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EDITORIAL

As We See It

For some little time now the propaganda mill in Washington has been grinding out material designed to prevent a general "let-down" or relaxation from emerging out of the outlook (or realization) of a cessation of the fighting in Korea. The Administration is fearful that it will lose some, perhaps all, of its extraordinary powers, to say nothing of failing to get the additional authority that it has been seeking. It is uneasy lest there be a reduction in the pace at which we are rearming, and at which we are assisting others to rearm. It clearly sees that it will be difficult indeed to persuade Congress in a pre-election year to impose additional taxes which really hurt. Day in and day out, it is using the press, the radio and any and all other instruments at hand to bring the public around to its way of thinking.

We are not prepared to say that there is no substance or reason in these apprehensions, or that the developments evidently so much feared would in all cases not be harmful or hazardous. We do, however, see certain other dangers ahead to which the Administration, as much as anyone else, may well contribute. It is never to be forgotten that the Federal Government is now charged with the task of preventing depressions, or at the least believes itself under moral and political, if not legal, obligations to do so. This is a matter which is certain to loom rather large in the thinking of any Administration with an election near enough ahead to tinge all official acts and plans. A consumer inventory glut appearing when scarcities, controls and possibly

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The Current Investment And Business Outlook

By HAROLD AUL*
Vice-President, Calvin Bullock

Market analyst reviews course of investment markets during past year, and, predicting improbability of all-out war or a major depression in near future, contends current level of common stock prices not too high, though, in view of prospects of reduced corporate earnings, there may be some moderate recessions. Says index of investors' confidence remains high, and current situation is only "a temporary squeeze."

In the course of the past 12 months we have witnessed significant changes in the circumstances surrounding the investment markets.

The outbreak of war in Korea and its aftermath have changed profoundly the whole pattern of our economy; and we are now launched on an all-out rearmament effort, with all of the paraphernalia of a war economy with its materials shortages, controls and higher taxes.

In this period wholesale commodity prices have risen 15.8%. The index of sensitive raw materials prices has soared 30.2%; and the cost of living has advanced about 9.4%.

The Federal Reserve Index of Industrial Production has gone from 195% to 223% of the 1935-39 average. The gross national product has risen from a rate of \$263 billion in the first quarter of 1950 to \$316 billion in the same period of 1951—over 20%.

A major change has taken place in the trend of interest rates and bond prices. Between May, 1950 and June, 1951, U. S. Treasury bills have gone from a 1.18% basis to a 1.48% basis; the yield of 1⅜% Treasury notes of 1954 has risen from a 1.41% to a 1.93% basis; the Victory 2½s have declined about five points and Moody's Aaa corporate bonds have gone from a 2.61% basis to a 2.96% basis. As a matter of fact, the change in the yield of highest grade corporate bonds has been substantially greater than this index reflects since recently top-flight bonds have been offered around a 3.25 basis, about 60

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*Part of a talk by Mr. Aul before a group of investment bankers in Pittsburgh, Pa., June 27, 1951.

Economic Implications Of a Korean Settlement

By ROY L. REIERSON*
Vice-President, Bankers Trust Co., New York City

Asserting settlement of Korean war may affect the ultimate level of defense and consumer outlays, but not their upward direction, in next several years, New York bank economist finds trends in business, such as current prices, incomes, production, and employment, are abnormal, and although defense program may defer serious business readjustment, it points up danger our economy is becoming dependent on government spending.

Once again, as a year ago, events in Korea are raising incisive questions concerning the future of our economy. Interestingly enough, just as the outbreak of war in Korea in mid-1950 greatly accelerated a business boom that had been under way for several months, so the present developments overseas are quickening the feeling of uncertainty that has recently taken hold in the economy. A year ago, all the signs were pointing in one direction. For an indefinite time ahead, rearmament and defense seemed to underwrite a rising rate of economic activity, growing inflationary pressures, increasing shortages of civilian goods and the many other familiar attributes of a defense and war economy.

Roy L. Reierson

More recently, however, the economy has been displaying a number of inconsistencies. On the one hand, defense contracts and defense expenditures are indeed increasing month by month. The trend of personal income, even after higher taxes, is upward; consumers have never had more income available for spending. Wages and production costs are rising, and significant cutbacks have been announced in the output of some civilian

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*An address by Dr. Reierson before the West Virginia Bankers Association at White Sulphur Springs, W. Va., July 13, 1951.

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 30.

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

New Housing Authority Bonds—Paul Frederick, Senior Partner, Paul Frederick & Co., New York City. (Page 2)

Blue Ridge Mutual Fund—Irving Allen Greene, Senior Partner, Greene & Co., New York City. (Page 2)

The Permutit Company—Rupert H. Johnson, Senior Partner, R. H. Johnson & Co., New York City. (Page 2)

PAUL FREDERICK

Senior Partner Paul Frederick & Co., New York City

New Housing Authority Bonds

The New Housing Authority Bonds are the security I like best. Since the old Liberty 3½s were called, there have been no tax exempt government bonds outstanding in volume. The 3% United States Panama Bonds due in 1961 are tax-exempt but are outstanding in amounts of less than $50,000,000. These bonds do not trade very actively and the current bid for bonds is around a 1.50% basis.

Paul O. Frederick

These new Housing Authority Bonds for all practical purposes can be considered as a Federal guaranteed security. The underwriter's circular describing the bonds states:

"The bonds of each issue will be secured by a first pledge of annual contributions unconditionally payable pursuant to an Annual Contributions Contract between the Public Housing Administration and the local public housing agency issuing said bonds in the opinions of bond counsel. Said annual contributions will be payable directly to the fiscal agent of said local public housing agency in an amount which, together with other funds of the local public housing agency which are actually available for such purpose, will be sufficient to pay the principal of and interest on the bonds when due. The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the annual contributions by the Public Housing Administration pursuant to the aforesaid Annual Contributions Contracts."

On Tuesday, July 17, a nationwide group of dealers purchased $155,739,000 of the various Housing Authority issues and reoffered the bonds at prices ranging from a 1.05% basis for one year maturities to a 2.25% for 40-year maturities. At this writing, the bonds appear to be very well received.

Even with the recent break in municipal bond prices, it has been difficult to obtain more than a 2% yield on Aaa and Aa tax-exempt bonds. These Housing Authority Bonds, for the first time in years, will offer the investor an opportunity to obtain 2% or more on the very highest grade type of tax-exempt investment.

IRVING ALLEN GREENE

Senior Partner, Greene & Co., New York City

Blue Ridge Mutual Fund

Again I call your attention to an unusual special situation and neglected opportunity, Blue Ridge Mutual Fund. The deferred redemption certificates of this newly launched open-end investment trust offer an unusual opportunity to purchase securities over the bargain counter.

Irving A. Greene

This trust was started in June of this year as the successor to the reorganized Central States Electric Corporation and Blue Corporation. The shares, now traded at 9½, have an asset value of $10.17. This uncommon situation of open-end investment trust shares being traded at a discount from asset value, instead of the customary asset value plus a loading charge, which generally averages 8% to 10% of asset value, is only temporary. This is caused by the change in set-up from the two closed-end investment trusts to one open-end operation. In order to make the transition smoother, it was provided that instead of the usual daily redemption of shares there shall exist for six months after June 28, 1951, a "freezing period." During this interval shares turned in for redemption are to receive the asset value prevailing 60 days after any redemption request. Thereafter shares surrendered for redemption from Dec. 29, 1951 through Feb. 26, 1952 will be paid at the asset value prevailing on Feb. 26, 1952. Subsequent to that date, daily redemptions will be in effect. However, the deferred redemption periods should be considerably shortened, the company directors having the power to do so at their discretion. The reason for this is that the SEC has directed the distributing agent not to sell new shares without advising purchasers of the discount at which they may be bought over the counter. This effectively prevents the sale of newly-issued shares. The distributing agent and the trust management being naturally desirous of increasing the size of the trust by selling new shares, can eliminate the discount by commencing daily redemptions at asset values as soon as possible. Action along these lines may be taken early in September of this year after the first 60-day period.

The loading charge paid on open-end trust shares covers the cost of issuing the purchased shares, the major items of such cost being commissions to the salesmen and the distributing agent. In the case of Blue Ridge, the loading charge is to be 9.2% of asset value. Ordinarily, therefore, at the recent asset value per share of $10.17, a purchaser of Blue Ridge Mutual would have to pay $11.10 per share. That purchase of the deferred redemption shares is worthwhile is apparent from the fact that shares may be bought now at a discount of about 14.42% from the conventional cost to investors. The elimination of the delayed redemption and of the discount on the shares would result in a profit to investors of the difference between 9½ and $10.17, or whatever the asset value is at the time, plus a saving of the loading charge.

As to the trust itself, its distributor and investment adviser is Research Distributing Corp., wholly-owned by the firm of Reynolds & Company. The fund will have the benefit of that firm's wide experience in securities and the guidance of certain executives of the old Blue Ridge Corporation and Central States Electric. An incentive to the growth of the fund is the fact that investment management fees are geared to the size of the fund and the distribution fees depend on the number of shares sold. On June 28, 1951, when the trust's operations commenced, total net asset value was $44,146,000. Of this, 26.79% was in the form of cash and Governments, 34.14% in utilities, and 39.07% in a diversified list of industrials and other securities. 9.6% of net assets included in the utility list consisted of North American Company shares, which the trust will pare down considerably both by prudent choice and SEC requirement. Most of the cash and Governments will probably be used to pay shares put in for redemption during the initial redemption period. Thereafter the fund may be expected to show substantial growth since it offers, from many aspects, a desirable medium for investors.

In summary, at the prevailing temporary discount, offering securities diversification and seasoned management, the Blue Ridge Mutual deferred redemption shares are attractive for the average investor at this time when general market conditions are subject to much uncertainty and the fortunes of individual companies are so difficult to appraise.

This is my idea of another one of those unusual special situations which I have called attention to in the past.

RUPERT H. JOHNSON

Senior Partner, R. H. Johnson & Co., New York City

The Permutit Co.

Recently I attended a meeting for brokers and dealers at which a top executive of Rohm & Haas was the principal speaker. His company is one of the outstanding representatives of the chemical industry—breath-taking in its growth prospects. Among the products manufactured by Rohm & Haas are certain "ion exchangers," which are used principally for water-conditioning. While a great deal of what the speaker had to say was "off the record," I am revealing no secret in reporting that, in this connection, he paid a tribute to **The Permutit Company**, the largest manufacturer of water conditioning equipment in the world. In more than 25 years of service, the experience of **The Permutit Company** has extended into practically every class of industry, to numerous municipalities and to tens of thousands of household installations throughout the world.

Rupert H. Johnson

It is the stock of **The Permutit Company** that I have selected as my favorite security at the moment. For a specialty situation in the investment field, few enter-

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Paper Profits—By the Roll

By IRA U. COBLEIGH

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

Some musings on the theory that "ceilings" can go higher if papered with imported newsprint — and containing a suggestion or two about leading Canadian paper stocks.

Ira U. Cobleigh

If you happen to live in or visit New York, Boston, Chicago or any other metropolis you'll probably get a glimpse of some great big open trucks monoxiding along the street, with rolls of paper aboard—great big rolls 5½ feet wide, and 3 feet in diameter. Take a good look, next time you see these, 'cause each of these rolls is worth today $87 and is just a tiny fraction of the 6¼ million tons of newsprint chewed up annually in our American presses, just to bring you the news while you guzzle your morning coffee, a carpet for your bird-cage, a lining for your garbage can, or first aid for a broken window.

And how does it come about that just one roll of newspaper costs $87 today? Because Canada, our northern neighbor, manufacturer of 60% of the world's newsprint paper, has just kicked up the price of this raw material, indispensable to the literate, to $116 a ton—up from $35 20 years ago. And this latest price peg is bringing real anguish to Mr. DiSalle, who'd like to "roll back" the price of this roll, back to a nice neighborly ceiling of say $100 or $105 a ton. Tonnage prices perhaps lack meaning, but when you ponder that this price hike means an annual $50,000,000 more in costs to publishers here, then you scratch your head and wonder how long it will be before the daily paper follows the 'phone call and subway fare up to a dime. And if it's tough for us, what about our Latin amigos who simply can't pay the price? If a free press like "La Prensa" can be snuffed out at the whim of a Peron, elsewhere it may be priced out of business by the cost of newsprint. And the press should be our number one weapon against communism?

Let's unroll this paper problem a bit more. Paper comes from wood pulp—a raw material that grows a new use almost daily. Bags, printing paper, cartons, containers, dishes, wrapping, wall board and now textile fibers all strive with newsprint for the basic material pulp—and in most of these uses Kraft paper brings upwards of $50 more per ton than newsprint. For this reason none of the Canadian paper mills built since the war has been for newsprint, a fact putting further pressure on the press. And the United States has just about given up on newsprint, producing less today than ten years ago, content to buy 80% of its needs north of the St. Lawrence.

This virtual monopoly of supply has by no means escaped notice of the Canadian political and industrial fathers. They've gone into a deep huddle seeking first, to avoid the welter of bankruptcies of the 30's (due to overproduction); second, to promote an equitable distribution of newsprint to allied countries which need it, the better to clobber communism by the written word; third, to get needed dollar balances bubbling into Canada; and fourth, to see that this pulp and paper section of Canadian enterprise, with a capital investment of over a billion dollars, continues to be a cogent cog in Canadian prosperity. Well these gentlemen, having sifted the evidence, now say that $116 a ton is most reasonable on account of:

(1) Eleven per cent wage increase in pulp industry, May, 1951.

(2) The high price of sulphur, the world's scarcest major chemical.

(3) The cost of steel and machinery and difficulty of obtaining same for plant additions and expansion.

(4) Higher freight.

Well what do we do? Sit around and pay through the nose-glasses? Can we cajole producers to dip the price? No doubt our top price administrators will try. How about building new mills here, or in Alaska, where pulp wood trees outnumber people about 10 million to one. Wouldn't that cut down Canadian control of this trade? Good idea, but "leave us face it," newsprint mills are just about the most expensive of our industrial creatures, costing roughly, in a big plant, $650 for each ton of production. Since we buy over 5 million tons of paper from Canada every year, you can figure out for yourself the cost of duplicating their capacity. Some American papers like the New York "Times" have sought to assure supply by buying into a mill. The "Times" owns a half interest in Spruce Falls Power and Paper—Kimberly-Clark owns the other half.

However you face it, Canada has the pulp and the paper, and is earning handsomely from both. So following the old political axiom, "If you can't lick 'em, join 'em," let's see how well the American investor can fare by lodging his dollars in what has historically proved to be a rewarding industrial pattern — a combination of growth, rising sales price, dynamic demand and no flood of new competitive plants a-building to dilute current profits.

If the industry is attractive, we ought to single out some worthy dividend earners in it. We'll start with the biggest — International

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* Mr. May is still abroad and no report was received from him this week.

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How High Should Taxes Go?

By A. M. SAKOLSKI

Dr. Sakolski discusses difficulties in estimating nation's taxable capacity, and points out problem cannot be solved by mathematical formulae, and therefore resort must be had to "trial and error." Warns against imposing taxes that destroy and reduce individual incentives or lead, through shifting, to further inflationary pressures. Says taxes that reduce or eliminate profits furnish easy road to socialism and communism.

The old slogan today is not "nothing is so sure as death and taxes," but rather "nothing is so sure as death and higher taxes."


A. M. Sakolski

Throughout the whole civilized world there is a search for additional government revenue, and the old Irish instruction at Donnebrook Fair, "When you see a head, hit it," has been translated into the field of public finance as, "When you see a thing, tax it."

But the problem is not so simple as this. Higher taxes or more and different kinds of taxes do not necessarily mean increased revenue. Taxes like prices of commodities and services affect demand, i.e., the consumption side of the exchange equation. So the levying of taxes is subject to the law of decreasing returns. Moreover, there are limits to taxable capacity, and it is exceedingly dangerous to economic welfare or stability for any government, whether national, state or local, to exceed or even approach that limit. History is replete from earliest to modern times with instances of vast revolutionary and economic upheavals arising from too much or too many taxes.

Taxable Capacity

It is more than 200 years ago since the philosopher David Hume wrote in his essay on taxes:

"There is a prevailing maxim among some reasoners that every new tax creates a new ability in the subject to bear it, and that each increase of public burdens increases proportionately the industry of the people. This maxim is of such a nature as is most likely to be abused, and is so much the more dangerous, as its truth cannot be altogether denied; but it must be owned, when kept within certain bounds, to have some foundation in reason and experience."

The exception noted by Hume is of the utmost importance. The problem is to discover the means of keeping taxes within bounds. To go beyond the bounds as just stated may lead to economic deterioration as well as social and political unrest, and thus become a source of revolutionary unheaval or social disruption.

The problem of estimating taxable capacity is a complicated one—and has never been mathematically solved. Nor is it capable of mathematical solution! Its computation involves so many factors and is subjected to so many uncertainties and variables that it can only be tackled, at least thus far in human experience, by the method of "trial and error."

Public finance is not an exact science. This aspect of a long-exploited field of scholarly research is well expressed by Prof. Harold M. Groves in his recent book entitled, "Trouble Spots in Taxation." Professor Groves writes:

"As to the conflicting viewpoints among public finance scholars, one must begin by conceding that most of the field is controversial. There is little in taxation to hand out as 'accepted doctrine.'

"Critics differ in their preference for one tax or another because they have different values, different philosophies of life, different kinds of worlds in which they choose to live. Of course, there are aspects of taxation, such as shifting and incidence, that involve problems entirely divorced from tastes and preferences. Unfortunately, scholars do not agree even on these matters. The difficulty is not one of subjective differences; it is due to the complexity of the phenomena examined, to the many variables involved and to the impossibility of exposing hypotheses to controlled experiment or other precise verification."

The search for formulas or rules to determine the limits of taxable capacity has gone on for several centuries. In his book, "Wealth and Taxable Capacity," published in England in 1922, the late Lord Stamp, after outlining the statistical difficulties and shortcomings in estimating national wealth and national income, listed as essential factors in the limits of taxable capacity:

"(1) It depends upon what the taxation is to be used for.

"(2) It depends upon the spirit and national psychology of the people taxed, which may be influenced by patriotism or sentiment.

"(3) It depends partly on the way the taxation is raised, both as to the methods adopted and the rate at which the increase is laid on.

"(4) It depends on the distribution of wealth.

"(5) Its rate of increase is greater than the increase in wealth and it shrinks more rapidly than the wealth diminished."

Space does not permit an elaboration or analysis of these principles. There are undoubtedly many other "variables" not mentioned by Lord Stamp. But this much seems certain: Based on reason and experience, any sudden and substantial increase in taxation is bound to have serious economic and political repercussions, so that it is extremely important to study in advance the nature, kind and effect of any proposed tax levies. As Lord Stamp pointed out, "Taxable capacity is, to some extent, modifiable by relation to the systems of taxes adopted." Thus taxable capacity is not a fixed quantity. Two nations, having the same wealth, population, and national income can, and generally do, have widely different degrees of taxable capacity.

The Factor of Individual Incentives

A serious question facing this and other democratic nations today is the effect of higher taxation on individual incentives. If the effect of higher taxes is such as to create greater incentive to work and to produce, and, therefore, results in greater national income, it, as has been commonly stated by classical economists, results in no serious additional burdens on the national economy and may prove, from a broad philosophical standpoint, a national advantage. But if the increased taxation destroys incentive, because of the confiscatory or depressive nature, it destroys the very meat it feeds upon.

This is commonplace logic. So the pressing problem facing Congress today is to devise a tax system which will give the additional revenue needed without running into the snare that diminishes rather than procures this needed revenue. As has already been stated, the problem is not adaptable to mathematical calculation. Neither is it merely a matter for economists to determine. It involves psychological, social, and political factors that require the utmost care in the study of their variable effects.

It is for these reasons that budgeting is of such importance in government administration. The great British statesman, Gladstone, pointed this out on various occasions in presenting his budgets to the Parliament. The subject of the budget, he stated, was not merely a question of balancing revenues and expenditures, but it was a matter which affected the welfare, prosperity, and stability of the nation.

Questions of Justice and Equity

There are, moreover, questions of justice and equity involved in every tax system—questions affecting not only the present, but future generations. One of the great difficulties in any tax system is to distribute the tax burden equitably. This has never been accomplished, despite continuous attempts. It may be pointed out, for example, that there are continually new individuals coming into the world on whom the burden of the national or state fiscal policies will fall. The enterprise and savings of these may be taxed to pay for the past abstinence and mistakes of others, represented by public debts and obnoxious levies, of which they receive no benefit, and in this way their ambitions can be stunted and future progress jeopardized. All this may result in efforts at repudiation as well as in social unrest, as past experience proves.

To argue, as many of our modern "New Deal" economists have done, that taxes are not a social burden and therefore there should be no upper limit to taxation, is disproven by history. Taxes, it is true, in course of time, become a fixture in the economic structure and heavy taxation for the few for the benefit of the many is just as rickety a foundation as taxing of the many for the benefit of the few.

Likewise, if taxes are too steeply graded (such as our present income tax rate) so as to offer little or no rewards for success in enterprise, the national economy may lose far more than it gains. The ultimate outcome of this situation will be its replacement of individual enterprise by some form of collectivism. **The menace of declining profits lies in the easy transition it creates in moves to socialism or communism.**

For proof of this assertion we need only look at the experience of Great Britain, where high and steeply graded income taxation has been in effect for more than a generation. Writing in the January, 1951, "Lloyd's Bank Review," S. P. Chambers, a British economist, states:

"Almost every productivity team which has visited the United States recently has come back with the clear impression that the main difference between the leadership in British industry and that in America, and between the attitude to work of British workers and that of American workers, lies in the amount of vigor and enthusiasm with which the work and problems of management are tackled. It is very difficult to disassociate this difference from the difference between the reward of effort in the two countries, and I think that an independent observer, if such a person could be found, could hardly fail to comment upon the deadening effect upon British industry of several decades of excessive taxation. If, so far from reducing this burden, there is actually an attempt at a further increase by eating into the capital as well as the income of these businesses, and thus stultifying all progress by capital starvation, the relative failure of British industry to keep pace with that on the other side of the Atlantic is bound to become still more marked. One little-publicized aspect of this problem is the quiet emigration of some of the ablest men in industry to countries where rewards are greater than in this country; there is no return traffic of first-class men to Britain because British taxation is a barrier against potential immigrants."

Shifting Tax Burdens

Another problem involved in measuring taxable capacity is the shifting and incidence of taxation and its consequent effects on prices. It should not be forgotten that most taxes, of whatever nature, can be shifted from the taxpayer to others. If taxes are levied which result in general or even partial increase in prices, they are inflationary and thus affect adversely the economic stability on which the tax system is based. It has already been pointed out by the writer (see "The Chronicle," Nov. 2, 1950) that because of the capacity of the mass of present-day wage-earners to spend, and their ability to enforce higher wage demands, they can bring about a general rise in commodity prices by passing on their taxes to their employers, who add them to prices. The result is a continuous wage-price spiral. This has been our recent experience in the U. S., and **there is no proof that high taxes are or can be a curb on inflation.** In fact, under the present wartime expanding economy, taxes, along with increased money supply and credit, constitute powerful inflationary pressures.

In conclusion, it may be stated that though government needs more revenue and a pay-as-you-go policy is advisable, there is grave danger of adopting a tax burden beyond the nation's capacity to pay. The remedy in the present situation is more work, greater per capita output, less government and individual extravagance, and intensified technical improvement leading to greater production and, hence, higher national income. If these factors are present, higher taxation can be safely borne in the present crisis.

COMING EVENTS

In Investment Field

July 20, 1951 (Detroit, Mich.)
Bond Club of Detroit annual summer golf party at Essex Golf and Country Club, Sandwich, Ont.

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

Sept. 7, 1951 (New York City)
Security Traders Association of New York outing at the New York Athletic Club

Sept. 24-26, 1951 (Cincinnati, Ohio)
Association of Stock Exchange Firms Fall Meeting at the Terrace-Plaza Hotel.

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.

