commercial bank investment.

Supply of Funds to Bond Market May Increase

As I have pointed out, the impact of rearmament spending will fall in the last half of 1951, which will cause Treasury deficits and it is quite probable that Federal Reserve policy will then be directed toward giving the banks more reserves and easier money with which to facilitate whatever deficit financing may be necessary. Bank deposits will expand. Indications now are, that barring of course all-out war, that Regulations W and X, and other controls over the economy may bring about some contraction in existing bank loans and dry up the volume of new loans available to insurance companies, savings banks and commercial banks. In the absence of other outlets, the supply of funds forced to turn to the bond market may increase. Dr. Nadler may have had such a development in mind in appraising the outlook for interest rates.

Outside of United States Government securities, there are two instrumentalities of the Government I might mention which issue short term obligations periodically. I believe they are sound, and possess some attraction for income. They are not guaranteed by the Government, but the Government does maintain close supervision over their affairs. These institutions were organized by the Government and the Treasury owns, or formerly owned, the equity in the undertaking. They are marketable, but do not enjoy the degree of marketability of a direct Treasury obligation. I believe they are suitable for moderate amounts of excess funds where they can be held to maturity.

Regular monthly offerings are made by the Federal Intermediate Credit Banks, the most recent consisted of three-month 2% and nine-month 2¼% Debentures which were dated June 1. The Federal Intermediate Credit Banks began operations in 1923 to provide funds for the seasonal production and marketing needs of farmers and stockmen. The operations of the Banks are supervised by the Intermediate Credit Commissioner who is responsible to the Governor of the Farm Credit Administration, which operates under the general supervision of the Secretary of Agriculture. There are twelve regional banks which are jointly and severally liable for the payment of the principal and interest on the Debentures. By law the debentures are secured by a like face amount of Notes discounted or purchased representing loans made in accordance with the provisions of the Act, assigned to a Farm Loan Registrar who is a bonded public official appointed by the Farm Credit Administration. The yields on the Debentures follows the pattern of rates on Government securities. The issues may be purchased through banks and investment dealers especially those dealing in the Government securities.

Another instrumentality which borrows less frequently are the Federal Home Loan Banks. There are eleven regional banks which were established to act as a credit reserve system to meet both short term and long term needs of approved mortgage lending institutions. Operations began in 1932. The Government has a substantial minority stock interest in the Banks. These obligations are also short term, one year or less, and are offered at irregular intervals. In fact, an offering of $137.5 million consisting of $70 million of four-months 2⅛%, and $67.5 million of 10-months 2⅜% dated June 15, 1951 came today.

In summary, we are in a new era in Governments with less rigidity and more market flexibility than heretofore. The pattern would change, in the event of a sudden peace or all-out war, in my opinion in the direction of lower rates. Meanwhile, the loan trend holds the key to the Government market. Once credit begins to relax, Governments will see better days. Until the trend does change, stay in the short maturities. The small increase in yield in the longer maturities is not worth the market risk.

ing as an anti-inflationary fiscal measure. This is also true of excise taxes under the present practice of including such taxes in the U. S. official consumer price index now widely-used as a basis for automatic wage adjustments."

David Danielson With Glore, Forgan & Co.

CHICAGO, Ill.—David N. Danielson, until recently president of Wheelock & Cummins, Inc., has become associated with Glore, Forgan & Co., 135 South La Salle St., members of the New York Stock Exchange. Mr. Danielson has been on La Salle Street for the past 20 years and was for nine years associated with F. S. Moseley & Co.

With Floyd A. Allen

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Hugh H. Crowe has joined the staff of Floyd A. Allen & Company, 650 South Grand Avenue. He was previously with Gross, Rogers & Co. and C. E. Abbett & Co.

We Wonder!

"For the past seven weeks the Senate Committees on Armed Services and Foreign Relations have assiduously examined into the facts and circumstances bearing on the relief of Gen. Douglas MacArthur and on American policy in the Far East.

"At a critical juncture in their affairs, the American people had become deeply concerned and sorely confused over events in the Far East. Long-pent emotions erupted with the removal from command of an able and brilliant military leader.

"When the need for counsel appears imperative, the American people take counsel through their Congress. In this instance, these committees, as an agent of Congress, assumed the responsibility of serving as the medium for informing the people on the formulation of policies and the conduct of operations." — A "manifesto" of the two above-named Senate committees.

Sometimes we wonder! Yes, sometimes such things as this inquiry—well, we repeat, we wonder!

But the American public seems largely to have lost interest. So now we can attend to our affairs!

Warns Business Taxes Are Hidden in Prices

July "Bank Letter" of the National City Bank of New York cites statistics of income of corporate business to point out that most types of taxes come to be regarded as regular costs of doing business and are generally passed on to purchasers.

The current issue of the "Monthly Bank Letter," a publication of the National City Bank of New York, in its review and analysis of the tax situation, cites statistical evidence that business taxes of almost every type are paid by purchasers and consumers, and in the words of Franklin D. Roosevelt, "Taxes are paid in the sweat of every man who labors because they can be paid only by production."

According to the "Bank Letter":

"Although practically everyone in the United States deals with these large companies in one way or another, few people have any idea as to the vast amounts of direct and indirect taxes which they are paying through these companies but which are largely hidden in the prices of the goods and services purchased. Most types of taxes come in time to be regarded as part of the regular costs of doing business and are passed on to the purchaser whenever possible. While the ability to do this varies greatly, of course, from company to company, and is affected by such conditions as changing demand and price controls, in the end prices generally must be adjusted to costs if business is to remain healthy and have incentive to go ahead.

"The tendency over a period for increases in taxes to be passed on, with little effect on net profit margins of business as a whole, may be seen from the statistics of income covering all corporate business in years of comparable activity. In 1929, for example, when the Federal income tax rate was only 11%, all U. S. nonfinancial corporations paid taxes of approximately $1.1 billion and had net income equivalent to 5.4 cents per dollar of sales. In 1949, despite an increase in the Federal normal tax and surtax rates to 38% and a nine-fold increase in tax payments to $9.6 billion, the net income represented an average margin of 4.4 cents per sales dollar, only moderately narrower than when the tax rate was much lower.

"In the case of public utility companies, whose rates charged are fixed by local regulatory authorities to yield a fair rate of return after deducting all operating expenses including income taxes, an increase in Federal taxes would not only have to be passed on to the public, but would actually require twice as large an increase in the revenues before taxes required to yield the same return. This is because every dollar of increased income is itself half absorbed by the Federal taxes. For example, a utility system with taxable income of $1,000,000 now pays at the 47% normal and surtax rate approximately $470,000 in Federal income taxes and has $530,000 left. For it to have the same amount after paying taxes at a 52% rate, as now proposed, would require about $1,100,000 of taxable income. Thus, what upon the surface appears to be an increase of only five points, or $50,000, actually turns out to be an increase of $100,000 in payments by the public and in Federal taxes collected.

"As the Bell Telephone System states in its latest annual report, the taxes levied upon its operating companies, as well as the excise taxes paid by customers, are borne by telephone users in the last analysis.

"All of which illustrates the point that corporate tax increases can be in some degree self-defeat-

Railroad Securities

Gulf, Mobile & Ohio

The Gulf, Mobile & Ohio report for the month of May and the first five months of the year was released last week and proved to be, as have earlier reports this year, very encouraging reading for stock holders and other bulls on the road. Freight revenues again showed substantial gains over a year ago and passenger receipts were also up. This brought the cumulative rise in gross for the five months to $7,007,103. Total revenues of $35,989,103 were nearly 25% ahead of year-earlier levels. Gratifying as was the improvement in the company's business a more potent cause for optimism is found in the continuing betterment in the operating performance.

As has been the case with practically all railroads, maintenance outlays have been considerably higher this year than last. It is the transportation costs that have been kept under strict control. For May alone the transportation ratio was down more than 2½ points from May 1950. For the full five months the transportation ratio was 30.7% compared with 32.6% in the like interim a year ago. Dieselization, installation of a particularly large amount of new rolling stock, and other property improvements have obviously been paying off exceptionally well.

Aside from the very sharply higher maintenance outlays the company has also naturally been saddled with materially heavier Federal income taxes even though it is not in the excess profits tax brackets. Even at that, net income, after fixed and contingent charges but before sinking and other reserve funds, for the five months amounted to $2,161,057. A year ago the net was $1,451,038. The year-to-year gain in net for the period was the equivalent of $0.77 a share on the 917,235 shares of common stock outstanding. Actual earnings on the common for the period, after allowing for preferred dividends, amounted to $1.71 a share. The full year's dividend ($2.00 a share) was almost certainly covered in the first half of the year.

Normally Gulf, Mobile & Ohio experiences a pronounced seasonal bulge in traffic and revenues in the fall months of the year. Also, presumably before many more months have elapsed, the company should be benefiting from higher freight rates—in many quarters it is expected that the rate decision will come through early in August. Finally, it is probable that the recent heavy rate of maintenance outlays may be moderated at least to some extent later in the year. The company will presumably not get the benefits of certain non-recurring credits that bolstered earnings in 1950. On the whole, however, there appears to be ample justification for confidence that final results will about equal the $7.20 a common share reported for 1950.

It has been noted by many analysts and market technicians that the stock has been acting relatively very well in recent periods of market uncertainty and weakness. When it has broken in sympathy with the general market it has stabilized or experienced at least a modest come-back quite quickly. It has been selling recently only about four points below the year's high while many other railroad stocks have been consistently fading away to new lows. It is this action, coupled with the continued favorable earnings reports, that supports confidence that once there is a turn for the better in the market as a whole, Gulf, Mobile & Ohio common will be among the leaders in the recovery.

As to when the market genrally will get over its attack of the jitters it is obviously anyone's guess. It is currently a market of sentiment and psychology rather than of reason and values. Possibly for some time to come it will remain sensitive to international developments, and particularly to any progress toward peace in Korea. Eventually, however, the impact of such influences will begin to wear thin. At least by this fall there is good reason to believe that there will be a decided change for the better in speculative sentiment toward railroad securities. For one thing, as mentioned above, higher freight rates should have been granted by then. Also, the armament activity should by that time have gained considerable momentum with a consequent lift to freight traffic.

Zollinger Elected by New Orleans Bd. Club

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The past 20-year period might well be called "The Era of the Stabilizers" for it truly has been their golden age. In modern times no expression has been used more nor abused more than the one "to stabilize." There is something so reassuring about it; it suggests a return to steadiness, to firmness, to virtue itself, one might say, as opposed to the sins of weakness and shakiness. And so proposals are advanced and accepted which seemingly are to afford us that well-being which weakness and unsteadiness would deny. But scratch a "stabilizer" and what do you find? A price-fixer always. And why so? Because if it is to function properly the price system demands complete freedom. It is automatic and ever pregnant with its own correctives. If left alone it brings about equilibrium in the price structure. The price-fixer, alias "stabilizer," prevents the price system from bringing forth its correctives of abnormal conditions by the natural processes. He thus cumulates and compounds disequilibrium which, in due course, infects the whole price structure. And as if this were not enough he burdens the nation with a load of expensive bureaucrats charged with the operation of his stabilizing schemes.

"Sound Money" is a favorite slogan. These two words are supposed to describe a currency of even purchasing power. But money *per se* possesses no such attribute; the purchasing power of money merely reflects the combined fiscal, monetary and credit policies of a nation. If these are sound so will the nation's money be sound. No amount of tinkering with the currency, no altering of the price of gold nor that of silver, no manipulation of government obligations can impart soundness to money in the absence of sound fiscal and credit policies. A case in point is the dollar's loss of purchasing power through years of deficit financing.

"Stable Exchanges" is another favorite slogan of the price-fixers; by this they mean currencies freely convertible at fixed rates. Were the economies of the various nations static, were imports and exports in constant balance, one could easily conceive of fixed rates of exchange and of multilateral convertibility of currencies without recourse to loans, to quotas, to subsidies, to all manner of controls which today plague trade everywhere on earth. But economies are not static; on the contrary they reflect the ever changing currents of all human activities, expanding here, contracting there. They reflect as well the social and political sides of life. So that their sum total is dynamic in the extreme and needs must enjoy freedom of movement. Fixed rates of exchange may only be maintained through straitjacketing processes which subordinate trade to the needs of money management.

The creation of that absurd mechanism called the International Monetary Fund is the triumph of the price-fixer. In every case where policies based on national needs conflicted with the Fund's regulations member nations have literally thumbed their noses at the Fund. The fixed price of $35 per ounce of gold which the Fund regards as the cornerstone of its sacrosanct edifice has been violated by every gold producing member nation except the United States. But whereas in its role of founder and charter member of the Fund the government of the United States meticulously observes the letter of its gold regulation, it violates its spirit by permitting $35 of its gold equivalent currency notes to sell at $39 and more in the foreign markets. Billions in dollar notes have been exported during the past six years and continue to leave our country in enormous quantities. These vast hoards serve foreign tax-dodgers who trade goods and services against dollar bills in lieu of their local currencies, thereby weakening their own national treasuries.

Be it noted in passing that, for years past, dollar bills have been the chief medium of exchange on the China coast. We strenuously object to other nations trading with the enemy yet we furnish him with the very life blood of his foreign trade. So much for the Fund whose sole achievement to date has been the sheltering of parasites drawing tax-free salaries at the expense of the community.

An approach favored by those who would "stabilize" currencies is to question their "Relative Values." A time there was long since past, when all forms of money everywhere were metallic—gold, silver, copper, bronze; it was then simple enough to appraise their relative values by determining their weight and fineness. Those were the days when communications and transports were undeveloped, when international trade was of infinitessimal proportions so that no problem such as that of balances of payment confronted governments. Today the volume of international trade is enormous and growing. All nations issue paper monies backed chiefly by the national credit. Relative values of the different currencies may only be computed by determining their purchasing power parities, and these parities are fluid because economies are dynamic. To accept its rate of exchange as a measure of the value of a currency is completely misleading because the exchange rate, if left alone, is only an accurate indicator of the nation's current position in international trade. It is what the thermometer is to the temperature. So that to fix rates of exchange a la International Monetary Fund is tantamount to fixing the thermometer at a given point in the belief that an even temperature will result. The risk of exchange is as legitimate as is any other market risk; hence we should accept it by following Canada's example and unpegging exchange rates altogether; for in this manner, and only in this manner, can we achieve equilibrium in international trade relations. What the Monetary Fund authorities describe as "flexible" exchange rates will never do because to change price-fixing from one level to another does not alter the fact that it is still price-fixing. It is a half-free half-slave condtion and, as such, it should not be tolerated.

Free exchanges need not, as some believe, invite speculation, for speculation in exchange is only possible with the active cooperation of bankers. Bankers alone possess facilities for trading in "futures" so that if they are instructed to accept no exchange contract unaccompanied by documents guaranteeing the legitimacy of the operation, speculation becomes impossible. It may be argued that exchange speculation might shift over to the medium of currency notes bought and sold in black markets. But that kind of speculation can easily be stopped if it is realized that the value of a piece of paper is in the control of the issuer who can, at will, alter it or destroy it.

The Treasury of the United States seems to have lost sight of the fact that the founders of our nation created the dollar as the local currency of the United States; that neither they nor their successors intended to have it used otherwise, least of all to have it abused abroad as a medium of speculation and hoarding to the detriment of the American taxpayer, who today is called upon to come to the aid of foreign countries whose nationals own dollar bills in enormous amounts.

The fact that the international price level today is higher than our own, in so far as staples and basic commodities are concerned, is evidence that we need no longer continue our free handed contributions for foreign economic aid. The raising of living standards the world over is not the sole responsibility of the citizens of the United States. Producers of sugar, meat, hides, coffee, rubber, ferrous, non-ferrous and precious metals, of natural and vegetable oils, of wool and of cotton, all are reaping harvests in consequence of unprecedented demand and peak prices for their output. Their own contribution "For the Relief of Backward Peoples" is now quite in order. Uncle Sam has already done his bit, and to spare, mortgaging his future for the purpose.

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Benefits of Holding Company Act to Utility Industry

new southern holding company to conduct integrated operations in Georgia, Alabama, Florida and Mississippi. The cash or market value of securities received by investors in the parent holding company as a result of these proceedings reached a figure of $415 million by Oct. 11, 1949, an increase of 117% compared with the 1935 figure. During this period the Dow-Jones utility average rose only about 49%, the Dow-Jones industrial average about 45%.

In the case of Electric Power & Light Corp., which had bonds, debentures, preferred, second preferred, common stock and option warrants outstanding, the change is even more striking. The trend in market values shows the following pattern: Aug. 26, 1935, $54 million; Dec. 1, 1938, $92 million; Sept. 28, 1949, $294 million. The value indicated in 1949 was up 439% from the 1935 figure. Values ascribed as of the latter date included cash received upon the retirement of securities outstanding or cash plus the market value of securities received in exchange transactions.

The third holding company, Engineers Public Service Company, has also disappeared from the utility scene. The final Section 11 (e) plan effected the distribution of its interest in three sound operating companies: Virginia Electric & Power Company, Gulf States Utilities Company and El Paso Electric Company. In 1935, the parent company had outstanding three classes of preferred as well as common stock with an aggregate market value of $22 million. This value increased to $27 million in 1938 and, as of Oct. 1, 1949, in terms of cash or market value of securities received, the figure reached $126 million, an increase of 479% over the earliest date.

While these changes in value necessarily include the factor of general market movement between the various dates, the substantial uptrend serves to demonstrate that the integration program did not result in the forced liquidation or "dumping" of securities which some critics had anticipated with alarm.

Elimination of Write-Ups and Excessive Charges

Third, let us consider the elimination of write-ups and other inflationary items which has taken the water out of balance sheets.

During the '20s the tempo of property acquisitions reached such a pace that prices on utility properties reached fantastic levels. Though he underestimated the detrimental effect of this activity, Prof. Arthur Dewing, writing in the "New York Times Annalist," in January, 1928, put his finger on the problem when he commented:

". . . a menace to the stability and permanent welfare of the industry has recently arisen from within the industry itself. It is the excessive prices which public utility operators have been paying for the control of water, gas and electric properties. Owing to the ease with which money may be made by selling junior securities of holding companies to the public, bankers and promoters have bid against each other for the acquisition of the underlying operating companies. The prices they have been willing to pay have borne little resemblance to the actual invested capital, because the public, in its turn, has bought securities on apparent earning power without thought of the permanency of this earning power—or thought of the morrow."

As a result of the original cost studies of the SEC and of the Federal Power Commission, about $1.5 billion has been eliminated from property accounts. Removal of this excess in carrying values has freed the consumers from a heavy charge. Depreciation reserves have doubled, service rates have been made lower, and, of equal importance, investors know today they can trust the figures appearing in the balance sheet.

Furthermore, investors in operating company securities and consumers of their product are now assured that service, construction and management contracts are free of overreaching and that the subsidiary relationship, where it continues, is not being abused.

In the electric utility industry, for instance, energy production has surpassed all expectations. Both kwh. and dollar sales per customer have increased in every one of the past 12 years. Average rates paid for residential electric service, however, have declined each year from 4.14 cents per kwh. in 1938 to 2.88 cents in 1950. Here in Michigan the record has been equally impressive with electric rates declining from 3.40 cents to 2.85 cents during the same period.

This decline in rates against a trend of rising costs of operation and construction is without parallel in American industry. It is due in large measure to increased managerial efficiency and to technological advances in the design, manufacture and operation of plant and equipment. Not to be overlooked, however, are the benefits conferred upon the industry by the Holding Company Act. Of course, the SEC has no jurisdiction over rates, and we have nothing to say about how management shall render service. But I do not think it mere coincidence that such significant progress in rates and service was made during the period of the Holding Company Act. As a direct consequence of the Act, excessive service charges have been scaled down, and large amounts of intangibles have been removed from plant accounts. The costs of raising capital have been substantially reduced through competitive bidding and improvement in financial structure, enabling the industry to take full advantage of the low money rates prevailing in the past 15 years. The Act has created a favorable climate in which the industry could develop and expand; the consumer has reaped the benefits.

Securities Issuance

Congress also gave the Commission extensive jurisdiction over new security issues. As our work under Section 11 nears completion, this aspect of our duties, always a major activity, has assumed increasing emphasis, timed, as it is, with the greatest expansion program in the history of the industry.

In fulfilling its responsibilities under the Act to pass upon price and spread of new security issues and to "assure the maintenance of competitive conditions," the Commission in 1941 adopted its competitive bidding rule. Although this rule has excited a good deal of controversy—to put it mildly—I think it has proven itself. Sensible administration, with sensible recognition of the need for exemption in the proper case, has eliminated a large part of the criticism.

The rule has assured true and free competition among underwriters for the securities of registered companies. The free market price thus established has been of considerable benefit to companies not subject to our jurisdiction, for it establishes a going rate for measuring their own costs.

The volume of securities approved under the Holding Company Act has, of course, been declining with the removal of many companies from its jurisdiction. However, "still subject" companies sold over nine hundred million dollars of securities to the public in the fiscal year 1950. A major portion of the industry's financing is also reviewed by the Commission in connection with registration requirements of the Securities Act of 1933. It is a surprising fact that registrations by electric, water and gas companies during the fiscal year 1950, totaling just two $2 billion, accounted for almost half of all corporate security registrations during the period.

In recent years we have come to regard as normal the situation in which utility management undertakes a program of balanced security financing, matching its offerings of debt securities with regular issuance of equity securities. Yet this discretion in fund raising, aside from limitations imposed by market conditions, is a recent achievement. When the Commission first entered actively into the utility picture in the late '30s, financing was severely hampered by the top-heavy capital structures of most utility systems, by the uncertainty of managements faced with serious problems of compliance with Section 11 and, to some extent, by the general fear of utility security "dumping" which never occurred. As a result, security issuance was centered chiefly in the effort of managements to refund high cost debt obligations and where possible high dividend preferreds with new issues of a low rate. The volume of new money offerings was extremely limited and companies were forced to rely most upon retained earnings for their limited construction requirements.

This trend of the utility industry toward the refunding of higher coupon senior securities gave the Commission its first extensive experience in applying the statutory standards of Sections 6 and 7. Initially, the Commission was inclined to make some distinction between the refunding issues and the infrequent new money offerings in determining the maximum limits of debt to property and to overall capitalization. However, as more issues were processed and Commission experience was broadened the soundness of this distinction came into question. Finally, in 1941, companies were warned that refunding programs for high debt ratio companies would have to include definite provisions for improvement. In some instances, this resulted in the application of heavier sinking fund requirements. In extreme situations contributions of equity capital or the forgiveness of outstanding senior obligations by the parent holding company were found to be necessary.

During these years the Commission also undertook the development of protective provisions for mortgage indentures and corporate charters. Many of these provisions have been improved and standardized and are recognized today by institutional security purchasers as important components of overall investment quality.

With the advent of World War II the volume of security issuance dropped sharply, but the rehabilitation of holding company systems was going forward and investors were beginning to recognize the beneficial effect of the effort. Frequently, the progress of a Section 11 plan from the time of filing to the time of ultimate enforcement was matched by the upward trend in the prices of the securities affected thereby.

Though a few utility operating company stocks were sold or distributed during the war years, the major test of common stock receptivity occurred in the spring of 1946. Then, in a favorable climate of rising stock prices, a series of successful portfolio offerings of large size were made, including shares of Central Maine Power, Cincinnati Gas & Electric, Columbus & Southern Ohio Electric, Dayton Power & Light, and Public

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Railroad Securities

Gulf, Mobile & Ohio

The Gulf, Mobile & Ohio report for the month of May and the first five months of the year was released last week and proved to be, as have earlier reports this year, very encouraging reading for stock holders and other bulls on the road. Freight revenues again showed substantial gains over a year ago and passenger receipts were also up. This brought the cumulative rise in gross for the five months to $7,007,103. Total revenues of $35,989,103 were nearly 25% ahead of year-earlier levels. Gratifying as was the improvement in the company's business a more potent cause for optimism is found in the continuing betterment in the operating performance.

As has been the case with practically all railroads, maintenance outlays have been considerably higher this year than last. It is the transportation costs that have been kept under strict control. For May alone the transportation ratio was down more than 2½ points from May 1950. For the full five months the transportation ratio was 30.7% compared with 32.6% in the like interim a year ago. Dieselization, installation of a particularly large amount of new rolling stock, and other property improvements have obviously been paying off exceptionally well.