The State of Trade and Industry

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

Some slight easing occurred in total industrial output for the nation as a whole the past week following a seasonal curtailment in operations in observance of Independence Day. However, over-all production advanced moderately above the level for the similar week of last year. Reports on over-all claims for unemployment insurance indicate a decline for the latest recorded week.

Last week steel operations showed a mild upward trend as did the production of cars and trucks in the United States. Further, the past week was the 19th in which the country's furnaces poured more than 2,000,000 tons. In the auto industry, the increase was due in large measure to the return of a normal work week following the previous week's four-day operations.

"Ward's Automotive Reports" stated that labor trouble in plants of Chrysler and Hudson, supplier strikes, vacations and material shortages combined to hold down output last week to the lowest for any five-day week since Feb. 10, when the switchmen's strike slowed down General Motors and Ford.

Demand for new cars promises to exceed supply in the weeks ahead, the agency said. It said sales equaled or exceeded production for almost every producer in June.

Packard Motor Car Co. said it will suspend auto production for two weeks starting July 23 because of "the necessity of balancing inventories in the face of critical materials shortages."

General Motors is scheduling temporary shutdowns for the third quarter—when commercial production will be reduced by materials allocations below second quarter totals—in order to avoid mass layoffs.

The company stated that plans are being made on the basis that there will be no further reduction in allowable car and truck production in the fourth quarter, and no important reductions in the work force are planned for that period.

Rough spots are developing in the Controlled Materials Plan as the system for channeling steel, copper and aluminum enters the third week of its shakedown operation, says "Steel," the weekly magazine of metalworking, the current week. Steel mills are being flooded with orders, backed by CMP allocations, from consumers with whom they have never or rarely done business before, it adds. Since there's no priority among CMP orders the mills must accept these orders on a first-come, first-served basis. But the hitch is that many old and valued customers were late in having their applications processed and when they attempt to place their orders with their regular suppliers, the mills' books are filled, states this magazine.

The Defense Production Administration estimates 20,825,000 tons of finish steel will be available in the third quarter. Allotments to claimant agencies and NPA industry divisions total slightly more than 16,000,000 tons, or 75% of the estimated supply, this trade weekly points out.

For many shapes and forms of steel products, requirements during the remainder of the year will be greater than production. Structural steel shape requirements for the fourth quarter are figured at 2,400,000 tons and production will be about 1,300,000 tons, it notes.

Credit controls will provide their first real impact on new housing in the next three months, states H. E. Riley, chief of the division of construction statistics of the Bureau of Labor Statistics, in a survey of new housebuilding in the New York-New Jersey metropolitan area. There'll be more high-priced houses around, fewer for low and middle income families. And there'll be fewer houses bought sight-unseen.

New starts by large-scale builders in the big eastern market have dropped off by almost 50% during the second quarter, compared with a year ago, Mr. Riley noted, but the biggest factor, he added, was probably shortage of mortgage money rather than tougher credit curbs.

Over 60% of the houses started during the first half of the year were sold under the old easy-credit terms. Only 15% of the homes completed in the first six months went for the higher down payments. But with most of the pre-regulation obstacles out of the way—and with signs that mortgage money is becoming easier

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Where Do We Go From Here?

By S. B. LURIE

Paine, Webber, Jackson and Curtis
Members, New York Stock Exchange

Stock market analyst, asserting on broad view we have been having our cake and eating it too, contends, judged solely by the uneasy tenor of recent corporate news, the business boom is wearing thin at the edges and a piecemeal readjustment has been taking place. Holds today's hesitation in stock market cannot merely be construed as a lull before a deluge which will strain nation's productive seams as defense production will not exceed 15% of total production. However, foresees a definite floor to both business and markets, even if 1952 is to be a poor year.

Twelve months of surprises—of change—of uncertainty—of confusion, have passed into limbo. A fiscal year which started like a lion has ended like a lamb. Consequently, the statistics cannot — and do not — tell the whole story. If anything, they obscure the fact that in many instances the anticipation was greater than the realization. And they do not reflect the fact that a year ago, the then upward trend which had started in the summer of 1949 was becoming suspect. All the box score shown below does prove is that Korea was the spark which touched off a nation wide spending spree.

S. B. Lurie

One Year After Korea*

Industrial Stock Prices	+10%
Railroad Stock Prices	+39%
Utility Stock Prices	— 3%
High Grade Bond Prices	—15%
Wholesale Commodity Prices	+17%
Industrial Production	+12%
National Income	+13%
Consumer Credit	+ 8%
Commercial Loans	+42%
Inventories	+26%

*Estimated net change since June 23, 1950 based on latest available statistics.

Retrospect

Fact that we've been enjoying an unnatural boom points up the mass opinion errors of this tumultuous period. Certainly, those who cried "wolf" on the score of harsh controls—of punitive taxes—of consumer goods shortages—for the most part were disappointed. On broad view, we've been having our cake and eating it too. If we look back at the summer of 1950 with the benefit of today's knowledge, these fallacies are exploded: (1) That the World War II pattern would be duplicated in degree if not extent; (2) That we were embarked on a new inflationary era of government deficit spending; (3) That Korea was not an isolated incident but a prelude to other nips at our flanks.

Marketwise, the past year was highlighted by a curious but understandable affinity between retail trade trends and speculative interest. Buying waves at the department store level were accompanied or followed by stock market stampedes. Even more significant, the market demonstrated a newly found resiliency which reflected the enormous underlying investment demand peculiar to this decade. Moreover, the eventual price changes supported the investor whose philosophy was attuned to the premise that Korea would only be an incident in the life of a well managed company. The secret that wars are not fought on a deflationary basis is out—but credit must always be given to the investor's growing maturity of judgment.

Prospect

Judged solely by the uneasy tenor of recent corporate news, the business boom is wearing thin at the edges. Yet, one fact stands out: A piece-meal readjustment has been taking place. It's the consumer goods segments of the economy which are suffering a shortage of customers rather than materials. Capital goods are still booming and are bulwarked by the prospect of a 30% increase in industry's expenditures for new plant and equipment. Moreover, high disposable income and production cutbacks should spell an eventual easing of the previously burdensome inventories in many soft goods lines. Thus, the $64 question is whether the Administration is correct in its premise that "the full force of inflationary pressure is still to come."

In our book, today's hesitation is not merely a lull before a deluge which will strain the nation's production seams. True, the annual rate of defense spending has risen about 50% since January and may rise another 50% by the year-end. But even then, defense expenditures won't represent more than 15% of our gross national product which compares with a 45% peak during World War II. Moreover, the military porgram is not being superimposed on top of a civilian boom that is taxing productive capacity —but on an economy which has lost its steam. Thus, **the first to fourth quarter increase in government spending may do little more than just about offset the decline in civilian activities. And this only means approximate maintenance of the present status quo.**

Before a real upward momentum can be registered, something new has to be added which will revitalize buying policies. As things now stand, the public's demand for goods has been well satisfied—and industry is inventory conscious; the cry of wolf has worked too well. Furthermore, even present raw material restrictions will permit industry to supply a vast quantity of civilian goods. And there is no similarity between 1951 and 1946, when a huge deferred demand was unleashed. Thus, **the possibility of a new inflationary stimulus developing from within seems remote.**

No question about it, inflation is as much psychological as it is factual. But the probability a 1951-52 government deficit will replace this fiscal year's surplus seems more enervating than exciting. Commodity prices, another potential "outside" stimulant, have been in a downward trend since February. True, much of this decline represents a technical correction of the excessive speculation which occurred during the post-Korean advance. And it's likewise true that certain commodities such as metals possess special elements of strength. But, **over all, the present weight of evidence does not point to another commodity price boom which will revive inflation fears. Stockpiling for government purposes is lessening—while supplies are increasing.**

What does all this mean? Three things: (1) In terms of the FRB Production Index, a well sustained —and possibly slightly higher—level of general business activity for the remainder of the year; (2) In terms of individual industries, wide divergence from the statistical average—for distortions are part and parcel of this economy; (3) It is 1952 rather than 1951 which carries the big questionmark—for by early next year capital goods backlogs will have been reduced sharply and government spending may have passed its peak. In fact, a strong theoretical case can be made for a downward business trend next year—when industry's productive capacity will be about 50% greater than 1946.

Who Killed Cock Robin?

A new market phase started last month — but the probable price pattern has not yet been clearly defined. It remains to be seen whether we'll turn into a nation of economic hypochondri-

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Inflation and the Railroads

By WALTER HAHN*
Smith, Barney & Co.
Members, New York Stock Exchange

Security analyst, in discussing effects of inflation on the railroads, points out each railroad is affected differently, some increasing their net earnings while others undergoing decreases, depending on ratio of transportation costs to total operating expenses. Says if we have more inflation, the rails that will do best are those that have relatively low costs, particularly a low wage ratio. Warns, in analyzing position of railroad securities, each company must be separately studied, and investments should be made not in railroad securities, but in securities of a particular railroad the operating costs of which have been carefully surveyed.

The subject of inflation has been before Wall Street for some years. It has been before the public at large in increasing measure in the last couple of years. It affects all of us and all companies including the railroads. But it doesn't affect one railroad the same as it does another. This is one of the phases of inflation that I want to talk about this afternoon.

Walter F. Hahn

I have a subheading on the sheet before me that reads, "The Rich Get Richer and the Poor Get Poorer." That sums it up about as well as any short phrase could.

If you study the earnings of the railroads for the last five years, the postwar years, you will see some tremendous differences in the earnings changes of the various railroads. It is probably true that never before have there been such wide differences in the earnings trends of the railroad companies in the United States. Consider some of the following variations:

	Earned Per Common Share 1940	1946-1950 Aver.
Atchison, Topeka & Santa Fe	$2.69	$20.66
Atlantic Coast Line	2.21	9.64
Chesapeake & Ohio	4.31	3.45
*Chicago & North Western	†1.94	1.73
Chicago, Burlington & Quincy	2.57	15.00
Delaware, Lackawanna & Western	0.12	1.85
*Erie	1.32	2.81
Illinois Central	0.13	12.31
Kansas City Southern	1.53	15.41
Lehigh Valley	†0.25	0.83
New York Central	1.75	1.07
New York, Chicago & St. Louis	4.29	30.69
Pennsylvania	3.51	1.77
Reading	2.59	3.49
*Seaboard Air Line	†0.37	10.95
Southern Pacific	2.47	9.29

*Pro forma for 1940. †Deficit.

I have taken these 16 railroads and divided them into two groups below—eight with large increases in earnings in Group A and eight with small earnings increases or decreases in Group B.

The eight railroad companies in Group A which had average earnings per share of $1.94 in 1940, increased their average earnings to $15.49 per share in the years 1946-1950. The other eight railroad companies in Group B increased their average earnings during this period from $1.43 to $2.13 per common share.

Average Earnings Per Common Share

GROUP A	GROUP B
Atchison, Topeka & Santa Fe	Chesapeake & Ohio
Atlantic Coast Line	Chicago & North Western
Chicago, Burlington & Quincy	Delaware, Lack. & Western
Illinois Central	Erie
Kansas City Southern	Lehigh Valley
New York, Chicago & St. Louis	New York Central
Seaboard Air Line	Pennsylvania
Southern Pacific	Reading
1940: $1.94 — 1946-50: $15.49	1940: $1.43 — 1946-50: $2.13

The gain in earnings for the one group averaged 700%. In the other group the average gain in earnings was only 50%.

If you analyze these two groups you will find that the railroads in Group A have had a common denominator in either a much lower than average transportation ratio or an improved transportation ratio. The railroads in Group B either have had a higher than average transportation ratio, or have experienced an increase in transportation ratio.

Transportation Ratio

Group A 1940		Group A 1950	Group B 1940		Group B 1950
35%	AT & SF	30%	26%	C & O	32%
40	ACL	38	39	C & NW	44
36	CB & Q	33	44	DL & W	44
37	IC	35	38	E	40
28	KCS	29	41	LV	40
33	NYC & SL	33	38	NYC	44
37	SAL	34	35	P	42
38	SP	36	37	R	39
35.5%	Average	33.5%	37.3%	Average	41.1%

*An address by Mr. Hahn before the Association of Customers' Brokers, New York City, July 10, 1951.

Average transportation ratio for Group A decreased from 35.5 to 33.5% between 1940 and 1950. Six of the eight railroads decreased their transportation ratios. The one that showed a slight increase, Kansas City Southern, was the lowest of Group A both in 1940 and 1950. Nickel Plate's ratio, the second lowest in the group in 1940, was unchanged in 1950.

The story is quite different for the railroads in Group B—those that didn't have much of an increase in earnings in the 1940-1950 period. Here we find the average transportation ratio increasing from 37.3% in 1940 to 41.1% in 1950. Of the eight Group B companies, six experienced an increase in transportation ratio, one showed no change and one showed a small decrease.

Transportation ratio shows what part of revenues is used up in the movement of freight and passengers. Almost all of the expense consists of wages and fuel. Let's examine two of the companies that increased their earnings substantially between 1940 and 1950 and two other companies that had little or no success in this respect.

First, let's look at Atchison, Topeka and Santa Fe with earnings increase from $2.69 in 1940 to $31.28 in 1950, compared with New York Central with earnings rise from $1.75 in 1940 to $2.84 in 1950.

Let's also examine Kansas City Southern with a per common share increase from $1.53 in 1940 to $16.53 in 1950, as against the Chesapeake and Ohio which experienced a decrease from $4.31 in 1940 to $4.25 per common share in 1950.

In the last ten years the ratios of wages to operating revenues of these four companies changed as follows:

WAGES AS A PER CENT OF OPERATING REVENUES

	1940	1950
Atchison, Topeka & Santa Fe	45%	42%
Kansas City Southern	38	35
Average	41½	38½
Chesapeake & Ohio	35	43
New York Central	48	53
Average	41½	48

The two companies with substantial earnings increases, Santa Fe and Kansas City Southern, improved their wage ratios three points. The other two companies with little or no increase in earnings, New York Central and Chesapeake & Ohio, had an average rise in their wage ratio of six and a half points.

The two groups had the same average wage ratio in 1940, but were almost ten points apart in 1950. Ten points in the wage ratio is a tremendous amount when it comes to common stock earnings. For example:

10% OF 1950 OPERATING REVENUES PER COMMON SHARE*

Atchison, Topeka & Santa Fe	$21.53
New York Central	11.78
Kansas City Southern	11.93
Chesapeake & Ohio	4.08

*Before Federal income taxes.

You can see that when you change wage ratio 10% you are really changing common share earnings.

But increased wages haven't been the only inflationary factor. Costs, other than wages, have also increased materially. Fuel, oil and coal, and other materials and supplies have all gone up in price. From 1940 to 1950 the cost of fuel increased 118% and the cost of materials and supplies other than fuel increased 100%. Fuel, materials and supplies increased 105%. We must consider too that in the past few months there have been other wage increases which are not included in the 110% increase. Freight rates and passenger fares have risen also—41% for the former, 46% for the latter.

INDICES OF RAILROAD MATERIAL PRICES AND WAGES
(1935-1939 Equals 100)

	Fuel (Coal and Oil)	Material and Supplies (Other than Fuel)	Fuel, Materials and Supplies
1940	98	103	102
1950	214	206	209
Increase	118%	100%	105%

WAGES—STRAIGHT TIME HOURLY RATE

	Cents	Index (1935-9 = 100)
1940	74	105
1950	157	221
Increase	112%	110%

AVERAGE REVENUE PER UNIT

	Ton Mile (Cents)	Passenger Mile (Cents)
1940	0.945	1.754
1950	1.329	2.560
Increase	41%	46%

Putting all these increases side by side, we find the following 1940-1950 increases:

INCREASES FROM 1940 TO 1950

Wage Rate	Fuel, Materials and Supplies	Freight Rates	Passenger Fares
110%	105%	41%	46%

With respect to the 41% increase in ton-mile revenue, you must remember that this is an over-all figure. For a true picture you have to study the individual company. One company, you will find, had an increase of as much as 50%, while another company may have had an increase of only 20%.

Only the efficient railroad companies could cope with a combination of such inflation increases. By efficient I'm not necessarily referring to efficiency produced by a better-than-average management, but merely to a certain favorable relationship between revenues and operating costs; more specifically, to a good relation of transportation expenses to revenues, or a good improvement in the relationship—no matter what the reasons. There have been many disputes as to which railroads are well managed and which are not. I have spoken about that in other talks and I am not going into it here. But when I say an efficient railroad here, I mean one that has relatively low operating costs or one

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Paper Profits—By the Roll

Paper, which racked up a golden $66,647,000 net earning figure—$7.38 a share on its 8,900,000 shares of common in 1950.

By any standard, American-owned International is the largest paper-making outfit of the world. From timber tracts sprawling over millions of acres, this completely integrated giant chewed the wood into some 3½ million tons of assorted pulp and paper last year. Newsprint alone (all Canadian produced) was 774,434 tons, and kicked in $129,000,000 of net sales out of roughtly $500,000,000 total.

International common has now acquired investment status, and at around 49 paying $3 yields a satisfying 6%.

In rolling out the 10,000,000-ton world annual total of newsprint, the next largest producer is Canada's Abitibi Power and Paper with 686,225 tons in 1950. Company went places last year, racking up its biggest net in history, $12,623,833 and this April, split its common 3 for 1. New shares, about $18, with $1 dividend probable in 1951, give you a nice basis on which to ride to the higher earnings the 1950 acquisition of British Columbia Pulp and Paper should create.

Next in line on the newsprint parade is Consolidated Paper with annual tonnage over 650,000. An interesting thing about this one, is that its annual report is in both French and English. I confined myself to the English version, but its earnings last year were quite definitely OO-La-La—largest in history that is! And what a balance sheet—earned surplus $32 million and net working capital $40 million. 25% of net goes to retire the $19,550,000 of first mortgage 3½s—sole debt ahead of 2,566,058 common. Shares in this, at around 34 paying $225 will place in your hands paper with a lot of book value!

Perhaps the most alluring paper firm, for the years ahead, is Howard Smith. Through its control of Donnacona, it offers 100,000 tons of annual newsprint—but it also is one of the largest fine paper producers in Canada. It turns out offset, litho and Kraft papers, building board, sulphite and ground wood pulp, and has launched a $12,000,000 two-year expansion program. A cozy capitalization of only 332,836 of common. Sells about 90 and paying only $3, carries the hint of a bright future; and the shares are definitely in the split, or fission, range.

If you want to look at the Canadian papers further, I've listed a few, in the order of their annual newsprint tonnage:

Minnesota and Ontario Paper	263,000
Powell River Co.	300,000
St. Lawrence	300,000
Price Brothers	455,000

While today's pitch was slanted to newsprint, you'll observe that all the companies that produce the stuff, spill over into other lines—Kraft paper, ground wood pulp, sulphite pulp, etc., and even the leaders in grinding out newsboy fodder, are doing most of their expanding in other related fields. Which just means a continues tight supply of newsprint for a long while, and suggests that even $116 a ton may seem low in a couple of years—as time and paper rolls on.

The Role of Monetary Policy in Inflation Control

By DR. J. FRED WESTON*
Associate Professor of Finance,
University of California, Los Angeles

West Coast economist describes workings of our current system of monetary controls and alternatives proposed for combating inflation. Says continuation of checks on consumer and real estate credit is desirable, and voluntary credit restraint program is highly commendable and promises to be productive of much good. Advocates standby powers of Federal Reserve to impose special reserve requirements for banks.

Dr. J. Fred Weston

Inflation results when the effective means of payment exceed the supply of services and goods offered for sale at a pre-existing level of prices. Thus there are two aspects to inflation: the demand side represented by the volume of purchasing power and the supply side represented by the supply of goods. Monetary policy is of crucial importance in the control of inflation because through monetary policy the means of payment may be either increased or decreased. Although monetary policy is important because of its influence on the means of payment, it should be recognized that fiscal policy operates more directly on income level. For example, through tax increases or decreases the spendable income of the population can be increased or decreased quickly. Also, through the initiation or cessation of spending programs the income stream is directly influenced, although this device cannot be used with as great flexibility as the revenue instrument.

Monetary policy is in some ways preferable to fiscal policy in that monetary policy is more indirect and general in its operation. For these reasons, traditionally the monetary authorities have been entrusted with greater grants of power than fiscal authorities. With greater power, greater flexibility in policies can be achieved by the monetary authorities. Thus monetary policy may be more effective at turning points than changes in fiscal policy which may be initiated only after some delay.

These abstract statements on the importance of monetary policy are illuminated by data on recent movements in the money supply. From the end of June, 1950, to the end of March, 1951, loans and corporate and municipal securities held by all banks increased by over $12 billion. During this same period of time the demand deposits of businesses and individuals increased over approximately $7 billion.

Although for the last month and a half and probably for the next few months we may continue to observe softening in prices of various lines, the real problem on the horizon is inflation, not deflation. There is agreement among competent economists that the inflationary gap for calendar 1951 is about $10 billion, and that the inflationary gap for fiscal year 1952 will run about $15 billion, in the absence of further tax increases. This paper will therefore sketch highlights of important areas in the monetary field which are significant for contributing to a broad program for the control of inflation. It is important to avoid the impression that monetary policy alone can control inflation. Monetary policy is not competitive with fiscal policy and other indirect controls, but rather is an effective and necessary complement to these other types of control. In a sense effective monetary and fiscal policy are competitive with direct controls, since direct controls are less necessary if effective monetary and fiscal controls are achieved. On the other hand the success of direct controls depends greatly upon sound monetary and fiscal policies.

*An address by Dr. Weston before a Conference on Inflation Control, sponsored by the California Farm Bureau Federation, The California State Chamber of Commerce, and the Los Angeles Chamber of Commerce, Los Angeles, Cal., June 13, 1951.

The Federal Reserve System and the Government Bond Market

The traditional Central Bank powers and their limitations may be briefly reviewed. One, is the power to change reserve requirements. The legal power to raise reserve requirements has been virtually exhausted for several years so that the use of this technique has not been available to the Reserve authorities. Second, open market operations: From 1941 through March, 1951, the price of government securities was effectively supported by the Federal Reserve System. The consequence of this was to handicap the Reserve authorities in utilizing one of their most effective devices for controlling the money supply. Third, changes in rediscount rates: This power is effective only when banks are heavy borrowers. As long as the Federal Reserve System supported the government bond market, banks could readily convert government securities into cash. Hence, the third power of the Federal Reserve System was ineffective as long as it supported the government bond market.

The action of the Federal Reserve Authorities in March, 1951, to withdraw support from the government bond market is therefore of great significance. It is a step toward restoring effective control over the money supply to the Federal Reserve System.

The meaning of loosening the pegs on government bond prices has been widely misunderstood. The immediate and direct result, of course, has been higher interest rates. Some have deduced from this that the purpose of such withdrawal was to raise interest rates. This is a popular fallacy.

While a rise in interest rates may deter increased borrowing by business firms, it is likely not to have a strong impact for several reasons. (1) Interest costs as a proportion of total costs of a business firm are relatively small. (2) The fluctuations that take place in other costs are likely to be of much greater magnitude than the fluctuations in the level of interest costs. For example, fluctuations in wage rates swamp changes in interests costs. (3) Prospective large increases in sales and the prospective high profits that high sales presage are likely to dominate shifts in interest costs.

Hence, it is not in changes in the level of interest rates that one must look for the reasons why withdrawal of support from the government bond market is likely to be an effective device for restraining increases in business borrowing. This is not to say that the cost of borrowing money does not influence the quantity of it that will be hired. It simply indicates that other variables may dominate the relatively weak effect of cost as an influence on the quantity of funds that will be borrowed.

The true significance of the withdrawal of Federal Reserve support from the government bond market is more subtle than the interest rate influence. Without the necessity for supporting the government bond market, member banks are unable readily to convert government bonds into cash or reserves with the Federal Reserve System. If government bond prices are permitted to fall, banks are less willing to sell their bonds at capital losses. Furthermore, yields on bonds are higher so that lending institutions are less eager to shift from government holdings to private loans. Hence by withdrawal of support from the government bond market, the Federal Reserve Authorities are given increased control over the supply of reserves of the member banks. The supply of reserves of the member banks determines the quantity of bank credit which banks can make available. Hence, effective control of member bank reserves signifies effective control of member bank deposits and hence the money supply. With their reserve position tight, member banks will begin rationing credit to prospective borrowers. Applicants will find that their requests for loans are turned down. This is the meaning and importance of withdrawal of Federal Reserve support of the government bond market.