Aside from the very sharply higher maintenance outlays the company has also naturally been saddled with materially heavier Federal income taxes even though it is not in the excess profits tax brackets. Even at that, net income, after fixed and contingent charges but before sinking and other reserve funds, for the five months amounted to $2,161,057. A year ago the net was $1,451,038. The year-to-year gain in net for the period was the equivalent of $0.77 a share on the 917,235 shares of common stock outstanding. Actual earnings on the common for the period, after allowing for preferred dividends, amounted to $1.71 a share. The full year's dividend ($2.00 a share) was almost certainly covered in the first half of the year.

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Benefits of Holding Company Act to Utility Industry

new southern holding company to conduct integrated operations in Georgia, Alabama, Florida and Mississippi. The cash or market value of securities received by investors in the parent holding company as a result of these proceedings reached a figure of $415 million by Oct. 11, 1949, an increase of 117% compared with the 1935 figure. During this period the Dow-Jones utility average rose only about 49%, the Dow-Jones industrial average about 45%.

In the case of Electric Power & Light Corp., which had bonds, debentures, preferred, second preferred, common stock and option warrants outstanding, the change is even more striking. The trend in market values shows the following pattern: Aug. 26, 1935, $54 million; Dec. 1, 1938, $92 million; Sept. 28, 1949, $294 million. The value indicated in 1949 was up 439% from the 1935 figure. Values ascribed as of the latter date included cash received upon the retirement of securities outstanding or cash plus the market value of securities received in exchange transactions.

The third holding company, Engineers Public Service Company, has also disappeared from the utility scene. The final Section 11 (e) plan effected the distribution of its interest in three sound operating companies: Virginia Electric & Power Company, Gulf States Utilities Company and El Paso Electric Company. In 1935, the parent company had outstanding three classes of preferred as well as common stock with an aggregate market value of $22 million. This value increased to $27 million in 1938 and, as of Oct. 1, 1949, in terms of cash or market value of securities received, the figure reached $126 million, an increase of 479% over the earliest date.

While these changes in value necessarily include the factor of general market movement between the various dates, the substantial uptrend serves to demonstrate that the integration program did not result in the forced liquidation or "dumping" of securities which some critics had anticipated with alarm.

Elimination of Write-Ups and Excessive Charges

Third, let us consider the elimination of write-ups and other inflationary items which has taken the water out of balance sheets. During the '20s the tempo of property acquisitions reached such a pace that prices on utility properties reached fantastic levels. Though he underestimated the detrimental effect of this activity, Prof. Arthur Dewing, writing in the "New York Times Annalist," in January, 1928, put his finger on the problem when he commented:

". . . a menace to the stability and permanent welfare of the industry has recently arisen from within the industry itself. It is the excessive prices which public utility operators have been paying for the control of water, gas and electric properties. Owing to the ease with which money may be made by selling junior securities of holding companies to the public, bankers and promoters have bid against each other for the acquisition of the underlying operating companies. The prices they have been willing to pay have borne little resemblance to the actual invested capital, because the public, in its turn, has bought securities on apparent earning power without thought of the permanency of this earning power—or thought of the morrow."

As a result of the original cost studies of the SEC and of the Federal Power Commission, about $1.5 billion has been eliminated from property accounts. Removal of this excess in carrying values has freed the consumers from a heavy charge. Depreciation reserves have doubled, service rates have been made lower, and, of equal importance, investors know today they can trust the figures appearing in the balance sheet.

Furthermore, investors in operating company securities and consumers of their product are now assured that service, construction and management contracts are free of overreaching and that the subsidiary relationship, where it continues, is not being abused.

In the electric utility industry, for instance, energy production has surpassed all expectations. Both kwh. and dollar sales per customer have increased in every one of the past 12 years. Average rates paid for residential electric service, however, have declined each year from 4.14 cents per kwh. in 1938 to 2.88 cents in 1950. Here in Michigan the record has been equally impressive with electric rates declining from 3.40 cents to 2.85 cents during the same period.

This decline in rates against a trend of rising costs of operation and construction is without parallel in American industry. It is due in large measure to increased managerial efficiency and to technological advances in the design, manufacture and operation of plant and equipment. Not to be overlooked, however, are the benefits conferred upon the industry by the Holding Company Act. Of course, the SEC has no jurisdiction over rates, and we have nothing to say about how management shall render service. But I do not think it mere coincidence that such significant progress in rates and service was made during the period of the Holding Company Act. As a direct consequence of the Act, excessive service charges have been scaled down, and large amounts of intangibles have been removed from plant accounts. The costs of raising capital have been substantially reduced through competitive bidding and improvement in financial structure, enabling the industry to take full advantage of the low money rates prevailing in the past 15 years. The Act has created a favorable climate in which the industry could develop and expand; the consumer has reaped the benefits.

Securities Issuance

Congress also gave the Commission extensive jurisdiction over new security issues. As our work under Section 11 nears completion, this aspect of our duties, always a major activity, has assumed increasing emphasis, timed, as it is, with the greatest expansion program in the history of the industry.

In fulfilling its responsibilities under the Act to pass upon price and spread of new security issues and to "assure the maintenance of competitive conditions," the Commission in 1941 adopted its competitive bidding rule. Although this rule has excited a good deal of controversy—to put it mildly—I think it has proven itself. Sensible administration, with sensible recognition of the need for exemption in the proper case, has eliminated a large part of the criticism.

The rule has assured true and free competition among underwriters for the securities of registered companies. The free market price thus established has been of considerable benefit to companies not subject to our jurisdiction, for it establishes a going rate for measuring their own costs.

The volume of securities approved under the Holding Company Act has, of course, been declining with the removal of many companies from its jurisdiction. However, "still subject" companies sold over nine hundred million dollars of securities to the public in the fiscal year 1950. A major portion of the industry's financing is also reviewed by the Commission in connection with registration requirements of the Securities Act of 1933. It is a surprising fact that registrations by electric, water and gas companies during the fiscal year 1950, totaling just two $2 billion, accounted for almost half of all corporate security registrations during the period.

In recent years we have come to regard as normal the situation in which utility management undertakes a program of balanced security financing, matching its offerings of debt securities with regular issuance of equity securities. Yet this discretion in fund raising, aside from limitations imposed by market conditions, is a recent achievement. When the Commission first entered actively into the utility picture in the late '30s, financing was severely hampered by the top-heavy capital structures of most utility systems, by the uncertainty of managements faced with serious problems of compliance with Section 11 and, to some extent, by the general fear of utility security "dumping" which never occurred. As a result, security issuance was centered chiefly in the effort of managements to refund high cost debt obligations and where possible high dividend preferreds with new issues of a low rate. The volume of new money offerings was extremely limited and companies were forced to rely most upon retained earnings for their limited construction requirements.

This trend of the utility industry toward the refunding of higher coupon senior securities gave the Commission its first extensive experience in applying the statutory standards of Sections 6 and 7. Initially, the Commission was inclined to make some distinction between the refunding issues and the infrequent new money offerings in determining the maximum limits of debt to property and to overall capitalization. However, as more issues were processed and Commission experience was broadened the soundness of this distinction came into question. Finally, in 1941, companies were warned that refunding programs for high debt ratio companies would have to include definite provisions for improvement. In some instances, this resulted in the application of heavier sinking fund requirements. In extreme situations contributions of equity capital or the forgiveness of outstanding senior obligations by the parent holding company were found to be necessary.

During these years the Commission also undertook the development of protective provisions for mortgage indentures and corporate charters. Many of these provisions have been improved and standardized and are recognized today by institutional security purchasers as important components of overall investment quality.

With the advent of World War II the volume of security issuance dropped sharply, but the rehabilitation of holding company systems was going forward and investors were beginning to recognize the beneficial effect of the effort. Frequently, the progress of a Section 11 plan from the time of filing to the time of ultimate enforcement was matched by the upward trend in the prices of the securities affected thereby.

Though a few utility operating company stocks were sold or distributed during the war years, the major test of common stock receptivity occurred in the spring of 1946. Then, in a favorable climate of rising stock prices, a series of successful portfolio offerings of large size were made, including shares of Central Maine Power, Cincinnati Gas & Electric, Columbus & Southern Ohio Electric, Dayton Power & Light, and Public

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Service Co. of New Hampshire. Ohio Edison made a public offering of common for new money at this time. Shares of Consumers Power common were sold for new money two months after the September decline and, though receptivity diminished, other new offerings were also made in the following year.

While the success of these portfolio sales offered proof that holdings of utility equities could be marketed without the need for sacrificial bargain basement pricing, it also gave promise that new money stock financing could become an important factor in the fund raising of individual utility managements. The combination of improved capital structures, sound property values and liberal dividend yield had contributed a new investment quality and encouraged the resurgence of investor interest. The capacity to finance was no longer solely the capacity to sell debt securities. Corporate capitalization could now be expanded on a more balanced basis.

For many utilities this new capability came at a critical point of time. The tremendous upsurge in postwar demand for electric power and natural gas had already brought capacity reserves down to the danger line. New construction and new financing were urgently needed. Response of the industry to this challenge has been no less than magnificent. The dollar volume of construction expenditures tells the story—\$2½ billion for electric and gas utilities in 1948, \$3 billion in 1949 and again in 1950, with estimates for the present year running to over \$3½ billion.

The effect of this continuing growth upon financing programs of the industry has been well told in your annual reports and is reflected in the large number of applications and registrations presented to the Commission for processing. New money financing by electric and gas utilities during the past three years has shown awareness of the need for adequate common stock sales. An increasing percentage of the new money raised has been through common stock.

The market for new common stock has continued to show great strength in the early months of this year. This showing has been made in the face of an uncertain bond market upset by shifting interest rates and against the background of a noticeable decline in the demand for new preferred issues. More than 30 common stock issues aggregating over \$200 million were undertaken successfully in the first four months alone. The group includes several successful offerings made by managements in the North Central areas, including American Gas & Electric Company, Detroit Edison Company, Wisconsin Power & Light Company, Lake Superior District Power Company, Ohio Edison Company and three utilities serving areas in the State of Illinois. Most of these common offerings have been accomplished by means of the rights offering procedure and have been successfully undertaken both with and without underwriting assistance. The repeated use of the rights method is but another indication of the extent of investor confidence now enjoyed by the utility industry.

Continuing Systems

Among the many utility stock offerings made in recent months are a number of important issues marketed by registered holding companies which can be expected to remain as continuing systems under the jurisdiction of the Holding Company Act. Naturally we, at the Commission, have a direct and important interest in the successful financing of these systems and their success tells much about the changed financial status and integrated operations which have resulted from the streamlining process of Section 11.

In the Spring of 1935, when the President of the United States transmitted to Congress a report of the National Power Policy Committee recommending the adoption of legislation affecting utility holding companies, he took occasion to make the point that "For practical reasons we should offer a chance of survival to those holding companies which can prove to the SEC that their existence is necessary for the achievement of the public ends which private utility companies are supposed to serve." The Congress recognized the appropriateness of the recommendation and wrote into the Act the standards which have determined the pattern of the continuing systems. Those that have emerged may be segregated into three major groups.

The first type is the electric holding company system illustrated by such companies as Middle South Utilities Co., The Southern Co. and Central and South West Corp. In these instances the holding company stands above a group of integrated interconnected electric operating companies, coordinating and directing their operations to obtain maximum system efficiency and minimum overall construction and operating costs. Largest among these electric systems is American Gas and Electric Company serving a seven-state area from Virginia to southern Michigan. Its management has set a very high standard of operating achievement and its common stock is valued by investors on a quality basis comparable to that of high-grade operating utilities.

The second type of holding company system, found exclusively in the electric power field, is the operating-holding company type. Here the parent company is the major operating unit of the system and its subsidiaries are smaller satellites operating in adjacent states. Delaware Power & Light Co., Utah Power & Light Co. and the Ohio Edison system are examples of this type.

The third holding company group is comprised of the natural gas transmission and distribution systems which have participated so importantly in striving to meet the tremendous postwar demands for the "wonder fuel." Among the gas systems registered with us are American Natural Gas Company, Consolidated Natural Gas Company and the Columbia Gas System, Inc. I would like to make further mention of American Natural Gas because the company is well known to many of you and because the formulation and development of its system represents the answer of a progressive management to the challenge of Section 11.

As early as 1944, when American Light & Traction Company, predecessor of American Natural, filed an 11(e) plan proposing its ultimate dissolution, it contemplated the organization of a new pipe line company to be owned by its three gas utility subsidiaries and financed from the sale of its holdings in Detroit Edison Company. The Commission did not interfere with the decision of management to organize this enterprise.

When the new Michigan-Wisconsin Pipe Line Company was granted a certificate of convenience and necessity by the Federal Power Commission in 1945, the parent system undertook to file a new plan under Section 11(e) which, among other things, proposed continuance of Light & Traction as a registered holding company and construction of the pipe line as a means of integrating the operations of its utility subsidiaries. Hearings on the plan were extensive and the opposition vigorous. Participants pointed to the unknown total cost of the project, the pending litigation affecting gas purchase contracts and the appeal taken by another pipe line company from the order granting the Michigan-Wisconsin certificate as demonstrating its lack of soundness. The Commission was well aware, however, that the Detroit area suffered from an acute shortage of natural gas and that a new source of supply was also urgently needed in the State of Wisconsin. The proposed system offered the combined advantages of a high pressure transmission line and utilization of underground storage fields close to the points of distribution. These circumstances, among others, formed the basis of the FPC certificate.

Our Commission concluded that the new system of American Natural could meet the standards of Section 11 and that there existed no basis for overruling the decision of management to undertake construction and operation of the pipe line enterprise. Thus, through the planning, resources and credit of American Natural, the pipe line company has been successfully organized, developed and brought into operation with a present capacity of over 110 billion cubic feet annually. It is now a vital component in the integrated gas operations of the American Natural system.

A major test of a successful and responsible holding company management is the ability to plan and secure adequate system financing on a sound and economical basis. In programming construction and fuel requirements, the continuing systems must be ready to match additions to subsidiary debt with additional parent common stock investment. In seeking this equity capital holding company managements must compete successfully with independent operating utilities. The long range program should assure maintenance of a sound capital structure with a proper proportion of common equity.

A few systems have shown a reluctance to recognize this responsibility. In these instances, the Commission has had to urge repeatedly that common stock financing be undertaken to provide a foundation for necessary expansion. Others have met the challenge promptly and well. Since July 1, 1948, 25 successful holding company common stock offerings have been made. The proceeds of some \$230 million have been devoted primarily to reinvestment in the stock of operating subsidiaries.

Outlook for the Future

The accomplishments of the Commission and the industry in effecting extensive integration and simplification over the past 15 years have been in large measure responsible for the present high investment status of utility securities. It is true, of course, that utility stocks have not shared in the upswing of market prices characteristic of many industrial and rail issues since the start of the Korean conflict. They do not possess the speculative appeal of the so-called war stocks. Yet the reception accorded to new offerings indicates the presence of substantial investment demand and a recognition of underlying corporate stability.

One investment service recently offered this comment, "Electric power stocks have every reason to look forward to a sound investment future. They do not promise to increase dividends fast enough to make them best suited as a medium for long-term inflation protection. But their position is remarkably well protected as investments providing steady income."

This confidence in the stability of utility securities places upon management a heavy responsibility in the present critical period when every problem it must face is in some way linked to the nation's increasing defense effort. There is no question of its ability to meet present urgent needs for power and fuel except in a few isolated instances. The problems I speak of are those which affect future construction, future financial programming and future dividend policy.

The construction situation is illustrated by a recent report of electric power industry which shows that despite the heavy expansion program which has now been under way more than four years, electric power in the winter of this year will be tighter than in any year since 1948. Total generating capacity at the close of 1951 is expected to reach 74,700,000 kilowatts compared with 67,650,000 at the end of 1950. But the margin of reserve generating

Public Utility Securities

By OWEN ELY

United Gas Improvement

United Gas Improvement at one time was one of the largest utility holding companies—total consolidated assets in 1940 approximated \$846 million. In 1941 the company began its program of liquidation and distribution of assets, and by 1944 the consolidated balance sheet showed a total of only \$152 million, and in 1947, \$92 million. By 1950 natural growth had raised the figure to \$105 million but the company has now begun another "shrinking" program which when completed may cancel out most of this recent growth.

As of Dec. 31, 1950, UGI's investments in subsidiaries were carried at \$39 million and outside investments in other utilities at a little under \$8 million. However, unlike most other holding companies, UGI bought its outside investments at very low prices so that the market value approximates \$20 million, as follows:

Consumers Power	\$6.7
Philadelphia Electric	6.1
Niagara Mohawk Power, class A	3.7
Central Illinois Light	1.2
Delaware Power & Light	.9
Public Service Electric & Gas preference stock	.9
Public Service Electric & Gas common stock	.1
Delaware Coach Note	1.0
Total	\$20.6

Under a plan recently approved by the SEC, UGI proposes to exchange, for each unit of five shares of its own stock (up to 363,285 shares), a "package" of three shares of Philadelphia Electric and two shares of Consumers Power. Dividend income on the package would be \$8.50 compared with \$7 on the five UGI. Assuming that the shares offered are all accepted by UGI stockholders, this would completely divest the company of its holdings of Philadelphia Electric but would still leave some 52,586 shares of Consumers Power, with an approximate value of \$1,788,000. In effect outside investments would thus be reduced about ½, or less than \$10 million market value. According to estimates prepared by UGI, the exchange would increase the estimated share value to \$36.49.

The earnings and dividend record of UGI are as follows, adjusted to exclude the operations of former subsidiaries (except for income actually received by UGI):

Calendar Year	Consolidated Earnings	Dividends
1946	\$1.91	\$1.30
1947	2.23	1.80
1948	1.77	1.50
1949	2.00	1.30
1950	2.05	1.40
12 Mos. End. 3/31/50		
Actual	\$2.11	\$1.40
Pro Forma	2.29	1.40

The SEC has now directed that UGI dispose of all its interests in outside utilities, but presumably liquidation or other disposal of remaining securities can be effected over a period of time. What will the effect on UGI earnings be if all these investments are disposed of? In the 12 months ended March 31, actual earnings were \$2.11 and pro forma earnings \$2.29 after giving effect to the plan. Disposal of remaining outside holdings would reduce net income by an estimated \$500,000 or about 42c a share, it is estimated.

However, such liquidation should provide cash needed for investment in system companies. The gas subsidiaries have obtained some natural gas, but this is mainly used for mixing with manufactured gas, keeping the same BTU content. When UGI can obtain more gas, customers' facilities will be converted to take 1,000 BTU gas. While no exact estimate has been made, it is thought that a substantial amount of the \$10 million cash which might be realized would be required for this program, and the usual construction requirements would take up any slack. Improved earnings from greater use of natural gas, as well as normal growth in the electric business (which contributed about ¼ of 1950 revenues), should help restore share earnings, and it is unlikely that any equity financing will prove necessary, at least during 1951-52.

UGI and its subsidiaries are very conservatively capitalized. On a pro forma basis (as of March 31, but giving effect to the exchange plan) the consolidated debt ratio was only 24%, subsidiaries' preferred stocks and minority interest 9%, and common stock equity 67%.

capacity is expected to be slightly less than 9% at the December peak. Demand for power is increasing faster than had been anticipated and installations are not going in fast enough with some delays caused by metal shortages including tubing for steam generators. While individual managements will spare no effort to meet the needs of their communities, the imposition of this new demand coming as it does on top of a tremendous postwar, peace-time growth may raise some question as to the ultimate dependability of the present high level of consumption. Prudence requires that we take this into account in planning our financing.

In the natural gas industry fuel requirements continue to run ahead of available supply while the prospect of obtaining adequate amounts of large diameter pipe grows dimmer. Columbia Gas System has already announced that its construction program will be cut back this year because of this factor. Other sources have indicated that pipe supplies may equal only half of the industry's total needs for 1951.

Aside from these problems of production, the utility industry is also faced with an increased tax burden, again related directly to the nation's defense effort. With logic, the Congress has provided concessions which remove most of the burden of excess profit taxes from the industry. But higher normal and surtax rates will take an increasing proportion of earnings. For some companies higher tax rates may constitute a threat to their present level of dividend payments but even where this point is not reached the greater percentage of dividend payout will leave a smaller amount of retained earnings available for construction. Absence of these funds will of course, mean heavier reliance upon outside financing.

This additional drain on net earnings should not become a deterrent to further equity financing nor should the disparity in capital costs as between debt and equity financing control the choice of issue. The continuance of regular equity financing is the best guarantee of sound operations not only for the investor but the consumer as well. In a sense it is the common equity that will provide the measure of resiliency which management will need in future crises.

Since adequate equity, predicated upon adequate income return, is closely related to the factor of public interest it must remain the common concern of both management and the various regulating agencies. Over-reliance on debt, because it is cheap and has certain tax advantages, is, in our opinion, a short-sighted policy. High debt ratios in time bring lower credit rating and in turn this means higher debt cost and higher equity cost. On the other hand, it can easily be demonstrated that a properly balanced capital structure with an adequate equity base means better credit, lower debt cost, better price-earnings ratios. There comes a point when the market grows wary of leverage.

The strength of America is essentially its high productivity and the tremendous capacity of its machine power. The present scale of industrial activity in this Michigan area demonstrates that fact. As the recent news letter of a leading bank pointed out, the United States with 6% of the world's population now produces 42% of the world's electricity and accounts for 42% of total world income. The Marshall Plan countries with 11% of the population produce 24% of the world's electric output and account for 23% of total income. By comparison, Russia and her satellites have 34% of the world's population but only 15% of total electric power and about 20% of total income. Our nation may never be able to match the Communist masses of manpower, but with our expansion of power facilities and sources of fuel, we can attain a level of productivity which may well be decisive. We at the Commission are confident of the success of your important contribution to this effort.

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Abolish Corporate Taxes

quences of particular forms and rates of taxation imposed on particular segments of the economy. These consequences must be balanced for one segment as against another segment and the aggregate judged in terms of its adequacy for the economy as a whole.

The Federal tax on corporate profits is the tax that is most important in its effect on business operations. The Federal corporation profits tax has two forms—one, the level percentage tax on profits; and, two, the higher tax on so-called excess profits. I shall confine my discussion principally to the question of the level tax rate and shall refer only briefly to the excess profits tax.

When the corporation income tax was first imposed it may have been believed by some that an impersonal levy could be placed on the profits of a soulless corporation, a levy which would be neither a sales tax, nor a tax on wages, nor a double tax on the stockholder. Obviously, this is impossible in any real sense. A corporation is nothing but a method of doing business which is embodied in words inscribed on a piece of paper. From these words an organization of people and property takes form and evolves under management decisions as a productive economic instrument. Taxes levied on the corporation, since they affect managerial decisions, also affect the form of the instrument and its manner of behavior. Taxes on corporation income must be paid by one or more of the people who are parties at interest in the business, either as customer, as employee, or as stockholder. A corporation is an abstract idea and a concrete form. A corporation as such can pay no taxes.

Consequences of Corporation Taxes

Taxes on corporation profits have three principal consequences—all of them bad. Briefly, the three bad effects of the corporation income tax are:

(1) The money taken from the corporation is taxes must come in one of three ways. It must come from its customers, in the higher prices they pay for the things they buy; from the corporation's own employees; in wages that are lower than they otherwise would be; or from the corporation's stockholders, in a lower rate of return on their investment. No matter from which source it comes, nor in what proportion, this tax weighs upon production, on purchasing power, and on investment, and blindly distorts their normal relationships one to another.

(2) The tax on corporation profits is a disturbing factor in managerial judgment, a factor prejudicial to clear engineering and economic analysis of what will be best for the production and distribution of things for use. And the larger the tax, the greater the distortion.

(3) The corporation income tax is the cause of double taxation, as is well understood. The individual taxpayer is taxed once when his profit is earned by the corporation, and once again when he receives the profit as a dividend. This double taxation obstructs the flow of savings into business and causes stockholders with small income to bear as heavy a burden with respect to their corporation's earnings as the stockholder with large incomes.

Let us examine more closely these three bad effects of the tax on corporation profits. The first effect we observed was that the corporation income tax results in either higher prices, lower wages, reduced return on investment, or all three in combination.

It is impossible to know exactly who pays how much of the corporation tax on profits. The stockholder pays some of it, to the extent that the return on his investment is less than it would have been if there were no tax. But it is equally certain that the stockholder does not pay all of the tax on corporation income, indeed, he may pay very little of it. After a period of time the corporation income tax is figured as one of the costs of production, and in the absence of rigid and continuing price controls, it gets passed on in higher prices charged for the company's goods and services, in products of lower quality, and in lower wages, including conditions of work inferior to what they otherwise might be.