But the departure from a pegged market does not assure complete and effective control by the Federal Reserve Authorities over member bank reserves. First, a gold inflow, for example, would increase member bank reserves. Second, if member banks liquidated one category of loans and increased others, the money supply might be increased by an immoderate amount in undesirable directions. Third, to the extent that reserve positions of member banks are not already tight at the time the Federal Reserve System removed support from the government bond market, the ability to control member bank lending is still inadequate. Fourth, while the pegged government bond market has been departed from, the Reserve authorities have made it clear that they will continue to preserve an orderly bond market. This means that there is still a partial commitment to maintain stable prices in the government bond market. In the process of doing this, there may be periods when reserves of member banks will be increased by such action. Fifth, additional power may be required to offset velocity increases. For these reasons removal of support from the government bond market does not provide the Reserve authorities with complete control over member bank reserves and the money supply. We must therefore look to other areas for assurance that the responsibility of the Federal Reserve System for controlling the money supply is accompanied by requisite powers.

Direct Monetary Controls

We have had direct monetary controls since 1934 when the Reserve System was given power under Regulations T and U to prescribe margin requirements in connection with purchases of or loans on securities. In 1941, the Reserve authorities were given power to regulate consumer credit under Regulation W. This authority lapsed at the end of the war, was reimposed briefly and then again lapsed. On Sept. 18, 1950, under the Defense Production Act of 1950, this power was once again restored to the Reserve authorities. Finally, on Oct. 12, 1950 under the Defense Production Act, the Reserve authorities were empowered to control credit in connection with real estate loans under Regulation X.

There is wide agreement among economists that if controls are to be used at all, they be indirect and general and not intrude on market place decisions. Hence, in general, indirect controls are always preferred to direct controls. There are three sound reasons, however, for support of direct credit controls. First, while these controls are direct, they represent only relatively indirect and minor intrusions into market place decisions. They do not directly set prices nor ration quantities that will be sold. The second justification for direct credit controls is that they act with greater rapidity and can be used with greater precision than general quantitative credit controls. Third, to the extent that effective control over the total money supply is not possessed by the Reserve authorities, direct credit controls are a useful adjunct power.

Data on changes in the level of consumer credit amply demonstrate the effectiveness of direct controls in this area. Statistics on home building will reflect the effects of Regulation X only in the next several months, since existing commitments and others in contemplation of Regulation X have stimulated activity through early 1951.

It appears to be the disposition of Congress to limit the discretion of the Reserve authorities in determining the provisions of Regulation W and perhaps even Regulation X. Such action is regrettable and unsound. Either the Reserve authorities should have the power or not have the power. If they have the power as the instrument of government responsible for controlling the money supply, they should have the necessary discretion in using that power. Whenever any restraints are imposed it is certain that some groups will be aggrieved. In fact, only when the restraints do not affect anyone are complaints resulting from controls not heard. To modify the controls simply because some groups feel inconvenienced is a grievous error. Sacrifices of some kind by necessity must be made in a period such as the present. The real source of the sacrifice is diversion of our goods and diversion of the results of our production operations to military use. Without an offsetting increase in the output of civilian goods, sacrifices must be made. If an attempt is made to consume the same quantity of goods when a smaller quantity is actually available, the results can only be a rise in price level—inflation. This is a method of distributing burdens, but it is not an equitable one.

It is very clear, therefore, that efforts to restrict the discretionary powers of the Reserve authorities over regulation of consumer credit and real estate credit are unsound and will handicap efforts to control the money supply and inflation.

Alternative Devices for Controlling Bank Lending

Voluntary Credit Control Program—In recognition of the still incomplete control by Reserve authorities over the money supply, lending institutions have agreed to voluntarily restrain credit. I must confess that my initial reaction to the voluntary credit control program was one of extreme skepticism. It was my feeling that a voluntary program would necessarily break down, because when an applicant approaches a given lender for a loan, this lender is likely to make the loan for fear that if he does not, his competitor may.

However, there is considerable evidence accumulating that the current voluntary credit restraint program is being effectively implemented. Voluntary credit restraint committees have been widely established. Loan appli-

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Public Utility Securities

By OWEN ELY

Green Mountain Power Corporation

Green Mountain Power Corporation was for many years a subsidiary of New England Electric System, which held all the old common stock. The company was over-capitalized, and as a result of continued defaults in payment of preferred dividends about 80% of the voting control passed to preferred stockholders Sept. 1, 1948. A plan of recapitalization was approved by the SEC in May 1951, whereby the old common stock would be cancelled and the preferred stock would be exchanged for new common on a 3-for-1 exchange basis, with an additional offering of 104,094 shares of common. The plan was approved by the District Court on June 4, 1951 and is now being consummated. The 104,094 shares of common stock were offered to preferred stockholders on a subscription basis, the offering being underwritten by a group headed by Kidder, Peabody & Company. The price to the public was $13. The stock was recently quoted over-counter at about 13¾-14.

The company's revenues are about 90% electric and 10% gas. Of the electric revenues some 43% are residential and rural, 25% commercial, 23% industrial and 9% wholesale and miscellaneous. System properties consist of a "main system" which contributes about 82% of electric revenues, and several isolated "minor systems." The company serves about 31,000 electric and 9,200 gas customers, the total population in its area being 142,000. Among the larger cities served are Montpelier, Burlington, Barre, Winooski, Vergennes, White River Junction and Bellows Falls.

The territory served is largely farm land and rural country, with dairying and poultry raising. There are numerous mill towns, and other small communities serve as shopping centers. Granite quarrying and stone finishing are the chief industries while woolen and cotton textile manufacturing plants, paper making mills, food processing plants, metal and machine shops, wood products and working, and the mining and processing of talc and lime are also important. Montpelier, the capital of Vermont, houses the activities of the State government and is the home of National Life Insurance Company as well as other fire and casualty insurance companies. The territory has become increasingly popular as a resort area, both summer and winter, and in recent years its recreational facilities have been extensively developed.

The company in 1950 generated only a little over half of its power requirements, the rest being bought from other utilities (principally the former parent, New England Electric System). It is estimated that the cost of power for 1951 (under a new contract with New England Electric Power Co.) will be approximately $90,000 greater than under the old contract; but upon completion of a new 66,000 KV transmission line, this increase in power cost should be partially offset by reduction in line losses, and by decreased operation of steam plants.

The company's own plants are hydro (total capability about 23,000 kw) but it also has a few steam and Diesel plants with about 11,000 kw capability. With the exception of 2,000 kw these latter plants appear to be obsolete. A new 45,000 kw hydro plant is scheduled for completion by the end of 1952, and two other hydro sites may be developed later.

Giving effect to the recent financing, pro forma capitalization would be approximately 68% debt and 32% common stock equity. Book value per share of common stock on this basis is estimated at $17.58. Property accounts are now on an orignal cost basis. It is estimated that expansion through 1952 can be carried out without sale of any additional securities, and operation of bond sinking funds, together with retained income, should increase the equity ratio.

According to the prospectus recently issued in connection with the sale of additional common stock, pro forma share earnings (after certain adjustments described therein) have been as follows:

12 months ended March 31, 1951		$1.70
Calendar year	1950	1.60
"	" 1949	1.38*
"	" 1948	1.19*
"	" 1947	1.03*
"	" 1946	1.56

*Low earnings were occasioned largely by sub-normal water for hydro plants.

A dividend on the new common stock has been declared payable Oct. 1 to stockholders of record Aug. 31. Presumably this indicates a $1 annual rate although the prospectus stated "no policy as to future dividends has been established." At the recent price around 14 the yield on a $1 dividend rate would be about 7.1%; and the price-earnings ratio is about 8.3.

Estimates presented before the SEC in connection with the plan indicate that projected earnings may gradually rise to over $2 per share by 1953, after adjustment for a tax rate of 52%. Assuming that a dividend pay-out of 70% would be reasonable this estimate would indicate the possibility of a $1.40 dividend rate in 1953 or later. Before the recent reorganization, a neighboring utility, Central Vermont Public Service Company, had opened negotiations for a merger of the two companies. It is said that such a merger would effect substantial operating economies, and hence it seems reasonable to expect that negotiations might be reopened in future to effect it.

Firm Name Now Is Buffet-Falk Co.

OMAHA, Neb.—The firm name of Buffett & Company, Omaha National Bank Building, has been changed to Buffet-Falk & Company. Principals of the firm are Carl A. Falk, Harold M. Smith, Stanley F. Kuncl, and Melvin McIntosh.

Whitney M. Stewart With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Whitney M. Stewart has become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Stewart was formerly with Rodger, Kipp & Co.

Dealer-Broker Investment Recommendations and Literature

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

Buy Hold & Switch Recommendations on 56 stocks plus data on share earnings, indicated dividends, current percent yield, etc.—$1.00—Standard & Poor's Corporation, 345 Hudson Street, New York 14, N. Y., Dept. A788-127.

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.

Handbook on Over-the-Counter Trading—Booklet dealing with the ethics, customs and language of trading in over-the-counter securities—National Association of Securities Dealers, Inc., 1625 K Street, N. W., Washington, D. C.

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

New Housing Authority Bonds—Analysis—The First Boston Corporation, 100 Broadway, New York 5, N. Y. Also available is a comparison of **New York City Bank Stocks** as of June 30, 1951.

New York Bank Earnings—Preliminary figures for first half of 1951—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

New York City Bank Stocks—Comparison and analysis of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oil in Brazil—Study by Joseph E. Pogue—The Chase National Bank of The City of New York, Pine Street, corner of Nassau, New York 15, N. Y.

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

Public Utility Common Stocks — Comparison and analysis — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

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

Railroad and Tobacco Stocks—New 52-page analysis on The Value of Line Investment Survey, covering 35 rail and rail equipment stocks and 10 tobacco stocks—special introductory offer to new subscribers only includes four weekly editions of Ratings and Reports—covering 177 stocks in 14 industries and also a special situations recommendation, supervised account report, two fortnightly letters and four weekly supplements plus the 52-page rail stock issue—$5.00—Department CF 3, Value Line Investment Survey, 5 East 44th Street, New York 17, N. Y.

Steel Stocks—Analysis with particular reference to **Bethlehem Steel, Jones & Laughlin Steel, Republic Steel,** and **U. S. Steel Corp.** — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

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

Affiliated Gas Equipment, Inc.—Reappraisal, Inc.—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Union Oil Company of California.**

American-La France-Foamite Corp.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 5, N. Y.

American Natural Gas Co.—Brief data in current issue of "Survey"—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Firestone Tire & Rubber, National Lead Co., Niagara Mohawk Power, Sylvania Electric,** and **Warner Bros. Pictures.**

Audio Devices, Inc.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Brad Foote Gear Works, Inc.—Bulletin—O. M. Motter & Associates, 500 Fifth Avenue, New York 18, N. Y.

British Columbia Power Corporation, Ltd.—Analysis—James

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Monetary Policy Role in Control Of Inflation

cations have been formally referred to these voluntary credit restraint committees. Thus joint determinations on loan applications are made and implementation for acquainting the lending institutions of a district with the action of the committee has been achieved. The investment banking phase of the voluntary credit restraint program has also been successful.

Increased Stand-by Powers for the Federal Reserve System—To the extent that direct credit controls and voluntary credit restraints need to be supplemented by further Federal Reserve action, additional alternatives have been proposed. One often mentioned is to give Federal Reserve Authorities power to raise reserve requirements further. While this proposal has some merit, one weakness is that reserve changes apply to broad classes of banks on a national basis with little recognition of differences in circumstances. Thus, it would be inequitable and unnecessary to require some banks to place an increased portion of their resources in nonearning assets because other banks have been expanding loans.

A variant has therefore been suggested. This is the certificate reserve proposal which would require the banks to hold increased reserves, but in the form of government securities. While the reserves thus held would be earning assets, a plan of this type would still fail to distinguish between banks in different kinds of situations. It would also place hardships upon banks which had not expanded loans unduly but which would be required under such programs to liquidate loans in order to purchase the requisite quantity of government securities to satisfy the reserve requirements.

Therefore, still another proposal has been made. It has been called the ceiling reserve plan. The ceiling reserve plan provides that after a specified date, any additional loans of banks would be required to be met by a substantial increase in reserves. Such a proposal would not distinguish between those banks which were making loans for defense purposes and those which were not. This defect might be remedied by the provision that loans made in connection with certificates of necessity or certified under V loans would not be subject to the special loan reserve requirement.

The weaknesses of alternative proposals highlights one of the strong points of the voluntary credit restraint program — it has considerable flexibility.

Conclusion

In the campaign against inflation, monetary policy has an important role to play. The loosening of pegs from the government bond market is an encouraging and desirable development. Continuation of controls by the Federal Reserve Authorities over consumer credit and real estate credit including credits in connection with the sales of existing loans is desirable. The voluntary credit restraint program is highly commendable and promises to be productive of much good. Since the Federal Reserve System has the responsibility for regulating the money supply, effective control should be insured by a grant of power to impose special reserves on increases in loans after a date specified by the Reserve authorities. This power may be held by them on a stand-by basis. Even if there is no necessity for using it, it will stimulate the effectiveness of voluntary credit restraint activity. The Reserve authorities have demonstrated that they can exercise stand-by powers with responsibility. For a long period of years before the outbreak of World War II, reserve requirements were much below their legal maxima. Also after World War II, the Reserve authorities voluntarily relaxed consumer credit controls when general economic conditions made this feasible.

For a monetary policy to be effective, the monetary authority must have the requisite powers. Without enlightened policy in this area, a greater burden is thrown upon the use of fiscal devices and to the extent that popular support cannot be secured for these, the road inevitably leads to an extension and proliferation of direct controls and erosion of the purchasing power of money.

Two With Beer & Co.

(Special to The Financial Chronicle)

NEW ORLEANS, La.—John M. Bobb and Thomas M. Edwards are with Beer & Company, 817 Gravier Street, members of the New York and New Orleans Stock Exchanges.

Missouri Brevities

Considerable time must necessarily elapse in order to adequately assess the damage caused to industry, agriculture and individuals as a consequence of the floods which, even at this writing, are still continuing to take their toll in the States of Missouri and Kansas. The seriousness of the catastrophe was emphasized with the announcement on July 16 that President Truman had arranged to fly over the stricken areas of Missouri and Kansas to obtain a personal view of the damage wrought by the nation's costliest flood. Major General Lewis A. Pick, Chief of the Army Engineers, estimated the damage as exceeding $750,000,000, as compared with the $2,000,000,000 plus estimate attributed to Missouri Congressman Morgan M. Moulder. Both the House and Senate, at the President's request, quickly passed an emergency relief measure, and various governmental agencies joined in setting up facilities to provide assistance to victims of the flooded areas.

In proclaiming a state of emergency in the afflicted portions of the State on July 14, Missouri Governor Forrest Smith said that it had been estimated that about 750,000 acres of Missouri farm land had been inundated and about 25,000 families had been evacuated from their homes or isolated by the floods. The havoc wrought in the neighboring State of Kansas was equally tragic.

* * *

The Kansas City Security Traders Association, an affiliate of the National Security Traders Association, is endorsing the national organization's new educational program designed to enlighten the general public on the necessity for thrift and savings and the advantages of becoming owners of stock of American corporations. Earl L. Combest, President of the Kansas City unit, is a Vice-President of Prugh, Combest & Land, Inc., of Kansas City, Mo.

* * *

Net income of **International Shoe Company** for the first six months of its fiscal year ending May 31 was $4,661,729, or 4.3% of sales, as compared with $4,554,943, or 5.4% of sales during the same period last year, it is disclosed in the company's mid-year report in the mail to stockholders. The net is equivalent to $1.37 per share of common stock as compared with $1.34 last year.

The company's sales for the six months totaled $108,112,593, an increase of $23,190,972, or 27.3% over the same period last year when sales totaled $84,921,621. Considerably higher Federal income taxes this year than last, the report set forth, were responsible for the lower ratio of net income to sales. The company's income taxes were $4,991,333 for the first half of fiscal 1951, as compared with $2,896,852 in 1950.

The report notes that present selling prices of the great majority of shoes manufactured by International Shoe Company are lower than OPS ceiling prices of shoes.

"With retail shoe business currently quite good," the report concludes, "and with all things pointing to the national economy running high in the late months of the year, we feel confident our company will close 1951 as another good year."

* * *

Sales of **Western Auto Supply Co.** during the month of June amounted to $14,478,000, compared with $14,025,000 in June of last year, an increase of 3.2%. Sales during the first six months of 1951 totaled $73,140,000 compared with $65,440,000 in the corresponding period of 1950, an increase of 11.7%.

In June of this year the company operated 266 retail units and had 2,574 wholesale accounts, compared with 268 and 2,518, respectively, a year earlier.

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Final audited figures reveal that **Stix, Baer & Fuller** had net earnings for fiscal year ended Feb. 3 of $2,330,559, equal to $3.76 per common share, as against $1,854,192 or $2.95 per share in the preceding fiscal year. Because of the company's decision to use the LIFO inventory method, earnings for the recent year were reduced by $192,000. Had the old method of inventory valuation been maintained, net earnings would have amounted to $4.09 per share. Dividend payments last year totaled $1.25 per share, comprising quarterly payments of 25 cents and a 25 cent extra. Payments during the current year have been at the rate of 30 cents.

* * *

Stockholders of **Kansas City Power & Light Co.** overwhelmingly endorsed three proposals which will permit the company to finance construction and acquisition of new facilities necessary to meet the company's increasing business. The shareholders (1) approved an increase in the preferred issue from 200,000 shares to 350,000; (2) set the limit on securities representing unsecured indebtedness from 10 to 20% of the total of secured debt, capital and surplus, and (3) authorized a $12,000,000 increase in bonded debt. The company's financing program, according to President Harry B. Munsell, calls for the sale over a two-year period of $12,000,000 bonds, $10,000,000 preferred stock and $8,000,000 of common stock. The company, he added, has arranged to borrow from banks up to $11,000,000 on 2½% notes maturing within a year.

Dempsey-Tegeler & Co., St. Louis, were members of the Lee Higginson Corp. syndicate which recently underwrote an offering of 179,034 shares of common stock of Speer Carbon Company, priced to investors at $26.25 per share. The St. Louis firm made an offering for its own account of $180,000 4½% first mortgage serial bonds of **Mississippi Valley Stockyards, Inc., of St. Louis.**

* * *

Despite the fact that operations in the third quarter ended June 30 were adversely affected by suppliers' strikes, net earnings of **Gleaner Harvester Corp.,** Independence, for the period were $329,578, equal to 82 cents per share of common, compared with $294,210, or 74 cents a share a year ago. For the nine months ended June 30, net earnings equaled $1.89 a share as against only $1.95 for the full year ended Sept. 30, 1950. Supplies currently are being received on schedule and production is under way on a new type self-propelled combine. Foreign demand for the company's farm equipment is reported substantial.

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Barrett Herrick & Co., Inc. and A. H. Vogel & Co., Detroit, sponsored an offering of 324,000 shares of common stock of the **Victoreen Instrument Co.** Price to investors was $4 per share. The Herrick firm, whose principal office is in New York City, maintains a branch in St. Louis and several other cities.

* * *

The financial and executive offices of **Prugh Petroleum Co.** have been moved to Kansas City and the general offices will remain in Tulsa. The company, with a paid-in capital of $300,000, plans to increase the amount to $1,000,000 in the near future, according to President William B. Prugh. The company owns and operates oil producing properties in various States. Mr. Prugh is head of Prugh, Combest & Land, Inc., of Kansas City.

* * *

The Missouri Supreme Court on July 13 upheld the validity of **Kansas City's** projected $3,500,000 bond issue program to provide for parking facilities. The decision was rendered in a test suit brought by a taxpayer which was limited to only $50,000 bonds. The high court previously had sustained the city's right to acquire land and operate a parking lot.

* * *

Net sales of **Edison Brothers Stores** in June aggregated $6,845,029, a gain of 10.42% from a year ago. Six months' sales of $37,655,726 reflected a gain of 5.49% over the first half of 1950.

Jos. Walker Reopens Branch in Hackensack

HACKENSACK, N. J.—Joseph Walker & Sons, members of the New York Stock Exchange, have announced the reopening of their branch office in the Peoples Trust Company Building, under the management of Robert F. Gerrie and Covert L. Goodlove.

Connecticut Brevities

The Barden Corporation, Danbury, is planning a $2,000,000 expansion of its plant to provide additional space for the manufacture of super-precision bearings. The new addition will contain 42,000 square feet of floor space. A letter of intent has been received from the Navy Bureau of Ordnance covering $1,450,000 to be spent for plant and machinery.

* * *

The Pratt & Whitney Division of **United Aircraft Corp.** has leased the 21,000 square foot building in South Windsor which has housed Foxmart for the past four years. Foxmart, the rural outlet of **G. Fox & Co.,** Hartford's largest department store, specialized in farm machinery, heavy tools and power equipment. Due to the increasing shortages in these articles it was decided to close the branch store.

* * *

Derby Gas & Electric Corporation has applied for permission to sell $900,000 of debentures due July 1, 1957, and about 12,500 shares of common stock—sufficient to raise $275,000 to $300,000. The debentures will probably be sold privately to an institutional investor and the common stock to the public through underwriters. Proceeds would be used for the 1951 construction program.

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Kaman Aircraft Corporation has leased 12 additional buildings at Bradley Field. This will increase the available floor space from 42,000 to 100,000 square feet. The additional space is needed to speed up production of helicopters for the Navy.

* * *

The Connecticut Public Utilities Commission has approved issuance by **Southern New England Telephone Company** of 400,000 shares of common stock through rights on a one-for-eight basis at $25 a share. The rights expire July 20.

* * *

Stockholders of **Bigelow-Sanford Carpet Co.** voted on June 19 to approve the merger with Bristol Mills, which involved changes in the capital structure. Holders of common in the old company received one and one-half shares of new common for each old share and holders of the 6% non-callable preferred received one and one-half shares of 4½% callable preferred. Earlier plans to issue additional preferred stock for cash have been deferred.

* * *

On June 28 **Bridgeport Gas Light Company's** plans to borrow $2,100,000 were given a public hearing by the Connecticut Public Utilities Commission. The company proposes to borrow up to $1,100,000 on 90-day 3% renewable notes until Dec. 31, 1952. Proceeds from this loan will be used to pay off $200,000 of notes payable and to finance up to $900,000 construction costs in connection with the pending receipt of natural gas. To cover the conversion costs of customers' appliances the company will also borrow up to $1,000,000 on a seven-year 3%-3½% note which will be paid off out of earnings as an operating expense.

Automobile Insurance Company, a member of the Aetna Life Affiliated Companies, has purchased the home office building of the **Phoenix Insurance Company** Group. Phoenix is presently constructing a new office building, which is expected to be ready early in 1952. Aetna Life recently announced that it is planning to build a new wing on its home office building to house the increased number of employees. From early 1952 until the new wing is completed Automobile Insurance Company will occupy the Phoenix building, which was built in 1916 and contains about 56,000 square feet of floor space.

* * *

On July 3 **The New Britain Gas Light Co.** sold $1,110,000 of 3⅜% First Mtge. bonds, due July 1, 1976, in a private placement. Approximately $500,000 of the proceeds were used to call the 3¾% Series A Bonds of 1961 and the remainder will be used to finance construction plans in connection with the expected arrival of natural gas this fall.

Sidney Parry Joins Chas. W. Scranton Co.

NEW HAVEN, Conn.—Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange, 60 year old stock exchange firm announces that Sidney Parry, formerly executive Vice President of the Association of Stock Exchange Firms, has become associated with them. He will be in charge of the firm's public relations and advertising. During the war he served with the United States Naval Reserve and was released with the rank of Lt. Commander in 1945. Prior to the war he was Vice President of the Chicago Stock Exchange.