The reasons why the corporation income tax is passed on, in some measure, must be clearly understood. In the operations of a company, the management of the business keeps its eyes on what is left over as profit for the stockholders, partly distributed as dividends and partly reinvested in the business. Since the corporation must pay its Federal income taxes before it can realize its profits, these taxes are thought of—the same as any other uncontrollable expense—as an outlay to be covered by higher prices or lower costs. Since competition in the same line of business is thinking the same way, prices and costs will tend to stabilize at a point that will produce a goal-profit, after taxes, sufficient to give the industry access to new capital at a reasonable price. When this finally happens, as it must if the industry is to hold its own, the Federal income tax on corporation will have been largely absorbed in higher prices and in lower wages.

Suppose the corporation income tax were removed, where would the money go that is now paid in taxes? That depends. If the industry is highly competitive, as is the case with retailing, a large share would go to the consumer in lower prices, and a smaller share in wages and dividends. If labor in the industry is strongly organized, a large share would go in higher wages. If the industry is a regulated industry, the determining factor would be the regulating body. If the industry is neither competitive, nor organized, nor regulated, of which industries there are a few, a large share would go to the stockholders.

The second bad effect of the corporation income tax is that it is a distorting factor in management judgment, entering into every decision and causing actions to be taken which would not have been taken on simple business grounds alone; and the larger the tax the greater the distortion. The tax consequences of every important managerial commitment must be appraised. Sometimes some action which ought to be taken cannot be taken because the tax results make the transaction valueless or worse. Sometimes highly speculative actions are fully warranted because of tax benefits. The result of this tax thinking is to warp business judgment and to promote a business structure and tradition which does not hang together in terms of the compulsions of inner economic or engineering efficiency.

In many cases a high corporation income tax induces management to make expenditures which could not be justified in the absence of such a tax. This is particularly true if a long-term benefit may result, a benefit which cannot nor need not be capitalized. The long-term expense is shared with business by the government and under these circumstances a long chance is well worth taking. Admitted that a certain amount of venturesome expenditure does result from this tax inducement, it is an unhealthy form of unregulated subsidy.

The third unfortunate consequence of the corporation income tax is that the same earnings are taxed twice, once when they are earned and once when they are distributed. This fact is well understood and needs to be referred to only briefly. This double taxation causes the original profit margin to carry a tremendous burden of tax, making it difficult to justify equity investment in a new and growing business. It works contrary to the principles of the progressive income tax. The defect of double taxation is serious both as a handicap to the investment of savings in business and as it affects equity in the total tax structure.

Any one of these three bad effects of the corporation income

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

With some of the "big sellers" apparently out of the market temporarily and investors more willing to put modest amounts of funds to work, the government market has assumed a rather constructive attitude. Developments in Korea may also have helped. This does not, however, mean any great change in the general caution that has been prevailing, although some money market followers believe the results of the backing and filling in prices of Treasury obligations within recently established limits is having a favorable effect upon market psychology. Secretary of the Treasury Snyder's decision to increase bill offerings slightly above maturities probably means he wants to supplement large cash balances as a cushion against mounting defense expenditures. Also by using Treasury bills this is the cheapest way to get the funds. This type of borrowing, it is believed, likewise presages a "roll-over" in the August maturities. Window dressing may also be part of the picture.

The near-eligible tap bonds continue to be taken out of the market, and there are rumors that arrangements have been worked out whereby those institutions not in a position to buy them now will be able to take them up in the future at current prices. The 1962/67's continue to be the leaders in this group.

Market Shows Better Tone

The tone of the government market, which has been having its ups and downs, and more of the downs than the ups lately, seems to be temporarily on the better side. How long this will last is purely a matter of conjecture, because there is a fair amount of professionalism involved in the procedure and this type of action can fade very rapidly. Nonetheless, at the moment there has been a modest interest appearing in Treasury obligations from investors. This has helped to bolster the professional operations, and the results of these two have been a slightly favorable tone in the government securities market. The short market has been on the constructive side for some time now, because of the great desire for liquidity. There seems to be no great letup in the liquidity preference idea, but there have been appearing here and there orders for the intermediate- and longer-term issues, especially in the eligibles, and near eligible taps.

Bank funds have been going into the 1956/58's, and the 1956/59's in not too sizable amounts yet, but in somewhat enlarged volume from what was the case in the past, because of the desire to get what is being termed "assured coupon rate return." It is being reasoned that the 2½'s and the 2¼'s cannot be called before 1956, and may even run to maturity ('58 and '59) and the buyers are assured of high coupons for a satisfactory period of years. The yield is also attractive and the premium is not a factor of importance. The statement is made there are no assurances the shorter-term obligations that are callable may not be eliminated in the future, and in place of these securities the Treasury might continue to offer other short-term issues that could in turn be "rolled over" into lower income obligations.

Long Bank Bonds in Demand

Along with the 1956/58 and the 1956/59 maturities of the eligibles, comes the question of the longest bank bond, the 2½% due 9/15/67/72. For the first time since the skids were definitely put under this obligation, through switches into the early eligible taps, there has been some real investment buying appearing in the September 1967/72's. To be sure, this is not an all-out operation yet but there are fairly important scale buy orders around for the most distant bank bond. Strange as it may seem, there are indications that not too many of the September 1967/72's have been shaken loose in the decline. On the other hand, buyers have not been able, according to reports, to pick up very many of these bonds, when prices are moving ahead. Those that are interested in acquiring the eligible '67/72's believe this issue is rather well deflated, and while further declines may be registered, this should afford a better buying opportunity.

The early eligible tap bonds continue to find homes but there are no long lines being formed at either the left or the right yet to acquire them. There is still liquidation by non-bank holders of these securities, and this tends to limit the takings by those that have a liking for these securities. Pension funds and to a lesser extent trust funds have been finding the 1952 eligible taps worth acquiring. There has also been modest buying by charitable organizations of these bonds.

Differential Between Treasurys and Corporates

New corporate bond flotations have been meeting with ready responses recently, especially the ones that have been brought out at attractive yields. As a matter of fact some of the most recent flotations have gone to fairly sizable premiums on the day of offering. Whether this is a favorable sign for the whole money market is a point that will be settled only with time. Nonetheless, the upset condition of the money market has brought into the open a question which has long been asked but which could not be readily answered because of the easy money conditions which were sponsored by the monetary authorities. The question which has always been a point of concern to money market followers is, what should the yield spread be between government bonds and the highest-grade corporate issues? The answer which was generally given, and this was used as a sort of measuring stick, was 50 basis points higher yield than was available in the government obligations. It was very difficult at times to get people to even listen to such a statement—never mind believing it—because there were corporate bonds of comparable maturities that were selling on a lower yield basis than the Treasury issues. However, with changed money market conditions, it seems as though the 50 basis point differential which the best corporates should yield above governments is fast becoming a reality, and this is something that corporate bond buyers are looking at before they show too much interest in the non-Treasury obligations, particularly new issues.

A recently offered AAA corporate bond which was floated to yield 3.26% was bought very heavily by savings banks, especially those in New York State. The reason given for the sizable interest in this corporate issue was that a AAA, on a 3.26% yield basis, was more attractive to them, all things considered, than mortgages.

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Abolish Corporate Taxes

tax would be enough to put it severely on the defensive. The three effects taken together make an overwhelming case against this tax. The corporation income tax is an evil tax and it should be abolished.

How fantastic it seems, in the summer of 1951, to talk seriously about abolishing the corporation income tax! There are other tax reforms for which a case can be made that might give them priority over the corporation income tax. There is, for example, the need for an increase in the exemptions in the personal income tax. There are the discriminatory excise taxes which should have been done away with long ago. There are the high marginal rates on individual incomes in the middle and upper middle brackets which are damaging both to incentive and to the private use of retained capital for investment and for expenditure. High on the list of reforms though the corporation income tax may be, it cannot claim an obvious and absolute priority. This much, however, may be said about the corporation income tax—its removal will create taxable income in the hands of individuals and its elimination will not therefore result in a corresponding loss of revenue.

The corporation income tax cannot be abolished until some method is found to prevent the corporate form of doing business being used as a refuge from the individual income tax, and as a means of accumulating unneeded, uninvested capital surpluses. Some way must be devised whereby the earnings of corporations which inure to the benefit of individual stockholders are properly taxed as income of these individuals.

The weaknesses and dangers of the corporation income tax have been known for years, and an ill-fated attempt to abolish it was made in 1936 in connection with a proposed undistributed profits tax. It is sometimes forgotten that the Administration proposed to Congress that the undistributed profits tax should be imposed as a substitute for the corporation profits tax which it recommended should be abolished. Congress upset the logic of this proposal by superimposing the undistributed profits tax on the income tax on corporations. The consequence of this perverse bil of legislation together with several other unresolved practical problems discredited the undisturbed profits tax and at the same time destroyed the most promising opportunity which we have had of getting rid of the tax on corporate profits.

Serious Questions

Granting that one objective of tax reform should be the elimination of the corporation income tax, it will not be easy to devise protective measures which will be entirely satisfactory. The difficulties are not merely difficulties of technique and of avoiding the pitfalls of a perfect solution impossible to administer. The really serious questions are questions of principle that raise issues as to the proper focus of power over capital investment. The issue is this—to what extent should the managers of corporations have access to the net profits of corporations for reinvestment in the business; and to what extent should the management of corporations be required to go to the open capital markets when new funds are required for the expansion or protection of a business enterprise?

It seems improbable that any solution which, as a matter of necessity, turns the managers of business to the money market for their capital will be acceptable. On the other hand, there is great force in the argument that the stockholders should have the right to decide, each year, what they want to do with their own earnings. It does not seem too much to ask the management of a business to give its stockholders from time to time a transferrable receipt for the undistributed earnings which have been plowed back into the corporation.

Can the government afford to give up the corporation income tax? That really is not the question. The question is this: Is the corporation income tax a favorable way of assessing taxes on the people—on the consumers, the workers, and the investors who, after all, are the only real taxpayers? Politically we know that that the tax on corporate income is an easy way. But if there be a better way, even though it is politically more difficult, it might well have a chance of success at a time of overall tax reform and tax reduction.

Excess Profits Tax

Discussion of taxation of corporation profits would be incomplete without some reference to the excess profits tax.

The excess profits tax has created for those corporations subject to this tax a double or a triple standard of expense dollars. The existence of these multiple currencies has forced a new basis for managerial judgment which is presently affecting all phases of business.

Tax orientation of management is the consequence of high marginal excess profits tax rates. Under such rates, to the extent a business is subject to excess profits tax, management has at least two and perhaps three kinds of dollars to work with. It has cheap earned dollars and expensive earned dollars. Cheap earned dollars are those which is not spent will be taxed at high marginal rates. Expensive dollars are those which are taxed at ordinary rates.

The possibility of carelessness and waste as a result of government induced private spending is a matter of common knowledge. What is less well understood is the fact that the existence of cheap dollars makes prudent many business activities that would not be prudent except for the fact that the dollars expended are cheap.

The excess profits tax is therefore not a burden, but a subsidy. It provides cheap dollars to the profitable and established company, dollars which can and must be used by a responsible management to safeguard and to extend the position of such a company against competition. If a company is not in excess profits, if it is weak in earnings, or young, or with inadequate capital—in other words, if it has only expensive dollars in its arsenal, it is at a double disadvantage as against its entrenched rival with tax-created cheap dollars at its disposal.

The battle for markets, through better products, better coverage, better inventory stocks—yes, and through better advertising and promotion, too—will be a battle between the cheap expense dollars and expensive expense dollars, and the cheap dollars will win because they can extend farther and can take more risks.

The existence of cheap dollars does not justify waste, extravagance or carelessness in the administration of business expenditures. The wasteful use of cheap dollars is as blameworthy as the wasteful use of expensive dollars. With cheap dollars, the temptation is greater, and control is more difficult. There are many examples of companies which tightened rather than loosened their supervision of expense under the last excess profits tax. The same good faith on the part of management in the prudent direction of a company's affairs is to be insisted upon whether expense dollars are expansive or cheap.

In essence, what has happened is that for some companies, cheap dollars have been created which make prudent the taking of risks that would be considered doubtful if all expense dollars had the same value. The fact that the present excess profits tax will either expire or be extensively and materially amended on July 1, 1953, makes it necessary for management to put its planning house in order at once, since the benefit to the company of cheap expense dollars must be gained principally in 1952. The year 1951 is too soon for most, and the first half of 1953 is for many a little too late. Generalizations are dangerous, and exceptions will always occur, but I think a broad rule may be stated that the payment of an excess profits tax by a company in 1952 gives a presumption of managerial inadequacy—not proof necessarily, but certainly a symptom, that the planning and control of a company's affairs leaves something to be desired.

The year 1951 will be the year of planning and of decision. The year 1952 will be the year of activity and progress.

Barring the eruption of World War III, the years 1953 and 1954 will present great opportunities for tax reform. These years will present such opportunities because they will be years when tax changes must be made and when important tax reductions may be possible. The summer of 1951 is none too soon for students of tax policy in universities, in the legal and accounting professions, in business, labor and agriculture to consider from the point of view of both general and special interests what reforms in tax policy and program are most to be desired.

Mitchell Hutchins Opens New Dept.

Opening of an investment advisory department is announced by Mitchell, Hutchins & Co., 1 Wall Street, New York City, members of leading securities and commodity exchanges. The new department will be under the management of Granville S. Robinson and Miss Lillian M. Griffin.

Rogers Associated With Rand & Co.

Rand & Company, 1 Wall Street, New York City, municipal bond dealers, announce that Norton P. Rogers, Jr., has become associated with them. He will continue as President of Rogers, Gordon & Co., Inc.

Fred Hahnel Joins R. M. Horner & Co.

Fred C. Hahnel has become associated with R. M. Horner & Co., 52 Broadway, New York City. Formerly Mr. Hahnel had been for 10 years with R. H. Johnson & Co.

Homans to Admit

Roy M. Madison will acquire the New York Stock Exchange membership of Howard P. Homans on July 5 and will be admitted to partnership in Homans & Co., 65 Broadway New York City, as of the same date.

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Inherent Dangers Of Debt-Secured Currency

before Great Britain and her associates in the sterling bloc did so? Did you also know that Russia was the first to revalue its currency in gold—something that neither Great Britain nor the United States has done as yet? Russia has also made two price reductions since revaluing the ruble in gold.

Thinking this phase of the matter over, I am wondering if Russia's revaluation of its currency in gold may not have been the big factor in enabling that country to expand its sphere of influence without engaging in a shooting war. Gold is all powerful in the Orient!

We Must Win the Money War

Be that as it may, it is a fact that the war to end war cannot logically be won by killing and destruction. You cannot gather figs from thistles nor peace from war. We were on the winning side in two World Wars, but we lost the peace and will lose our economy unless we win the money war.

In the money war now going on we have, so to speak, put our heavy hitting gold soldiers in the guard house, made yard-birds out of silver soldiers and substituted for them papier-mache soldiers stuffed with government debt.

No country can be more sound than its economy; no economy can be more sound that its money; and no money can be sound that is not honest. A debt-based currency can be backed with the best intentions but good intentions are not enough to make money out of paper via the printing press.

The world money war and a real peace will be won by the nation that gives its citizens the best money—a currency that is honest because it is redeemable in gold and silver which have stood the test of fifty centuries as the safest forms of wealth. The U. S. dollar should be and must be a dollar that will not "fade away," but continue indefinitely to give full purchasing and debt paying power.

If we continue to monetize our public debt in an effort to buy peace or to force by war our idea of peace upon unwilling peoples, we will inevitably build up a debt-bomb that when, as and if detonated by inflation, could destroy our American Way of Life in the greatest bust of all time.

We must win for our currency honesty and full redeemability in gold and/or silver or we shall lose our economy. Think it over and make it your business to do something about it, for your own future and your country's economy is at stake. This MONEY War is the war we must win!

Dobbs & Co. to Admit Boesel & Pearson

Richard E. Boesel, member of the New York Stock Exchange, and John S. Pearson will be admitted to partnership in Dobbs & Co., 50 Broadway, New York City, members of the New York Stock Exchange. Mr. Boesel has recently been active as an individual floor broker.

On July 16 Albert Greiner will withdraw from the firm.

Joins Ad Agency

R. W. Wadington, formerly with Cherry-Burrell Corp., in the advertising division, has become associated with Albert Frank-Guenther Law, Inc., in Chicago, as an account executive.

Continued from first page

As We See It

We find it difficult to disagree with the President and his advisers in their assertions that nothing now in sight, either in Korea or elsewhere, is likely to alter the basic international situation in any great degree. The conclusions would seem to follow almost of a necessity that any rearmament program based upon conditions as they have obtained during the past year, if sound and warranted then, are likely to be so at any time within the foreseeable future. Of course, invalid conclusions and mistaken policies will remain invalid and mistaken. All that we are now saying is that the basic needs of our international policies and programs are likely, so far as can now be foreseen, to remain very largely what they have been during the past year or even longer. There is, accordingly, the possibility that a "let-down" in popular feeling will result in changes in public policy which are not in accord with public interest.

Talk of Balance

It seems to us that the danger from this source is chiefly, however, that half measures or compromises on this or that phase of the matter will leave any residual program badly out of balance — even more so than at present. Should some sort of half acceptable arrangement be reached in Korea, so that actual fighting ceases and the outlook for an early outbreak of hostility appears rather small, the temptation upon Congress to wince and relent and refrain when it comes to taxes would be much greater than the pressure to reduce military or defense expenditures. We must admit that little success has been achieved in reducing nonessential Federal outlays despite the obvious need to do so in light of the international situation; we greatly fear that with a "let-down" in popular tension it will be more difficult than ever to get the rank and file and hence the lawmakers and the budget makers down to work on this vitally important question.

It is, of course, obvious that nothing that has happened has, in any real sense reduced the need for squeezing the water out of the Federal budget. It was an urgent requirement long before the outbreak in Korea; it has never been more urgent than during the past year; and if we hope to achieve any sort of long-term development of our strength, either as a protection against the Kremlin, communistic infiltration, or ordinary bankruptcy, it is as badly needed now as it ever was. As relatively rich as the country is, we simply cannot afford to squander the resources, the manpower and the energy we now do on the multitudinous needless activities of the Federal Government in Washington.

But there are other important ways in which a let-down now may affect the course of our public policy and action. What we really ought to do, of course, is to reach some sensible conclusion as to the amount of expenditures we must devote to rearmament and other defense activities, and then pay for it all out of current income. This is, as a matter of fact, in the currently existing circumstances, the least that we can afford to do. Full avoidance of inflation would indeed require a good deal more, so extended and so extensive is the inflationary potential still remaining in the economy as a result of the New Deal, the Fair Deal and the operations of World War II. But what we are all too likely to do is to yield to pressures to do much more in the way of rearmament than we are willing to do without inflation; or, to put the matter in a different way, to find ourselves quite unwilling to undergo the sacrifices necessary to avoid further inflationary influences.

Extraordinary Powers

Obviously, the Administration is at least as greatly concerned with the danger to its extraordinary powers. The Administration would, of course, be in a delicate position in these matters regardless of what is in the statute books for the simple reason that there would be much less disposition on the part of the general public to accept regulation and restrictions. Of course, it has had a hard row to hoe in any event since, as compared with World War II conditions, the urgency of the situation has never seemed great and immediate.

For our part, we are much more concerned with fundamental matters. As a matter of fact this Administration, like those which preceded it, is and always has been thirsty for more and more power to impose its will upon the people by fiat. Controls can be and often are overdone even in really critical times; in times such as those which now face us most efforts at extended arbitrary controls are of definitely doubtful wisdom. The most important thing at such a time is not to continue or to increase controls, but to remove the causes of unwanted conditions.

If we are to assume that very soon the substantial percentage of our effort now envisaged will be devoted to defense, the most serious danger of further extensive inflation will arise from two main sources. The first is our neglect of quite feasible reduction in unnecessary government spending, and the other is a basic unwillingness to levy and collect enough taxes and the right kind of taxes. One gets the impression at times from reading the daily press that official Washington supposes that the amount of tax collections is the important thing, indeed is about the only important aspect of any anti-inflation program. The sort of tax imposed is also vital of course.

It would be a good thing if any quieting down in matters international could be utilized by the American people to give some very careful thought to fundamentals.

Rollins & Fowler Forming

Ernest C. Rollins and Thomas P. Fowler, both members of the New York Stock Exchange, will form Rollins & Fowler with offices at 54 Pine Street, New York City, effective July 1.

Doolittle to Admit

BUFFALO, N. Y.—Doolittle & Co., Liberty Bank Building, members of the New York Stock Exchange, will admit Oswald H. Buresch and Edward G. Mesmer to partnership on July 1.

Caplow Opens Office

CHICAGO, Ill.—Cecil A. Caplow has opened offices at 134 North La Salle Street to engage in the securities business.

Crawford in Washington

WASHINGTON, D. C.—Harry Lee Crawford is engaging in the securities business from offices at 2014 Nichols Avenue, S. E.

Mutual Funds

By ROBERT R. RICH

IN A GENERAL REVIEW of current economic trends, Harold X. Schreder, Executive Vice-President and Director of Research of Group Securities, asserts that while the upward force of the last year's boom in private capital goods is weakening, **there appears to be no likelihood of a serious business recession.** Citing as major factors (1) forthcoming increased government buying for preparedness and (2) its resulting stimulation to consumer buying again, Mr. Schreder commented: "Instead of the past year's preparation stage, the production stage of our armament program is about to get under way, and American business soon will be in the process of doubling its deliveries of goods and services to the government."

Despite the force of heavy military expenditures, civilian supplies and the general standard of living should be well maintained throughout this year and next year, according to Mr. Schreder. "Presently planned defense expenditures are somewhat smaller than those of World War I and only about one-third of the World War II peak level," he said. "A year ago, at the Korean outbreak, they took only about $5 out of each $100 of goods and services; currently they amount to about $9 per $100 of our total output; and our planned military expenditures for next year should not take this total to more than $16 out of every $100 of our national product. Of course, if a full-scale war develops, this ratio will change sharply upward.

"While the $84 out of every $100 of our greatly expanded output still available for civilian consumption should go a long way to maintain overall civilian supplies and living standards at close to present levels of consumption, particular types of civilian supplies will, of necessity, suffer cutbacks. This will be especially true in many types of goods that require metals and other scarce materials. Even so, the indicated production level of most of the affected goods will be extremely high by historical records.

"Despite (1) the admittedly strong economic outlook for 1951 and (2) the demonstrable undervaluation of stocks in general, the investment manager must (3) pay heed to the recent downturn in confidence—that indefinable, delicate combination of fact and fancy with which the mass-investor approaches the securities market.

"While the mass-investor is probing a new base on which to rebuild his confidence, the stock market will probably remain unsettled and erratic. During such a period as the current one of economic transition and investor-probing for a new base for a sustained new price advance, two protective investment steps can be taken: (1) build up buying reserves, and (2) trade up in quality.

"In the appropriate Funds, your management took both of these steps before the recent sharp break in the stock market. **The present is neither a bullish nor a bearish market; it is a highly selective one."**

ALMOST A MILLION dollars of investment income was available for distribution to shareholders of Diversified Funds, Inc., during the six months ended May 31, 1951, according to the semi-annual report of this mutual investment company released today.

The 15-year-old company had total net assets of $35,784,201 on that date, comparing with $34,833,168 at the fiscal year-end, Nov. 30, 1950.

Diversified Investment Fund, one of the several income funds available through Diversified Funds, Inc., paid a total of 36 cents per share during the six months under review, compared with 34 cents in the same period last year. This Fund had total net assets of $21,983,570 on May 31, 1951; an increase of $2,952,863 during the six-month period. Net asset value per share was $13.14—6.5% greater than the Nov. 30, 1950, figure of $12.34.

Commenting on the general economic background, Hugh W. Long, President of Diversified Funds, Inc., stated in the report that higher wages and other costs, as well as increased Federal taxes, have made it more difficult for industry to translate additional sales dollars into net income. However, the report concludes that **"by most standards of measurement — book value, replacement value, earning power and income return—properly chosen securities of American business still seem attractive in relation to other forms of property."**

COMBINED NET assets of the ten Keystone Funds on May 31, 1951, were $216,300,200, it is disclosed by the semi-annual report of the Keystone Income Common Stock Fund S2, made public today. This compares with a total of $211,427,200 at the close of May, last year.

Net assets of the S2 Fund at the close of the first half of the current fiscal year amounted to $32,643,588, against $32,621,448 twelve months before. Net asset value per share increased to $17.36 from $15.82 on May 31, 1950. There were 1,800,576 shares outstanding in 1951, compared with 2,062,167 a year ago.

An industry breakdown as of June 22, 1951, of the investments of National Stock Series, a $27,000,000 Mutual Fund, and the largest one managed by National Securities & Research Corporation, showed principal changes recently as follows by industry groups:

Decreased—	Increased—
Aircraft	Agricultural Equip.
Auto Mfg.	Auto Parts
Metal	Building Materials
Railroad	Utilities

The above changes give effect to a program of profit-taking which was completed in May.

The increases of percentage of investment has been largely in these Heavy Goods stocks in which the outlook seems favorable, in the opinion of the "National" management. Agricultural equipment stocks as a group appear attractive to them on prospects of higher 1951 earnings than in 1950. The auto parts shares appear more favorably situated than the auto manufacturing shares since the latter type of companies will be hampered by shortages in the steel supply and credit restrictions on sale of automobiles. The building stocks as a class, in the opinion of "National's" management, continue to be relatively attractive, since construction in 1951 should compare favorably with 1950.

Issues selected from the utility industry are believed to be relatively more favorable from a price and earnings viewpoint than those from many other industries.

TOTAL NET ASSETS of Bullock Fund, Ltd., on May 31, last, were larger than at the end of any fiscal period in the history of the fund, according to the corporation's semi-annual report for the six months ended May 31, 1951. Net investment income on this "growth fund" managed by Calvin Bullock was also the highest of any corresponding fiscal period in the company's history.

Total net assets on May 31, 1951, were $11,412,856 with net asset value per share of 23.25 compared with $8,672,659, and $21.05 per share on Nov. 30, 1950, and $8,151,502 and $20.81 per share for May 31, 1950. Shares outstanding at the end of each period were 490,790 on May 31, last, 412,000 six months earlier and 391,664 a year previous. In March, 1951, the company acquired the assets of Aeronautical Securities, Inc.

Net investment income in the six months to May 31, 1951, amounted to $223,483 compared with $179,575 for the same period in 1950. Market value of investments on May 31, last, was $10,058,200. This figure included unrealized appreciation of $1,738,752, indicating the net unrealized gain in the market value of investment holdings over the prices at which the securities were purchased. Six months earlier, unrealized appreciation was $1,410,542 and on May 31, 1950, the amount was $1,037,122.

As of May 31, 1951, investment reserve, consisting of cash and high-grade bonds, amounted to approximately 19% of total net assets as compared with about 17% on Nov. 30, 1950.

NET ASSETS of Nation-Wide Securities Company as of May 31, 1951 were invested percentage-wise, as follows: in common stock 43.0%; preferred stocks 19.3%; U. S. Government bonds 16.0%; other bonds 16.8%; and cash etc. 4.9%.

Investment changes in the company in the three months ended May 31, 1951 included purchases of common stocks of seven companies in which it had no common stock investments on Feb. 28, 1951, as follows: 2,600 shares of Chicago, Rock Island & Pacific Railroad Company; 2,000 shares of McGraw-Hill Publishing Company, Inc.; 5,000 shares of Moore-McCormack Lines, Inc.; 3,000 shares of Studebaker Corporation; 1,000 shares of Sylvania Electric Products, Inc.; and 2,000 shares of West Virginia Coal & Coke Corporation.

Sales of investment securities

by the fund included the elimination of all common holdings in eight companies: 2,000 shares of American Home Products Corporation; 1,000 shares of Deere & Company; 2,000 shares of Flintkote Company; 3,500 shares of General Portland Cement Company; 2,800 shares of National Cash Register Co.; 2,000 shares of Northern Natural Gas Company; 2,000 shares of Ohio Oil Company; and 2,200 shares of Safeway Stores, Incorporated.

NET ASSETS OF American Business Shares, Inc., on May 31, 1951, end of the first half of its fiscal year, were $35,898,133, or $4.01 a share, compared with $34,734,060, or $3.89 a share six months earlier.

In the period, "Cash and Bonds held for Capital Stability" increased from 46.8% to 52.7%. Other changes of importance were an increase in the amount of corporate bonds held, a reduction in automotive, oil and steel stocks, and an increase in food, retail trade and utility stocks.

NATURAL RESOURCES Fund in the six months ended May 31 increased its net assets to $1,308,165, a gain of about 500% over the $262,170 on May 31, 1950 and a gain of about 100% over the $665,601 on Nov. 30, 1950, the close of the Fund's first fiscal year, according to the semi-annual statement released by Frank L. Valenta, President.

The Fund in the six months realized capital profits of $12,207 and on May 31 had net unrealized appreciation of investments amounting to $90,148.

"HESITANCY ON THE PART of both institutional and individual investors appears to be an important influence in current financial markets. . . ." This wait-and-see attitude may be influenced by current and obviously unsettled conditions in certain business fields, according to the June "Letter" published today by Broad Street Sales Corporation.

In the opinion of the research organization that serves three mutual investment funds, investors should look beneath these surface dislocations and reappraise the importance of the other forces at work—the added inflationary potential of the armament program which is just beginning to gather speed enough to be felt in the rest of the economy.

The "Letter" also mentions the "growing differences (that) have developed between businesses benefiting from government and related expenditures on the one hand, and those restricted and hampered by controls and shortages on the other. . . . In general, the capital goods industries . . . are booming while the consumers' goods lines have been slowing down. . . . This development is basically inflationary, but its effect is subtle and somewhat slow to be felt. . . . The unfavorable and uncertain conditions are close to home; the inflationary force . . . is not readily evident. . . ."

The "Letter" concludes that the investor "should recognize the basic fact that an indefinite hesitancy and wait-and-see attitude are not consistent with the ever-changing nature of financial markets. He should also recognize that diversification of risk and careful selection of securities are the cornerstones of an investment policy suited to a business situation the very essence of which is widespread differences between the positions of individual industries and companies."

BROAD STREET SALES reports that, "while the prices of stocks may well continue to be influenced in the near term by foreign developments, their basic position as compared with that of 1937, for example, is well worth reviewing from time to time.

"The table below indicates that common stock prices, as measured by the Dow-Jones Industrial Average, have not advanced nearly as much as prices of some other investment media.

COMPARISON OF INVESTMENT VALUES

Investment Media—	1937 High		1951		Percentage Change
Farm values per acre (1935-39 = 100)	102—Mar.		233—Mar.		+ 128%
Cost of 5-room house (in St. Louis)	$6,443—July		$15,767—Apr.		+ 145
Commodity prices—USBLS (1926 = 100)	88.0		*183.2—Apr.		+ 108
Preferred stocks (Standard & Poor's)	167.6		170.4—Apr.		+ 2
	1937 High		April 1951		
Corporate bonds (Standard & Poor's):	Yield	Price 3%-20 yrs.	Yield	Price 3%-20 yrs.	
A1+	3.46	93.40	2.83	102.58	+ 9.8
A	4.44	81.04	3.08	98.82	+21.9
	1937 High		June 6, 1951		
Dow-Jones Industrial Stock Average	194.40		249.61		+28.4

*Estimated.

Freeman President of Loomis-Sayles Funds

BOSTON, Mass.—The directors of the Loomis-Sayles Mutual Fund, Inc. and the Loomis-Sayles Second Fund, Inc. elected Maurice T. Freeman as President to succeed Robert H. Loomis who will continue as a director of both Funds. Mr. Freeman is a member of the executive committee and Vice-President of Loomis, Sayles & Company, manager of these two mutual investment trusts.

A graduate of the Massachusetts Institute of Technology and the Harvard School of Business Administration, Mr. Freeman joined the Investment Research Department of Loomis, Sayles & Company in 1927. He was elected Vice President and director of investment research in 1942 and has been a director and officer of the two Loomis-Sayles mutual funds since their organization. He is a member of the board of managers and the investment committee of the Greater Boston Charitable Investment Trust and a trustee of the Winchester Hospital.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Franklin E. Barger has become associated with Founders Mutual Depositor Corporation, First National Bank Building.

Also associated with the firm are Donald W. Beeler of Beloit, Kansas, Glen J. Anderson of Holdrege, Nebraska, and Paul C. Christophersen of Lincoln.

George V. W. Pelz

George V. W. Pelz, an associate of B. H. Roth & Co., New York City, passed away at the age of 74.

Notes Increase in Gold and Dollar Reserves

The 21st Annual Report of the Bank for International Settlements, covering the year ended March 31, 1951, contains the usual data and analysis of the gold situation, and the movements of monetary reserves during the period. The report stresses the reversal of the postwar trend of steady gold movement to United States.

Commenting on the changed situation the BIS report states:

"During the first four postwar years most of the countries outside the United States had to draw their reserves of gold and dollars down to the danger point in order to meet deficits in their balances of payments not covered by other means. In 1950 this trend was impressively reversed.

"Meanwhile the usefulness of reserves of other currencies had been enhanced by a fairly general relaxation of trade restrictions, by the fact that more supplies were available outside the United States and by the extension of the transferability of currencies through administrative and other measures, including the operation of the European Payments Union. The increased usefulness of sterling has been an outstanding factor in this blurring of the line of distinction between 'hard' and 'soft' currencies.

"Gold has, however, retained its place as the primary asset for monetary reserves, being as much sought after as at any time in the past. Gold developments in the first half of 1950 represented, on the whole, a continuation of tendencies which had made themselves felt in the last months of the previous year and especially after the widespread devaluations that occurred in September, 1949. The Korean conflict brought a disturbing element into the gold markets, and movements which, in several respects, were most spectacular ensued in the second half of 1950.

"(1) The total output of gold in countries outside the USSR rose from the equivalent of about $840 million in 1949 to $870 million in 1950, or by more than 3%. At this new level production was still one-third below the peak of $1,295 million reached in 1940 but, even so, it was larger in 1950 than in any year outside the nine-year period from 1935 to 1943.

"A peculiar feature of gold production in 1950 was that the increase occurred chiefly in the United States, which had maintained the gold value of its currency, and in Canada, where only a moderate devaluation had taken place, while there was no improvement in South Africa and some other countries which had devalued by 30½% and in which the gold price in the respective national currencies had consequently risen by about 44%.

"(2) The year 1949 had been the first since 1945 in which the American intake of gold did not absorb the whole current output, and in 1950 the United States actually became a net seller of gold to the extent of $1,743 million. The whole of the gold obtained from the United States went into the monetary reserves of other countries, whose reported reserves seem also to have been increased by some $420 million from current production, while about $1,650 million was added to reserves in the form of dollar holdings. In all, this makes an addition of $3,800 million to official gold reserves and short-term dollar balances held by countries other than the United States.

"These gains were fairly widely distributed. The fact that the sterling area and Canada accounted for almost two-thirds of the total does not invalidate this observation, since the accumulations of the sterling-area reserves in London do not appertain exclusively to the United Kingdom—something like 40% to 50% being really earned by other members of the area. A few countries in Europe saw their net gold and dollar holdings decline in 1950, but to a large extent the drain could be accounted for by advance purchases of raw materials.

"The losses of gold by the United States and the increases in other countries' dollar holdings were due not to any current deficit in the balance of payments (there being still a surplus of $2,200 million on goods and services account) but partly to the continuance of American aid to other countries at the rate of about $4,100 million and, for the rest, to various financial transactions, of which the most important was a net outflow of private capital, estimated at nearly $1,100 million.

"(3) Of the $870 million representing the total (known) output of gold in 1950 some $420 million (as mentioned above) was estimated to have gone into monetary reserves and about $160 million to have been absorbed by the arts, industry and professions in the western world, leaving some $290 million as the amount which probably went into private hoards in the East and the West. The distinction between industrial uses and private hoarding is admittedly not very sharp. The two items together represent the gold which has 'disappeared' during the year.

"There was a conspicuous cleavage between the two halves of the year. In the first half there was a growing confidence in most currencies: in free and grey markets, not only in Europe but even in Asia (where hoarding, especially in China, was on the decrease), the price of gold fell to levels not far above the official price, and only some 8% of the current output of gold would seem to have gone into hoards. In the second half of the year, on the other hand, growing fears of inflation or even invasion greatly fostered the propensity to hoard, and it would seem that nearly 60% of the current output went into private hoards. Industrial uses having also taken their quota, only one-quarter of the current output was left for monetary reserves in the last six months of 1950. But it is interesting to note that the prices paid for gold, although higher in the second half-year, remained much below the levels reached in 1948 and 1949.

"Of the gold obtained from the U. S. monetary stock over three-fourths remained in that country as gold under earmark at the Federal Reserve Banks for foreign account. In conformity with the Gold Reserve Act of 1934, the U. S. Treasury, acting through the Federal Reserve Bank of New York, has been prepared to sell gold for 'legitimate monetary purposes'—which, in practice, has meant that, apart from sales to the arts, industry and professions, gold has been sold to central banks, Treasuries and other monetary institutions. Through the fact that gold has been purchased whenever offered to the U. S. authorities and has been made available in amounts 'necessary to settle international balances,' the dollar has more than ever occupied a pivotal position in connection with gold settlements in these postwar years."

Continued from first page

No Present Danger of Further Inflation

ated by war, government extravagance, or public "manias" of one kind or another, that they become serious enough to cause general concern.

Inflation can have particularly serious consequences in a country with a large middle class and with large numbers of people depending on pensions, annuities and insurance for economic security, such as is the case in the United States. This is so true that it is not too much to say that no responsible government will permit the forces of inflation to grow indefinitely because of the devastating effects on the middle class and those living on fixed income. Restrictive measures of increasing severity, on both the demand and supply side, are inevitable when the situation does not cure itself.

What Has Caused Our Inflation?

At this point, it will be worth while to get a good, clear idea of what caused our inflation since the end of World War II, especially since Korea Day.

It has been blamed on government spending. Without in any way defending government spending, the fact is that since the end of World War II the government has taken in more than it spent! True, spending was too high, but taxes were also very high, so the government actually took more out of the spending stream than it put in.

It has been blamed on deficit financing, but the fact is there hasn't been any deficit financing since October, 1945!

Demand and supply factors in their simplest form explain what happened. Supply, thanks to competitive capitalism, was expanded far beyond reasonable expectations; yet demand outran it. Part of this was due to unsatisfied demands of the war years, part to the increased earnings and savings of those years, but a very large part was due to the fear of shortages and the fear of inflation itself!

The steady stream of merchandising exhortations to "buy before it goes higher" and the torrent of press releases and radio statements from government officials, excitedly seconded by the radio commentators, as to impending shortages and the dangers of inflation, brought on to a considerable measure the very thing we were trying to avoid.

The basic inflation pressures caused by the necessity of diverting raw materials and goods to rearmament have been greatly aggravated by efforts of pressure groups to escape their share of the burden of rearmament. In fact, the situation has developed to such a point that Edward H. Collins, the distinguished financial commentator of the New York "Times," in a recent column entitled "The Spoils of Rearmament," said of the farmers and labor: ". . . while the spokesmen of these groups—and this is especially true of the labor leaders—never tire of talking 'equality of sacrifice,' both are currently employing every effort and every artifice to turn the rearmament effort into a profitable economic venture for the groups they represent"!

Keeping Inflation Within Bounds

Inflation, in the sense of "expansion of the means of payment," or "dilution of the money supply," as it is called by critics, has been characteristic of this country since the earliest days. Expansion of production facilities, increased productivity, and a great expansion in services (i.e., luxuries became necessities) kept pace with the expansion of money and credit, with the result that our standard of living more or less continuously increased, until today it is so high that we just can't believe that it can last.

While on the long-run basis, production saved us; on the shorter upward swings of the business cycle higher prices and relative diminution of purchasing power caused corrective reactions. In other words, the "money ran out!" There are many who feel that these correctives have lost their efficacy because of the unprecedented liquid wealth and savings in the hands of our people. In direct refutation of this viewpoint, may I cite just one statistic, compiled by your own Institute of Life Insurance: Between 1945 and 1950 individual debt in the United States rose from $34,700,000,000 to $79,500,000,000, a gain of 129% for the period. This great increase in personal debt certainly shows that, $250,000,000,000 of liquid assets notwithstanding, a lot of people didn't have all the purchasing power to buy all the things they wanted! The implications are quite obvious, especially with respect to future inflationary pressures.

Rationing at the consumer level is the classic method of keeping demand within the limits of supply during emergency periods. It is doubtful that the American people in peacetime would give the necessary cooperation to make it work. Also, it is political dynamite, so it has not been attempted. (Of course, the Controlled Materials Plan, effective July 1, is a rationing of several scarce materials as between various industrial users.)

Price controls and wage controls have been inaugurated; but without rationing they cannot be expected to hold the line. It will take a great deal more to prevent a serious inflationary upswing this fall and winter when the government orders, which have been placed recently at the rate of $5 billion a month, turn into payrolls and demands for raw materials. The current oversupply of several lines of consumer goods is merely a temporary condition. The basic inflationary pressures are increasing at a rapid rate.

Recognizing the growing danger of further inflation, the life insurance companies, investment houses and commercial banks have organized Voluntary Credit Restriction Committees in both the short-term and the long-term fields, and are attempting to reduce demand by preventing the further expansion of credit for other than defense, or defense-supporting activities. If they are successful, other measures may be avoided. If these voluntary credit controls are unsuccessful, however, you may rest assured that more than involuntary ones will be invoked. And if you think the Administration doesn't have all the powers it needs to invoke 100% controls, listen to these instructions of the President to a committee consisting of the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, and the Director of Defense Mobilization:

"I should like you to consider the establishment of a committee similar to the Capital Issues Committee of World War I but operating in a broader area." Going further along these lines, he said:

"Furthermore, I should like you to consider the necessity and feasibility of using the powers provided in the Emergency Banking Act of 1933 to curtail lending by member banks of the Federal Reserve System. These powers are vested in the Secretary of the Treasury subject to my approval. The Secretary could by regulation delegate the administration of this program to the 12 Federal Reserve banks, each to act in its own Federal Reserve District under some flexible procedure. The program could be extended to institutions other than member banks, if desired, by using the powers provided by the Trading With the Enemy Act."

The powers in the Emergency Banking Act, dated March 9, 1933, to which the President referred, appear in Section 4, as follows:

". . . during such emergency period as the President of the United States by proclamation may prescribe, no member bank of the Federal Reserve System shall transact any banking business except to such extent and subject to such regulations, limitations and restrictions as may be prescribed by the Secretary of the Treasury, with the approval of the President. Any individual, partnership, corporation, or association, or any director, officer or employee thereof, violating any of the provisions of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than $10,000 of, if a natural person, may, in addition to such fine, be imprisoned for a term not exceeding ten years."

These passages indicate beyond question that the Administration either with, or without, the cooperation of the Federal Reserve Board has ample authority to control credit extension. Please note that they have the power to do this on a qualitative and selective basis, and thus could do it with practically no interference with management of the public debt. In other words, their hands may be tied by the public debt so far as quantitative credit control is concerned, but they have practically unlimited latitude on quantitative control!

Increased taxes have been advocated as a means of preventing inflation by reducing civilian demand and avoiding expansion of the government credit. But it takes more than a balanced budget to prevent inflationary losses by the public. In fact, taxes represent an erosion of value, just as does a drop in the value of the dollar. Up to a certain point—no one can say exactly where, until it is too late—taxes, by siphoning off, so-called excess, purchasing power, tend to preserve the purchasing power of each dollar, but you have left fewer dollars, so it is just about as broad as it is long. Moreover, after the critical point is passed, higher taxes themselves become inflationary.

In this connection, listen to the unanimous testimony of the Congressional Joint Committee on the Economic Report: "At some point taxation itself becomes inflationary, even though the budget is balanced. If tax burdens are so great as to shock the sense of justice or equality, some way is found to avoid them or to pass them on into higher prices. Just where the limit is, is difficult to judge, but it is to be hoped that the total expenditures may be held to 20% of the national income, the balance of Federal expenditures, including veterans' benefits and interest on the public debt, to 8%, and the State and local expenses to 8% of the national income."

So don't relax your efforts for economy and full value in government!

On the supply side, the country is entering the period of increased inflationary pressure, with large stocks of goods in the hands of manufacturers, merchants and consumers. In addition, the most pressing needs for housing and durable consumer goods have already been met. Moreover, the purchasing power of those whose income has not kept up with the sharp price increases of the last 12 months has decreased; and buyers' resistance is becoming noticeable in many lines, particularly beef.

These developments, especially the heavy inventory situation and the current price wars will go a long way toward keeping inflation within bounds in the months ahead.

Inflation Looking to the Future

Inflation is far more than a mere adding to the quantity of the means of payment. The so-called quantity theory of money has been overworked in this respect.

Inflation depends more on what is done with the purchasing power after it is brought into existence. It has to do with the spending pattern and saving habits of our people. For example, in recent years nearly all of our 45,200,000 family consumer units or, even more specifically, our 52,000,000 spending units, have moved into higher income levels. If each spending unit which has moved into a higher income classification could only be induced to save at the same rate as the previous occupants of that category, the most troublesome aspect of the inflation problem would be largely solved. Happily, there are some indications of a tendency in the direction of stabilizing saving and spending along the lines of the previous pattern.

One of these indications is the growing ratio of savings to disposable income. Thus, during the boom year of 1929, personal savings were 4.5% of disposable income; during the subnormal year of 1939 they were 3.8%; and during 1947 they were only 2.3%. But by 1950 the savings ratio had risen to 5.6%, and for the present year savings are expected to rise to 6.9% of disposable income.

Also, whether we have serious inflation in the future will depend to a great extent on our leadership. We must never overlook the more than $250 billion of liquid assets the American people have which they could throw in against goods if they lost confidence!

But the biggest reason for my conviction that we shall not have runaway inflation is the great expansion of our already magnificent industrial facilities. During World War II, the government built $42 billion of plants and facilities. Of these, some 225 plants have been sold or leased to industry on a 90-day conversion to original military production basis. These plants constitute the Industrial Reserve of which you have heard. About an equal number of plants are being held directly by the government in reserve against all-out war. In addition, since the end of World War II, private industry has invested some $85 billion in plants and equipment. Now, a record-breaking capital goods expansion program of some $24 billion of plants and facilities is under way. Also, the government is doing a considerable volume of construction and expansion about which little is being said.

Adding these enormous totals to what we had before the expansion, it is impossible for me to believe that we face any serious shortages after the present rearmament pressure slackens, that is, by the end of 1952 or the early part of 1953.

In other words, the present rate of rearmament is not going on forever and ever, as some people seem to think, that is, unless we get into all-out war, high-pressure rearmament should be largely over by the end of 1952. The end of the current intensified arms programs will start a flood of consumer goods such as the world has never known! We shall have the factories, the manpower, and the tools to meet even fantastic demands. Does that look like inflation to you?

Present Inflation Is Exaggerated

As Mark Twain, my Connecticut neighbor of other years, said about the false report of his death, the extent of the present inflation is "greatly exaggerated"!

Price changes of the magnitude of the last 12 months disturb relationship of long-standing and lead to many false conclusions. Thus everyone complains about the present "high" cost of food and is convinced that prices are astronomical, whereas food in terms of any fixed unit, such as hours of labor, is not high at all.

For example, according to the National Industrial Conference Board, in 1914 it took a wage earner six hours a week to feed each member of his family, but in 1948 (when prices were just about as high as now), with food consumption up 20% and quality much better because of freezing and modern preservation methods, he was able to feed each member with 3¾ hours of labor per week.

Now let us look at some non-food items. In the same fashion as above, it took 140 hours of work of our wage earner in 1914 to get a suit, overcoat, hat, shirt and pair of socks, whereas in 1948 it took only 54 hours.

Likewise, in 1914 our wage earner had to labor 96 hours to get an automobile tire which lasted for 3,500 miles (with frequent repairs), but in 1948 he could get a comparable tire for 11 hours of work, and it lasted nearer 30,000 miles!

Gasoline is another good example; it took 42 minutes of labor to get one gallon in 1914, but in 1948, 12 minutes would purchase one gallon which was 50% better measured by increases in useful power of engine, miles per gallon under conditions of constant performance, acceleration, etc.