Sidney L. Parry

Washington Gas Light 3½% Bonds Offered

Kuhn, Loeb & Co., and A. C. Allyn & Co., on July 18 offered $9,000,000 Washington Gas Light Co. refunding mortgage bonds, 3½% series due 1976 at 100.665% and accrued interest. The group won award of the bonds at competitive sale on Monday on a bid of 100.195%.

Proceeds from the sale of these bonds will be added to the company's general funds and are expected to be used, among other things, to provide for part of the current construction program of the company and subsidiaries, and to reimburse the treasury for $1,000,000 of 2% serial notes due July 1, 1951, and paid.

Regular redemption prices range from 103.67% to par, while special redemptions may be made at prices from 100.67% to par.

Washington Gas Light Co. and its subsidiaries are engaged in the business of purchasing, distributing and selling natural gas for cooking, heating, refrigeration and other purposes within the metropolitan area of Washington, comprising the District of Columbia and adjoining territories in the States of Maryland and Virginia. Population of the territory served by the company and subsidiaries is estimated at approximately 1,300,000.

Population Trends and Investment

By JOSEPH J. SPENGLER*
Professor of Economics and Business Administration, Duke University

Professor Spengler reviews forecasts of U. S. and world population growth, and its implications in relation to the increase in national income and capital accumulation. Points out an increase of 1% per year in country's population calls for savings equal to from 3% to 5% of national income, without allowing for improvement in living standards. Concludes, so long as population outside of U. S. is growing at rate of 1% per year, there results a heavy demand abroad for investment capital and this can only be fully satisfied by capital drawn from United States.

I

My fundamental objective will be to indicate the population trends in prospect here at home and abroad and then to examine the influence of these trends upon those elements in our economic and social life which bear immediately upon investment problems, that is, upon the aggregate demand for capital and upon the composition of this aggregate demand for capital. The movement of population, whether in time or through space, is relatively slow compared to the movements of some of the mental attitudes which affect the investment situation. Population movements are not of great short-run significance, in the opinion of most economists. Population movements condition the longer-run prospects of countries, industries, and markets. They must be looked upon, therefore, as important elements in the making of the growth factor. And it will be principally as a growth-factor element that we shall consider the movement of population.


Joseph J. Spengler

Experience With Population Forecasting

Let us now have a look at our experience with population forecasting and see how it stacks up compared with our experience at forecasting the outcome of elections or turns of the security market. I shall make use, for illustrative purposes, only of American forecasts prepared since 1920. The best forecasting record has been made by the Pearl-Reed logistic, which fixes at 197 millions America's maximum population and at 185 millions the population anticipated for the year 2000. This logistic underestimated the 1950 population by only about 2%. It is true that a Scripps Fundation empirical forecast, made in 1928, hit the 1950 population nail right on the head, but this forecast cannot be counted, for it was replaced by later forecasts which, despite their recency, underestimated the 1950 population by 3-5%. Other forecasts also underestimated the 1950 population.

How did these forecasting failures come about? They came about principally because births were underestimated and secondarily because mortality was overestimated and immigration was incorrectly gauged. In the 1930's fertility was low and falling, because, among other reasons, there was considerable unemployment and pessimism concerning the future. Forecasts of births based in part upon 1930 conditions therefore failed to anticipate the great increase in marriages and births which took place in the 1940's as a result of war, the elimination of unemployment, the provision of various forms of social security, and the replacement of the pessimism of the 1930's by the optimism of the 1940's. To illustrate, in the 1930's the annual number of births approximated only about 2.5 millions. In the 1940's, however, the annual number averaged 3.25 millions, or 30% more than in the 1930's.

I have indicated that many American population forecasts proved defective in that they failed appreciably to foretell the population reported for 1950. I could report similarly of the forecasts made in other countries. But are these American forecasts as defective as their recent performance suggests them to be? We cannot say for certain yet. We must wait until the future unrolls into the present. There is reason to suppose, however, that some of these forecasts will stand up better than their performance with respect to 1950 suggests. It is questionable whether the annual number of births will remain at the 3.7 million level to which the postwar upsurge in natality carried it. Now suppose, for example, that the average annual number falls to 3 millions and stays there. Then, if the average expectation of life at birth is extended to 75, the American population will attain a maximum size of in the neighborhood of 225 millions; and much of the increase will be accomplished in the present century. Should the American population grow logistically in the future as in the past it will grow to 185-190 millions by the close of the present century and in the early part of the next century move to a maximum somewhat above 200 millions. We should be foolhardy were we to sell the population forecasters short just as we should be foolhardy were we to sell Mr. Gallup's pollster system short.

II

Implication of American and World Population Growth for American Investors

It is necessary for us to envisage both the prospective population growth of the United States and that of the rest of the world if we would correctly size up the long-run investment situation. For, howsoever we try, we cannot insulate the American economy against what happens elsewhere. What happens elsewhere affects the situation confronting American lenders and American borrowers. And one of these matters of import is population growth in foreign parts.

World vs. American Population Growth—For purposes of discussion I shall try to give a rough notion of the prospective course of population growth here and abroad in the course of the next 50 years. I do this so that we may roughly envisage the demographic framework within which the business of investing will have to be carried during the next 25 or 50 years.

Let us consider first the United States. I incline to the view that the American population will increase at a decreasing rate of increase, in accordance with the logistic theory. This means that our population, which now numbers 154 millions, will increase to between 185 and 200 millions by the year 2000. The average annual compound rate of increase for the next half century would then be between five-twelfths and seven-twelfths of 1% per year, or 20-30% for the whole period. This compares with a rate of 42% recorded for the whole period, 1920-1950. I shall make use of these figures a little later.

Let us consider now the population of the world as a whole. It increased about 30% between 1920 and 1949, or about seven-eighths of 1% per year on an average. Should we suppose this rate to continue we would get a world population of about 3.7 billions by the year 2000.

Let us look at the prospect somewhat differently. About 1.5 billion people live in Asia, Africa, and Latin America where the birth rate approximates 40-45 per 1,000 inhabitants, and the rate of natural increase approximates 10-12 per thousand, that is, better than 1% per year. If this population were to continue to grow 1% per year, it would double in 70 years and it might number 2.5 billions by the year 2000. Suppose that one-half of the remaining 880 millions increase very little, and that the other half increased three-fourths of 1% per year. By 2000 these 880 millions would have grown to about 1150-1200 millions, and the population of the would would number close to 3.7 billions. In short we get approximately the same answer that we got by extrapolating the 1920-1949 rate. We get a world population of close to 3.7 billions by the year 2000, and an American population of not far from 200 millions.

Some demographers, however, believe that the world's population will not grow quite so rapidly. They suppose that about 450 millions will grow little if at all, that another 450 millions will grow about 0.75%; and that the remainder of the world's population will grow about 1% per year. This estimate gives a population of 3,345 millions by the year 2000, and assumes for the population of the world as a whole, an annual growth rate of approximately three-fourths of 1% per year, a rate that might possibly continue long after the year 2000.

If the demographic forecasts are to be trusted the world's population will number between 3.3 and 3.7 billions by the year 2000. The proportion formed by Americans, which approximated 6.25% in 1949, will have fallen to between 5 and 6%. This change in proportion, we shall see, is of some significance for economic and military analysis.

Prospective World vs. American Income Growth—The growth of a nation's income—and by income I mean produced income, the net volume of goods and services produced annually—the growth of this income depends upon two movements: (1) the growth of the labor force, which depends largely upon the growth of the population; and (2) the growth of output per member of the labor force per year. Let us examine these further.

The labor force consists of those who are employed and of those who are seeking employment. The labor force grows principally through the addition of more persons of working age to the labor force than are removed from it each year by death, retirement, and disability. Its growth therefore depends principally upon the rate at which the population grows, and this is especially true of a country like the United States or Great Britain. By contrast, the labor force of our Latin American neighbors and of the countries of Asia and Africa can be made to grow somewhat faster than the population. For the populations of these countries are somewhat younger than the American. For example, in the United States and Canada 64 out of each 100 persons are estimated to be aged 15-59 years; the corresponding figure for Asia, Africa, and Latin America is in the neighborhood of 55. So they have a potential improvement factor of about 16%, the equivalent of 7-8 years increase in per capita output. Many of these countries have another improvement factor. Sixty to eighty per cent of their population remains concentrated in agriculture, and this is a much larger fraction than is required. Much of this excess may be looked upon as the under-employed fraction of the labor force. Accordingly, if it can be transferred out of agriculture into useful employment elsewhere, the effective labor force of the countries presently overloaded with agricultural workers will be improved. (Addition of women can still significantly increase the labor force.)

But to get to the second of the movements upon which the growth of national income depends, that is, the growth of output per member of the labor force. How fast will output per worker grow. Between 1870 and 1929, it grew about 1.75% per year. Between 1929 and 1948, it grew between 1.75 and 1.88% per year. We may suppose, therefore, that output per worker per year will grow 1.5-2.00% per year for some decades yet. If I were making a wager I would put it closer to 1.5 than to 2.0, but I am willing to settle for 1.75. The reason I choose 1.5 instead of 2.0 is that a number of conditions are operating to reduce the rate of growth of output per capita. As I have said, improvements in age composition will no longer add to output per worker. The number of hours worked per week will fall. There is danger that the retirement age will be lowered instead of increased as it ought to be in view of the advances in medicine in prospect. Consumers will spend relatively less for mass-produced products than in the past. There is no longer disguised unemployment in agriculture to draw on. And, finally, the government will employ relatively more people, and it is a safe bet that, on the average, government workers add less to the real national income than do nongovernment workers with the same degree of training.

But let me get back to the annual rate of growth of the national income in the United States. I said that the population would grow between five-twelfths and seven-twelfths per cent per year. Let us call it one-half per cent, which would be a little less than the rate experienced in 1930-40. Suppose, further, that output per worker increases 1.5-2.0% per year. Then we get an annual rate of increase in the national income of in the neighborhood of 2-2.5%. Let us call it, 2.25%. This compares with the 2.75% realized in

Continued on page 20

*This is first of a series of three lectures by Prof. Spengler delivered before the 1951 Life Officers Investment Seminar at Beloit College, Beloit, Wis., June 18 and 19, 1951. The remaining lectures will be published in subsequent issues of the "Chronicle."

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Operating results of the fire and casualty companies for the first six months of the current year will be published within the next several weeks. In many cases it is expected that the results may be disappointing in comparison with those of a year ago.

In the first place there has been a carryover from the windstorm losses of last November. Normally these losses should have been charged to the operations of last year. The severe and widespread damage caused by this disaster, however, resulted in a continuous flow of claims throughout the winter and almost up to the present time. In many cases these losses have been charged to this year's operations and have adversely affected this phase of the underwriting operations.

Another factor which has contributed to the unsatisfactory underwriting experience has been the increase in automobile accidents and the cost of settling these claims. Within the past several years there has been a tendency by the courts to award larger damages on liability actions. Also the cost of repairing damage to cars has increased rapidly. Events during the last year have sharply accentuated these trends with the result that the companies that write large amounts of automobile liability coverages have suffered heavy losses.

In the straight fire lines the underwriting experience has been more favorable. Despite an increase in fire losses so far this year of around 8%, a larger volume of earned premiums has enabled most companies to offset the larger losses. Also, fire policies are written for a three-year period and the policies that are now expiring were written during the period of high rates.

Comparisons of the first six months will also suffer because last year there was a carryover of the favorable period of operations from 1949 when the most profitable underwriting in the history of the industry was established.

In the investment phase of operations the results should be better. Increased premium volume has meant a larger volume of funds available for investment. Higher interest rates have permitted an increase in the return.

Also, dividend payments on stock holdings are running ahead of last year. Many companies have expanded their stock investments to take advantage of the more favorable tax treatment which dividend income receives as opposed to interest.

On an overall basis investment income is expected to show a gain of between 5% and 10%. This will not be sufficient, however, to offset the lower underwriting income and overall earnings are expected to show a decline.

Results for the last half could show a more favorable comparison. Some of the problems of the insurance companies are being solved. There have been a number of recent developments which should aid the underwriting operations.

First of all, rate increases in the automobile liability lines have been made by a number of states. Particularly important in this connection was the 20% increase in rates recently made by the State of New York. The upward adjustments were made effective the first of June just in advance of the active summer season when a large number of policies expire.

Because of the importance of New York State in insurance regulations, the readiness of the Commission to adjust rates and the amount of the increase is considered significant. Other states have also made increases in insurance rates on the automobile liability lines and additional ones are expected over the next few months. With a more favorable rate structure this line of underwriting should show improvement in the period ahead.

The extraordinary losses from last November's storm should be at an end, although floods and windstorms may prevent any substantial improvement.

The general fire lines should continue profitable. If there is some slackening in inflationary pressures these lines could show a gain.

Investment results are expected to show further increases with a larger volume of funds invested and a continuance of high dividend payments contributing to the improvement.

On an overall basis final results may approach the earnings shown for last year.

H. Hentz Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Erwin B. Arvey has joined the staff of H. Hentz & Co., 120 South La Salle Street.

With S. A. Sandeen & Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Earl C. Kennedy is with S. A. Sandeen & Co., Talcott Building.

Joins Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Allison H. Adams has become associated with Thomson & McKinnon, Healey Building.

With Kalman & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Joseph P. Rasmussen is with Kalman & Company, Inc., Endicott Building.

The Lower Ratio of Real Estate Values in Nation's Total Wealth

By ROBERT H. ARMSTRONG*

Managing Editor, "The Appraisal Journal"

Though admitting inflationary rise in real estate values, Mr. Armstrong contends, in relation to nation's total wealth, real estate value-wise has undergone a continued and incessant decline. Says real estate owners are getting lower returns than in past.

While real estate prices have been advancing and following the general inflationary trend over the past ten-year period, it seems that we have unfortunately lost sight of the relevance of real estate to the total over-all economy. During the 1930's various studies confirmed the fact that the total value of real estate amounted to about one-half of the national wealth of the United States. But as the inflationary spiral has continued dizzily upward, the importance of real estate, as measured value-wise to our total wealth, has declined relatively; and there indeed is a serious question as to whether real estate is worth more than 30 to 35% of America's wealth today.

Robt. H. Armstrong

During the past few years there have been a number of studies which have tended to indicate that the amount paid as rent, or real estate costs for living, has declined from about 20% of the average family's total income in the early 1920's to 10%, 11%, or 12% today. What, it may be asked, is the result of this? There can be only one answer—that insofar as the value of real estate is concerned, there is less of the average family's annual income, in proportion to the whole, to be capitalized into real estate value than there was 20 or more years ago. This is not to say that real estate cannot be sold for more than it could 20 years ago, but when there is only 10% of an average family's income to translate into real estate value, instead of 20%, then as compared to the 100% of spendable income of that family, real estate is worth less and is less important to them than it was before. So while prices have been going up we are confronted with a strange anomaly of the relative over-all value of homes and dwelling units in this country going down.

Now there is another angle of this subject which deserves considerable attention. It is a well known fact that 15 or 20 years ago department stores could and did pay 4 or 4½% of their sales volume as rent. But what has happened today? The average department store pays no more than from 2½ to 2¾% of its sales volume as rent. Large grocery chains, such as Kroger's, A & P, and others were formerly willing to pay 3% of their sales as rent. Today that figure hovers about the 1½% mark. All through the field of real estate, percentage rentals are down to almost half of what they were 20 to 30 years ago. What does this mean? It only means that the property owner is getting a smaller and smaller portion of the total economic wealth of this country every year.

A Paradox

Here we have a situation that is a paradox. Real estate prices are going up and up while values—relative values—are going down, down, down. Indeed, it would seem that in the long run the property owner cannot win, he can never win! So when real estate is mentioned as a hedge against inflation, we must realize that there probably just isn't any such thing, that is, possibly with one exception.

In the midst of a new inflationary spiral which will only end—we cannot say where—real estate as a capital asset will buy us less of the world's goods and services every year. And as we face this problem, we are confronted by another in the specter of Uncle Sam's Government, wherein, if a man buys a piece of property today for $10,000 and sells it ten years hence for $15,000, he will have to give away 30 or 40% (and maybe more) of his so-called profits. Let it be assumed, for instance, that out of the $15,000 sales price a man must give away $2,000 in taxes. That leaves him with $13,000. If, during the next decade, dollar devaluation occurs to a level of between 40% and 50%, then our mythical man with a profit of $3,000 really has no profit at all—he has a loss insofar as his dollars derived from real estate will buy him the goods of the world.

Hedge Against Inflation

Now it has been said here that there is one way in which real estate may be a hedge against inflation. However, that way of making money would undoubtedly cause the parents and grandparents of many of us to turn over in their graves. We used to hear the phrase, "A penny saved is a penny earned"; "An honest man always pays his debts," and "Never a borrower nor a lender be." But what has happened today. The only way that one can keep abreast or ahead of the inflation is to borrow up to the hilt—a 70% or 80% or 90% mortgage, to have as little money in a property as possible, and to speculate. Then over a short term of years, it is possible to take profits out, because if a person has only $2,000 invested in a $10,000 building, and the value increases to $13,000 or 14,000, he will probably get a dollar or two back for every two invested.

Of course, speculation has always taken place. But it is not a pleasant thing to contemplate. It means we have to take our children, practically in their infancy, and tell them that the economics and the moral teachings of their parents and grandparents were incorrect, and that the only way to get on in life is by way of making a "quick" dollar.

What is vitally needed today is a recognition of the changes in America's way of life as they are occurring year by year. Change does not necessarily have to be for the better; it can also be for the worse. Change need not mean progress; it may also mean retrogression. More than half a century ago John Jay Chapman stated words that are well worth repeating here: "Mere financial dishonesty is of very little consequence in the history of civilization. Who cares if Caesar stole or Caesar Borgia cheated? Their intellects stayed clear. The real end that follows in the wake of commercial dishonesty, is the intellectual dishonesty it generates. One need not mind stealing, but we must cry out at people whose minds are so befuddled that they do not know theft when they see it."

The greatest challenge we have in America today is to keep our intellects clear. It is only by so doing that the moral and religious fiber of this nation can be preserved.

*An editorial by Mr. Armstrong in "The Appraisal Journal," published by the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards, July, 1951.

American Secs. Adds Douglas E. Bartow

American Securities Corporation, 25 Broad Street, New York City, announces that Douglas E. Bartow has become associated with the sales department of the firm. Mr. Bartow was formerly with G. C. Haas & Co., Central Republic Co., and prior thereto with Laurence M. Marks & Co.

New Hutton Office

ESCONDIDO, Calif.—E. F. Hutton & Company, members of the New York Stock Exchange, have opened an office in Escondido under the management of Herbert L. Dunn. This brings the total number of the firm's offices in California to 17.

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York 4, N. Y., at the close of business on June 30, 1951, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS	
Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	$8,286,784.28
United States Government obligations, direct and guaranteed	12,968,016.18
Obligations of States and political subdivisions	1,032,875.28
Other bonds, notes, and debentures	469,118.03
Loans and discounts (including $192.25 overdrafts)	15,809,742.99
Furniture and fixtures and vaults	87,929.49
Other assets	77,958.82
TOTAL ASSETS	$38,732,425.07
LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	20,584,196.31
Time deposits of individuals, partnerships, and corporations	4,805,521.98
Deposits of United States Government	249,275.73
Deposits of States and political subdivisions	9,126,537.69
Deposits of banking institutions	258,414.80
Other deposits (certified and officers' checks, etc.)	579,323.66
TOTAL DEPOSITS $35,603,270.17	
Other liabilities	147,475.64
TOTAL LIABILITIES (not including subordinated obligations shown below)	$35,750,745.81
CAPITAL ACCOUNTS	
Capital †	$1,000,000.00
Surplus fund	750,000.00
Undivided profits	1,231,679.26
TOTAL CAPITAL ACCOUNTS	$2,981,679.26
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$38,732,425.07

†This institution's capital consists of common stock with total par value of $1,000,000.00.

MEMORANDA	
Assets pledged or assigned to secure liabilities and for other purposes	$3,889,644.93
(a) Loans as shown above are after deduction of reserves of	44,882.39
(b) Securities as shown above are after deduction of reserves of	173,941.28

I, Kenneth W. Landfare, Assistant Treasurer of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

KENNETH W. LANDFARE
Assistant Treasurer

Correct—Attest:

C. W. KORELL
SUMNER FORD
J. B. V. TAMNEY
Directors

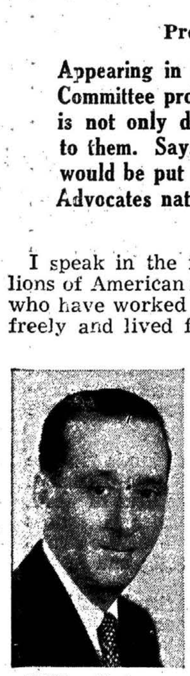
Tax Discrimination Against The Investor

By WILLIAM JACKMAN*

President of the Investors League, Inc.

Appearing in interest of investors, Mr. Jackman tells Senate Committee proposed withholding tax on interest and dividends is not only discrimination against investors, but is insulting to them. Says revenue benefit is doubtful, since Government would be put to heavy expense in carrying out such proposal. Advocates national excise tax and favors reduction in holding period of capital gains tax.

I speak in the interest of millions of American men and women who have worked hard, sacrificed freely and lived frugally to save and invest in "Prosperity, American Style."



William Jackman

These are loyal citizens who can be counted upon to keep faith with the principles and practices which have made ours the greatest country in the world. These men and women stand ready to meet every national crisis, every threat to our civilization. These citizens stand ready to give of themselves to help meet every plan for social and material advancement of the people of this country and of the world.

Those who have a stake in America are determined to defend the Seven Rights, the right to live, work, worship, assemble, petition, speak and vote.

Investors believe in progress and prosperity regardless of whether their investments are in the form of a piece of land, a home, savings accounts, insurance policies, factories, stores, farm machinery, and livestock, scientific learning, the tools of trade, bonds or shares of stock, however few, in the great corporations which have helped to make our country so great.

The Investors League states with pride that the average investor is a splendid and upright American. He recognizes the terrific responsibilities of those who have been elected and appointed to government positions. Our members are dependable citizens. They realize that Uncle Sam Incorporated is the biggest business concern in the world.

As one of the members of the House Ways & Means Committee stated in an article written for the Bulletin, the League's official publication, the Tax Bill prepared and passed by the House is an economic monstrosity. He stated also that those members of the Committee who approved the proposal had their tongues in their cheeks, believing that the Senate Finance Committee would rewrite the measure as it properly should be done and as it has done so many times in the past on Tax Bills.

It seems to me that you gentlemen have a very great responsibility in attempting to make economic sense out of this political hodge-podge. The responsibility is particularly great because of our huge national debt and because of the excessive tax burden people in and out of business are obliged to carry. You just cannot afford to make mistakes. The American public is depending on you.

The question of taxes in the United States has become a most serious matter. It is serious not only because of the direct effect on our economy but for its probable effect on the future of the Nation.

It is the position of the Investors League that the people of this country—all of the people—should face a few basic facts. One of these facts is that wars are very costly and that they must be paid for in taxes as well as in human lives.

The tendency of each division of our society has been to push the tax burden on to the other fellow either directly or indirectly.

The laboring man says in effect: "I want higher wages to cover my increased taxes so my take-home-pay is not decreased."

Industry says: "I want to lift my prices sufficiently to cover the increased taxes I am obliged to pay, so that my net profits will be as high or higher than they have been in the past."

The time has come when this is no longer possible. The demands for higher wages on the part of labor and for higher prices on the part of industry tend to create more dangerous inflation. This inflation can wreck our economy and it can do more than anything else to push us into Socialism.

Economic conditions were responsible for Socialism in England. Her politics are but a product of her economic conditions. This can and will happen here unless everyone buckles down to the idea that we must be prepared to pay for our wars. If we wish to have our freedoms and if we are willing to fight for them we must also be prepared to pay the costs.

Let us not be so foolish as to believe that our tax burdens can be pushed on to any given group and let us not in our attempt to do so lose the very freedoms for which we are paying such a high price.

Because the prices are so high and the dangers so great let us above all keep our taxes down to bare necessities. Let us eliminate all unnecessary cost of government. It is reliably estimated that savings of $3½ billion can be effected if our non-military government expenses are cut to the bone. Let us not waste unnecessary money on even military expenses. Let us set up a proper agency to check into military expenditures to see that no funds are wasted.

As an illustration: how can we reconcile the President's statement of "tax until it hurts" when the Quartermaster's Service last January bought 5 million pounds of oleomargarine at 25½¢ a pound, and at the same time the Department of Agriculture sold 5½ million pounds of surplus butter to Italy for 15¢ a pound. It is almost too fantastic to believe!

After we have eliminated all waste in our expenses, we should see to it that all groups pay their legitimate share of these taxes. In doing this we should eliminate many if not all tax exemptions. Let every commercial enterprise, whether it be owned by private individuals, educational institutions, etc., pay their full share of the tax burden. This Nation today cannot afford tax slackers.

Let us also make it very clear to the American public that it is paying indirect taxes as well as direct taxes. Let the workman realize that when he buys a loaf of bread he is not only paying for the bread but he is paying taxes as well. Let him know that one of the primary reasons why prices are so high today is because of these indirect taxes. Let him know that the same is true when he buys a refrigerator or an automobile or a pack of cigarettes.

The hiding of the tax burden on the theory that it is thus rendered painless is a fallacy. It causes one group in our society to claim that the other is responsible for high prices and inflation.

When labor says that manufacturers and merchants are responsible for the current high prices and when manufacturers and merchants say that labor is responsible the nation suffers because one group of people is pitted against another.

When each and every American stands willing to pay his proportionate share of the tax burden, the pressure for higher and still higher prices will be greatly reduced.

Withholding Tax

The 1951 Revenue Bill (H.R. 4473) would place a 20% levy on all dividend and interest payments at the source. In other words the payee would be obliged to deduct 20% of all dividend and interest payments.

As President of the Investors League, I feel it my duty to call to your attention the ill effects such legislation, if enacted, would have on the general economy of the country. I wish also to register with you the protests of these investors against such proposed legislation.

Over the years we have heard a great deal in certain quarters in Washington about the charge of discrimination. I say to you that no group of Americans should be discriminated against. I want to call your particular attention to the discrimination against American investors, which is so obvious in that provision of the tax measure which provides that 20% of all interest and dividends should be deducted at the source and paid directly into the Treasury.

This is not only discrimination; it is insulting. It is insulting to at least 10 million loyal Americans. It says to this group, in effect, I do not trust you to pay taxes on the income which you receive from dividends and interest payments. I believe you will chisel on Uncle Sam at this time when revenues are badly needed. In other words I think you are a crook.

I know and you know that our upwards of 10 million investors in the United States are not crooks. Why should the government say to these people that they are not to be trusted, anymore than it should be said to any other group of our law-abiding citizens that they are not to be trusted? In my estimation this is a disgrace and I am here as representing this group to protest vigorously.

The Investors League is in complete accord with the principle that taxes due should be paid and collected. Collection, at the source, of taxes on dividends will, however, include many cases in which no tax is due. More than 47% of stockholders have incomes of less than $5,000 per annum. The withholding of 20% of dividends will, in these cases, work hardships, severe in some instances. Even though refunds may, in time, be made, the stockholder will not have the use of this portion of his income until receipt of such refund as may be due to him. This is, therefore, a vicious principle and, moreover, unduly burdensome on the low income investors.

Furthermore, its actual benefit is doubtful. Both the withholding agent and the government will undoubtedly be put to additional expense. When the withholding agent has reduced his tax liability by credit for the additional business expense, when the government has deducted its expense plus refunds, the net will, it is believed, be far below estimates.

Such a provision as this withholding of dividends is equivalent to saying to the stockholder "We will collect the tax and then give you the opportunity to prove you do not owe it." That is a police state procedure. Furthermore, it is penalizing the majority for the few—even more a police state method.

The League believes such a withholding procedure will prove a deterrent to the purchase or holding of stock and therefore will discourage the flow of capital to business and industry from which more jobs and hence more tax revenue are created. The circle is vicious and may result in its own dissipation.

National Excise Tax

The Investors League believes that the time has come when a national excise tax should be applied to all commodities, with the exception of food. It strongly recommends that this tax be 5% which, it is estimated, would produce at least $5 billion annually in revenue.

The objection to a general sales tax of a reasonable amount—say 5%—is admittedly purely political. We suggest that this objection be met at its own level merely by changing the name of the tax from "sales" to "excise."

The present system of special sales taxes, for the most part based on no rational basis of either coverage or rates, is another example of the grossly unfair discrimination which characterizes the Internal Revenue Code and which demands a complete overhauling.

For example, at present a large number of sports articles are subject to a so-called manufacturers excise tax of 10%. Why sporting goods should be taxed while dancing shoes are exempt, is puzzling enough, for surely nothing is more essential to the health of the country than plenty of outdoor exercise. But it is now proposed to accentuate this bias by exempting one group of sports altogether, while increasing the sales tax on the rest to 15%; cricket, football, and hockey equipment would be tax-free; baseball, golf and tennis further penalized. We are now to pay a 20% excise tax on mechanical pencils and fountain pens, while ordinary pencils, pens, and ink are exempt.

These senseless distinctions naturally cause confusion, and make the sales tax, which should be the simplest of all taxes to understand and enforce, a frequent subject of litigation in the Federal Courts.

The so-called "Excess Profits Tax" is another example of misnomer, so gross in this case as to constitute actual fraud, which H.R. 4473 by lowering the false "average earnings" base still further to 75% of reality, would make more gross. The whole excess profits statute is an unintelligible monstrosity, which serves only to confuse the taxpayers and the public, and which will create endless headaches and liigation unless promptly replaced by provisions for renegotiation of actual excessive war profits on government contracts, with a readjustment of the flat corporate tax rate if more revenue is needed.

Our private enterprise system has been built in very large measure on the theory that incentive should be provided for special effort. That system cannot continue to function smoothly and effectively if the incentives to produce are weakened by excessive income taxes.

Double Taxation

Among the multitude of needless complexities, hypocrisies, and injustices found in the tax law, the most unfair to investors is the double taxation of dividends,

Continued on page 26

*Statement of Mr. Jackman before the Senate Finance Committee, Washington, D. C., July 10, 1951.

Wallach Elected

Ira D. Wallach, Vice-President and director of Gottesman & Company, Inc., and Central National Corporation, has been elected to the newly created office of Executive Vice-President of Eastern Corporation. He will be chief executive officer of the company pending appointment of a successor to its President, Clyde B. Morgan, who has been elected President of Rayonier, Incorporated.

Ira D. Wallach

Mr. Wallach has been a director of Eastern Corporation since 1947 and a member of its Executive Committee. Eastern Corporation manufactures Atlantic Bond and other fine business papers, lace paper doilies, place mats and shelving.

Mutual Funds

By ROBERT R. RICH

ONE OF THE MOST UNUSUAL SITUATIONS to develop in the mutual funds industry in some time is the current trading of Blue Ridge Mutual Fund Shares **at a price below net asset value.**

The situation arose because, under the plan of reorganization of Blue Ridge Corporation and Central States Electric Corporation, it was decided that calls for redemption by the shareholders would be subject to a sixty day waiting period, up to Dec. 30, 1951, in order that the redemption obligations of the new Blue Ridge Mutual Fund could be known in advance and provided for in an orderly manner. Subsequent calls to Feb. 28, 1952 will be redeemed on that date and on call thereafter.

Research-Distributing Corporation, organized by Reynolds & Company as distributors for Blue Ridge Mutual Fund, will start selling new shares when the board of directors "deem it advisable, at asset values plus selling commission of 8½% of the offering price."

Currently the shares of the fund, with the sixty day waiting period, are being traded in the open market at quotations somewhat under the asset value per unit, and, of course, at an even greater discount, if the offering price (asset value plus sales charge) is taken into consideration. [**Editor's Note:** This situation is carefully analyzed in this week's "Chronicle" in an article on page 2 by Irving Allen Greene, of Greene & Co.]

TOTAL NET ASSETS of 101 mutual funds reached a new high of $2,725,311,000 on June 30, according to figures compiled by the National Association of Investment Companies.

Although both gross and net sales for the second quarter of 1951 were materially less than for the first quarter of this year repurchases took an even sharper drop, placing the industry, statistically, in the most stable position it has enjoyed for the past 18 months.

In all three fund groups, namely, common stock, balanced, and bond and specialty, total repurchases, as a percent of assets, declined materially from the first quarter of 1951. The bond and specialty group, whose repurchases in the first quarter of this year were 9.2% of assets, only had repurchases amounting to 5.56% of assets for the second quarter. Repurchases, as a percent of assets, for balanced funds, dropped from 1.93% to 1.59%, and in the common stock group, from 2.77% to 2.03%.

Mutual Funds' Repurchases as Percent of Assets (by quarters)

July 1, 1949 to March 31, 1951

(Total Repurchases as Percent of Total Assets)

	No. of Funds in Group	2nd Quarter 1951	1st Quarter 1951	4th Quarter 1950	3rd Quarter 1950	2nd Quarter 1950	1st Quarter 1950	4th Quarter 1949
All Funds	101	2.62%	3.92%	3.27%	2.70%	3.71%	2.64%	2.03%
(Fund Group Repurchases as Percent of Group Assets)								
Common Stock	45	2.03%	2.77%	2.32%	2.16%	3.54%	2.31%	1.65%
Balanced Fund	30	1.59%	1.93%	1.82%	1.44%	2.26%	1.76%	1.47%
Bond & Specialty	26	5.56%	9.20%	7.09%	5.30%	5.76%	4.33%	3.49%

Further strength is noticed in observing the "rate of growth" of the fund groups, measured by the ratios of their sales to repurchases. The ratios of the balanced fund group increased from 3.82 to 3.90; that of the bond and specialty group from 0.83 to 0.93. The common stock fund group held fairly steady in changing from 2.10 to 2.06.

Ratios of Mutual Funds' Sales to Repurchases* (by quarters)

July 1, 1949 to March 31, 1951

Fund Group:	No. of Funds in Group	2nd Quarter 1951	1st Quarter 1951	4th Quarter 1950	3rd Quarter 1950	2nd Quarter 1950	1st Quarter 1950	4th Quarter 1949
All Funds	101	1.90	1.70	1.64	1.88	1.57	2.51	3.10
Common Stock	45	2.06	2.10	2.02	2.12	1.34	2.58	3.71
Balanced	30	3.90	3.82	3.69	4.32	3.17	4.54	5.10
Bond & Specialty	26	.93	.83	.71	.89	1.10	1.48	1.61

*Figures are sales divided by repurchases. Figures less than 1 indicate net repurchases for the quarter.

"THE GROWTH OF AMERICAN INDUSTRY and How It Can Influence Your Financial Future" is the latest and perhaps the best sales literature to be released by Diversified Common Stock Fund. The pamhlet pictorially shows the reader how a company grows, tracing its growth from small beginnings to a giant in the industry. The best features of this new pamphlet are its conservative tone, its simplicity in explaining to the prospect how he, too, can enjoy the fruits of American enterprise, and the insight it gives into the questions that investment managers try to answer before they buy securities.

Copies of "The Growth of American Industy" can be obtained without obligation from Hugh W. Long & Co., 48 Wall Street, New York City 5, N. Y.

TECHNICAL AMENDMENTS to the Berger and Snowden "Prudent Man" bills made it necessary for both bills to be returned to the Pennsylvania State Senate for a concurrence on the amendments. Both bills, originally slated for readings in the State House this week, passed the Senate some weeks ago, the Snowden Bill with a vote of 46 to 3, 1 absent; the Berger Bill with a vote of 29 to 9, 12 absent.

The two "Prudent Man" bills are identical, except that the Snowden Bill specifically permits trustees to invest in mutual fund shares. No further action will be taken until July 30, when the Pennsylvania legislature convenes again.

Efforts to effect a compromise between those in opposition and those in favor of mutual funds shares as an investment device for trustees have been reported. The Snowden Bill is slowly gaining favor as more and more of the legislators recognize that, in the case of small trusts, mutual funds are the logical investment medium for the prudent trustee who wishes to secure for the life-tenant a good return, while minimizing risk through adequate diversification.

THE OLD THEORY that you can't sell investment funds "in the shadow of the Stock Exchange" has been knocked into a cocked hat during the past few years, according to an executive of Lord, Abbett & Co., managers of Affiliated Fund and American Business Shares. In 1948, New York City accounted for 2.19% of the firm's national sales' volume; in 1949, 5.53%; in 1950, 9.11%; and in the first five months of 1951, 11.39%.

During the three years and five months the firm's national sales volume averaged approximately $40,000,000 per year. These figures are reported to be a source of wonder to midwest security dealers who can't understand what happened in the "big town." The answer lies partially in the decline, percentage-wise, in the number of traders in the stock market and in the increasing emphasis which the larger New York investment houses are placing upon retail distribution of mutual funds.

NOTWITHSTANDING PREVAILING price declines, the American people would be well advised not to drop their guard in the fight

Continued on page 35

Proposed Changes in Capital Gains Tax

By EMIL SCHRAM*

Former President, Now Consultant to, N. Y. Stock Exchange

Mr. Schram, arguing against raise in capital gains tax, points out to large extent, capital gains tax is a self-imposed tax, and need not be paid unless taxpayer elects to do so. Denies rate on capital gains tax has relation to income tax rate, and says raising rate capital gains will not produce more revenue.

I began appearing before Congressional committees on matters of taxation in 1942. Then, as now, you were faced with the necessity of raising new and greater revenues. Because of my ten years of service with the New York Stock Exchange, I have become intimately acquainted with the problems which surround the creation and flow of equity capital into productive enterprise. Each day we see the impact of taxation on this vital part of our free enterprise system. We in the securities industry recognize today, as we did when I first came before you in 1942, the need for more revenue. We want to carry our fair share of the tax burden. We do not take the position that additional revenue should be obtained from everyone but us. We believe—sincerely and after long study of all pertinent factors—that we can show you how more, not less, revenue may be raised from a capital gains tax.

Emil Schram

Our essential task today is to make this nation strong enough to preserve our liberties against any aggressor and to meet our international commitments as a guardian of democracy. At the same time, we must avoid crippling our afforts by excessive reduction in the output of consumer goods and services. The task is difficult, extraordinarily difficult. But our people have the power and the brains to accomplish it. The answer is production—more production. Build new plants, new equipment; improve and modernize existing equipment. Provide labor with the tools to create new wealth.

The money to do this job must not come from government—for government's only source of income is taxation. Our production must be financed by private equity capital, the savings of the people. These savings can be transformed into risk capital—but not if the saver is penalized by too high a tax rate or too long a holding period.

There is another important factor to be considered. Capital investment is required to produce true income. The more capital that can be attracted into productive investment channels, the greater will be the real income which should and will be taxed under the income tax laws.

We have tried to approach this question of taxation with a view to bringing a higher revenue return to the government with the least unfavorable effect on our economy in general and on the highly sensitive capital markets in particular.

Capital Gains Tax

Our association with the capital gains tax is an intimate one. It is a tax we live with day by day. It is our hope that out of this experience we can contribute constructively to your deliberations.

It is generally recognized that capital gains are not true income and that a tax on capital gains is in reality a capital levy. The Treasury does not seem to realize that a capital gains tax is a tax which is paid only if the taxpayer elects to realize a capital gain. To that extent it is a self-imposed tax, a tax which need not be paid unless the taxpayer elects to do so.

We are convinced that either an increase in the capital gains rate or a lengthening of the holding period will decrease revenues. We are certain that coupling a rate increase with a longer holding period will do so. When I testified before this Committee in 1942 as a spokesman for the securities industry, I stated that if the holding period were shortened, revenues from the capital gains tax would be increased. We were right.

When the law provided a holding period of 18 months from 1938 to 1941, it is a matter of record that revenues from capital gains dropped from \$12,000,000 in 1938 to the point that, in 1940 and 1941, capital losses offset capital gains.

In the Tax Bill of 1942, which was passed in October of that year, the holding period was reduced from 18 to 6 months. The full impact of the shortened period was not felt in that year, however, because the tax-paying public did not begin to thaw out their investments until the shorter period became law. Despite the limited time the shorter period was in effect, capital gains tax receipts expanded to \$68,000,000 in 1942. In 1943 returns from the capital gains tax increased to \$266,600,000, in 1944 to \$354,000,000 and in 1945 to \$720,000,000. In the latter year alone the revenues from the capital gains tax were more than three and one-half times the net revenues from the capital gains tax for the seven-year period 1935 to 1941.

We are convinced that the retention of the present rate with a reduction in the holding period to three or four months will increase substantially the government's revenue from the capital gains tax.

Higher Rate Would Not Increase Revenue

We are at a loss to understand why the Treasury estimates that increasing the capital gains rate by 50% and doubling the holding period would produce \$440,000,000 in additional revenue. The record does not bear out their contention.

Though comparable figures for 1946 and later years are not available to us, it is known that capital gains revenues in 1946 exceeded 1945. It is also known that 1947 receipts were only slightly lower than 1946. We believe that the capital gains revenue for 1950 was the highest on record—and with a shorter holding period would have been still higher.

The theory has been advanced that if the rate of tax on income must be raised, the rate of tax on capital gains, in fairness, should also be raised. This concept, in our judgment, is open to serious question. A man owns a capital asset which has appreciated in value, a capital asset he is reluctant to sell because of the high tax penalty. He can escape the tax by continuing to hold the asset. But if, with a lower tax rate, he sells his capital asset, realizes his gain and thereby becomes a taxpayer who pays 25% of his gain to the government—has this man been favored? We think not. What we need is more taxpayers, not fewer.

A great deal is heard these days about helping the small businessman. Here is a solid way to help him. Many a small enterprise will die from financial malnutrition if tax legislation frightens away people who would be willing to risk their savings in an unseasoned business. Big business usually has easier access to the equity capital markets than does the small businessman who is frequently venturing into uncharted territory.

More Revenue from Shortening of Holding Period

Let me summarize our position. We appreciate the difficult task which confronts you, the judgment it requires. We realize the needs of government in this time of crisis and our own deep responsibilities.

We are firmly convinced that a shortening of the holding period will produce more revenue for the government. The record confirms our stand. We must always appreciate that the realization of a capital gain is under control of the taxpayer and the timing of the tax payment is also under his control; therefore, a higher tax rate and a lengthened holding period will result in less rather than more tax revenues from long-term capital gains.

*A statement by Mr. Schram before the Senate Committee in Finance, Washington, D. C., July 11, 1951.

Finds Foreign Dollar Bond Service Increased

Dean Collins and Dr. Nadler, of Institute of International Finance of New York University, report 1950 debt service on dollar foreign bonds issued and outstanding rose to 65.17% compared with 57.54% in 1949.

In 1950 debt service has been paid in full on \$2,556,164,668, or on 65.17% of the total \$3,922,491,916 of publicly offered foreign dollar bonds outstanding on Dec. 31, 1950, according to a bulletin entitled "Statistical Analysis of Publicly Offered Foreign Dollar Bonds" just issued by Dean G. Rowland Collins, Director, and Dr. Marcus Nadler, Research Director, of the Institute of International Finance of New York University.

G. Rowland Collins   Marcus Nadler

The increase in proportion of bonds serviced in full from 57.54% in 1949 was due to the growing number of bonds assented to the various debt-service resumption plans, including the offer of the Mexican Government to holders of Mexican Railways obligations which became effective March 2, 1950, and to the cancellation of Japanese bonds acquired by the issuers and conversion of repatriated bonds into yen bonds. Thus, owing to the assent of bondholders to either Plan A or Plan B, the principal amount of defaulted bonds of Mexican Railways has been reduced from \$211,415,429 at the end of 1949 to \$55,463,861 on Dec. 31, 1950; the principal amount of Japanese bonds has been reduced from \$281,273,200 to \$67,592,000; the percentage of Brazilian bonds assented to Plan A has increased during 1950 from 36.05 to 37.09%; and the face amount of unassented Colombian bonds has decreased from \$44,358,300 to \$10,817,800.

Data on the status of all publicly offered foreign dollar bonds as of Dec. 31, 1949 and 1950 are summarized in the following table:

STATUS OF PUBLICLY OFFERED FOREIGN DOLLAR BONDS

	December 31, 1949	%	December 31, 1950	%
Debt service paid in full	\$2,474,500,000	57.54	\$2,556,200,000	65.17
In default in regard to:				
Interest	1,751,200,000	40.72	1,294,600,000	33.00
Sink. fund or principal	74,700,000	1.74	71,700,000	1.83
Total	\$4,300,400,000	100.00	\$3,922,500,000	100.00

On Dec. 31, 1950 European and Latin-American obligors accounted for 94.4% of defaulted bonds. Of the total Latin-American bonds in default, Mexico and Bolivia accounted for 32.54 and 26.39%, respectively, while German issues represented 66.17% of total European defaulted bonds. At the end of 1950 Latin-America accounted for 17.4% of total defaulted bonds, as compared with 25.6% on Dec. 31, 1949. Europe's percentage increased from 58% at the end of 1949 to 77% on Dec. 31, 1950. The Far East accounted at the end of 1950 for 5.6% of total defaulted bonds.

Becker Group Offers Stock of Cement Firm

An underwriting group managed by A. G. Becker & Co. Inc. on July 17 offered 100,000 common shares of Marquette Cement Manufacturing Company at \$19.75 per share. Half of the stock is being sold by the company, proceeds to be added to its general funds, and the other 50,000 shares by a group of stockholders. The offering represents the first public distribution of the company's stock.

Marquette, whose headquarters are in Chicago, is one of the principal American manufacturers of cement. The original plant is at Oglesby, Ill. and there are five other plants located in four states. Marketing area is principally in the states bordering the Mississippi River and in the southeast.

The company has paid dividends on its common stock in every year since 1910, except in 1931 and 1932. Dividends in 1950 were \$1.40 per share, and payments in 1951, through June, amounted to \$1 per share.

Edw. E. Mathews Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Charles B. Cutter has been added to the staff of Edward E. Mathews Co., 53 State Street.

Joins Tucker, Anthony

(Special to The Financial Chronicle)

BOSTON, Mass. — Reed P. Anthony, Jr. and Alfred B. Downes are now with Tucker, Anthony & Co., 74 State Street.

Re-Enter—Britain's Dollar Gap

By PAUL EINZIG

Dr. Einzig discusses current British balance of payments situation as induced by recent international trade developments. Says, because of unfavorable changes in terms of trade, Britain's balance of payments with world has deteriorated, and "dollar gap" may again become a serious problem.

LONDON, Eng.—It had been generally expected that the second quarter of 1951 would show a less satisfactory gold and dollar position for Britain and the sterling area than any previous quarter since the devaluation of sterling in September, 1949. Nevertheless, the publication of the actual figures created a widespread feeling of pessimism about the position and prospects of the balance of payments. It is not as if the figures had been very unfavorable. On the contrary, the gold and dollar reserve continued to increase during the three months ended June 30, even though the surplus amounted to $54 million only, compared with $360 million for the previous quarter and $180 million for the corresponding quarter of 1950. Allowing for Marshall Aid receipts, the actual increase of the gold and dollar reserve was $109 million, and the total reached was $3,867 million. As far as the present position is concerned it cannot be said to be unsatisfactory. What is disquieting is that the trend which was responsible for the sharp fall in the surplus is expected to continue, and that it is likely to convert the surplus into a deficit.

Dr. Paul Einzig

In his statement accompanying the announcement of the gold reserve figures Chancellor Gaitskell explained that the decline in the surplus was mainly due to three causes—an increase in the volume and value of dollar imports, a decline in dollar exports, and a fall in gold receipts from the European Payments Union. The increase in the volume of dollar imports was the result of rearmament and stockpiling, and these factors are likely to continue to operate so long as rearmament continues. The increase in the value of dollar imports, in addition to the increase in their volume, has been due to the rise in prices in the Dollar Area. Taking a long view, this rise is expected to continue. The decline in dollar exports of the Sterling Area may conceivably become reversed if and when the United States resumes its stockpiling purchases of wool, tin, and rubber. As for gold receipts from the European Payments Union, they are likely to remain low because most member countries can ill afford to lose much gold.