Comparison of real purchasing power in the 1929 boom with that in the present boom may be helpful in getting perspective. In this connection, Secretary Brannan testified before a Congressional Committee at the end of April that the purchasing power of one hour of labor in 1951 compared with 1929 as follows:

	1951	1929
Broad	10 loaves	6 loaves
Milk	13.8 pints	7 pints
Steak	1.5 lbs.	1.2 lbs.
Bacon	2.3 lbs.	1.3 lbs.
Eggs	2.5 doz.	1.1 doz.
Potatoes	36.3 lbs.	17.7 lbs.
Oranges	3.2 doz.	1.3 doz.

The real measure of economic well-being is the standard of living—and it has never been higher, measured by any physical standard.

Ask the people who complain that today's prices are so much higher than in the "good old days" if they would like to return to the wage and salary scales of those days. People who would like to have a 1951 income, with 1932 price tags on what they buy, and with pre-1913 tax rates, are out of touch with reality. They forget that one man's income is another man's expense—also, they forget the social revolution which has gripped this country since 1933!

This is not to deny that the decline in value of the dollar has created real problems for those on fixed incomes. As everyone knows: those living on pensions or on life insurance proceeds; those depending on accumulated wealth; and those with more or less fixed incomes such as government employees and college professors are really being squeezed and in many cases actually suffering. I can testify to this at first-hand!

Nonetheless, it gives a totally false impression to compare the depressed prices of the '30s, when we were sufferings the greatest depression in our history, with the prices which prevail today, at the peak of the greatest peacetime boom in our history, on top of which we are now superimposing a rearmament boom. These prices at both ends are extremes, and should be recognized as such. The thing to remember is that American prices have a habit of going down as well as up, as a lot of businessmen have been learning the hard way in the last three months!

Conclusions

My conclusions are:

(1) Inflation is strictly man-made. There are no iron-bound or hide-bound economic laws that determine its intensity. It's entirely up to us. If we want it, we can have it! If we don't, we can largely avoid it.

(2) Insurance sales organizations have made a great contribution in the fight against inflation by maintaining the truth of the economic verities and proceeding on the basis that "this too shall pass"! As the purchasers of life insurance have so strikingly demonstrated, there are many things more to be feared in the future than inflation.

(3) Even the communists admit that the great weakness of competitive capitalism is **overproduction**—in fact, they claim the tendency to overproduce will destroy it. Let us, at least, have as much faith in our ability to produce as the communists!

(4) After the present intensive rearmament program is ended, the problem of disposing of our tremendously swollen output will be the most serious economic challenge we have ever faced. I repeat: Overproduction with its accompanying deflation is the basic danger of capitalism — **deflation,** not inflation!

Bankers Sell Union Oil of Calif. Stock

A secondary offering of 200,000 shares of Union Oil Co. of California common stock (par $25), which was made after the close of business on the New York Stock Exchange on July 2 by Dillon, Read & Co. Inc. and associates at $35 per share (with a dealer's discount of 70 cents per share) was oversubscribed and the books closed.

It is understood that this block of Union Oil stock was part of the holdings of members of the Edward L. Doheny family, who will continue to retain about 400,000 shares of the stock.

Joins Walston, Hoffman

(Special to The Financial Chronicle)

PASADENA, Calif.—Glenn M. Jones has become associated with Walston, Hoffman & Goodwin, First Trust Building. Mr. Jones was previously with First California Company and Jones, Cosgrove & Co.

With Wagenseller & Durst

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Louis B. Perry has been added to the staff of Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

Walston, Hoffman Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Theodore J. Triplett is now with Walston, Hoffman & Goodwin, 550 South Spring Street.

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The State of Trade and Industry

was $1.99 a bushel. The price support for this year's crop is 90% of parity at the beginning of the marketing year, July 1. Full parity is $2.42 a bushel.

With the signing of a bill by President Truman the past week-end, extending the Defense Production Act to July 31, wage, price and production controls will remain in effect for at least another month. The measure, however, bans any price rollbacks and forbids the Office of Price Stabilization from controlling any goods or services not previously under ceilings.

The limit on the OPS forced the agency to cancel plans for putting into effect on Monday of this week its new "pre-Korea plus" price orders, since they would have brought some rollbacks.

Casualties of businesses in May were 9% more numerous than they were in April. Reaching 755, they were the most since January, although 14% fewer than in May, 1950. About one-half as many businesses failed as in the same month of 1939.

Liabilities involved in May failures rose 38% above the liability level of April, according to Dun & Bradstreet, Inc. At $23,500,000, it was the largest figure in more than a year. Failures of the $5,000 to $25,000 liability category and those of the $100,000 and over class both rose to their highest levels for the year. The latter group was the only one with more failures than in May of last year.

All industry and trade groups sustained increased casualties in May, but of all the groups construction and commercial service alone reported more failures than in the same month of 1950. The food, textile and apparel industries accounted for most of the failure increase in the manufacturing category.

Of the nine major geographic regions, five reported more failures in the month, the sharpest rise being in the Pacific States. Declines occurred in the East South Central, East North Central and West North Central areas.

Steel Output to Drop on Suspension of Open Hearth Operations and July 4 Holiday

Peace in Korea will not mean any easing in steel supply this year, states "The Iron Age," national metalworking weekly.

Manufacturers who now face limitations on their supplies of metals cannot expect any improvement in their picture for the balance of this year. In fact, indications that most metals will be generally hard to get even in the first quarter of 1952 still stand, this trade authority asserts.

Most of the alloy steels now used in automobiles will be unobtainable before 1951 is over, making it necessary for makers of cars, trucks, farm implements and even some military goods to use substitutes. And they will have to move fast on these substitutes if they expect to keep their plants running later this year. The alloy shortage is the most critical this nation has ever faced, this trade paper observes.

Neither this situation nor the general shortages of metals will be affected for some time even if peace finally comes in Korea. Defense appropriations already made will be spent on schedule. Cutbacks on civilian goods production will also proceed on schedule, "The Iron Age" declares.

Actual purchasing of materials under defense contracts is gathering speed month by month, heading toward a peak early in 1952. Conversion deals are having a rough time because of the growing scrap shortage and so-called free market steel—except for imports—will be almost microscopic in size by Christmas, this trade weekly continues.

Controlled Materials Plan orders are beginning to appear on mill books this week. Orders for less than 100 tons are apparently being processed first by CMP to clear the way for consideration of the larger requests, which should be out within two weeks. The military now knows exactly what its requirements are, but few other "claimant agencies" do. Until they do it will be impossible to schedule orders and production properly, states this trade journal.

Instead of suspending operations for the July 4 holiday, as they do in "normal" times, most steel mills operated their furnaces this week, paying time and a half. Where shutdowns were made, most were in finishing mills, not in melting operations.

However, enough openhearth operations were suspended to drop the steel operating rate this week to 101% of rated capacity, down about two points from last week's rate, concludes "The Iron Age."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 100.8% of capacity for the week beginning July 2, 1951, based on the industry's increased capacity of Jan. 1, or a decline of 2 points from a week ago.

This week's operating rate of 100.8% is equivalent to 2,015,000 tons of steel ingots and castings for the entire industry, compared to 102.8% or 2,055,000 tons a week ago, and 103.2% or 2,063,000 tons a month ago. A year ago it stood at 91.5% of the old capacity and amounted to 1,765,200 tons.

Electric Output Soars to Highest Level Since Week Ended March 17

The amount of electrical energy distributed by the electric light and power industry for the week ended June 30, 1951, was estimated at 6,897,800,000 kwh., according to the Edison Electric Institute.

The current total was 63,108,000 kwh. above that of the previous week, 782,681,000 kwh., or 12.8% above the total output for the week ended July 1, 1950, and 1,487,408,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Rise Slightly in Latest Week

Loadings of revenue freight for the week ended June 23, 1951, totaled 832,942 cars, according to the Association of American Railroads, representing an increase of 6,703 cars, or 0.8% above the preceding week.

The week's total represented an increase of 22,971 cars, or 2.8% above the corresponding week in 1950, and an increase of 30,001 cars, or 3.7% above the comparable period of 1949.

Auto Output Exceeds Previous Week's Level

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 157,436 units, compared with the previous week's total of 157,909 (revised) units, and 196,767 units in the like week of 1950.

For the United States alone, total output was 151,247 units against last week's revised total of 148,797 units, and in the like week of last year 187,893. Canadian output in the week totaled 6,189 units compared with 9,112 units a week ago and 8,874 units in the corresponding 1950 week.

Total output for the current week was made up of 118,297 cars and 32,950 trucks built in the United States and a total of 4,839 cars and 1,350 trucks built in Canada. In the previous week, Canadian output totaled 6,637 cars and 2,475 trucks agianst 6,450 cars and 2,424 trucks in the like 1950 week.

Business Failures Continue Rise

Commercial and industrial failures increased to 188 in the week ended June 28 from 180 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were more numerous than in the comparable weeks of 1950 and 1949 when 156 and 177 occurred respectively, they remained considerably below the prewar level of 264 in 1939.

Failures involving liabilities of $5,000 or more rose to 150 from 136 and exceeded the 126 of this size a year ago. A decline occurred among small casualties, those having liabilities under $5,000. They dipped to 38 from 44, but remained above last year's total of 30.

In all industry and trade groups, mortality increased slightly or was unchanged. Manufacturing, retailing, and construction had small rises, while wholesaling and commercial service continued unchanged. More businesses succumbed than last year in all lines except wholesale trade; the most marked increase from 1950 centered in manufacturing.

The week's rise was concentrated in the Middle Atlantic and Pacific States. Four regions, including New England, reported a decline in casualties from the previous week; no change appeared in the East North Central States. Mortality exceeded a year ago in four areas. the New England, Middle Atlantic, West South Central, and Pacific States. In the latter region, failures were twice as numerous as in 1950.

Food Price Index Declines to Lowest Point Since First Week of 1950

Following the steadying movement of the previous week, the Dun & Bradstreet wholesale food price index fell five cents last week to stand at $7.02 on June 26, marking the lowest level since the first week of this year when it stood at $6.93. Despite the downward trend of the past seven weeks, the current index represents a rise of 16.2% over the year-ago figure of $6.04, just after the start of the Korean War.

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 Falls to Lowest Point Since Mid-December

Easiness in commodities prevailed throughout the past week with the general level of prices moving sharply lower on Monday of last week as the result of Soviet proposals for peace talks in the Korean War. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped to 312.90 on June 23, from 315.04 a week earlier. This was the lowest since mid-December when it stood at 312.39. It marked a rise of 17.4% over last year's figure of 266.57 at the start of the Korean conflict.

Grain markets at Chicago, which had been weak and un-

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you are in the market now, you are probably dazed at the situation as it is today. Is this a bear market or is this a technical reaction of the bull market?

* * *

If you read the financial columns and market letters, you get plenty of versions of what this is all about, and after you finish reading all this you probably still won't know what to make of it all. But don't be concerned too much — get another loan — there are thousands in the same spot.

* * *

At this point I refer you back to a column written in May when the previous reaction was under way. The general feeling at that time was that a major break was right around the corner. I did not see it that way. I thought stocks were approaching the lows and were a buy and instead of just a minor rally we would have a substantial advance. However, I did say that there would be a major reaction possibly before the end of June. You know what happened.

In the past few weeks I stressed group action and said it was the action of such groups in reactionary markets that pointed the way to future action when, as and if the market turned up. Among the groups I looked upon kindly were the amusement issues, particularly those with television outlets.

* * *

So far these stocks have not done much to cheer about, but it is noticeable that while the rest of the market was running away from a peace move, those stocks managed to hold and in some cases added a bit to their recent market prices.

* * *

Incidentally, before you start going all out on amusement stocks, allow me to point out that Twentieth Century-Fox will probably slice its dividend in the near future. I am not so naive as to think that the rest of the stocks in the same group will take this with equanimity, but if a reaction does occur, that would be the time to do a little buying.

* * *

Now back to the future as it looks from here: Stocks are now back to about 245 on the Dow Averages with some current signs of a bottom of around 242. I don't trust that bottom too much but I think there will be a minor rally which in turn will be followed by dullness, but between that period and the expected dullness there is also likely to be another reaction. So if you have any plans to go away this summer, I don't think you will miss too much. It looks like that kind of a summer.

* * *

It looks like the Korean war is about over if the current newspaper dispatches are to be believed. I wish I could understand our foreign policy so I might try translating it into market terms, but if the market is any yardstick, I don't think there is too much understanding of our foreign policy in higher places either.

[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.]

Aigeltinger Offers Baruch Oil Stock

Aigeltinger & Co. is offering as a speculation 260,000 shares of Baruch Oil Corp. common stock (par 10 cents) at $1 per share.

Proceeds from the sale of these shares will be used to pay the corporation's share of the cost of installing gathering lines, tanks and/or plants for six gas wells, commercially completed, which are needed in order to render them commercially productive, on the corporation's leaseholdings in Caddo and DeSoto Parishes, Louisiana. The company will use any balance for working capital and general expenses.

Baruch Oil Corp. was organized last November for the purpose of purchasing, leasing or otherwise acquiring proven or prospective oil and/or gas lands and rights in such lands, and producing on such lands oil, gas or other volatile or mineral substances as well as developing leaseholds now owned and/or proven. The corporation presently holds leasehold interests in Louisiana and in Wyoming.

Winners in Curb 5 & 20 Tourney

Joseph R. Reilly, with a low gross score of 76, emerged as winner of the New York Curb Exchange Five And Twenty Club golf tournament, at that organization's fifth annual tournament and dinner held recently at the Wheatley Hills Country Club, East Williston, Long Island. His name will be inscribed on the club championship trophy. Emil Mossbacher was low gross winner among Five And Twenty Club members with a 76. He received the Chairman of the Board's trophy. Frank Walin, low net winner, was presented with the President's trophy. Low gross winner among guests was Charles Armandoles with a 74.

In a special event Edward T. McCormick, Curb President, drove one-half inch from the pin on a 185-yard tee shot and was awarded the nearest-to-the-pin prize. George DiMartini was guest winner in the nearest-to-the-pin contest with a drive that rolled one and one-half inches from the pin.

Several hundred members and guests participated in the day's activities. Lawrence M. Stern, Five And Twenty Club President, remarked that it was the most successful endeavor of the club's history. Philip Diamond, chairman of the group's entertainment committee, was in charge of arrangements and provided more than fifty player and non-player prizes.

Elliott Grimshaw With Blair, Rollins & Co.

Blair, Rollins & Co. Inc., 44 Wall Street, New York City, announce that Elliott W. Grimshaw of Mountain Dale, New York, has joined the organization as sales representative in the Southern Hudson River and adjacent counties.

Joins Shearson, Hammill

Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announces that Frederic H. Kass Jr. is now associated with them in the investment advisory department.

To Be NYSE Member

On July 12 the board of governors of the New York Stock Exchange, will consider the transfer of the membership of Paul H. Kaufmann to Thomas H. Hockstader.

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The State of Trade and Industry

certain during the week, declined sharply following talk of peace overtures in Korea.

There was a lack of buying interest in wheat as heavy liquidation sent prices to the lowest levels in many months. Export business in wheat was disappointing following announcement of large August allocations. Growing conditions in Spring wheat areas were reported excellent, but wet weather in the Southwest has retarded the maturing and early harvest operations of the Winter wheat crop. Corn declined along with other grains although showing signs of recuperation at times. The crop was said to be making favorable progress despite generally cool and showery weather. Oats were under steady liquidation as additional receipts of Canadian oats swelled already large stocks. Trade in grain futures on the Chicago Board of Trade was more active with sales averaging 30,200,000 bushels per day, against 23,300,000 the previous week, and 33,200,000 bushels in the corresponding week last year.

Although flour prices trended downward during the week, domestic bookings of hard wheat bakery varieties continued in small volume with replacement buying confined to small lots as needed. Coffee and cocoa, which had been fairly steady, registered sharp declines on the peace rumors, while the upward trend in sugar was halted as it joined the general downward movement.

Cottonseed oil was sharply lower for the week, influenced by the war news and weakness in allied lines.

Lard worked irregularly lower. Production of lard continued heavy; export trade was slow with no signs of immediate improvement. Chicago livestock markets were irregular. Hog values finished slightly lower after reaching the highest level in about four months early in the period. Steers were relatively steady, while lambs moved slightly higher on smaller receipts.

Domestic cotton markets were under pressure last week. The staple spot grade remained unchanged at near ceiling levels while the lower qualities displayed an easier trend. Cotton futures moved downward, influenced by the unsettled world situation, continued favorable weather and crop news, and dullness in the cotton gray market. The lower than anticipated government estimate of cotton consumption for May was another adverse factor. The official May figure at 833,000 bales, compared with previous estimates as high as 885,000 bales.

Trade Volume Reflects Mild Shrinkage For Week

The nation's shoppers spent slightly less money in the period ended on Wednesday of last week than in the week before. Total dollar volume, however, was slightly above the level for the comparable week in 1950.

Lagging interest in durable goods in scattered areas was considered partly responsible for the dip in retail purchasing.

There was a very slight rise in the demand for apparel last week; total dollar volume of buying was noticeably above the level of a year ago in many urban centers. Of women's wear sold, sports clothing, accessories, and lingerie were increasingly popular; moderately-priced dresses were also prominently requested in scattered communities. There continued to be a mild lull in the demand for some lines of children's apparel.

The retail purchasing of edibles was largely unchanged during the week with the overall quantity of food sold very slightly below that of last year, although dollar sales were somewhat above a year ago.

The consumer demand for house-furnishings and other durables declined moderately the past week in many sections; aggregate volume, dollarwise, was virtually unchanged from that of a year earlier. Much of the decrease was specifically noticeable in regard to the purchasing of refrigerators, ranges, and other kitchen units.

The general interest in large appliances continued to be somewhat limited, despite intensified promotions of some of these products.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 1% below to 3% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

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

There was no noticeable change in wholesale buying in the past week; the total dollar volume of orders was very slightly above the level for the similar week in 1950, while unit volume was somewhat below that of a year ago. The number of buyers attending various wholesale centers declined moderately and was slightly below the level for the corresponding period last year.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 23, 1951, increased 6% from the like period of last year. This compared with an increase of 1% in the previous week, and an increase of 3% for the four weeks ended June 23, 1951. For the year to date department store sales registered an advance of 9%.

Retail trade in New York last week rose 5% above the like period of 1950, notwithstanding the fact that in that week scare-buying was first in evidence as a result of the Korean War.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of June 23, 1951, advanced 13% from the like period of last year. In the preceding week an increase of 12% (revised) was registered above the similar week of 1950. For the four weeks ended June 23, 1951, an increase of 14% was recorded above that of a year ago, and for the year to date, volume advanced 11% from the like period of last year.

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Salesmen in Impending Sellers' Market

Maybe for those of you who are trying to get a few particularly slow-moving items moving this sounds like wishful thinking. But for better or worse I've made my long-range guess, and I'm stuck with it.

As a matter of fact, if you haven't guessed it by now, this morning I'm taking the long view of this whole problem of selling. And I wish that you'd answered a question which asked if you found selling in the past five years easier than you did 10 or 15 years ago. I think your answer would have been that selling over the past 10 years hasn't been what it used to be. Or let me put it another way. The problems of selling have changed over the last decade. We have lived a pretty long time, with the exception of some months in 1949 and again the early part of this year, with a seller's market. As often as not, it was the customer who was asking to be sold to, rather than the salesman who was trying to make the sale.

We have witnessed a period of a sustained seller's market, where the market has come to the salesman and asked to be sold. Now there have been a great many articles written and a good many speeches given which have talked about a deplorable state of selling as a result of this condition of the seller's market. Let me hasten to say that I will not heap up any more abuse on that subject.

Prospect of Shortages

But I would like to present to you a problem. In the absence of a change which I can't foresee, the odds are that we may soon enter into another period of shortages, another accelerated sellers' market. The salesman's function in a period such as the past 10 years has been to see that deliveries are made where they will do the most long-term good. (The selling process has given way in many cases to a delivery expediting process. And one of your major problems in times such as that has been to keep the good-will of the good customer against that day when we would get back to a really tough competitive market.) But I think you will agree with me that more of your energy has been devoted to how to get the stuff to give to the retailers than it has been how to get the retailers to sell the stuff.

This fact, I think, presents a real challenge to the sales executive. I think it means that the salesman has to become much more of a distribution expert than he has been in the past. And I mean by that that he must become something of an efficiency expert on the process of distribution.

It means that he must find more efficient ways of distributing the product he has to sell. It seems to me this situation provides a golden opportunity to work out ways and means of tightening many of the screws and nuts in the distribution end of our economy. And this can pay real dividends in terms of keeping costs of distribution in line — especially during periods of rising prices.

I can give you some illustrations of what I mean. The publisher of a midget-sized magazine has a problem of how to get his magazine enough attention on a newstand. A little magazine is apt to be lost when placed alongside some of the larger-sized competitors. So one device for increasing the sales efficiency of this magazine has been to sell the magazine in a vending machine. The buyer simply drops a coin into a slot, and out pops the magazine. The magazine is on display all by itself in the machine, and perhaps the American yen for pushing buttons to see what will pop out is also satisfied in the process.

In some States, the idea of self-service super market gas stations has been experimented with, and with some success. In a period when many of the eligibles for gas station attendants are being drafted for service in Korea and elsewhere, this has proven to be at least a temporarily effective way of increasing efficiency of distribution. Another, of course, is the soft-drink vending machine craze which has been introduced in a good many of our American cities.

But, I am not saying that all the successful salesman of today has to do is to think up a mechanical device which will put some retail salesman out of work. This improvement in efficiency can be done in some instances merely by broadening—or even changing—the retail outlets for a particular product. For instance, book stores have been found to be a fast-moving outlet for records. People who buy books also buy a lot of records. And grocery stores have become a good outlet for a number of hitherto uncarried items.

I think the increased use of the grocery store as a medium of distribution is perhaps best illustrated by what has happened to beer sales in the past 16 or 17 years, since it became legal to buy beer at legitimate retail establishments. Back in the first year of repeal, draft beer sales took almost 75% of the share of the beer market, and these, of course, were chiefly in bars and taverns and restaurants. But, as the move to get more beer sold in package stores, and especially in grocery stores, took hold, this distribution pattern changed decisively and dramatically.

By the time 1940 had arrived, the share of the market between bar sales and grocery and package store sales had become just about an equal division, with about 50% being sold across the bar and 50% in packaged form. Then, after the war, sales efforts through groceries were intensified further, and the latest figures show that almost 75% of all beer which is sold is packaged beer. The situation in 16 years has exactly reversed itself. And this reversal has been so sharp that even many bars have now taken to selling bottled or canned beer exclusively instead of old-fashioned draft beer. The customers themselves have become so used to the kind of beer they buy in grocery stores and package stores that they are demanding it in the same package at the bars and restaurants. Today, in this country, some 55% of the super markets carry beer. And the main reason more don't carry it is because of the specific State laws which in some States prohibit the sale of any alcoholic beverages in groceries.

Thus, beer in groceries **has** become a major outlet for the beer business. In the grocery store, beer is available to everybody in the family, as it might not be in the bar. But, even so, the most startling fact of this emphatic shift in the beer market is not that sales of draft at the bars have dried up and vanished. Not at all. The volume of draft which is sold is not far off that for 16 years ago. (But the volume of **packaged** beer much of which has been sold through groceries has risen 500%. The net result has been an expansion of total beer sales in this country by almost 200%.) Of course, it might well be that we have simply become more of a beer-drinking country, and our tastes would have taken us in that direction anyhow.

Rise of Metropolitan Areas

And, in a roughly parallel way, this is what is happening to our population. From 1940 to 1950, the population of our largest 15 cities on the whole did not rise as much as the general population. Only 4 out of our top 15 cities rose over 10% in population, these being Los Angeles, San Francisco, Houston, and — as some of you Republicans know — Washington. But the metropolitan areas outside these 15 largest cities rose some 40%. The rise in the metropolitan areas outside the big cities was a good deal higher than the rises within the cities. What has happened, of course, is that people have been migrating to city areas and then have been outmigrating to the suburbs. From the country to the city to the semi-country.

But these people who live in the suburbs are a special brand of people, with their own community life; they tend to be younger people, for instance, than those who live either on the farms or in the cities. (The suburban markets are likely to continue to grow if the pattern of American development over the past 10 years is any indication.) And the nature of that market is one which should concern the salesman. By knowing it well, and what its special problems are, how it differs from the rest of the country, the salesman can tighten up on his efficiency of selling and distribution. For instance, we've seen the idea of suburban branch stores grow greatly.