The unfavorable change in the terms of trade is the main cause of the deterioration of Britain's balance of payments as distinct from the balance of payments of the Sterling Area as a whole. What is Britain's loss is to a large extent the gain of other Sterling Area countries. Britain has to depend on the contributions of these countries to offset the unfavorable effect of the adverse change in her terms of trade on her balance of payments.

Mr. Gaitskell admitted that the task of balancing Britain's overseas trade during the period of rearmament has proved to be more difficult than the government had anticipated. At prices prevailing in May Britain had to export 20% more in volume in order to pay for the same volume of imports, compared with the average for 1950. Apart altogether from price increases, however, the change in the volume of trade was also unfavorable to Britain. During the first five months of 1951 the volume of imports was 9% above the corresponding figure for 1950, while the increase in the volume of exports was only 4%. In addition, the prices of exports have not risen to nearly the same extent as those of imports.

The worst of it is that most people in Britain are not sure whether they should hope and pray for a sharp fall in commodity prices or whether a recovery of these prices after their recent fall would be more in accordance with the interests of maintaining the British gold and dollar reserve. It is true, a further fall in the prices of wool, rubber, etc., would improve Britain's terms of trade and would therefore tend to benefit her balance of payments. On the other hand it would mean a further decline in the dollar earnings of the other Sterling Area countries. Conversely, a rise in these prices would further aggravate the adverse change in the terms of trade from Britain's point of view, but it would cause an increase of the dollar earnings of the Commonwealth.

One thing is certain. The British public has become once more acutely conscious of the dollar problem. Twelve months ago it was the general opinion that the problem of the dollar gap was incapable of solution. Six months ago the view gained widespread acceptance that the dollar gap problem had virtually ceased to exist. And now once more British papers are full of gloomy references to the dollar gap. Even though the amount of the gold and dollar reserve is very considerable, it is by no means sufficient to reassure British opinion about the prospects.

Official quarters in London are less perturbed about the position as far as imported raw materials are concerned. On the other hand they view with growing concern the prospects of the two home-produced raw materials—coal and steel. The output of these is incapable of keeping pace with the growing demand, and acute shortages are freely predicted. Since the limited supplies will be needed for rearmament requirements the prospects of coal and steel exports do not appear to be very satisfactory.

Notwithstanding this there are no indications of any intention to revert once more to cuts in dollar imports. The government would be reluctant even to reintroduce petrol rationing, in spite of the temporary cessation of oil imports from Persia. Yet, should rearmament gather momentum a return to the regime of austerity seems inevitable.

Joins B. C. Ziegler

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—James E Billings has been added to the staff of B. C. Ziegler & Company, Minnesota Federal Building.

With Vance, Sanders

(Special to The Financial Chronicle)

BOSTON, Mass. — Theodore E. Andrews is now associated with Vance, Sanders & Company, 111 Devonshire Street.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Cleo F. Craig, President of the American Telephone & Telegraph Co., and Richard H. Mansfield, Vice-President, Rockefeller Center, Inc., have been elected to the board of directors of the **Chase National Bank of New York**, it was announced on July 11 by Winthrop W. Aldrich, Chairman of the Board. Vacancies on the bank's board resulted from the recent death of Leroy A. Wilson, President of American Telephone and Telegraph Co., and the death last February of Robert C. Stanley, Chairman of the International Nickel Co. of Canada, Ltd. Mr. Craig was elected President of A. T. & T. on July 2 after 38 years with the company. Since his appointment in 1940 as a Vice-President he has at various times been in charge of the company's long lines department, personnel relations, operations and engineering, revenue requirements, and finance. Mr. Craig is a trustee of the Central Savings Bank and a director of the Citizens First National Bank & Trust Co. of Ridgewood, N. J., etc.

Mr. Mansfield resigned from his position as a Vice-President of the Chase National Bank in 1948 to become associated with John D. Rockefeller, Jr. and his five sons. He had been with Chase and the Mechanics & Metals National Bank, a predecessor bank, since shortly after graduation from Princeton in 1922. He was appointed Manager of Chase's Rockefeller Center Branch when that office was established in 1933 and was named a Vice-President in 1940. In 1947 he was transferred to the head office in charge of New York City branches. Mr. Mansfield is Executive Vice-President of Rockefeller Brothers Inc., a director of the Home Life Insurance Co., a trustee of the Atlantic Mutual Insurance Co., and a trustee of the Seamen's Bank for Savings.

* * *

Lawrence C. Cooper has been elected Assistant Treasurer of **Bankers Trust Company of New York** and will be in charge of public utility investment research in the Investment Research Division of the bank's Personal Trust Department. He is a graduate of the University of Michigan, having been awarded the degree of Master of Business Administration in 1932. He also attended the Chicago Chapter of the American Institute of Banking and Northwestern University. Before coming to Bankers Trust Co. Mr. Cooper was associated with Argus Research Corp., and prior to that was with the City National Bank in Chicago, Goodbody & Co., and held various other statistical and research positions in the mid-west.

* * *

Horace C. Flanigan, Chairman of the Board of **Manufacturers Trust Company of New York**, announces that Henri Z. Lake, formerly Trust Officer, has been appointed a Vice-President. A native of New York City, Mr. Lake came to Manufacturers Trust Co. from the Chatham Phenix National Bank & Trust Co. in the merger which took place in 1932. He began his banking career upon graduation from Harvard in 1928. Mr. Lake served as a major in the United States Army Air Force in World War II. At the same time it was announced that James H. Allen and William H. Padgett, Jr. were appointed Trust Officer and Assistant Trust Officer respectively of the Manufacturers Trust. Mr. Allen came to the bank in the Brooklyn Trust Co. merger in 1950 having been with that institution since 1925. Mr. Padgett has been with Manufacturers Trust Co. since 1947.

Mr. Flanigan of the Manufacturers Trust Co. also announces that Louis P. Christenson, Vice-President and Senior Loaning Officer, and a member of the bank's General Administrative Board has been named Chairman of the Directors Loan Committee of the trust company. Mr. Christenson began his banking career in 1913 with the National Bank of Commerce. He joined Manufacturers Trust Co. in 1926 as a Vice-President and has served on the General Administrative Board since its formation in 1947.

A further announcement (July 17) by Mr. Flanigan of the Manufacturers states that Richard I. Cluett and Arthur H. Petrucelli have been appointed Assistant Secretaries of the company. Mr. Cluett, who was born in Troy, N. Y., was first employed by Manufacturers Trust Co. in July 1936 at its 18th Street Office. After several promotions, he was appointed Assistant Manager of the Fourth Avenue Office in January 1947. Mr. Petrucelli was first employed by the company in July 1933, in its Real Estate Department. In recent years he has been associated with the Purchasing and Maintenance Department and has been engaged in architectural work in connection with new construction and alterations.

* * *

The directors of the **First National Bank of Philadelphia** on July 12 elected William B. Walker President to succeed Harry C. Carr who has become Chairman of the Board, the first, according to the Philadelphia "Inquirer" to hold that post since 1924. Mr. Walker, who is 47 years of age and who had previously been a Vice-President, is the youngest and eighth President in the history of the bank, which has just observed its 88th anniversary. The "Inquirer" also states:

"A native of Aberdeen, Miss., Mr. Walker has spent his entire business career with the bank, joining it in 1929, a year after his graduation from the Harvard Graduate School of Business Administration. He was appointed an Assistant Cashier in 1934, an Assistant Vice-President in 1941 and a Vice-President in 1943. He was elected a director in January of 1948."

* * *

The Mellon National Bank and Trust Company of Pittsburgh announced on June 26 that the **Manchester Savings Bank & Trust Co. of Pittsburgh** has become the Manchester office of the Mellon National Bank & Trust. The Pittsburgh "Post-Gazette" reports that William F. Minnick, formerly Secretary, Treasurer and Trust Officer of the Manchester Bank, has been appointed Assistant Vice-President of the Mellon National and Manager of its Manchester office. R. M. Bunting, formerly Assistant Secretary and Assistant Treasurer, and James C. Lowry, formerly Auditor, of the Northside bank, have been appointed Assistant Managers.

According to the weekly Bulletin of the Office of the Comptroller of the Currency the **First National Bank of Oakmont, Pa.** (capital $75,000) was absorbed on June 15 by the Mellon National Bank & Trust.

* * *

The increased capital of **The National City Bank of Cleveland, Ohio,** raised from $10,000,000 to $12,000,000 by the sale of $2,000,000 of new stock, became effective June 20. In giving details of the plans to enlarge the capital, in our May 24 issue, page 2154, it was indicated that the surplus would be increased to $18,000,000 from $15,000,000.

* * *

The Lebanon-Citizens National Bank of Lebanon, Ohio, increased its capital, effective June 22, from $165,000 to $330,000 by a stock dividend of $165,000.

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An increase in the capital of the **First National Bank of Black Hills, at Rapid City, So. Dakota,** from $500,000 to $750,000 as a result of a stock dividend of $250,000 became effective June 20.

* * *

Stockholders of **The Bank of California, National Association of San Francisco,** are being offered rights to subscribe to 85,000 shares of capital stock of the bank at the rate of one new share for each five shares held of record July 10. The offer to purchase the new shares at a subscription price of $40 per share expires on Aug. 3. A group of 19 underwriters, headed by Blyth & Co., Inc. has agreed to purchase from the bank all unsubscribed shares at the subscription price. Of the $3,400,000 to be received by the bank from the sale of the new capital stock, $1,700,000 will be added to its capital increasing it to $10,200,000, and $1,700,000 to surplus, raising it to $13,200,000. The bank is in its 88th year, having been incorporated in San Francisco, July 5, 1864, to take over the business of private banking firms established in California in the early 1850's. The bank conducts a general banking business at its head office in San Francisco and at its branches in Portland, Oregon and Seattle and Tacoma, Wash. The total resources of the bank have increased from $188,877,801 in 1941 to $412,901,162 at the end of 1950.

* * *

W. W. Crocker, Chairman of the Board of Directors of **Crocker First National Bank of San Francisco,** announced on July 12 the promotions of A. L. Hay and Henry Pult to Assistant Trust Officers, and A. N. Veltman to Assistant Cashier, foreign exchange department. Mr. Hay has been with the bank for 33 years and Messrs. Pult and Veltman each have records of 27 years of service.

On July 11 Crocker First National Bank announced the retirement of A. R. Angell, Vice-President in charge of the Foreign Department; and Paul Roth, Assistant Cashier in the Real Estate Department. Mr. Angell started with the bank in 1909 and had been in the Foreign Department for 41 years. He has been active in the Banker's Association for Foreign Trade, and for 30 years has been a member of the Bohemian Club. Mr. Roth came to the west coast in 1915 to join the Mutual Savings Bank, which was later merged with The Crocker Bank. He entered the Real Estate Department in 1928.

* * *

As a result of the sale of $500,000 of new stock, the capital of the **Puget Sound National Bank of Tacoma, Wash.** was raised as of June 20 from $1,000,000 to $1,500,000.

Two With Conrad, Bruce

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Derele Swails and Frank Zimmerman have joined the staff of Conrad, Bruce & Co., 813 S. W. Alder St.

With Jos. Faroll

Murray E. Wagner and Socrates T. Karadish have recently become associated with Joseph Faroll & Co., 29 Broadway, New York City, members of the New York Stock Exchange, as Registered Representatives.

From Washington Ahead of the News

By CARLISLE BARGERON

Now that there is being conducted on Capitol Hill a study of ethics in government, brought on by the Fulbright committee's disclosures about the RFC, it is the plain if unpalatable truth that the Republicans would get much further in saving the country from "ruin," "socialism," "Trumanism," "Pendergastism" and the other things which they say they are trying to save the country from, if some of their prominent figures were more intellectually honest and less cynical themselves. Too many of them are too vulnerable to make the all-out fight. They go up to the point where the Leftists say say, o.k. old fellow, you have made the proper showing of indignation but don't go any further.

Carlisle Bargeron

We have been reading in the newspapers of a scandal in the Internal Revenue office in Boston. The fact is that some young investigators employed by the House Republicans in the 80th Congress dug up all this dirt and more. They were quite disillusioned when their Republican employers didn't go to town on it. Instead, these employers, these Republicans, preferred to keep the information over the head of Democratic Leader John McCormack, whose patronage most of the Boston Internal Revenue employes are. Instead of letting the public know what their investigators had dug up, these Republicans preferred to use it for trading purposes with John.

This man is a great contribution to this country and a stalwart in the preservation of its freedom for which we are spending so much money and giving atomic raid drills to children to preserve. His invariable presentation in House debate is to say that under Hoover we were selling apples in the streets, now look where we are. Yes, look.

Yet a Republican who usually jumps up to answer him with the same sort of demagoguery, perhaps the Republicans' ablest debater in the House, is so entangled that he can't go the full route of attack; he can only go to the point of what is considered clean fun, without being really effective.

Several months ago, the so-called Buchanan Lobby Investigating Committee set out high-handedly to persecute individuals and industries in the country that were working against the Washington gang, circulating literature against them or subscribing to an organization that was distributing such literature. Reluctantly and under pressure, two Republican big shots "denounced" the committee's action. But they never would disclose that the core of this committee's persecution was two Communist fellow travelers on the committee's staff. These Republicans knew this to be the case, but they were not free enough of criticism themselves to go beyond the mere routine denunciation.

Only recently a prominent and influential House Republican visited with the Republicans on the House Public Works Committee and urged them to vote for the proposed St. Lawrence waterway on the ground that one of the steel companies favoring the project has always been good to the Republicans. This company, along with several others, wants the waterway to bring in the iron ore in which they have invested in Labrador and Quebec—a perfectly understandable desire! However, this GOP member obviously is not in a position to go about it in a hammer and tongs way to "save the country from ruin," "from socialism," or anything else.

I am not so naive as to believe that everything should be honey or sunshine and light in the great game of American politics. It is one of the contending and conflicting forces that make up our life, a counter and off-setting greed to other greeds.

But too many of the Republicans have been in the minority for so long that they have become too cynical and inclined to seek the profitability of the minority role. It is not generally understood that there is this profitability for the more influential in the minority, if they are reasonably acquiescent while professing to be the opposition.

Former Senator Joe Guffey of Pennsylvania was for years quite affluent and content as the Democratic or minority leader of Pennsylvania. But in 1936, with the Roosevelt tide, it was too much of a set-up for him to resist running for the Senate and becoming the majority leader in Pennsylvania.

And I have a friend who sat in the late Andrew Mellon's home the night Andy told the Republican Senator, Dave Reed, one of the ablest men ever to serve in the Senate, that the Pennsylvania high moguls had decided the State should have a Senator in Washington who was close to Roosevelt and that he, Dave, was through.

It was not long after, of course, that Roosevelt was trying to put Andy in jail for alleged income tax evasion. A jury saved him from jail, not Joe Guffey, who stood close to Roosevelt. But Andy thought he was being smart.

Indeed, I know of influential Pennsylvania industrial forces who want to see Francis Myers, Democrat, defeated last year by Joe Duff, come back to the Senate because he is "close" to the Administration. Strangely enough, the CIO, the "Liberals" and the Leftists would like to see this, too. I sometimes wonder that these "selfish" and "reactionary" interests don't get together with the CIO and the other Leftists and really give the rest of us a going over.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John R. Heslop has become affiliated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Two With Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert S. Burkholder and James L. Pray are now with Paul C. Rudolph & Company, 127 Montgomery Street.

Railroad Securities

Chicago, Rock Island & Pacific

Even before the general rail market lost its Korean-induced pep, the common stock of Chicago, Rock Island & Pacific had been proving disappointing to its many adherents. For some time it had been reflecting the widespread disappointment over failure of directors to adopt a more liberal dividend policy. Once the debt picture was so thoroughly cleaned up early in 1950, it had been expected that the regular \$3.00 dividend rate on the common would be brought more nearly in line with current earning power and prospects. Barring this, it had been hoped that a fairly liberal year-end extra would be distributed. Neither of these events occurred, nor has the regular rate been increased so far in 1951.

While action of the directors with respect to dividends has been disappointing so far, it does appear reasonable to expect that this extreme conservatism cannot be continued indefinitely. For one thing, Rock Island has one of the most conservative debt structures to be found in the industry. The reorganization under Section 77 was one of the most drastic imposed by the ICC on any major carrier. On top of this the management started on a program of aggressive debt retirement through open market purchases immediately upon consummation of the plan. This program culminated early last year with the sale of \$55,000,000 of new 1st 2⅞s, 1980.

Proceeds from this sale were used to redeem the old income 4½s and to pay off a bank loan contracted a couple of months earlier to redeem the old 1st mortgage 4s. Through sinking fund operations this new 1st mortgage had been reduced to \$53,994,000 by the end of last year. This represented a reduction of some \$50,000,000 in non-equipment debt below the conservative level provided in the reorganization. Moreover, further systematic debt reduction is assured through operation of a sinking fund of \$1,000,000 a year on the 2⅞s, 1980, the only non-equipment debt now outstanding. Aside from the reduction in face amount of debt, it is obvious that the status of the company's stock has also benefited from the very low rate of interest on the new bonds sold to retire 4s and 4½s.

Aside from the 1st mortgage 2⅞s and a relatively modest amount of serial equipment debt the company's capitalization consists of 704,849 of \$5.00 preferred (dividend cumulative only if earned) and \$1,408,895 shares of common. Fixed charges are now running at the rate of somewhat under \$2,600,000 annually and preferred dividend requirements amount to \$3,524,245. Total charges ahead of the common stock, then, come to roundly \$6,100,000. This amounts to only 3.4% of gross revenues at the 1950 level. In comparison with the small senior capitalization, net working capital as of March 31, 1951 stood at \$31 million, with cash items of \$40 million.

With the above background, and considering the large sums that have been spent in recent years on the property and for new equipment, Rock Island should obviously be in a position to pay out a fairly large proportion of its earnings in dividends. In each of the full three years since consummation of the reorganization (1948-1950) \$3.00 a share has been distributed. Common share earnings during that period totaled \$30.33, or an average of \$10.11 a year. Last year's earnings amounted to \$10.20

Rock Island is one of the railroads whose earnings this year have been above the level of a year ago. May in itself witnessed a year-to-year decline in net income. For the full five months, however, common share earnings reached \$3.65 compared with \$3.00 for the like 1950 interim. The management has estimated first half earnings of \$4.43 against \$3.45 a year ago, indicating further improvement in June. Traffic is flattening out and it is possible that the summer months may not measure up to last year. Fall prospects, however, are good and should be bolstered by higher freight rates. For the full year, then, the company could well earn in the neighborhood of \$12.00 a share.

Agnes Osgood Rep. For Hicks & Price

CHICAGO, Ill.—Agnes Osgood, secretary for many years to W. B. Simpson of the A. M. Castle Company, has become associated with Hicks & Price, 231 South La Salle Street, members of the New York Stock Exchange, as a registered representative.

Miss Osgood is one of the first Chicago women to become a fully registered representative for a New York Stock Exchange firm.

Why Overtax the American People?

By JULIUS HIRSCH

For five years our government in Washington has consistently underestimated the Federal revenue, and done so to a startling degree. Now it claims a $10 billion boost in taxes is going to be needed to balance the budget in the fiscal year which has just begun.

Julius Hirsch

The Administration's present claim for fiscal 1952 ought to be suspect simply on the basis of its record for erroneous forecasts. In addition, analysis of available figures suggests that the cash budget in the new fiscal year will be balanced **without any new taxes at all.** If Congress yields to the Executive's pressure and passes tax increases, they will simply produce a surplus.

Let us look at a few examples of past underestimates:

The Sins of the Past

For fiscal 1947—year to June 30, 1947—the President:

Forecast a deficit of $4.5 billion.

The fiscal year yielded a surplus of $0.8 billion.

Miscalculation was $5.3 billion, even though expenditures were greater than forecast by $6.5 billion.

For fiscal 1948 the President estimated a balanced budget of ($0.2 billion surplus).

Together with Raymond Moley, the writer was able to estimate as early as January, 1947, a surplus of $7.8 billion.

In August of 1947 the President estimated the surplus would be $4.6 billion—and we had an actual surplus of $8.4 billion (miscalculation $8.2 billion).

For fiscal 1951 President Truman estimated in the budget message of Jan. 1950 a deficit of $5.133 billion, and changed this in January 1951, based on new taxes passed in 1950, to a deficit of $3.1 billion. We now have a surplus of $3.5 billion. **Miscalculation:** $6.6 billion.

Thus, the inflationary pressure which we experienced in the first 9 months of fiscal 1951, was certainly not due to a budget deficit. We will also have, as the figures now stand, no cash deficit in fiscal 1952 even without a penny in new taxes.

No Cash Deficit in Fiscal 1952 Even Without New Taxes

Looking forward, the 1951 surplus amount of $3.5 billion can be carried over into fiscal 1952. This will immediately improve the cash situation—which will be even more favorable since the trust funds (Social Security, etc.) have also yielded a surplus in 1951, as we had during that fiscal year very small payments, e.g. for unemployment.

National Income Again Underestimated

Furthermore, it has been evident for some time that the national income, on which the budget revenue estimate for 1952 was based, was again forecast at too low a level. Inflation and rising prices boost tax revenues. The enormous expansion of production since Korea — probably about 11-12% at an annual rate—has increased personal income and taxes.

Total personal income increased by $25 billion from July 1950 to April 1951, inclusive, that is from an annual rate of $220.7 billion to $245.2 billion. The first budget forecast for 1952, however, was based on a "total personal income" estimate of $231.1 billion a year which was the figure when the forecast was made in October 1950.

In view of the obvious rise in income, the Treasury itself raised its estimate of tax receipts. As personal income at the beginning of April had reached $245.2 billion on an annual basis, the Treasury forecast that this would also be the average of calendar year 1951, and consequently upped its forecast of revenue by $3.4 billion.

Accordingly the Administration reduced its claim for $16.5 billion in new taxation to $10 billion.

Some weeks later, when it was clear that national income had risen again, the Joint Congressional Committee for Internal Revenue upped the government forecast of total personal income for 1951 to $255 billion and arrived at a tax income for fiscal 1952, on the basis of the present rate, of $60.9 billion.

On June 28, 1951 Secretary of the Treasury Snyder announced that the government had revised its expenditure figure for fiscal 1952 downwards by $3.2 billion. Contemplated outlay is now reduced from $71.6 billion to $68.4 billion.

Instead of a forecast deficit, he has the second highest surplus in all history for fiscal 1951, namely $3.52 billion.

Did Mr. Snyder now at last reduce his claim for $10 billion new taxation for fiscal 1952? Did he allow for the better forecast of the Committee of Internal Revenue adding $2.5 billion to tax income; for the fat tax surplus from social security taxes? Even omitting this last element his "deficit" would have been reduced to less than $4 billion.

Far from it!

Sticking to his antiquated income forecast, Mr. Snyder nevertheless still claims that he "needs" $10 billion in new taxes.

I think that it is easy to show that all expenditures for fiscal 1952 can be met without new taxes because:

(1) In all probability the national income will be very considerably higher in fiscal 1952 than its rate in April, 1951. Forecasts by non-government experts point to "total personal income" not of $245 billion as last anticipated by Secretary Snyder, not of $255 billion as last anticipated by the Joint Committee on Internal Revenue Taxation in April, **but of about $265-270 billion as the average for fiscal 1952.**

(2) The Snyder forecast anticipates that not the slightest cut in the expenditures as proposed by the Administration will be made—while Senator Byrd claimed a $7 billion cut and Senator Douglas at least a $3 billion cut.