I think, however, the change in American characteristics which might well have the most profound effect on our economic life in the next 25 years is the growing age of our population. In 1950, there were 11,600,000 people in this country who were 65 years of age or older. By 1960, it is estimated that there will be at least 15,000,000 people in this country who are 65 or over. By 1975, rough estimates run to over 20,000,000 for this age group.

Age Shifts in Population

The shift from America being a nation of young people, to a middle-aged country, to a nation of older people, has been a steady and spectacular one. From 1870 to 1900, the increase in the relative number of people 65 or over each year was less than 1%. From 1900 to 1940, the increase per year rose to a little over 1%. From 1940 to 1950, the increase was almost 1½% each year. From 1950 to 1960, it is estimated that the increase will be 2.7% each year. In other words, in the next 10 years, we can expect that the relative number of old people in our midst will rise by 27%. In the 10 years just passed, the increase among the oldest group was outstripped only by the increase in the number of new babies. If it seems that what I'm saying is that the older you get the more babies you have —well, it just **seems** that way—I know better. In the decade ahead, we can expect the sharpest rises among the older people.

What has happened, of course, is that we have been able to prolong the life expectancy to the point where people live longer. And we have done this to the point where the number of oldsters will increase almost 70% in the 20-year period from 1940 to 1960.

Who these older people are, and what they are like, and what they want can be an important set of facts in the kit-bag of the salesman. For instance, it is important to know that these older people tend to live in smaller towns and villages, but not on farms nor in suburbs. It is important to know that 26% of them, or roughly three million, are employed and that this percentage might grow higher as we move into periods of greater manpower shortages.

Then, the way these people live can be pretty important to their role in the market for business products. It used to be years ago that when a person grew old, the children in the family, as they grew up, took on the responsibility of caring for them. A room in the family homestead was set aside and special provisions were made to care for them. Financial support was, by and large, forthcoming from within the family. And socially, the old folks tended to live mainly for and among the younger children and grandchildren.

To a large extent, this apparently isn't true any more. Older people to a large extent don't want to go to live with their children and their children don't want them living with them. To a certain extent by mutual consent, it has been agreed that old people ought to live independently and to continue to lead their own lives.

So we find that there are wholesale migrations of older people to such places as California, where people who are retired take off for a new land, away from their traditional roots. There, they find others in the same position as they are. They form social clubs together, in some cases almost whole communities. And, as we have all witnessed, they form pension organizations designed to gain for themselves the financial independence they need in their old age.

This impetus of our population growing older has made us very pension conscious as a nation over these past few years. It is only recently that 11½ million workers in industry have become covered by private pension plans, with contributions by employees and employers totaling $1,350,000,000 a year. The rate at which private pension coverage has grown in recent years can be indicated by the fact that only an estimated 250,000 people are receiving private pensions today. And these people are mainly retired executives and supervisory people. The large bulk of old people have never qualified for pension plans such as they have recently in the automobile, steel, and other industries.

However, government old age assistance goes to 24% of the people who are 65 or over. These 2,800,000 people receive a total of a billion and half dollars from the government annually. This, of course, will increase sharply in the next 10 years. It is perhaps well to remember that there is another 13 billions laid aside in a government reserve fund just for social security benefit payments alone.

It has been estimated by some authorities in the field of social insurance that we are approaching the day when we will find that old people will be able to demand and receive a minimum pension of $100 per month. If we had such a pension today, it would total $14 billion annually. And, if there is a 35% rise in the number of old people, then in 10 years, the bill for pensions of $100 to everyone would come to well over 20 billions a year—a very sizable market!

Today, the payments on pensions range from a low of $21.52 in Mississippi to a high of $70.68 in California. The significance of these figures in Mississippi and California might be more than immediately meets the eye. In Mississippi, the number of older people is relatively low, while in California, it is relatively high. In Mississippi, the old people are not too well organized. In California, the old people are quite well organized. In Mississippi, the old-age pensions are relatively low. In California, the pensions are the highest in the country, and are approaching the $100 mark.

As older people become more numerous in the population, their influence will increase. Politically, they will get together and demand better financial treatment. It is significant, for instance, that the 45% of men, 65 or over, who work today is not a substantially lower percentage than it was in 1870. This means that a very large **number** of old people are retired from active work. And they not only will need the money, but will have more time than almost anyone else to organize politically to see that they get what they want. The experience in California has already indicated this, and that may be just the beginning. Psychologists point out that this is not only a way for old people to get the income they need, but it is also a way for them to feel a group fulfillment and a sense of significance.

I raise this problem of older people mainly because today they represent a major market to sell to. To be sure, per individual, their incomes aren't nearly as high as those among the rest of the adult population. But people who are 65 or over in this country receive an income each year estimated at $20 billion. It breaks down this way: $1.5 billion from pensions; $9.5 billion from other income aside from salaries; and $9 billion from salaries which are paid to them.

By 1960, at today's price levels, their income would be up at least another $7 or $8 billion a year. And by 1975, it would not be surprising to see the income of people who are 65 or over come close to $40 billion a year. And the longer we project these estimates into the future, the chances are that the more conservative they probably are. For we are in a period where our national income is expanding, and the income of old people will not only go up with that, but the proportionate share of the national income which will end up in the hands of the oldsters may also increase.

The implications of these facts for the salesman are large, indeed. For as long as manufacturers have been producing things, especially for babies, there has always been a baby market. This market has boomed, too, in recent years. But there has never been a similar major marketing effort made to satisfy the needs of old people. They simply haven't been numerically or financially important enough.

But now they are, and in the next 10 years, they will become a third again more important. And, if I had to conjecture as to what kind of a market they will be, I would guess that they won't be too easy to please. They will have had the benefit of long years as experienced customers, and in addition, the money they will be receiving will have been hard won. Either it will represent life savings, or pension contributions or State-granted pensions which have been won through political activity. In addition, older people individually still probably won't be as well off financially as will other segments of the population, with the result that they will want to shop around a good deal more before they make their purchases. And what is more, they will have more time to shop around in.

These may be discouraging factors in anticipating the market among older people. But the plus side is that as a group they will represent a sizable and important

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Salesmen in Impending Sellers' Market

part of our national income. We younger people will be paying more of our incomes to keep the older folks going. But this is part of the price we have to pay for our parents' new-found independence in their old age, the skill and ingenuity of medical science, and the desire we have to live our own lives with more privacy than have other generations.

Of course, there will be some compensations for younger people left. Instead of looking on old age as something to look forward to with dread, younger people can rub their hands, and say, "Oh brother, just wait till I get to be 65 and see what I'll do then." It is said by some that children never appreciate what their parents do for them. But now the parents will be able to get it back from their children, if not individually, at least collectively. That is, of course, if you live long enough.

Seriously. I would like to add one other note about our population growing older. It does represent a pretty difficult problem today, and is likely to be a more acute one in the future. The problems of financing old age in this country have not nearly begun to be worked out. How to retire people is a serious problem for industry in itself. It is obviously unfair to an individual to say that he is fully capable of holding down a 40-hour week job one week, and then the next week when he turns 65 to tell him that he isn't qualified any more. So some sort of tapering off is necessary. And programs on how to retire are even now being undertaken by some large companies.

In addition, there are important social problems involved in maintaining the status of old people. In many respects, they should be the elder statesmen of our communities. But over 200,000 of them today linger away in institutions, isolated and, for the most part, forgotten.

I raise these problems not because they are directly related to the salesman who will be selling to older people, but because they concern all of us no matter what field we happen to be working in.

Salesmen and Improved Distribution Techniques

It seems to me then, that there are several ways in which the salesman who is faced with the probability of an extended and indefinite seller's market period can improve the efficiency of the distribution process. (The salesman, it seems to me, can, indeed, become a specialist in distribution. He can do it by finding better ways of getting more things to more people at lower rates.) And this is not only good business in times of inflation, but can make a marked contribution toward holding that inflation in line. Another approach to the same thing is to be alert to the shifting nature of the American market. Such things as the shift from the cities to the suburbs and from youthful to an older population can have major impacts on the whole process of distribution, and hence of selling in the broader sense.

I suppose the philosophy which motivates all of us is the old saying of getting more things to more people. Some believe that we will be able to absorb 60 or 70 billion a year for armaments by 1953 and then be able to go back into a completely free and unrestricted competitive market again. Among those who claim this is Mobilization Director Charles E. Wilson. Some economists anticipate a national product which will soar above the $350 billion a year mark. This will mean an enormous pressure of consumer demand which will be there to be sold, with real needs to be met.

I don't know what will happen by 1953. Maybe Mr. Wilson is perfectly correct, and maybe we will be able to take our rearmament entirely in stride, and we might be back permanently on a buyer's market in two years. If that's so, then it seems to me that the two years of shortages and tight markets might be profitably used for the kind of distribution engineering, which I have tried to merely hint at.

The more I have seen of selling, the more I have come to realize that the selling of goods and services can never be dissociated from the selling of ideas. I think the notion of selling ideas has been overdrawn and overused lately. Too many people confuse it with propaganda and press agentry. Actually, you can no more sell a phony idea than you can sell a phony product. We are living in an age in which people have grown to live with and to use ideas, much as they do goods and services. And the idea which doesn't wear well will neither be used for long nor will it be bought again any time soon.

But, in the process of marketing ideas, there is also a good deal of room for improving the efficiency of distribution. For some time now, it's been considered smart public relations by some to run institutional advertisements to sell ideas. I don't have anything against institutional ads, but I often wonder if those who sponsor them have thought through just whom they are trying to influence and just what they are trying to accomplish. Generally, the institutional ad is designed to get some idea, which is important to the company, across to the public.

But the public is really a series of publics, as you men know very well from your sales experience. And most idea selling from corporations today is meant to firm up those people who might have only a loose and hazy notion of what the company stands for, or is designed to answer some criticism which is made about the company.

Institutional Advertisements

Most institutional advertisements are meant to carry serious messages. They are written with a specific intent in mind. But sometimes they seem to fall between two stools. Quite often, and quite properly, they are run in mass media, such as magazines with wide circulation or newspapers with large circulations, or on radio networks, with the time-honored approach that the larger the number of people who read or listen, the better it is. But how often we know of times where a corporation or an industry, feels it is being misjudged by a relatively small number of editors, writers, columnists, or radio commentators who are, according to the corporation or industry heads, poisoning the minds of the masses because they, themselves, have a misconception of what the true facts are. I am referring to those people often l o o s e l y called "thought leaders"—those people who, because they are articulate and have a forum of some sort, are thought to mold the thinking of others. Usually that section of these people about whom a corporation or an industry is most concerned are those who are best described as "somewhat left of center" in their political and social orientation.

And what happens when the corporation or the industry decides it will embark on a campaign of paid advertising to correct the misconception these gentlemen have? All too often a full page ad, written in language a child might look down on, as too elementary, is run in a mass magazine which these intellectual gentlemen never see, or merely flip through. Apparently no effort is made to find that these people read and trust magazines like the "Atlantic," "Harper's," the "Saturday Review of Literature," the "New Republic," the "Nation"—and others like them. The idea of an intelligently written, frank explanation, in language these gentlemen are used to using, in media they read and trust, never occurs to many otherwise extremely capable executives.

It must not be assumed that all of these somewhat to the left of center articulate people want to disseminate misinformation. Some of them are simply not informed themselves, or worse still, misinformed.

Now, if you salesmen had the problem of a small selective market for goods you would, as you have so often demonstrated in the past, know how to go after it. You'd have the goods for sale in the stores those people frequent and trust; you'd have the goods packaged and displayed in a manner that meets with those people's ideas of good taste.

I'd like to urge you salesmen not to abdicate from the field of selling ideas. I think you have, with your knowledge of specialized markets, as well as mass markets, something to contribute to over-all corporate decisions. Please understand these remarks are not intended as a criticism of the use of mass media to reach a mass market for ideas; they are intended as a criticism of the way many messages are written, and the way certain media are left out, when the intended market is not a mass market.

So let's go back to the question —"What do we need salesmen for?"

It's pretty apparent to me that there's as great a need for salesmen today as there ever was and that there will be even if we go into another long period of sellers' markets. There will be the problems of getting limited supplies to the right customers on a fair and equitable basis. But the job of selling will be much more than that. The prospect of uncovering new outlets, of adapting to the new markets, of more efficiently gearing the American distribution system to the people's changing needs makes the task of selling a never-ending job.

I think that the fact that selling has helped raise the American standards to where they are today is testimony enough to the real role which selling has in our economic life. I think we have to share that selling experience with more people abroad, especially those who haven't yet known the good life. But I also think that we are just beginning here in this country to grasp the potential that lies before us. Records which were thought to be as unreachable as the four-minute mile have been broken now with almost monotonous regularity. No, I think our growth has just begun in the long sweep of human development. In selling, you deal with the end product of the economic system. That's a pretty important job!

William Crane Ivison

William Crane Ivison passed away at the age of 82 after a brief illness. Prior to his retirement in 1941 he was a partner in Chisholm & Chapman.

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News About Banks and Bankers

day in June 1866, when it officially opened for business, its records, it is stated, showed that 31 deposits were received, for a total of $3,418.30, and, as the fittings had not been completed in time, a temporary counter had to be set up, made of planks, laid upon wooden horses, with candles used for illumination. "Although present world conditions in general are quite disturbing," said Mr. Hooper, "they are no worse than other distressing times through which our bank has passed since 1866." Today, the bank reports over $390,000,000 in total resources, with five offices serving more than 225,000 regular depositors, and savings totaling over $348,000,000. $144,000,000 is invested in first mortgage loans, and over $206,000,000 is invested, it is stated, in readily marketable U. S. Government Bonds.

* * *

The 20th banking office of **The County Trust Company of White Plains, N. Y.**, was opened in Bedford, N. Y., on July 2, following a preview for local residents on Saturday, June 30. Bedford is the 15th community in Westchester to have an operating unit of County Trust. John H. Macdonald, Assistant Vice-President at Mount Kisco and a resident of Bedford, will guide the policies of the new office. William J. Auld, Assistant Secretary, will be in charge of the office, assisted by Mrs. Madeline Marler Fish. County Trust's executive officers are: Andrew Wilson, Jr., Chairman of the Board; Dr. Joseph E. Hughes, President; John Burling, Assistant Chairman; William L. Butcher, Executive Vice-President; and William W. Post, Vice-President and Secretary.

* * *

FIRST NATIONAL BANK AND TRUST COMPANY, PATERSON, NEW JERSEY

	June 30, '51	Apr. 9, '51
	$	$
Total resources	148,984,277	149,484,835
Deposits	137,598,567	138,486,543
Cash and due from banks	22,189,570	21,762,370
U. S. Govt. security holdings	30,061,171	31,842,610
Loans and discts.	23,444,351	64,257,965
Undivided profits	3,810,582	3,773,101

* * *

Kelley Graham, Chairman of the Board of **The First National Bank of Jersey City, N. J.**, announced on June 23 the appointment of William M. Griest as Assistant Vice-President of the bank, effective July 16. Mr. Griest will be engaged in the development of business in the metropolitan area in general, and in Jersey City in particular. He began his banking career in 1924, with the Security-Peoples Trust Company in Erie, Pa. and has been associated with the Erie Trust Company, the Pennsylvania Joint Stock Land Bank of Philadelphia, and with the Pennsylvania Banking Department. From 1942 to 1944 he served in the Office of Price Administration, Philadelphia, as Rationing Administrator for the entire Commonwealth of Pennsylvania. He resigned to return to banking, joining the Industrial Trust Co., Philadelphia. He continued with this bank, advancing to Vice-President and Secretary, which position he held at the time of his joining The First National Bank of Jersey City organization.

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	June 30,'51	Mar. 31,'51
	$	$
Total resources	823,192,973	784,131,578
Deposits	752,010,401	711,574,605
Cash and due from banks	260,626,004	241,581,437
U. S. Govt. security holdings	200,596,144	189,996,382
Loans and bills discounted	268,851,051	260,220,584
Undivided profits	13,431,863	13,058,342

* * *

The First National Bank in St. Louis, announced on June 28 that of the 100,000 shares of new capital stock underwritten by a group of investment bankers headed by G. H. Walker & Co., over 95% was subscribed for by stockholders at $44 per share. The balance of the stock has been sold in the open market. The stock was offered for stockholder subscription on the basis of one share for each six shares held. Stockholder subscription rights expired on June 26. As a result of the sale, First National's capital stock outstanding has been increased from 600,000 to 700,000 shares, owned by 4,500 stockholders in 45 states and four foreign countries. The sale of this additional stock raised the bank's capital, surplus and undivided profits account to more than $35,000,000, consisting of $14,000,000 in capital stock, $16,000,000 in surplus, and undivided profits in excess of $5,000,000. Recent items regarding the plans to increase the capital appeared in our issues of May 31, page 2258 and June 21, page 2579.

* * *

As of June 22 the **Union Planters National Bank & Trust Co. of Memphis, Tenn.**, increased its capital from $4,000,000 to $5,000,000 as a result of a stock dividend of $1,000,000.

* * *

The First National Trust & Savings Bank of San Diego, Calif., senior bank employee in that reports a capital of $2,160,000, increased from $1,800,000 by the sale of $360,000 of new stock.

* * *

The 50th anniversary of the association of Edward L. Powel with **The Farmers & Merchants National Bank of Los Angeles** recently occurred. Mr. Powel is the senior bank employee in that city. His service with The Farmers & Merchants National Bank, continuously since June 27, 1901, gives him the record of the oldest bank employee in point of service in the city of Los Angeles. Mr. Powel started his banking career as a messenger at the salary of $25.00 per month. He has worked in all of the departments of the bank and was elected Assistant Cashier in January, 1922, a position which he now holds. Mr. Powel is prominent in civic affairs and is Senior member of the AIB (American Institute of Banking).

* * *

Barbour, Smith Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Tom R. Cooper has become connected with Barbour, Smith & Company, 621 South Flower Street, members of the Los Angeles Stock Exchange.

With Stern, Frank Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Aaron R. Eshman is now with Stern, Frank, Meyer & Fox, 325 West Eighth Street, members of the New York and Los Angeles Stock Exchanges.

With Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert F. Adam and Maxwell E. Silbermann have become affiliated with Samuel B. Franklin & Company, 215 West Seventh Street.

William R. Mee Opens Offices in Santa Fe

SANTA FE, N. Mex.—William R. Mee will shortly engage in the securities business from offices in Santa Fe.

With Investment Serv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — LaVerne Moore is with Investment Service Corporation, 650 Seventeenth St.

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 8	100.8	102.8	103.2	91.5
Equivalent to—					
Steel ingots and castings (net tons)	July 8	2,015,000	2,005,000	2,063,000	1,765,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 23	6,192,050	6,189,450	6,163,250	5,354,750
Crude runs to stills—daily average (bbls.)	June 23	¶6,649,000	6,588,000	6,430,000	5,636,000
Gasoline output (bbls.)	June 23	22,107,000	21,895,000	21,102,000	19,626,000
Kerosene output (bbls.)	June 23	2,570,000	2,548,000	2,534,000	2,001,000
Gas, oil, and distillate fuel oil output (bbls.)	June 23	8,806,000	8,531,000	8,580,000	6,868,000
Residual fuel oil output (bbls.)	June 23	9,295,000	9,169,000	9,045,000	7,461,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 23	127,736,000	128,467,000	130,819,000	115,036,000
Kerosene (bbls.) at	June 23	23,771,000	23,015,000	19,832,000	20,165,000
Gas, oil, and distillate fuel oil (bbls.) at	June 23	62,969,000	60,274,000	51,344,000	50,580,000
Residual fuel oil (bbls.) at	June 23	40,647,000	39,659,000	37,365,000	41,291,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 23	832,942	826,239	811,799	809,971
Revenue freight received from connections (number of cars)	June 23	683,352	679,144	681,913	669,249
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 28	$316,705,000	$207,449,000	$373,745,000	$287,582,000
Private construction	June 28	154,348,000	54,691,000	201,519,000	177,294,000
Public construction	June 28	162,357,000	152,758,000	172,226,000	110,288,000
State and municipal	June 28	118,280,000	100,061,000	83,508,000	88,994,000
Federal	June 28	44,077,000	52,697,000	88,718,000	21,294,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 23	11,032,000	*10,340,000	9,757,000	10,546,000
Pennsylvania anthracite (tons)	June 23	900,000	876,000	857,000	950,000
Beehive coke (tons)	June 23	148,500	148,200	131,400	133,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 23	265	*305	290	250
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 30	6,897,800	6,834,692	6,444,741	6,115,119
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	June 28	188	180	132	156
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 26	4.131c	4.131c	4,131c	3.837c
Pig iron (per gross ton)	June 26	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	June 26	$43.00	$43.00	$43.00	$37.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 27	24.200c	24.200c	24.200c	22.200c
Export refinery at	June 27	27.425c	27.425c	27.250c	22.425c
Straits tin (New York) at	June 27	106.000c	106.000c	139.000c	78.250c
Lead (New York) at	June 27	17.000c	17.000c	17.000c	11.500c
Lead (St. Louis) at	June 27	16.800c	16.800c	16.800c	11.300c
Zinc (East St. Louis) at	June 27	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 2	97.30	97.20	97.38	102.11
Average corporate	July 2	109.24	109.24	111.07	115.04
Aaa	July 2	113.50	113.31	115.04	120.22
Aa	July 2	112.37	112.00	114.27	118.80
A	July 2	108.16	108.52	110.15	114.85
Baa	July 2	103.30	103.30	105.52	107.09
Railroad Group	July 2	106.39	106.21	107.98	109.60
Public Utilities Group	July 2	108.52	108.16	111.07	116.61
Industrials Group	July 2	113.12	113.12	114.66	119.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 2	2.68	2.68	2.67	2.34
Average corporate	July 2	3.21	3.21	3.11	2.90
Aaa	July 2	2.98	2.99	2.90	2.64
Aa	July 2	3.04	3.06	2.94	2.71
A	July 2	3.27	3.25	3.16	2.91
Baa	July 2	3.55	3.55	3.42	3.33
Railroad Group	July 2	3.37	3.38	3.28	3.19
Public Utilities Group	July 2	3.25	3.27	3.11	2.82
Industrials Group	July 2	3.00	3.00	2.92	2.08
MOODY'S COMMODITY INDEX	July 2	485.6	486.5	492.8	406.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 23	173,687	195,953	209,194	208,738
Production (tons)	June 23	244,969	243,313	244,937	211,027
Percentage of activity	June 23	103	103	102	94
Unfilled orders (tons) at	June 23	572,952	649,604	638,760	390,879
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 29	150.2	151.1	152.5	121.1
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 16	27,418	20,482	36,502	27,376
Number of shares	June 16	781,195	708,405	1,076,763	833,176
Dollar value	June 16	$37,475,320	$32,733,639	$43,960,115	$38,337,323
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 16	23,438	21,603	28,568	30,777
Customers' short sales	June 16	228	292	315	168
Customers' other sales	June 16	23,210	21,311	28,253	30,609
Number of shares—Total sales	June 16	654,333	599,347	814,654	866,107
Customers' short sales	June 16	8,541	10,842	11,750	5,960
Customers' other sales	June 16	645,792	588,505	802,904	860,147
Dollar value	June 16	$28,161,326	$24,599,224	$35,102,075	$35,526,685
Round-lot sales by dealers—					
Number of shares—Total sales	June 16	173,030	176,820	237,940	306,310
Short sales	June 16	------	------	------	------
Other sales	June 16	173,030	176,820	237,940	306,310
Round-lot purchases by dealers—					
Number of shares	June 16	337,410	281,190	451,050	246,220
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 26	181.1	181.6	182.5	157.4
Farm products	June 26	197.5	*199.1	199.8	165.4
Grains	June 26	174.4	*177.4	184.0	169.3
Livestock	June 26	266.0	268.4	267.6	217.5
Foods	June 26	186.5	187.3	188.4	162.4
Meats	June 26	275.4	275.4	275.4	241.5
All commodities other than farm and foods	June 26	170.0	*170.3	170.9	149.2
Textile products	June 26	181.2	*182.1	182.9	137.3
Fuel and lighting materials	June 26	138.7	138.7	138.5	132.8
Metals and metal products	June 26	188.2	188.2	189.4	171.9
Building materials	June 26	225.3	226.6	277.3	203.7
Lumber	June 26	352.7	357.3	358.9	†
Chemicals and allied products	June 26	139.2	139.2	141.6	114.5

*Revised. †Not available. ¶Includes 533,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of April:			
Total domestic production (bbls. of 42 gallons each)	200,508,000	205,404,000	163,068,000
Domestic crude oil output (bbls.)	183,800,000	187,624,000	149,052,000
Natural gasoline output (bbls.)	16,702,000	17,774,000	13,999,000
Benzol output (bbls.)	6,000	6,000	17,000
Crude oil imports (bbls.)	15,319,000	14,971,000	15,336,000
Refined products imports (bbls.)	10,800,000	*11,688,000	11,315,000
Indicated consumption domestic and export (bbls.)	213,194,000	*233,586,000	192,081,000
Decrease—all stocks (bbls.)	‡13,433,000	1,523,000	2,362,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of March (000's omitted):			
All building construction	$744,414	*$585,683	$857,474
New residential	412,034	*341,973	562,387
New nonresidential	244,564	*174,050	209,258
Additions, alterations, etc.	87,816	*69,660	85,829
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of May:			
New England	$28,257,188	$22,374,199	$34,576,531
Middle Atlantic	94,492,653	58,073,503	136,585,976
South Atlantic	40,192,936	32,519,020	45,712,850
East Central	119,283,498	79,621,489	111,838,224
South Central	51,611,204	68,367,098	80,891,868
West Central	25,697,622	29,430,523	47,637,287
Mountain	13,227,984	20,299,028	14,781,900
Pacific	63,235,404	61,818,270	96,879,408
Total United States	$435,908,489	$372,503,130	$568,904,044
New York City	62,762,259	27,351,774	86,101,764
Outside of New York City	373,146,230	345,151,356	482,802,280
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of May	832,612	980,806	718,826
In consuming establishments as of June 2	2,077,760	2,329,714	1,607,208
In public storage as of June 2	1,647,935	2,451,619	6,591,281
Linters—Consumed month of May	114,915	110,788	138,515
In consuming establishments as of June 2	249,220	291,656	304,001
In public storage as of June 2	104,528	122,915	143,235
Cotton spindles active as of June 2	20,516,000	19,903,000	20,234,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of April:			
Cotton Seed—			
Received at mills (tons)	15,275	37,112	183,349
Crushed (tons)	164,607	*229,448	365,151
Stocks (tons) April 30	243,173	*392,505	676,209
Crude Oil—			
Stocks (pounds) April 30	48,528,000	*60,610,000	82,539,000
Produced (pounds)	55,036,000	*77,628,000	120,814,000
Shipped (pounds)	71,394,000	*104,765,000	127,349,000
Refined Oil—			
Stocks (pounds) April 30	231,652,000	*226,525,000	285,761,000
Produced (pounds)	65,744,000	*95,400,000	116,520,000
Consumption (pounds)	62,876,000	76,811,000	118,392,000
Cake and Meal—			
Stocks (tons) April 30	105,949	*130,717	182,209
Produced (tons)	74,670	*106,323	162,095
Shipped (tons)	99,438	*142,995	166,332
Hulls—			
Stocks (tons) April 30	40,159	*54,410	82,277
Produced (tons)	36,201	*55,180	85,948
Shipped (tons)	50,512	*68,898	88,328
Linters (running bales)—			
Stocks April 30	52,957	*61,551	107,258
Produced	52,280	*76,755	106,685
Shipped	60,874	*99,661	126,201
Hull Fiber (1,000-lb. bales)—			
Stocks April 30	182	460	257
Produced	¶	461	300
Shipped	¶	370	547
Mote, grabbots, etc. (1,000 pounds)—			
Stocks April 30	4,768	*5,101	5,813
Produced	1,026	*1,825	2,535
Shipped	1,359	*1,965	3,029
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on June 2	23,133,000	23,127,000	23,101,000
Spinning spindles active on June 2	20,516,000	19,903,000	20,229,000
Active spindle hours, (000's omitted) May	9,768,000	11,699,000	8,935,000
Active spindle hours per spindle in place May	533.3	504.6	473
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of April (000's omitted)	25,940,310	26,000,593	22,396,907
Revenue from ultimate customers—month of April	$456,778,900	$460,900,400	$410,075,600
Number of ultimate customers at April 30	45,501,032	45,327,711	43,478,939
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of May:			
Contracts closed (tonnage)—estimated	267,355	*337,206	237,476
Shipments (tonnage) estimated	233,087	*234,707	194,752
INTERSTATE COMMERCE COMMISSION— Index of Railway Employment at middle of May (1935-39 average=100)	127.0	128.1	111.5
NEW YORK STOCK EXCHANGE—As of May 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,287,316	$1,285,737	$1,175,076
Credit extended to customers	40,937	44,824	64,044
Cash on hand and in banks in U. S.	369,769	375,073	302,849
Total of customers' free credit balances	855,251	879,267	637,163
Market value of listed shares	100,119,991	102,747,277	85,624,659
Market value of listed bonds	99,938,357	100,247,400	125,352,738
Member borrowings on U. S. Govt. issues	58,812	47,716	140,820
Member borrowings on other collateral	715,332	700,814	771,346
NON-FARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION— Month of March	1,625	1,485	2,044
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of April (000's omitted):			
Savings and loan associations	$445,701	$431,528	$393,677
Insurance companies	145,741	145,038	107,966
Bank and trust companies	280,411	289,724	235,403
Mutual savings banks	79,326	75,979	66,945
Individuals	209,854	211,467	173,926
Miscellaneous lending institutions	209,815	215,548	193,231
Total	$1,370,848	$1,369,284	$1,171,148

*Revised. †Deficit. ‡Increase—All stock (bbls.). ¶Not shown to avoid disclosure of individual operation.

Securities Now in Registration

★ **REVISIONS THIS WEEK**
● **INDICATES ADDITIONS**

New Registrations and Filings

American Brake Shoe Co.
June 29 filed 50,000 shares of common stock (no par) to be offered to certain officers and key employees through a stock purchase plan. **Price**—To be not greater than the market price on the date of the offering, or no less than 85% of such price. **Underwriter**—None. **Proceeds**—To be added to general funds.

Bond Fund of Boston, Inc., Boston, Mass.
June 27 filed 30,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—Vance, Sanders & Co., Boston, Mass. **Proceeds**—For investment.

Budget Finance Plan, Inc. of California
June 25 (letter of notification) 3,225 shares of class B common stock to be offered to holders of stock purchase warrants, which entitle holder to purchase 25 shares at $4.25, $4.50 and $4.75 per sare during three periods from June 17, 1951 to Aug. 15, 1952. **Underwriter** — None. **Proceeds**—For corporate purposes.

Buzzards Bay Gas Co., Hyannis, Mass.
June 22 (letter of notification) 12,000 shares of 6% cumulative prior preferred stock. **Price**—At par ($25 per share) and accrued dividends. **Underwriter**—Coffin & Burr, Inc., Boston, Mass. **Proceeds**—To retire $150,000 outstanding preferred stock held by South Shore Utilities Associates at par ($25 per share), and to reimburse treasury for property additions. **Offering**—Made on June 29.

Checker Cab Manufacturing Co. (7/24)
June 28 filed 433,444 shares of common stock (par $1.25) to be offered for subscription by common stockholders of record July 24 at rate of one new share for each share held; rights to expire on Aug. 9. **Price**—To be supplied by amendment. **Underwriters**—None. **Proceeds**—To repay loans and for additional working capital.

Chief Consolidated Mining Co., Salt Lake City, Utah
June 20 (letter of notification) 218,181 shares of capital stock (par $1) being offered to stockholders of record June 28 on basis of one new share for each 5½ shares held; rights to expire July 16. **Price**—$1.25 per share. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Proceeds** — For further exploration of ore runs below present water level.

Central Vermont Public Service Corp.
June 29 filed $2,000,000 of first mortgage bonds, series G, due 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly); Lehman Brothers; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Blair, Rollins & Co. Inc. (jointly); Kidder, Peabody & Co. **Proceeds**—To reduce short-term borrowings and for additional construction requirements.

Consolidated Engineering Corp., Pasadena, Calif.
June 26 (letter of notification) 1,150 shares of common stock (par $1); to be issued upon exercise of stock option. **Price**—At 100/115 of $5 per share. **Underwriter**—None. **Proceeds**—For working capital.

Dome Exploration (Western) Ltd. (7/23)
July 2 filed 500,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York, and Wood, Gundy & Co., Ltd., Toronto, Canada. **Proceeds**—To retire notes and to acquire property for drilling operations. **Office**—Toronto, Canada.

Duplan Corp.
June 28 (letter of notification) 4,000 shares of common stock (no par) to be sold from time to time on the New York Stock Exchange. **Price**—At market (about $13.75 per share). **Underwriter**—None, but Dominick & Dominick, New York, will act as brokers. **Proceeds**—To Ernest C. Geier, Chairman, who is the selling stockholder.

El Paso Natural Gas Co., El Paso, Tex.
June 29 filed 70,000 shares of convertible second preferred stock (no par). **Price**—To be supplied by amendment. **Underwriter** — White, Weld & Co., New York. **Proceeds**—For expansion program.

Fosgate Citrus Concentrate Cooperative (Fla.)
June 29 filed 453 shares of class A common stock (par $100); 5,706 shares of 5% class B preferred stock (par $100), cumulative beginning three years from July 10, 1950; 8,000 shares of 4% revolving fund class C stock (par $100); 2,000 shares of 4% revolving fund class C stock (par $50); and 4,000 shares of 4% revolving fund class C stock (par $25). **Price**—At par. **Underwriters**—None. **Proceeds**—To construct and equip frozen concentrate plant at Forest City, Fla.

Franklin Custodian Funds, Inc.
June 29 filed 200,000 shares of common stock series (par one cent), 150,000 shares of preferred stock series (par one cent), 150,000 shares of bond series (par one cent), 100,000 shares of utilities series (par one cent). 100,000 shares of income series (par one cent) and $2,500,000 aggregate amount periodic payment plans, in amounts varying from $1,200 to $60,000. **Underwriter**—Franklin Distributors, Inc., New York. **Proceeds**—For investment.

General Telephone Corp. (7/18)
June 29 filed 300,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Proceeds**—For additional investments in common stock equities of subsidiaries, temporary advances to subsidiaries for reduction of their bank loans and for use in their 1951 construction programs, and for general corporate purposes.

Haydock Fund, Inc.
June 29 filed 20,000 shares of capital stock (no par). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

Hudson Fund, Inc.
June 29 filed 200,000 shares of capital stock. **Price**—At market. **Underwriter**—Hudson Distributors, Inc., New York. **Proceeds**—For investment.

Idaho Birthday Mines Co., Salt Lake City, Utah
June 25 (letter of notification) 666,000 shares of common stock. **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To construct drainage and development tunnels and to develop existing properties. **Office**—21 South West Temple, Sale Lake City 1, Utah.

Lehman Corp. (7/23)
July 2 filed 129,785 shares of capital stock (par $1), to be offered to stockholders of record about July 23 at rate of one new share for each 15 shares held. **Price**—To be approximately the net asset value per share. **Underwriter**—None. **Proceeds**—For investment.

Lindberg Instrument Co., Berkeley, Calif.
June 25 (letter of notification) $100,000 of 6% promissory notes (in denominations of $1,000 or fractions thereof); 20 shares of common stock (par $10) and 40% of fractional royalty interests to be issued by licensors under certain patents for which no consideration will be received. **Underwriter**—None. **Proceeds**—For further development of an electrical sound apparatus called "Fluid Sound."

Long Canyon Mining Co., Lee, Nev.
June 25 (letter of notification) 350,000 shares of common stock. **Price**—20 cents per share. **Underwriter**—None. **Proceeds** — For purchase of equipment and working capital. **Office**—2784 Jefferson Ave., Ogden, Utah.

Marsh Steel Corp., North Kansas City, Mo.
June 26 (letter of notification) 4,000 shares of common stock (par $10) to be offered for subscription by 40 employees. **Price**—$17.50 per share. **Underwriter**—None. **Proceeds**—For operating capital. **Office**—101 East Ninth St., North Kansas City, Mo.

Mid-Continent Airlines, Inc., Kansas City, Mo.
June 26 (letter of notification) 892 shares of capital stock (par $1). **Price**—Not to succeed $9.50 per share. **Underwriter**—Morgan & Co., Los Angeles, Calif. **Proceeds**—To Thomas F. Ryan, III, the selling stockholder.

Mutual Investment Co. of America
July 2 filed 35,013 shares of common stock (par $1). **Price**—At the market. **Underwriter**—S. R. Livingstone & Co., Detroit, Mich. **Proceeds**—For investment.

Natural Resources Fund, Inc., New York
July 2 filed 1,600,000 shares of capital stock (par one cent). **Price**—At market. **Underwriter**—Frank L. Valenta & Co., Inc., New York. **Proceeds**—For investment.

New Mexico Farm Mutual Insurance Co.
June 22 (letter of notification) $125,000 in surplus certificates to be sold to Arizona Farm Bureau members. **Price**—At par (in units of $100 each). **Underwriter**—None. **Proceeds**—To raise adequate surplus for company to qualify in writing general farm and employer's liability insurance. **Office**—114 East Griggs Ave., Cruces, N. M.

Newman-Crosby Steel Co., Pawtucket, R. I.
June 26 (letter of notification) $250,000 of 12-year 5½% subordinated debentures due July 1, 1963 (in denominations of $1,000 each). **Underwriter**—G. H. Walker & Co., Providence, R. I. **Proceeds**—To retire outstanding securities. **Office**—10 Dean St., Pawtucket, R. I.

Owners Discount Corp., Elkhart, Ind.
June 23 (letter of notification) $200,000 of 5¼% sinking fund debentures, 1951 series (to be issued in denominations of $1,000 and $500 each.) **Underwriter**—City Securities Corp., Indianapolis, Ind. **Proceeds**—To finance retail instalment contracts and make small loans. **Office**—416½ So. Main Street, Elkhart, Ind.

Pacific Power & Light Co. (7/24)
June 29 filed 554,464 shares of common stock (no par), of which 250,000 shares are to be offered for subscription by common stockholders of record July 24 at rate of one new share for each seven shares held, with rights to expire about Aug. 20; and the remaining 304,464 shares are to be sold for the account of certain stockholders. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers; Union Securities Corp.; Bear, Stearns & Co.; and Dean Witter & Co. **Proceeds**—From sale of stock to stockholders to be used to finance, in part, construction of 100,000 kilowatt Yale hydro-electric project in Southwest Washington, which, it is estimated, will cost $26,450,000.

Pell, de Vegh Mutual Fund, Inc.
July 2 filed 100,000 shares of capital stock (par $1). Price—At market. **Underwriter**—None. **Proceeds**—For investment.

Philadelphia Life Insurance Co.
June 28 (letter of notification) 15,000 shares of common stock, of which 7,000 will be offered shareholders and then to public, and 8,000 to officers and employees. **Price**—$11 per share. **Underwriters**—John C. West, Philadelphia, Pa. **Proceeds**—For working capital and reserves. **Office**—111 No. Broad St., Philadelphia 7, Pa.

Promontory Oil Co., Salt Lake City, Utah
June 25 (letter of notification) 500,000 shares of common stock. **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To drill wells. **Office**—19 West South Temple, Room 858, Salt Lake City, Utah.

Scranton Electric Co., Philadelphia, Pa. (7/17)
June 29 filed 21,752 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For construction program.

Socony-Vacuum Oil Co., Inc.
June 28 filed interests in corporation's employees' savings plan which will permit an employee to allot from 1% to 5% of his base pay, with the employer contributing an additional amount equal to 50% of his allotment. **Proceeds**—Employees may direct that funds in his account be invested in one or more of the following: (a) Series E U. S. Government bonds; (b) capital stock of corporation; or (c) common stock of any investment company eligible for investment.

Stanzona Petroleum Corp., Phoenix, Ariz.
June 26 (letter of notification) 30,000 shares of common stock of which 10,000 shares will be offered in exchange for notes or at par for cash; and $10,000 face value of notes (convertible, par for par, into common stock). **Price** — At par ($1 per share). **Underwriter**—None. **Proceeds**—To repay loan and to acquire new leases. **Office**—75 West Portland Street, Phoenix, Ariz.

Texas Gas Transmission Corp. (7/19)
June 28 filed 100,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—For expansion program.

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**—1013 Title & Trust Building, Phoenix, Ariz.

Alabama-Tennessee Natural Gas Co.
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. **Office**—Florence, Ala.

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 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.

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 Haven, Conn. **Proceeds** — To Frederick Machlin, Vice-President of the company.

Ashland Oil & Refining Co., Ashland, Ky.
May 21 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At the market (approximately $35 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—1409 Winchester Ave., Ashland, Ky.

★ **Associated Telephone Co., Ltd.**
June 11 filed 350,000 shares of 5% cumulative preferred stock, 1947 series (par $20). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Tully & Co., Los Angeles, Calif. **Proceeds**—To liquidate bank loans incurred for property additions and improvements. **Offering**—Now being made.

★ **Bank of Nova Scotia, Toronto, Canada**
June 12 filed 300,000 shares of capital stock (par $10) being 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 being offered in exchange for Wohl Shoe Co. capital stock on a 2½-for-1 basis; offer to expire on July 16. The remaining 73,550 shares are offered to key employees under the company's stock option plan. **Proceeds**—For general corporate purposes. Statement effective June 26.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

Canam Copper Co., Ltd., Vancouver, 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. Statement effective June 25.

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 on 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

NEW ISSUE CALENDAR

July 9, 1951	
Iowa Public Service Co. 11 a.m. (EDT	Bonds
MidSouth Gas Co.	Common
Victoreen Instrument Co.	Common
July 10, 1951	
Cornucopia Gold Mines	Common
Minnesota Power & Light Co. noon (EDT)	Bonds
Northrop Aircraft, Inc.	Common
July 11, 1951	
Chesapeake & Ohio Ry. noon (CDT)	Eq. Tr. Ctfs.
Nova Scotia (Province of), Canada	Debentures
S & W Fine Foods, Inc.	Common
July 12, 1951	
Speer Carbon Co.	Common
Texas & Pacific Ry. noon (EDT)	Equip. Tr. Ctfs.
July 16, 1951	
Washington Gas Light Co.	Bonds
July 17, 1951	
Marquette Cement Manufacturing Co.	Common
New York State Electric & Gas Corp.	Common
Scranton Electric Co.	Preferred
July 18, 1951	
General Telephone Corp.	Common
Green River Steel Corp.	Debs. & Common
July 19, 1951	
Texas Gas Transmission Corp.	Preferred
July 20, 1951	
Montana-Dakota Utilities Co.	Common
July 23, 1951	
Dome Exploration (Western) Ltd.	Common
Lehman Corp.	Common
Mississippi Power Co. 11 a.m. (EDT)	Bonds
July 24, 1951	
Checker Cab Manufacturing Co.	Common
Pacific Power & Light Co.	Common
United Gas Corp. 11:30 a.m. (EDT)	Bonds
August 7, 1951	
Michigan Consol. Gas Co. 10:30 a.m. (EST)	Bonds
August 31, 1951	
Southern Counties Gas Co. of California	Bonds
September 11, 1951	
Alabama Power Co.	Bonds

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.

★ **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. **Underwriter**—Proctor, Cook & Co., Boston, Mass. **Proceeds**—To Emma B. Proctor, the selling stockholder.

★ **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 (about $34.50 per share). **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 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.

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.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

★ **Green River Steel Corp. (7/18)**
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. **Office** — Owensboro, Ky.

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 Resistance Co., Phila, Pa.
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.

★ **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 at 30 Broad St., New York, N. Y.

Jersey Central Power & Light Co.
Feb. 21 filed $1,500,000 first mortgage bonds due in 1981. Proceeds—For expansion program. Bids—Only one bid was received by company on March 27, from Halsey, Stuart & Co. Inc., which was returned unopened. Offering—Postponed indefinitely. Statement effective **March** 14.

Jersey Central Power & Light Co.
Feb. 21 filed 40,000 shares of cumulative preferred stock **(par $100). Proceeds**—From sale of preferred, together **with** proceeds to be received from the sale of 350,000 **additional** common shares to General Public Utilities **Corp.**, the parent, will be used for new construction. **Bids**—Only one bid, from Union Securities Corp. and **Salomon** Bros. & Hutzler (jointly), was received March **27,** which was returned unopened. Statement effective **March 14. Amendment**—On May 8 SEC granted an exemption from competitive bidding. Preferred may be privately placed, but reported, temporarily abandoned.

Lily-Tulip Corp., New York
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.

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.

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.

★ **Marquette Cement Manufacturing Co. (7/17)**
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.

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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. (7/9)**
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 (EDT) on July 10 at company's office, 2 Rector St., New York, N. Y.

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.
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. (7/20)**
June 27 filed 162,838 shares of common stock (par $5) to be offered July 20 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.

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.

★ **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; rights to expire Aug. 2. **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.

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 13 other firms. **Proceeds**—For working capital.

★ **Nova Scotia (Province of), Canada (7/11-12)**
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.

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.

★ **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. Expected to be withdrawn.

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. Statement effective June 26 through lapse of time; amendment necessary.

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. Statement effective June 26.

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.

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.

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; offer to expire on Aug. 4. **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.

★ **S & W Fine Foods, Inc. (7/11)**
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 and for working capital.

Silver Bell Mines Co., Denver, Colo.
June 13 (letter of notification) 120,000 shares of common stock (par $1) to be first offered to present common and class A stockholders at rate of 0.094 of a share for each share of class A or common stock held. **Price**—$2.25 per share. **Underwriter**—None. **Proceeds**—For mine development. **Office**—701 U. S. National Bank Building, Denver, Colo.

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.

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), being 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. Statement effective June 26.

★ **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. **Offering** — Postponed.

★ **Speer Carbon Co., St. Marys, Pa. (7/12)**
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.

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.

Suburban Propane 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.

★ **Television Equipment Corp.**
June 20 (letter of notification) 1,500,000 shares of common stock (par 5 cents) being offered to stockholders on a pro rata basis; rights to expire July 10. **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—238 William Street, New York 7, N. Y.

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.**
May 25 filed 1,065,330 shares of common stock (par $10) being 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. **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% promissory notes owned by United Gas Corp., and the remainder for its construction program. **Bids**—To be re-

ceived 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. Statement effective June 26.

Urbana Wine Co., Inc.
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.

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 soon.

★ **Victoreen Instrument Co. (7/9)**
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.

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.

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 $300,000 of 6% convertible bonds. **Price**—At par (in units of $100 each). **Underwriter**—Tellier & Co., New York. **Proceeds**—For new equipment and for expansion.

★ **Beaunit Mills, Inc.**
June 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. **Offering**—May be made privately.

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.

● **Central RR. Co. of Pennsylvania**
June 29 it was reported company expects to be in the market late in July with an issue of $2,475,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Chesapeake & Ohio Ry. (7/11)**
Bids will be received by the company up to noon (CDT) on July 11 for the purchase from it of $6,600,000 equipment trust certificates to be dated Aug. 1, 1951 and mature in 30 equal semi-annual instalments from Feb. 1, 1952 to and including Aug. 1, 1966. 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.

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.

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.

Illinois Bell Telephone Co.
June 27 W. V. Kahler, President, announced that this company (approximately 99.31% owned by American Telephone & Telegraph Co., plans issuance and sale, sometime before the end of the year, of 682,454 additional shares of capital stock to its stockholders. **Underwriter**—None. **Proceeds**—To repay short-term loans and for new construction.

★ **Iowa Power & Light Co.**
Dec. 19 it was reported company expects to issue additional securities in 1951 to finance its construction program which is expected to cost between $6,500,000 to $7,500,000. Form of financing will depend on market conditions at the time. Probable bidders: Halsey, Stuart & Co. (for bonds); W. C. Langley & Co., Union Securities Corp. and Glore, Forgan & Co. (jointly), for bonds or stock. The stockholders are to vote July 17 on issuance of the remaining 50,000 shares of authorized preferred stock.

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.

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Kansas City Power & Light Co.
June 12, Harry B. Munsell, President, announced company hopes to issue and sell within the next two years $12,000,000 of bonds, $10,000,000 of additional preferred stock and $8,000,000 of additional common stock to finance its construction program for 1951-1952. Stockholders will vote July 11 on increasing the authorized preferred stock from 200,000 to 350,000 shares and the authorized indebtedness by $12,000,000. Probable bidders for preferred stock: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Smith, Barney & Co.; The First Boston Corp.; White Weld & Co., Shields & Co. and Central Republic Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Stern Bros. & Co. (jointly). Probable bidders for common stock; Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley Co., Inc. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Shields & Co. and Central Republic Co. (jointly); Glore, Forgan & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers and Bear, 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. (8/7)
July 2 it was announced company on July 6 will file a registration statement with the SEC covering $15,000,000 new 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. Langeley & Co. (jointly). **Proceeds**—To repay bank loans and to finance expansion program. Bids—To be opened at 10:30 a.m. (EST) on Aug. 7 at company's office, 415 Clifford Street, Detroit, Mich.