(3) Even under the assumption that **no** reduction of expenditures as proposed by the Administration would be made, the Cash Budget for 1952 would look as follows based on present tax rates:

	Snyder Proposal	Jt. Com. Proposal (in billions)	Author's Estimate
Based on personal income in fiscal 1952 of	$245	$255	$265-270
Would yield a tax income of	58.4	60.9	62.1-63.1
Budget surplus of 1951 carried forward at least	3.5	3.5	3.5
Cash surplus of Federal funds	3.0	3.0	3.0
Cash supply available for fiscal 1952	64.9	67.4	68.6-69.6

Why Higher Income in Fiscal 1952?

Total personal income is composed of labor income, dividends, and proprietors' income. These were $165 billion, $19.7 billion and $48.3 billion respectively, when the Snyder forecast was made in April.

Since the April forecast was made, labor income has already increased somewhat. It rose by $1.9 billion from February to March, and from $2 billion from March to April, and this rise must have continued and will further do so after many hundred wage raising agreements waiting on the Wage Stabilization Board's desk will be agreed upon, let alone the relaxation in the wage ceilings.

As during the next year the labor force will certainly not decrease but probably increase somewhat; as, moreover, wages are bound to increase some (Senator Taft thinks more than 10%), we consider it to be a modest assumption to put the average wage and salary bill for fiscal 1952 at a rate of somewhere around $178 billion. Professor Slichter estimates that it will lie between $183-190 billion at the end of the period. As salaries and wages amount to 65% of personal income, coorespondingly, total personal income should be about $269-275 billion, or rather modestly figured between $265-270 on an average.

Consequently, we would have with an expenditure of $68.4 billion—

Under the assumption of the Internal Revenue Committee: a cash deficit of $1.2 billion.

Under an assumption of $270 billion personal income: no deficit—to a cash surplus of $1.2 billion.

But the House of Representatives, as a result of the erroneous assumptions of the Administration, has voted no less than $7.2 billion in new taxes, partly extremely burdensome for an economy experiencing a "lull" completely unforeseen by government experts.

If the $7.2 billion in new taxes would be enacted, we would have, without one penny cut in the Administration spending proposals:

Under the assumption of the Internal Revenue Committee: $6.0 billion surplus.

Under an assumption of $270 billion personal income: $7.4-8.4 billion surplus.

To make Congress adopt this huge budget, which evidently will yield a near record surplus, if taxes are increased, the Administration announced that in fiscal 1953 expenditures would run to $80-90 billion. At the same time, however, it was announced that the military budget for fiscal 1953 might run up to $55 billion. Based on present standards, this would actually mean that the total budget then might perhaps read $75 billion—not $80 billion and certainly not $90 billion. Thus, when Snyder testified, he "justified" his new tax program less by the needs of fiscal 1952 than by the blown-up needs of fiscal 1953.

Hereupon, these questions seem to be justified:

(1) Should the end of the bloody fighting in Korea bring no reduction at all in the scheduled expenses?

(2) Or are some parts of the Administration thinking of using the defense production of our nation as a political WPA in favor of super-employment during the election campaign of 1952? Or do they just want a big surplus to boast about?

(3) If some budget savings were to be brought about by Congress—even if they would not come up fully to the $7 billion proposed by Senator Byrd, let alone the $20 billion cut proposed by Senator Taft, but only the modest $3 billion of Senator Paul Douglas—why does Congress prematurely hand out $10-11 billion more than needed?

Securities Salesman's Corner

By JOHN DUTTON

Answer, Please!

(Article I)

Several times during the past few months I have seen news items originating from reliable statistical sources, indicating there are about 6,000,000 owners of corporate securities in this country, as compared to around 80,000,000 who own life insurance, government bonds, and savings bank accounts. Possibly the figures on the total number of stockholders are not absolutely correct, but a million or two more or less either way still leaves a very wide discrepancy between the relatively small number of stockholders and those who have invested in fixed income investments.

After many years of government supervision of the securities markets by the SEC—after around thirteen years of domination of the over-the-counter business by the NASD—after continued and insistent tightening of regulations by both of these agencies of government (the NASD is a creature of the SEC), and by state securities commissions in the individual states—why is it that more people do not have confidence in equity investments? If these agencies have done so much to promote public confidence in the purchase of securities, why is it that so few people own them as compared to other forms of investment? If only 6,000,000 people own common stocks, and about 80,000,000 own savings accounts, life insurance and government bonds, how about the 74,000,000 who don't own stocks — why don't they own them?

Possibly it is a lack of confidence in stocks as an investment as compared with government bonds, life insurance and savings accounts. If this is partially so, why doesn't this offer an opportunity for the responsible leaders of the securities business to find out about it? Why doesn't someone suggest to the NASD and the SEC that they might help the investment business more by making some investigations along this line? Or better still, why hasn't the SEC and the NASD awakened to this serious problem and offered some assistance to the investment business? Does the SEC and the NASD have only one function—which is to act as a policeman? Do you pay your tax money which provides the salaries of the SEC employees, and your dues to the National Association of Securities Dealers, just to have them always around in case some isolated securities dealer, or broker, occasionally steps over the line, as drawn by the Securities Acts and the NASD by-laws? Is not the purpose of both of these organizations to **promote the welfare of the securities business as well as to safeguard the public against unethical practices?** If the policeman on your block carries a night stick and catches the intruder on your premises, isn't it also in his line of duty to help an old lady across the street? Does he turn his back when he can help a law-abiding citizen, and only make his appearance when a law is being broken?

Why is it that only 6,000,000 people own stocks while 74,000,000 own government bonds, life insurance, and savings accounts?

Next week I'd like to ask some more questions. There are some serious matters which are today disturbing practical men who have been in the securities business nearly all of their working lives. Some of these men are salesmen, others are office managers for New York Stock Exchange firms, some are dealers in general market securities and sole proprietors of small firms. All of them are primarily interested in the selling end of the securities business. They know that it is the sales department that pays tne way. They know that all of these other activities are solely dependent upon the profits that come primarily from the creation of new accounts, the servicing of old accounts and from sales. These are the men who produce the income which supports the NASD and produces the tax money which keeps the SEC alive.

These men know why there are only 6,000,000 stockholders in American industry. These men could tell you what is needed if you ever hope to double or triple this number. But these men are not asked to Washington to testify before committees, nor are they heard too often in the private meetings of the partners when they are held in the New York office of some of our Stock Exchange firms. They don't very often become officers of the NASD. In fact, they don't have much to say about anything except that they do know how to go out and get the limited amount of the business that exists today. They do know the 6,000,000 stockholders that it is claimed now own shares in this nation's corporate enterprise.

I have talked with quite a number of these men over the years and I think I know what they are thinking. In fact, I have an idea that they know more about solving these problems than is generally realized.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Robert M. Grauer and Sydney E. Simpson are now affiliated with Merrill Lynch, Pierce, Fenner & Beane, 205 West Congress Street.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Duane E. Huss has become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Canadian Securities

By WILLIAM J. McKAY

At the time of going to press last week, the official figures of Canada's stock of monetary gold and U. S. dollars were not yet published, so the mid-year situation with reference to the Dominion's foreign exchange situation could not be adequately told. On July 6, however, the Dominion's Finance Department at Ottawa announced that on June 30, Canada's official reserves of gold and U. S. dollars climbed to $1,683 million, a gain of $400 million from last year.

These reserves, held by the Foreign Exchange Control Board, are only about $100,000,000 below the record quarterly high of $1,789,000,000 on Sept. 30, 1950, and were accumulated in spite of a five-month deficit in foreign trade.

The trade deficit for the five months of this year, as pointed out last week, totaled about $300,000,000. An offsetting factor of this deficit is undoubtedly due to a new net inflow of capital to Canada from the United States. The Canadian Government freed the dollar to halt that speculation, and since then U. S. capital has returned to its normal pattern of mainly seeking long-term investment in Canada instead of speculation in exchange.

It is reported that the movement of American capital to Canada came chiefly from industrial companies in the U. S. that were enlarging their Dominion facilities. This was supplemented to some degree by Canadian borrowing in the United States, which was reported as heavy during the second quarter of the current year.

Another source of inflow of dollars into Canada at this time is the heavy tourist trade. The favorable balance of payments on tourist account in 1950 was $53 million, an interesting contrast to the over-all unfavorable balance of $316 million. This credit balance was, however, sharply lower than that of $94 million in 1949. The reduction was due, in part, to a decrease in the expenditures of foreign tourists in Canada, but mainly to an increase in the spending of Canadians abroad. American visitors in Canada spent $8 million **less** in 1950 than in 1949, whereas Canadians visiting the United States spent $26 million **more**. Tourists from overseas spent $3 million **less** in Canada than in the previous year, but Canadians overseas spent $4 million **more** in the same period. During 1950 expenditures of Canadian travelers in other countries reached $222 million, an unprecedented 81% of expenditures of non-resident travelers in Canada. The corresponding ratio from 1925 to 1939 averaged 54%.

The removal of some restrictions on imports by travelers to Canada in January 1949, according to the Canadian Bank of Commerce, was largely responsible for the unprecedented increase of 66% in Canadian expenditures over those of the previous year. The freeing of the Canadian dollar on Oct. 1, 1950, along with the relaxing of restrictions on United States dollars for Canadian travelers, resulted in increases in Canadian tourist expenditures in the United States amounting to 26, 32 and 68% in the last three months of 1950 over the same period in 1949. Many Canadians took advantage of the exchange situation to spend lengthy winter vacations in Florida. Shopping trips to the United States which had been deferred because of exchange restrictions were resumed on a much larger scale.

Along with the tourist trade, Canada is enjoying a fairly prosperous mining industry. Dividends by mining companies in Canada this year are running considerably ahead of last year and it is conceivable that the total for 1951 will eclipse by a comfortable margin the all-time record of $119,200,000 reached in 1950.

While the industry is experiencing higher operating costs and taxes, it is also enjoying a ready market for its production at more favorable average prices, particularly for copper and nickel. At least one new dividend payer may be added to the list this year, for Quemont is likely to initiate dividends in the fourth quarter. The company earned $2.14 per share in 1950 and 53 cents per share in the first quarter this year.

Consolidated Mining and Smelting Co. is the outstanding contributor to the increase in mining dividends. Its total of $10.50 per share to be paid in 1951 compares with $8.50 per share in 1950, an increase of $6,500,000. East Sullivan, New Calumet, Normetal, Mining Corporation and Centures are among the companies paying more this year. The latter two are holding companies.

Dividends by gold mines are not so favorable and may be lower as the gold mining industry is feeling the effects of the further rise in costs that has occurred since the outbreak of war in Korea. Their indicated total for the first nine months of $14,600,000 would compare with $15,200,000 for the 1950 period.

Continued from page 11

Population Trends and Investment

1929-1948, when the population was growing more rapidly.

Suppose per capita income increases 1.75% per year. This means that by 1970 per capita real income will approximate 1,239—1930 dollars; and by the year 2000, 2,086—1930 dollars. The corresponding national income figures would be $202 billion in 1970 and $393 billion in the year 2000. If we put the base total figure for 1950 at 250 billion late 1950 dollars, we may assume that the national income will rise to $390 billion by 1970 and to $760 billion by the year 2000. In terms of late 1950 dollars per capita income, about 1,647 in 1950, would then rise to about 2,330 by 1970 and to 3,932 by 2000.

National income should rise faster in the rest of the world, at least outside Western Europe, than in the United States. As we have indicated population in the under-developed countries, where live about 1.5 of the world's 2.4 billions, will increase about 1% per year. Let us suppose this rate will hold on the average outside the United States for several or more decades.

Per capita income should rise appreciably faster outside than inside the United States, at least in the under-developed parts of the world. For in the under-developed parts economic activities other than agriculture are not well developed, whilst the methods of production often are archaic. So there is room for very great improvement. Accordingly, it may be safe for us to assume that there per capita income will rise 2-2.5% per year for some decades to come. In fact, if an increase of this magnitude cannot be achieved, there is little likelihood that the great gap now found between the level of per capita output in the advanced industrial countries and that in the under-developed countries will be removed.

Suppose we combine a 1% per year increase in the labor force with a 2-2.5% per year increase in per capita income. Then we get an annual growth rate of about 3-3.5%. This rate means that total output will increase at least one-third faster outside the United States than within the United States. And this should raise foreign demand relative to American supply.

Prospective Capital-Forming Capacity of the United States and the Rest of the World—Let us turn now to consider the capacity of the United States and the rest of the world to form capital. This capacity turns on two factors, (1) the size of a country's national income and (2) the disposition of the people to devote their productive power to the formation of capital goods instead of consumption goods and services. In the nineteenth century and the early twentieth century the Western peoples, together with the Japanese, variously saved between one-tenth and one-fifth of their national incomes. In the United States the rate was a bit above one-tenth, Kuznet's estimate of about 12% representing our disposition to form capital. In most of the backward countries of the world, where live about three-fifths of the world's population, the saving rate has been much lower. A number of circumstances are responsible for this. Savings institutions are not well-developed, and many of those which are offer interest rates of around 3%, which is far too low, considering the productivity of capital. There is too much emphasis on consumption among the more well-to-do. Among the poor, and into this class fall most of the people, incomes are so low as to make very little saving possible even under the best of circumstances.

In order that the present disparity may be contrasted, I shall put it this way. Let us suppose that the current saving rate in the United States and the wealthier progressive countries is at least 10%, whilst that in the under-developed countries is about 5%. These comparative figures give us a rough notion of the contrasts which prevail at present.

Now let us put these figures into aggregate amounts of savings. We then get something like this:

Countries	Population	Income	Savings
8 richest	10	55	5.5
25 poorest	50	10	under 1
Others	40	33	say 3.5

These figures are in percentage units. They are based upon United Nations estimates. They are subject to the double error that runs through national income estimates: a tendency to underestimate the national income in countries where a good deal of production does not get distributed through commercial channels; and a tendency to accept at face value the worth put upon government outlays for labor. Despite, these errors, however, the figures do give us a notion of the world situation.

Let me use a somewhat different illustration. In 1949 our national income ran about $217 billion, and this was distributed among about 150 million people. Business and personal net saving ran about $18 billion, or about 9%. In that same year the population of Asia (exclusive of Japan), Africa, and Latin America numbered 1,527 millions; and these people produced about $97 billion of income, of which they saved only about $5 billion. In other words, there lived in these countries ten times as many people as in the U. S.; and they produced less than half as much net product; which means that they average only about one-twentieth as much income per head as did the Americans. It is not surprising that they saved only about one-fourth as much in the aggregate.

Colin Clark made some estimates for the mid-1950's which run like this. The income of the world will approximate 582 billion I. U., an I. U. today being worth a little over $1.50. Of this amount Russia and East Europe will produce about 72; West Europe, about 151; Australia, New Zealand and Canada, about 20; Latin America, about 35; Asia and Africa (incl. So. Africa), 142. The United States will produce about 162, or about 28% of the estimated total.

World savings will approximate 73 billion, with the United States supplying 24, or one-third. West Europe, Canada, Australia, and New Zealand will supply 21; Russia and East Europe, 10. By contrast, Asia, Africa (incl. So. Africa), and Latin America will supply only 17. These figures, for what they are worth, indicate that most of the world's capital for foreign investment will have to come from Europe and the English-speaking world, with the U. S. playing the dominant role.

The World Demand for Capital and Its Capacity to Absorb American Capital

The remainder of this lecture will have to do with the impact of world population growth upon the demand for American capital. In my next lecture I shall finish this topic and devote some attention to the effect of American population growth upon the demand for American capital.

The foreign demand for American capital, when it does not originate in military, quasi-military, and anti-communist arrangements, is usually premised upon the assumption that this capital will be used to augment the productivity of the borrowing country. For when this is the case, the borrowing country becomes able, after a time, to utilize some of its increased producing power to furnish interest on the foreign loan and sometimes, after the passage of a sufficiently long period of time, to furnish means wherewith the loan can be repaid.

There are two ways we can get at the foreign demand for capital for productive purposes. One is simply to estimate the average amount of investment needed to create a wage job in industry, commerce, or the services in the borrowing country. It is hard to know just what figure to use, however. This figure will be lower than the comparable figure that would be used in the United States since, on the whole, it is better to begin by establishing industries and wage jobs which require considerably less capital than is needed, on the average, in the United States. A figure of $2,500 is often used for this purpose now. I cannot say whether this figure is too high or too low. It does give us something to estimate with, however.

Now how much capital is needed in those parts of the world where capital is in very short supply and the population is growing? Earlier I said that in these countries there live about 1.5 billion people. Let us put at 35% the fraction of these people that is in the labor force. In a country like United States, of course, this fraction is higher, being in the neighborhood of 40%. Thirty-five per cent of 1.5 billion is 525 million workers. If numbers should grow 1% per year, we should be adding 5.25 million workers to the labor force each year, to say nothing of what would amount to additions which would be created by the transfer of workers out of agriculture. This number, at $2,500 per wage job, would cost just over $13 billion per year now and, by 1970, the annual cost would have risen to about $16 billion. According to the United Nations estimate, these 1.5 billion workers produced about $100 billion of income in 1949. If they saved 10% of their income, they would still fall short by about $3 billion of the amount of savings needed to equip the workers being added each year to the labor force; and this figure ignores all their other needs. If they saved 13% of their income they could, at least in theory, equip this 1% increase in the labor force. Since they are not likely for some time to do what the Japanese did, namely save enough, they will endeavor to borrow and this action is bound to increase the demand either for American capital or for support from the American Government. In either event the level of demand for American capital will be raised, and by more than the mentioned figures indicate. For we did not allow for better equipment for the existing population.

There is another way of looking at the effect of foreign population growth upon the demand for American capital. The national income must grow to accommodate the increase in population and to permit the improvement of output per head. We may, therefore, compare the amount of wealth, or the amount of productive capital, with the national income and see how much this wealth, or this capital, must be increased to accomplish a certain rate of increase in national income.

The ratio of all wealth to national income appears to be in the neighborhood of 4 or 5 to 1. That is, a nation's stock of wealth is equal to 4 or 5 times the national income. Let us call this ratio 4. Now suppose that a country's population increases 1% per year, and that it is desired also that per capital income increase 2% per year. This means that an increase of about 3% per year is desired in the national income. If the ratio of wealth to income is 4 to 1, then an annual increase in the national income of 3% would call for an annual saving equal to 4 times this 3%, or 12% of the national income. We may say, therefore, that an increase of 3% in the national income will call for a saving of 12% per year. This figure becomes 15, if the wealth-income ratio is 5; and it becomes only 9 if the ratio is 3. I put the argument in average terms. It must be put in marginal terms, if the average differs greatly from the marginal level.

If instead of taking all wealth we take only certain kinds of capital, those kinds which contribute most directly to production, we may reason in the same manner, but we must use different figures. Suppose that the ratio of the net national product to capital stock is 3 or 4 to 1. Then again we may reason that an increase of 3% in the net national product calls for a saving of 9-12% of the national income.

We may now bring our argument to a head. An increase of 1% per year in a country's population calls for saving equal to 3-5% of the national income, and this permits no improvement in living standards, and yet in money parts saving is only about 5% if that much of their income. Any such improvement calls for additional saving. We may conclude, therefore, that so long as the population of the world ouside the United States is growing at a rate of 1% per year there is going to be a heavy demand for capital for investment capital in these countries. This demand is bound to impinge in one way or another upon the American capital market and should therefore serve to sustain the demand for American capital. This impact will be felt most strongly, of course, if conditions are established which permit reasonably safe investment in the countries with growing populations. While this type of investment is not the sort that is presently open to insurance companies, it does serve to draw capital out of lines in which insurance companies can invest. I am inclined to believe, therefore, the growth of population outside the United States will give strong support to the demand for American capital. But there remains a condition I'll discuss first thing this afternoon.

[Editor's Note: Foregoing is first of three lectures by Professor Spengler. Others will be given in subsequent issues of the "Chronicle."]

Paine, Webber Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Richard E. Tobias has been added to the staff of Paine, Webber, Jackson & Curtis, 209 South La Salle Street.

Joins P. W. Brooks

(Special to The Financial Chronicle)

SPRINGFIELD, Mass.—Donald F. Whiston has joined the staff of P. W. Brooks & Co., 1570 Main Street.

Joins King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Earl S. Toner has joined the staff of King Merritt & Co., Inc., Chamber of Commerce Building.

H. L. Ritter Opens

OLNEY, Ill.—H. L. Ritter has opened offices at 302½ East Main to engage in the securities business.

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As We See It

rationing had been promised has taken on added significance in some minds by reason of recent developments in Korea.

Inflation or Deflation?

The dominant note in the Washington "line" has to date been the danger of "inflation." It is still having much to say on the subject. There are reports, however, that influential elements among the President's advisers are now beginning to wonder whether or not they ought really to be worrying not about inflation but about what they term "deflation." It may well be that this view of the outlook—in a pre-election year—may presently prevail. It is no secret that European observers are beginning to ask about such a prospect. The point being made here has little or nothing to do with the validity of such a diagnosis or prognosis. What concerns us here is whether such an idea will presently dominate official or Congressional thinking. Naturally, the course of events during the next few weeks or months will have a definite, possibly controlling, influence upon official thought, although this rather limited period will hardly afford positive assurances either way as to the general business outlook during the next, say 12 or 15 months—the period which will elapse before the voting starts.

Given the general economic philosophy (if such it can be termed) which prevails in Washington and the habits and practices of the New Deal and the Fair Deal, it is not particularly difficult to arrive at an idea of the nature of the effect such uneasiness might be expected to have upon public policy during the next few months. Rearmament expenditures, which for the most part have so far been regarded as an unpleasant and expensive necessity, might suffer a change into an anti-depression influence of great value. In such an event, outlays as such, rather than rearmament, might become the overriding virtue of the process, with results not wholesome on any account.

"Point Four" and related programs would present another danger point of importance. The Administration has long been itching to get into this business of pouring funds abroad, at times as a means of preventing depression here at home and at times as a measure supposed to have great merit as a peacemaker or peacesaver throughout the world. It would be much easier for the authorities at Washington to find excuses for giving billions away either in Europe or throughout the so-called underdeveloped lands of the earth should there arise a definite fear about the outlook for business during the next year to year and a half. There are already rumors about plans of the sort.

Taxes More Unpopular

It is evident already that, politically speaking, the task of matching outlays with tax collections has grown much more onerous. Continued slack in business would not naturally have a great deal of influence in the direction of reducing the net increase in armament and other expenditures, but it certainly would reduce the fear of a Federal deficit, which in such circumstances might in the minds of a good many of the pseudo economists of the day take on instead a sort of halo of glory. Any remote possibility which may have existed of major reduction in indefensible Federal outlays would in such circumstances of course vanish wholly and very quickly.

One could scarcely imagine a situation more perfectly made to order to support a full renewal of pegged government bond prices. Of course, the matriculate are fully aware that the Federal Reserve authorities have never left Treasuries to their own devices. The market in which the Treasury must find its borrowed funds would be a different affair were the so-called central banking system to act as central banks are in accepted classical theory supposed to act. It is not known precisely what the understanding between the Reserve and the Treasury really is, but obviously it is not what it once was. It is highly probable, however, that a much more active role would have to be undertaken by the Reserve authorities to enable the Treasury to borrow large additional funds at presently prevailing rates. A period in which fear of depression was governing might very well bring a return to the old pegged market—the only difference being that the peg would be lower than in the past. That would not be good for anyone except possibly the politicians.

There are also the good standbys, the farmer and the veteran, to whom funds can be handed out in large amounts allegedly for the prevention of depression. These handouts are much more attractive to the politician when the rank and file are worried about depression. Even during the booming times which have prevailed without substantial exception since the end of the fighting in 1945, reduction in largesse to the farmer has come only by reason of booming markets. We should not be able to do much with this shameful situation in the presence of a depressino threat, real or imagined.

The Administration has been talking bravely about wage stabilization during the past year although not a great deal has actually been done about it. A depression psychology would quickly restore higher wages as economically desirable as a means of increasing and spreading purchasing power. But there is no need to extend the discussion further. The general nature of the hazards of a depression threat, real or fancied, in a pre-election year are clear. The public must be prepared for them.

Life Cos. Increase Purchases of U. S. Bonds

Acquired in first 5 months of current year approximately $5 billions, compared with $368 millions in same period of 1950. Holdings of U. S. securities, however, show net decrease.