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.

• National Distillers Products Corp.
June 6 stockholders voted to create a new issue of 500,000 shares of preferred stock (par $100) and to increase the authorized common stock from 10,000,000 shares, no par value, to 15,000,000 shares, par $5. It was also voted to eliminate the then authorized 150,000 shares of preferred stock (par $100), none of which had been issued. Management contemplates new financing in 1951 to provide for $20,000,000 of plant improvements, repayment of $17,000,000 of short-term bank loans, and for additional working capital. **Underwriters**—Glore, Forgan & Co. and Harriman, Ripley & Co. Inc.

Niagara Mohawk Power Corp.
June 8, company applied to FPC for a license for a proposed new project estimated to cost $22,611,000. On Jan. 26, company had announced that it probably would sell late this year or early 1952 about $15,000,000 of additional common stock to finance part of its $150,000,000 construction program scheduled for 1951, 1952 and 1953. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.

Nuclear Instrument & Chemical Corp., Chicago, Ill.
June 18, it was announced company expects to offer in July 74,500 shares of common stock (par $1). **Price**—To be determined later. **Underwriter**—Loewi & Co., Milwaukee, Wis. **Proceeds**—For working capital.

Ohio Power Co.
May 15 it was stated that this company, a subsidiary of American Gas & Electric Co., will need $36,000,000, perhaps more, which it expects to raise some months hence through the sale of new securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). Proceeds will be used for construction program.

★ Pacific Power & Light Co.
May 25 it was announced company plans issuance and sale of common stock and bonds sufficient to raise approximately $10,350,000,000 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 $16,100,000. 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). (For registration of 554,464 shares of common stock, see a preceding column).

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 Counties Gas Co. of California (8/31)
July 2 it was announced company expects about July 25 to file a registration statement with the SEC covering approximately $12,000,000 of first mortgage bonds, due 1981 (probably as 3¼s). **Underwriters** — The last bond financing was handled by Blyth & Co., Harriman Ripley & Co. Inc. and Dean Witter & Co. in April, 1943. **Proceeds**—To be used for expansion of gas transmission and distribution system. **Offering**—Expected Aug. 31.

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 Illinois Natural Gas Pipeline Co.
May 22 it was announced that company probably sometime during 1952 will issue and sell $34,500,000 in bonds and $11,500,000 in equity securities to finance expansion of its pipeline facilities. Late last year, stock was offered for subscription by common stockholders and bonds were sold privately.

• Texas & Pacific Ry. (7/12)
Bids will be received up to noon (EDT) on July 12 for the purchase from the company of $1,650,000 equipment trust certificates, series L, to be dated Aug. 1, 1951, and to mature in 10 equal annual instalments on Aug. 1, 1952 to 1961, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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., 37,335 shares; Niagara Mohawk Power Corp., 143,000 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 13 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 soon.

Continued from page 41

Kansas City Power & Light Co.
June 12, Harry B. Munsell, President, announced company hopes to issue and sell within the next two years $12,000,000 of bonds, $10,000,000 of additional preferred stock and $8,000,000 of additional common stock to finance its construction program for 1951-1952. Stockholders will vote July 11 on increasing the authorized preferred stock from 200,000 to 350,000 shares and the authorized indebtedness by $12,000,000. Probable bidders for preferred stock: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Smith, Barney & Co.; The First Boston Corp.; White Weld & Co., Shields & Co. and Central Republic Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Stern Bros. & Co. (jointly). Probable bidders for common stock; Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley Co., Inc. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Shields & Co. and Central Republic Co. (jointly); Glore, Forgan & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers and Bear, 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. (8/7)
July 2 it was announced company on July 6 will file a registration statement with the SEC covering $15,000,000 new 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. Langeley & Co. (jointly). **Proceeds**—To repay bank loans and to finance expansion program. Bids—To be opened at 10:30 a.m. (EST) on Aug. 7 at company's office, 415 Clifford Street, Detroit, Mich.

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.

• National Distillers Products Corp.
June 6 stockholders voted to create a new issue of 500,000 shares of preferred stock (par $100) and to increase the authorized common stock from 10,000,000 shares, no par value, to 15,000,000 shares, par $5. It was also voted to eliminate the then authorized 150,000 shares of preferred stock (par $100), none of which had been issued. Management contemplates new financing in 1951 to provide for $20,000,000 of plant improvements, repayment of $17,000,000 of short-term bank loans, and for additional working capital. **Underwriters**—Glore, Forgan & Co. and Harriman, Ripley & Co. Inc.

Niagara Mohawk Power Corp.
June 8, company applied to FPC for a license for a proposed new project estimated to cost $22,611,000. On Jan. 26, company had announced that it probably would sell late this year or early 1952 about $15,000,000 of additional common stock to finance part of its $150,000,000 construction program scheduled for 1951, 1952 and 1953. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.

Nuclear Instrument & Chemical Corp., Chicago, Ill.
June 18, it was announced company expects to offer in July 74,500 shares of common stock (par $1). **Price**—To be determined later. **Underwriter**—Loewi & Co., Milwaukee, Wis. **Proceeds**—For working capital.

Ohio Power Co.
May 15 it was stated that this company, a subsidiary of American Gas & Electric Co., will need $36,000,000, perhaps more, which it expects to raise some months hence through the sale of new securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). Proceeds will be used for construction program.

★ Pacific Power & Light Co.
May 25 it was announced company plans issuance and sale of common stock and bonds sufficient to raise approximately $10,350,000,000 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 $16,100,000. 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). (For registration of 554,464 shares of common stock, see a preceding column).

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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.

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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.

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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.

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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 Counties Gas Co. of California (8/31)
July 2 it was announced company expects about July 25 to file a registration statement with the SEC covering approximately $12,000,000 of first mortgage bonds, due 1981 (probably as 3¼s). **Underwriters** — The last bond financing was handled by Blyth & Co., Harriman Ripley & Co. Inc. and Dean Witter & Co. in April, 1948. **Proceeds**—To be used for expansion of gas transmission and distribution system. **Offering**—Expected Aug. 31.

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 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.

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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.

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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 soon.

Our Reporter's Report

Corporate underwriters have little or nothing remaining on the shelves from recent undertakings. There had been considerable in the way of odds and ends, and in one or two instances sizable pieces in inventories.

But last week's several successful issues, namely those of Cleveland Electric Illuminating Co., Appalachian Electric Power Co. and General Foods Corp., brought a new and welcome "glow" to the market generally.

Peoples Gas Light & Coke Co.'s new bonds, which had been laggard, have since cleaned up and are now at a premium along with the other three. Commercial Credit Corp.'s 10-year notes likewise have been pretty well placed without only a few odd lots reported around and the holders not being rushed to sell.

One of the biggest financing undertakings in recent years, comprised of $160,000,000 of public housing bonds, will be up for bids on July 17. The bonds will represent issus of 58 separate housing authorities.

Considering what has happened in the municipal market in the last few months by way of adjustment to the changed position of the Treasury list, this operation will naturally be watched with more than ordinary interest, since it could provide a clue to the near-term outlook for tax-exempt securities.

Two banking groups, one made up of commercial banks and the other of investment banking firms, will bid for the securities which will mature in 38 to 40 years.

Except for the aforementioned housing issue, the ensuing fortnight would prove a decidedly dull period for new offerings. The corporate list for that interval is extremely light with only two public utility issues definitely up for bids.

On July 10 the Minnesota Power & Light Co. will open bids for $10,000,000 of new bonds and it is now indicated that at least eight banking groups will seek this business.

The following Monday, July 16, Washington Gas Light Co. will offer $9,000,000 of new 25-year refunders and some six groups have signified their intention of going after this one.

United Gas Corp. will liven things up for the investment fraternity on July 24 when it receives bids for an issue of $50,000,000 of new first mortgage and collateral trust bonds.

Four syndicates already have been organized to bid for this issue so that competition should be keen and pricing in keep with the new concept of values.

The company will use the proceeds to acquire securities of United Gas Pipe Line Co., a subsidiary, which will apply part of the funds received to a promissory note held by the parent company, and the balance for construction purposes.

FINANCIAL NOTICE

The Colorado Fuel & Iron Corporation

The Colorado Fuel and Iron Corporation has appointed The Marine Midland Trust Company of New York as Transfer Agent for its Common Stock without par value, effective as of the close of business on June 30, 1951.

Continued from page 8

"What Did They Use for Money"

butter, beef and pork for commodity currencies and Pennsylvania included hemp, flax, wheat, rye, oats, barley, Indian corn, tobacco, beef, pork and hides as monetary commodities.

Can Bankrupt Nations Finance Armies and Wars?

The evolution and growth of the world's financial systems is stranger and more fascinating than any mystery fiction or imaginative romance that was ever written and brings to mind the standing old question: *"What do they use for money?"* This is understandable when we recall the bankrupt condition of Germany following the first World War and the valueless German mark; the impoverishment of Russia after World War I and the subsequent rise to power of Germany and Russia under the Hitler and Stalin aegis. The marvel of the age is that these war-torn countries with weakened resources were able to rise out of the wreckage and ruin of world wars to establish and maintain the world's most powerful military machines, while this country, with its unequalled financial and material resources, would, it is believed, have all it could do to finance itself in another World War.

Without naming names, an office wag at the "Chronicle" informed the writer that the security back of printed paper money issued by financially weak countries, is a *"pistol shot"* at dawn and a *"cold grave"* by night for any person who might have the temerity to refuse his native country's unsecured paper money. Notwithstanding the absence of financial and material resources, many "down-in-the-mouth" countries have organized and supported armies of soldiers and conducted long wars with nothing better than the type of printing-press money mentioned above whose negotiability might be enforceable at the point of a pistol if cold necessity or force called for it.

Soft vs. Hard Money

Paper money as a circulating medium of exchange is not nearly so impressive to the holder as the accepted metal forms (copper, bronze, lead, silver and gold coins), but unsecured printing-press money, for convenience and accessibility, issued in many cases by legislative or royal fiat, has far exceeded any other form of circulating medium.

Its universally used counterpart, i.e., endorsed paper bank cheques and drafts, based on the faith in the political validity of government security, and individual or private credit, is a newer, more convenient and popular manifestation of circulating media which rivals the metal coins and printing-press paper money.

There is no obtainable record of the total pieces of paper on which these cheques were drawn, but some idea of their number can be gathered from the *value of the cheques* which have been charged against individual accounts, amounting, for example, to 1 trillion, 403 billion, 751 million and 593 thousand dollars[1] in 333 centers in U. S. A. for the year 1950 alone.

Six Qualities Money Should Have

Some of the qualifications which Jevans in his book, entitled "Money and the Mechanism of Exchange," has set out for a good working currency are: portability, divisibility, durability, cognizibility, uniformity and universality of demand.

We Are a Nation of Salesmen Whether We Know It or Not

We, that is, every blessed one of us in this country, *are a nation of salesmen*. Knowingly or unknowingly, the Minister, Priest and Rabbi, the merchant, mechanic, lawyer, poet, artist or laborer, are obliged to sell their skills or talents in their respective employments or professions, *for a consideration*. The more esthetic among us may resent the commercialism of a sales appellation, but it is true, nonetheless, no matter how far removed we may wish to be from the business side of the market place.

At some time or other, the most professionally minded person, like other matter-of-fact citizens, has occasion to sell his home, or his car, his silverware or his furniture, his play, his book, article, sermon or poem *for a price* in the daily effort to gain subsistence in this mundane world which coldly evaluates our efforts, possessions and talents in dollars and cents or in pounds sterling or guineas.

The Basic Function of Money

Prof. Lester V. Chandler, Amherst College, has briefly summarized the uses of money in his book, "The Economics of Money and Banking," viz.: "Money has but one fundamental purpose in an economic system: to facilitate the exchange of goods and services—to lessen the time and effort required to carry on trade."

Adam Smith's Masterpiece "The Wealth of Nations"

The reader who desires to pursue the subject could not do better than to give Adam Smith's book, "Wealth of Nations," a reading. This book was written over 175 years ago by a Scotch professor who set down in scientific terms, for the first time, the fundamental principles of political economy. "The Wealth of Nations" is still a revered text book in every leading university in the world. The great English statesman Burke declared "in its ultimate result, this was probably the most important book that was ever written." Adam Smith stated it as his belief that "Wealth and Money, in common language, are considered synonymous."

The Alpha and Omega of Money

Yes, man has come a long ways from the days since the paper money described by Marco Polo in the Great Khan's reign in China and commodity currency as enumerated above by Dr. Einzig, was bartered in trade and commerce in various countries of the world.

This almost unbelievable list of oddities used in place of gold and silver currency, or money as it is commonly known, antedated the private and government banks and other instrumentalities long before this "Billion Dollar Age" inaugurated and perfected the modern economic mechanisms for today's vast business requirements and daily personal transactions.

[1] Figures furnished by the Federal Reserve Bank of New York.

DIVIDEND NOTICE

DAYSTROM, INCORPORATED

DIVIDEND NOTICE

The Directors of Daystrom, Incorporated (formerly ATF Incorporated) on June 28, 1951, declared a regular quarterly dividend of 25 cents per share, payable August 15, 1951, to holders of record July 27, 1951.

See the Daystrom Fashion Academy Award Furniture at your favorite store.

OPERATING UNITS:
- AMERICAN TYPE FOUNDERS
- DAYSTROM ELECTRIC
- DAYSTROM FURNITURE
- DAYSTROM INSTRUMENTS
- DAYSTROM LAMINATES

John N. Pistell

(Special to THE FINANCIAL CHRONICLE)

John N. Pistell passed away at the age of 82. In the past he had been head of Pistell, Dean & Co. of Buffalo.

Joins Douglass Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Doyle J. Dixon has become affiliated with Douglass & Co., 133 North Robertson Boulevard.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Charles O. Temple has become associated with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., June 28, 1951.

The Board of Directors has this day declared a dividend of Two Dollars ($2.00) per share, being Dividend No. 154, on the Common Capital Stock of the Company, payable September 1, 1951, to holders of said Common Capital Stock registered on the books of the Company at the close of business July 20, 1951.

Dividend checks will be mailed to holders of Common Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

CANCO AMERICAN CAN COMPANY

COMMON STOCK

On June 26, 1951 a quarterly dividend of One Dollar per share was declared on the Common Stock of this Company, payable August 15, 1951 to Stockholders of record at the close of business July 19, 1951. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, Secretary

AVCO MANUFACTURING CORPORATION *"A Family of Famous Names"*

The Board of Directors of Avco Manufacturing Corporation has declared a quarterly dividend of 15 cents a share on the Common Stock payable September 20, 1951, to stockholders of record August 31, 1951.

R. S. Pruitt, Secretary

420 Lexington Ave.
New York 17, N.Y.
June 29, 1951

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 50c per share on the outstanding Common Stock, payable on August 1, 1951, to stockholders of record on July 11, 1951. The transfer books will not close.

THOS. A. CLARK
June 28, 1951. Treasurer

COMING EVENTS

In Investment Field

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.

Two With Waddell & Reed

COLUMBUS, Ohio—Russell L. Brenneman and Stanley E. Wolfe are now with Waddell & Reed, Inc.

DIVIDEND NOTICES

UGI

A quarterly dividend of 35c per share on the Capital Stock, par value $13.50 per share, has been declared, payable September 29, 1951, to stockholders of record August 31, 1951.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer
June 26, 1951 Philadelphia, Pa.

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 176

A dividend of $.50 per share on the no par value Common Stock has been declared, payable July 28, 1951, to stockholders of record at the close of business on July 6, 1951.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, June 27, 1951.

VANADIUM CORPORATION OF AMERICA

VANCORAM BRAND

420 Lexington Avenue, New York 17

Dividend Notice

At a meeting of the Board of Directors held today, a dividend of fifty cents per share was declared on the common stock of the Corporation, payable August 17, 1951, to stockholders of record at 3:00 o'clock p. m., August 8, 1951. Checks will be mailed.

B. O. BRAND, Secretary.

Dated June 25, 1951.

Materials Handling Equipment
Locks & Builders' Hardware

YALE & TOWNE

251st Dividend Since 1899

On June 28, 1951, dividend No. 251 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on Oct. 1, 1951, to stockholders of record at the close of business Sept. 10, 1951.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—All the affairs of state are at another one of those turning points where, within a matter of several weeks, the whole outlook could be changed violently in exactly opposite directions.

(1) If something that has a convincing ring of peace breaks out in Korea, it is entirely possible that Congress would in a matter of two or three months let the entire defense build-up program bog down.

There are many in Congress and, incidentally, in both parties, who believe that even a superficially secure peace should not be allowed to result in a let-down for the obvious reason that this might tempt Russia to new adventures.

On the other hand, it is recognized that the whole Korean intervention is unpopular, and if the fighting stopped, the country would soon indicate to Congress its disclination to accept controls and high taxes.

If the "blizzard" of peace breaks out, all the little legislative creatures of the defense program are caught out in the open, little sheep that are lost or likely to lose their way. Not a single keystone of the program has cleared Congress. The big appropriations for the domestic military establishment are yet to come. Congress has just started to consider the $8.5 billion foreign aid bill. A tax bill is almost as far away as ever, and Congress adopted only an interim extension of the Defense Production Act.

(2) The exactly opposite possibility is war developing out of the Persian mess. Obviously another emergency, if it were big and threatening enough, would melt much of the opposition to spending, taxes, and controls. A jaded public opinion, however, probably would not react merely to some fighting between British and Persians. It would have to be an emergency that scared the people.

(3) There is probably a third possibility, however. This is that no clear-cut war or peace decision will be reached in the next several weeks.

In such a situation the Congress has proved that only the mildest DPA will be passed. The logic of last week, unexpected two or three weeks ago, is that the White House has lost control of the Senate Banking Committee, while it retained only a slight modicum of control over the House Banking Committee. Furthermore, the real test of DPA is yet to come.

Congress will not allow roll-backs of prices while the Administration is rolling forward union labor wages. If the Administration expects anything in the way of substantive price and wage controls it will have to show a greater impartiality, and probably boot out Mike DiSalle and Eric Johnston as well. There will be no licensing as a means of price ceiling enforcement.

Safest of the Truman program are appropriations for the domestic military establishment, which by and large look secure, should there be an "in-between" situation, and they look fairly safe anyway.

Most vulnerable of the Administration's program is foreign aid, which will almost certainly have to be whittled down sharply as the price of any additional taxes at all.

Thinking has changed about the impact upon oil supplies of a loss of Persian oil. A few months ago authoritative spokesmen were saying it threatened rationing in the U. S., as U. S. refinery capacity necessarily would be diverted partially to refining crude products to replace those which would be lost to Britain and Western Europe if the Iranian refinery were taken out of production. Now it is said that the greatest loss will be in heavy fuel, or bunker oils. This might hit U. S. utilities a little. The supply of bunker oil is already tight in the U. S.

Biggest sufferer, however, would be His Majesty's Royal Navy.

* * *

Did you know that the Korean War costs practically nothing? The Defense Department comes pretty close to almost asserting that this is the case. Whenever any of the press or of Congress asks what does the fighting cost in Korea, the answer comes up this way:

One can't account separately for the cost of a tank used in Korea from the cost of the same tank used in training troops in the U. S., or the pay of the troops, or the feeding of the troops, or the airplane or its gasoline. Furthermore, the U. S. is just using up "obsolescent and surplus" materials it would be using up in training, and junking anyway as new equipment became available.

This is the Defense Department's "party line" and they actually expect people to believe it.

* * *

John Snyder, Secretary of the Treasury, has completed his fifth year piloting the Treasury through a postwar conversion, through the ECA period, and now is engaged in trying to finance a vast program of war preparation for the U. S. and its Allies. Just incidentally, partly due to his influence in fiscal policies and partly due to accident, the Treasury has accumulated a net surplus of some $8 billion during his tenure of office.

Snyder is probably the least known figure, popularly, of the Truman Administration, and this is partly because he, by nature, works anonymously. He seldom concerns himself with publicity, but does concern himself with results. His only "publicity" consists of the prepared speeches which he makes frequently, all the while, however, avoiding speaking out on controversial topics on these occasions.

Snyder is a definite conservative personally in an Administration of the Left, a position which he manages to sustain in part because of his "techniques of operation" and in part because his personal and public loyalty to his close friend, Harry Truman, is beyond question.

One of his characteristics is that he does not go out of his way to oppose left-wing proposals in departments other than the Treasury. Another of his techniques is that when some one pops a "crazy one" on the Treasury he goes about killing it quietly and in a way which will not put him in the headlines.

Thus Snyder, by damning with faint praise, was decisive in killing the Federal Reserve Board's higher reserve proposal, which in 1947-48 was part of an entire Administration package to deflect blame on to Congress and the banks for the inflation it deliberately inspired.

Furthermore, the White House once "bought" the idea of putting the RFC under the Commerce Department, where the door to political loans would, if possible, have been potentially and by position even more ajar than it was in the postwar era.

When the Administration falls for some queer idea from one of the long-haired boys affecting the Treasury, Snyder keeps his mouth shut. If compelled to support it, he will at most give only nominal support by writing a noncommittal letter to a committee "favoring" the proposition. But if it is important enough, he will take a position of outright opposition.

Only the smallest fraction of the results of Snyder's conservative influence will ever become known, unless some day he writes his memoirs. Thus, for instance, the current $8.5 billion dollar foreign aid program would have been an $11.5 billion program but for the adamant opposition of the present Treasury Secretary to the higher figure.

Among all but a relatively few informed observers, Mr. Snyder still "enjoys" the reputation of having been the opponent of bank holding company legislation, and thus, by inference, the friend of the big, bad banking monopolies.

The background is that for years the Federal Reserve Board had been fomenting its particular version of a new bank holding company regulation bill. The nature of that bill was such that it would have vested the Federal Reserve Board with vast discretion to regulate bank holding companies as the Board, in its administrative judgment, saw fit. By and large, it was devoid of close statutory definitions of what was to be regulated and what practices were to be frowned upon by government.

It is Snyder's nature not to pick a fight with another agency if it can be avoided. However, the "Fed," in an increasing intoxication of self-righteousness, convinced among others, Senator A. Willis Robertson (D., Va.), of the Senate Banking Committee, that its cause was just. Robertson introduced the Fed's bill.

After hearings, it was brought out that THE criticism was the vast discretion the Board's bill left to the Board, the absence of Congressional declaration of intent, declaration of what is a holding company, declaration of what holding companies should not do.

The remarkable sequence developed that Robertson, at the opening of the hearings practically served notice that the issue was closed and he would give opponents about 10 minutes to talk and talk fast. At the conclusion of the hearings, Robertson apologized for introducing the Federal Reserve bill and publicly disowned the same.

Senator Robertson delegated the Treasury to rewrite the bill. The resulting bill was much stricter and more definite than the Reserve Board bill. It encompassed a far more severe scope of regulation. But its definitions and objectives were sharp.

When the bill eliminated the broad area of administrative discretion and judgment, the Federal Reserve Board immediately backed away from it, and nothing since has been heard about a bank holding company regulation bill.

(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, my boss had it rigged up—he can be quite sarcastic at times!"

Business Man's Bookshelf

Psychological Analysis of Economic Behavior—George Katona—McGraw-Hill Book Company, 330 West Forty-second Street, New York 18, N. Y.—cloth—$5.00.

Public Relations and American Democracy — J. A. R. Pimlott—Princeton University Press, Princeton, N. J.—cloth—$4.00.

Technique of Administration: Administrative Proficiency in Business—Erwin Haskell Schell—McGraw-Hill Book Company, 330 West 42nd Street, New York 18, N. Y.—cloth—$4.50.

Rudolph Adds Three

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Norman Haddad, Ellen A. Smith, and Earl S. Waltz have become affiliated with Paul C. Rudolph & Company, 127 Montgomery Street. Miss Smith was previously with Capital Securities Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Harold C. McKinstry is with Waddell & Reed, Inc., U. S. National Bank Building.

Blyth & Co. Add

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Albert B. Howe is now with Blyth & Co., Inc., Central Bank Building.