According to a statement issued by the Institute of Life Insurance, purchases of U. S. Government securities in first five months of the current year totaled $4.937 billion, compared with but $368 million in same period of last year. Despite the increase in purchases, however, the total holdings of U. S. Government securities by life companies at the end of the period, show a decline of $1.718 billion, thus revealing a continuation of the liquidation of this class of investments, which began several years ago, during the period of pegged government bond prices.

Investments made by the life insurance companies of the country during May and holdings at the end of May are reported as follows by the Institute of Life Insurance (000,000 omitted):

	Acquired				Holdings	
	May 1951	May 1950	5 Mos. 1951	5 Mos. 1950	May 31, 1951	May 31, 1950
U. S. Government securities	$716	$46	$4,937	$368	$12,109	$14,907
Foreign Government securities	33	2	96	34	1,480	1,424
State, County, Munic. bonds (U.S.)	23	7	80	81	1,143	1,078
Railroad bonds (U.S.)	24	23	128	133	3,126	3,008
Public Utility bonds (U.S.)	59	143	345	552	10,417	9,692
Industrial and misc. bonds (U.S.)	293	119	1,147	565	9,930	8,632
Stocks (U.S.)	39	68	123	227	2,020	1,814
Foreign corporate securities	17	4	83	77	711	581
World Bank bonds	1	--	18	1	71	51
Farm mortgages: Veterans' Admin.	--	1	2	2	30	28
Others	38	31	221	169	1,406	1,198
Nonfarm mortgages: FHA	90	122	492	624	4,906	3,989
Veterans' Administration	125	57	673	151	2,628	1,330
Other	235	166	1,078	680	8,782	7,332
Total securities and mortgages	$1,693	$789	$9,423	$3,664	$58,759	$55,064
Farm real estate	--	--	--	--	28	36
Other real estate	17	23	77	79	1,462	1,262
Policy loans	51	42	246	211	2,496	2,293
Cash	--	--	--	--	1,001	888
Other assets	--	--	--	--	1,750	1,433
Total assets	--	--	--	--	$65,496	$60,976

A. E. Anderson With Francis I. du Pont

CHICAGO, Ill. — A. Elmer Anderson has become associated with Francis I. du Pont & Co., 208 South La Salle Street. Mr. Anderson, a veteran of 25 years on La Salle Street, was formerly with Faroll & Co.

Opens Brokerage Office In Anchorage, Alaska

ANCHORAGE, Alaska — The First Anchorage Corporation has been formed with offices at 715 Fourth Avenue, to act as dealers and brokers in stocks and bonds. Paul R. Flynn is President of the new company.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The eleven-month 1⅞% note offered by the Treasury in exchange for the August 1¼s was in line with expectations. This new note is a desirable obligation for banks and others, and the exchange is being well received. The Federal Reserve System also announced the exchange of one billion dollars of the non-marketable 2¾s for a like amount of Treasury 1½% notes due in 1956. This is evidently a control measure, to enable the monetary authorities to be in a position to meet conditions as they develop in the money markets.

Although the government market has had periods of greater volume and activity, the past week was a good one as far as the Federal Reserve Banks were concerned, because the Central Banks did not have to purchase Treasury bonds for support purposes. A combination of decreased liquidation by the large sellers and a certain amount of professional and investment buying made support purchases by Federal unnecessary.

The near eligible restricted obligations, the 1956-58 eligible and the longest bank bond, have been the market leaders. The short-term issues continue to be well bought because the desire for liquidity is still strong.

Mixed Opinion on Market Outlook

The action of the government market has many followers of these securities asking themselves, is this the real McCoy or is it a cream-puff development that could be deflated very readily. Reactions as to what has been taking place in Treasury obligations is still rather varied. Some hold the betterment, which has been witnessed so far in quotations, is not of the lasting variety. They point out that the rise does not rest on solid footing because there is too much professionalism in it, and not enough of the important and necessary investment buying. The market for many issues, particularly the higher yielding obligations, is said to be very thin and it takes only a handful of orders to move prices rather easily in either direction. At the present instance, the trend has been on the constructive side, because of not too sizable buying by dealers and traders who are trying to scalp a few 32nds, some short covering and a modest between the 2s due 12/15/52-54 and the 2½s due 3/15/56-58. According to reports, the 2½s due 12/15/63-68, have come

Will Liquidation Resume?

The $64 question, in the opinion of some money market followers, is how long will the big liquidators of Treasury obligations stay on the sidelines. There appears to be considerable selling that must still be done by these institutions, although the comparative calm at the moment may have greater significance than what can be ascertained from checking as to when the much talked about liquidation is likely to be drawing to a close. To be sure it is expected that the large life insurance companies will continue to hit the market with bonds as time goes along. However, the opinion is expressed in some quarters that these bursts against the market are likely to be less severe and they may well be less frequent. This phase of the situation is being watched very closely, with the belief being expressed here and there that the high point of the institutional selling may have been reached during the month of June.

When selling again appears from the large institutions, and there seems to be rather general agreement that this will take place, will the market fold up and do a spin down to the old lows? Some believe the market advance could be halted and part of the recent gains would be given back, but they do not believe prices will go altogether over again to the extreme defensive. The selling, it is expected, is not likely to be as sizable as in the part, and there should be more investors around to help absorb the issues that will be up for sale. The other view of the situation is taken by certain people in the financial district and this is, when the large institutions come back in to sell Treasuries in order to get funds for other investments, the professionals, the traders, and the not-too-rugged investors won't be able to be found for the cloud of dust behind them. Then they expect the market to fold up like a house of cards and go down and test the lows for the year. There you have it, put down your coin and take your pick.

Eligibles Acting Well

The eligible sector of the market, that is the intermediates and the longer ones, have been doing all right, with offerings rather limited and buying orders not too sizable, but enough to give them a good tone. One of the noticeable features of the eligible obligations has been the narrowing of the yield spread between the 2s due 12/15/52/54 and the 2½s due 3/15/56/58, with the rise in price of the latter obligation being mainly responsible for this. This again brings into the forefront the desire of many commercial banks to get what is termed an "assured coupon income," because they still believe many of the callable obligations may be retired before maturity with lower coupon obligations. The passing of the call on the 2s not so long ago by the Treasury has not altered very much the ideas of these institutions about what might take place in the future.

According to reports, the 2½s due 12/15/63/68, have come in for some good buying recently because the buyers believe the price and yield is attractive and the eligible feature which becomes operative Dec. 1, 1952 is an added attraction. It is indicated that all of the tap bonds, which can be bought by the deposit banks in 1952, are getting more than passing attention at this time.

The partials have not been doing very much, and not very many of them have found their way into the market. Nonetheless, the mid-western commercial banks, it is reported, continue to keep their teeth in the 2⅞s and the 1960-65s.

Joins Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, Me.—James F. Ingraham has joined the staff of Lincoln E. McRae, 449 Main St.

V. T. Curran Opens

PROVIDENCE, R. I.—Vincent T. Curran is engaging in the securities business from offices at 170 Westminster Street.

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The Current Investment And Business Outlook

basis points higher than a year ago. Radical and mystifying changes have occurred in the price of tax-exempts.

Earnings of the Dow-Jones industrials have risen from about $5.44 per share in the first quarter of 1950 to an estimated level of $7.42 per share in the first quarter of this year, or more than 36%.

Common stock prices, as measured by the Dow-Jones industrials, have risen 12½% from 217.78 to 245.27 (June 25th). In the light of these pronounced changes in the political and economic environment, it seems quite fitting to take another audit of the principal factors of the securities markets as they affect investment policy — particularly to strike a trial balance of the pros and cons of a dynamic risk-taking policy—namely, the purchase of common stocks.

We find as usual numerous debits and credits in our trial balance. At any given time we find plenty of reasons for being bearish or bullish. It is our business to strike a balance and derive a policy.

The first item on the debit side of our balance sheet is the war in Korea and the threat of another major war growing out of this incident or from the stresses and strains in other areas of the world, particularly the Middle East.

Improbability of All-Out War

I have no disposition to assume the role of political prophet in this dangerous and bewildering world, but I am prepared to accept as a major premise of investment policy at this time the improbability of the outbreak of an all-out world war.

As General MacArthur has so eloquently stated, I believe that a world war will begin when Stalin elects to make the commitment; and his failure to strike when we were hanging on the ropes at Pusan and in the face of our buildup of strength in Western Europe and at home, suggests to me that the Communists will continue to pursue their imperialistic ends through the familiar methods of infiltration and subversion but not through the direct challenge of war. The recent bid for a cease fire suggested that the Communists, having made an unsuccessful play for Korea, are now prepared to cut their losses in that area. I believe, moreover, that if we get by the critical period of the next several months and pursue with unflagging determination an all-out program of defense, the outbreak of a major war in 1952 or 1953 is even less likely than now.

This is not to deny, however, that the market will be subject to the impact of recurring war scares as the Communists turn their pressure on other areas. That is altogether likely; and it is one of several good reasons for following a cautious and balanced investment program at this time. Iran, for instance, is a greater danger spot than Korea because there is more immediately at stake.

The Rise in Inventories

The second debit item in our balance sheet is the current mild business recession and the question of how far this may carry. We are currently in a deflationary phase—a pause in the mesh between declining civilian production and rising military output. Following the outbreak of war in Korea there was a feverish rush by consumers, merchants and manufacturers to stock up in anticipation of shortages, having in mind the experience of the Second World War. In the 12 months ending April 1951, manufacturers' inventories rose more than 29%; wholesalers increased stocks more than 25%, and retailers' inventories rose from $14.5 billion to $19.4 billion, or about 33%. There is no way of measuring what happened to consumers' inventories but we all know that there was a large volume of frantic buying, all the way from nylons and coffee to automobiles and houses.

The rise in inventories was accompanied by a record-breaking expansion of commercial debt. The business loans of the member banks rose from $13.3 billion on June 1, 1950, to a peak of $19.3 billion on April 11, 1951, more than 44%.

A rise of $8 billion in manufacturers' inventories can hardly be regarded as excessive or disturbing if viewed in the light of unfilled orders, which rose about $30 billion in the same period. Manufacturers' inventories in this period declined from 133% of unfilled orders to about 70%.

The heavy inventory position of retailers, however, is another matter, as they appear to be caught in a squeeze between flagging consumer demand and the pressure to reduce loans. Consumers, having discovered that the widely heralded shortages have not come to pass and having stocked up heavily, are now displaying a good deal more caution. Retail trade declined more than seasonally in March and April, and recently the widely advertised price wars caused only a brief and local flurry. Despite the increase in sales in the New York area, department store sales for the country as a whole are below last year on a physical volume basis.

Recently the New York "Times" carried a story of an auction sale of $5 million of television sets by one of the major dealers. This is a far cry from shortages.

The banks meantime are exerting pressure for the reduction of nonessential or speculative loans pursuant to their adopted program of voluntary credit restraint. The Federal Reserve Bank of New York has recently set up as a policy goal the rollback of outstanding bank credit to the level prevailing at the beginning of this year. In view of the probable need of bank credit to finance expansion of plant, equipment and inventories in connection with the defense effort, this is a rugged program so far as non-defense needs are concerned.

Top-heavy inventories at the retail level and tighter credit conditions reflected in a sharp rise in interest rates have exerted a deflationary pressure on commodity prices. Wholesale commodity prices have moved sidewise during the past three months and the index of sensitive raw materials prices, after having advanced 38% from June to December 1950 and another 6% from December 1950 to the end of February 1951, has since declined about 11% from its February peak.

Thus we have present all the characteristics of a deflationary phase—high debt level, tight money conditions, heavy inventories, and declining commodity prices. Tighter money conditions are reflected at all levels—consumers, corporations and financial institutions. Contributing to a contraction in the effective money supply is the large cash surplus of the current Federal budget.

No Major Deflation

The tight money position of the consumer stems from the huge increase in instalment and mortgage debt over the past five years, which results in a curtailment of personal savings available for investment. The banks have been selling bonds steadily to take care of the huge increase in demand for credit on the part of corporations. This in turn reflects the less liquid position of the latter, arising from the need of added funds to finance rising inventories and expanding plant. The situation can be remedied either by drastic liquidation or by a further expansion of the money supply and an acceleration of the velocity of the monetary turn-over. The question then is whether we are at the beginning of the familiar spiral of a major deflation.

I do not think so. This brings us to the first credit item of our balance sheet as a contra to the foregoing, namely, the prospect of a high level of industrial production and full employment for the duration of the defense effort and the prospect of a concurrent expansion of the money supply, income and savings, granting the probability of some disemployment as we shift from civilian to armament production. Our urgent defense needs virtually insure a full utilization of our material and manpower resources for at least two years ahead and provide insurance against a major depression in that period, subject, of course, to the extremely improbable contingency of an abandonment of our arms program following an apparent accord with the Communists. This I believe could precipitate a deflationary spiral; but it is too remote to enter seriously into our present calculations. Current negotiations for a cease fire may result in some slow-down in controls and taxes. It seems altogether unlikely that we shall be so fatuous as to again drop our guard and abandon our rearmamament program. Maintenance of the defense program and relaxation of controls and taxes would be essentially inflationary.

It is probable, for instance, that the Federal Reserve Board index of Industrial Production, which stood at 217 at the end of the year, will reach a level above 230 by the end of this year and that the gross national product might rise from a rate of $300 billion in the last quarter of 1950 to as much as $335 billion in the final quarter of 1951. This should be accompanied by a substantial rise in consumer disposable income even after assumed higher taxes. In view of the prospective restraints on consumer expenditures for durable goods, we can also assume that the rate of personal savings will rise substantially, though currently this is below last year. Our experience in the last World War, when a high level of income and a restricted area of consumer spending produced an abnormally high rate of savings, would appear to lend support to this forecast.

Parenthetically, it might be observed that the stocks of the manufacturers and retailers of soft goods, which have been under some pressure as a reflection of the present slump, would appear to merit favorable consideration on the basis of the outlook for consumers' disposable income.

It should be borne in mind too that the Treasury for some time past has been taking more money out of the banking stream than it has been putting in; that is, we have had a substantial surplus in the cash budget. As our defense spending is stepped up this situation will be reversed, as we shall in all probability return to deficit financing.

Current Situation—A Temporary Squeeze

In short, I regard the current situation as a temporary squeeze rather than the beginning of a major deflationary spiral; and admitting the expanding needs of industry for capital and credit to finance rising defense production, I should expect to see an easing of the statistical position of money in the course of this year and some firming of bond prices as a reflection of the restraints imposed on credit demand on the one hand and a rising volume of investable funds on the other.

While money is undeniably tight at this time and private debt is up sharply from $140 billion at the end of 1945 to $229 billion at the end of 1950, or 64%, I do not believe that the volume of private debt can be regarded as of troublesome dimensions when related to the source of its support. Private debt at the end of 1950 was 97% of the national income as compared with 172% at the end of 1939. Moreover, prospective conditions suggest a decline in the volume of private debt and an increase in the rate of savings.

Anything in the nature of a major business depression is simply not admissible for the foreseeable future in view of the huge demands growing out of our defense effort and the great expansion of expenditures for plant and equipment by industry largely for the purpose of taking care of our defense needs. In the coming fiscal year military expenditures of all kinds are projected at $46.4 billion, more than twice the $21.4 billion of expenditures in the 1951 fiscal year; and by the year-end defense spending should reach a rate of $50 billion per annum as against $30 billion currently. Expenditures by industry for plant and equipment are estimated at $24 billion in 1951, about 30% higher than the 1950 volume.

This opinion is held in full recognition of the probability of a sharp decline in residential building activity and automobile and other durable goods production in the second half of this year. It would not be surprising if new housing starts in the last six months of this year are as much as 50% below the same period of last year. Building starts in April were down contra-seasonally and were 34% below April of last year; and in May starts were 35% below the same month of last year. It seems probable too that passenger car production may decline by as much as 30% to 40% as compared with the last half of 1950.

Confirmation of the prospect of a high over-all rate of industrial production for a considerable period ahead is to be found in our index of incoming orders. In the fall of last year this index reached a level above the peak of the World War period. It has, to be sure, suffered a decline of about 18% in the past two months, but it is still well above any level reached in the postwar period prior to 1950.

The virtual assurance of the absence of a major depression for several years ahead and the consequent probable maintenance of relatively high and relatively stable earnings despite the impact of higher taxes and the contraction of profit margins incident to price controls and defense contract renegotiation, are factors of primary significance in the appraisal of common stock values. For a number of years past common stock prices have represented an abnormally low rate of capitalization of earnings because we have looked upon those earnings with a jaundiced eye, regarding them as a manifestation of temporary boom conditions. We have had our sights fixed steadily upon the "coming recession." Now if we are to conclude that a recession of any significant degree will not come for some time ahead and if we bear in mind that excess profits taxes serve to a degree to put a floor under as well as a ceiling over earnings, we may feel justified in paying a higher multiple of earnings and dividends than we have for some time past. Indeed, that is just what we are doing now.

To be sure, this rearmament boom will not last forever. In fact, it will not last as long as some people now suppose. Short of all-out war, we should be able to fill our arsenal within a period of two years unless a truce in Korea results in a slow-down in the pace of our arms output; and thereafter major defense expenditures should be for the maintenance of military establishment and standby productive capacity as well as the development of new and improved weapons. This could mean a sharp cutback in the mass production industries and it raises the question of the rate at which we shall be able, say in 1953, to employ a steel capacity of 120 million tons and a productive capacity of aluminum more than double that of 1943, at the peak of World War II demand.

However, it is unduly sophisticated as a matter of present investment policy to worry about possible excess capacities several years hence, bearing in mind the tremendous growth in our needs based upon a dynamic increase in population.

Are Stocks Too High

Our scrutiny of the balance sheet of investment policy reveals a third debit, namely the absolute level of common stock prices. Historically the market is very high. It has never been higher except for one brief period from 1928 to 1930; and since the 1929 debacle we have regarded the price level of that lamented new era as fantastic. The Dow-Jones industrial average is now within less than 20% of the average level of 1929. From the 1929 high to the 1932 low the market declined more than 80%. This is a sobering reflection that should serve to dampen speculative expectations.

The contra item on the credit side of the balance sheet is the relative level of common stock prices in terms of the purchasing power of the dollar, as contrasted with the admittedly high absolute level. We have been in a long-term inflationary trend since 1933 and a further significant decline in the value of the dollar appears to lie ahead as the product of our all-out defense effort, despite the various anti-inflationary measures that may accompany it and granting that we are now in the midst of a deflationary phase. The supply of money has about trebled since 1939, far exceeding the increase in the production of goods. Consequently a significant rise has taken place in commodity prices. The U. S. B. L. S. Index of Wholesale Commodity Prices rose 131% from August 1939 to February 1951; and the more volatile index of sensitive raw materials prices rose 291%. The sluggish and somewhat unrealistic index of the cost of living rose 85% between August 1939 and April 1951.

In terms of the cost of living index the dollar may be said to be worth about 54c currently as related to its 1939 purchasing power. Expressed in terms of 1939 dollars derived from the cost of living index, the Dow-Jones industrials at 248 are selling at the equivalent of 134. The average or so-called "normal" level of this index in the prewar period, 1935-1939, was about 150.

I am not suggesting that there is an exact mathematical relationship of stock prices to commodity prices. Stock prices in the long run represent a capitalization of earnings at a rate determined by the prevailing level of interest rates, but I am emphasizing that even at current historically high absolute levels common stocks are one of the few elements in our economy which do not reflect fully the decline in the value of the dollar.

Under the conditions of a war economy, namely an expanding money supply, and a contracting supply of goods available for civilian consumption, a further rise in commodity prices, that is a further decline in the value of the dollar, is a long-run probability despite the current evidence of a deflationary setback. It is simply a question of degree. Measures so drastic as to halt inflation in its tracks are not feasible either politically or economically.

How far we shall proceed with effective inflation controls is conjectural; but the investor should accept as a major premise of his investment policy the fact that a large element of inflation is frozen into our economy and a further substantial degree of inflation should be experienced in 1952. I have put inflation on the credit side of my ledger in the audit of common stock investment policy. This is not to suggest that I regard inflation as good. I do not, of course. It is an unmitigated evil for almost everyone, but it is to suggest that in our present social framework common stocks provide almost the only means available to the average investor to protect himself at least in part against the ravages of this evil.

Prospects of Corporate Earnings

The fourth and final item on the debit side of our trial balance is the almost certain prospect of a material decline in corporate earnings in the last half of 1951, resulting from the current slump, the maladjustments of conversion of defense production, price and other controls and higher taxes.

So far as price controls are concerned, all is confusion, and industry, if not Washington, is baffled. I know of several companies that have sent representatives to Washington in an effort to find out just how the recent complicated pricing formula will apply to them. Hence I can scarcely attempt to predict its impact on corporate earnings except to say that for some industries it should mean a rollback of prices and a considerable contraction of profit margins, unless the Senate Banking Committee's present proposal to eliminate rollbacks prevails.

To date a factor which has sustained this market has been the extraordinarily favorable corporate earnings statements and dividend declarations. That factor will not be present to the same degree in the latter part of this year. Net earnings of a large group of typical corporations in the fourth quarter of 1950 were almost 30% above the same quarter of 1949 and in the first quarter of this year the net income of 550 companies as compiled by the National City Bank of New York was likewise 30% above the first quarter of 1950.

We are of the opinion that a sharp decline in net earnings is in prospect in the second half of this year. For the year as a whole we are projecting a decline in the net earnings of the Dow-Jones industrial companies at about 20%, which could mean a decline of almost 40% in the second half of the year as compared with the extraordinarily high rate of the last six months of 1950. A commensurate decline can be expected in dividends largely as a result of the elimination or reduction of year-end extras; and our present thinking is in the neighborhood of $13 per share this year for the Dow-Jones industrial average companies as against $16.13 last year.

A characteristic of this market for several years past that has consistently sustained my confidence in the sound investment values which it has been providing is the low ratio of prices to earnings. The average price of the Dow-Jones industrials in 1948 and 1949 was about 8 times earnings and the ratio in 1950 was about 7 times. As a result of the sharp advance in prices in the past six months and the prospective decline in net earnings over the next six months this situation no longer prevails in so pronounced a degree, that is, common stocks are no longer in the bargain basement. On the basis of our studies of the past relationship of stock prices to earnings the market as measured by the Dow-Jones industrials currently might be said to be about 20 points above normal. At its present level the Dow-Jones industrial average is selling at over 10 times our estimate of the earnings of those companies this year and is yielding about 5% based on our dividend projections. While this is not extravagantly cheap, neither can it be said to be unreasonably high if we consider the nature of current earnings.

This brings us to the offsetting credit item in our trial balance, namely, the nature and durability of current corporate earnings. In the first place, these earnings as related to the value of the dollar in which they are expressed, or more important, as related to the invested capital from which they derive, cannot be said to be abnormally high. Moreover, as we have seen, under the economic conditions which appear to lie ahead over the next several years corporate earnings, though lower than those of 1950, should nevertheless be maintained at satisfactory rates as related to current levels of common stock prices. The degree of the decline in earnings which I have suggested in the second half of this year may seem drastic but I call attention to the fact that this year's earnings even then will be the highest in history except for the year 1950.

An Index of Confidence

We maintain a so-called index of confidence which expresses the ratio of the yield of Moody's 200 common stocks to Moody's Aaa corporate bonds. At the end of 1950 this index stood at 2.48 to 1, that is, the yield afforded by representative common stocks was almost 2½ times the yield of high-grade bonds. There have been only two brief periods in the history of the market when this ratio has been higher, namely, in 1940 following Dunkirk and 1942 after Pearl Harbor. In 1929 common stock yields were only 62% of high-grade bond yields; and the average relationship of the past 22 years has been about 1.6 to 1.

In the course of this year this ratio has declined from 2.48 to 2.19 at the end of May as a result of lower common stock yields and a sharp rise in high-grade bond yields. On the basis of present common stock prices and high-grade bond yields and our projection of 1951 dividend rates, a ratio of about 1.7 might be expected by the end of this year. Again, on this basis stock prices are no longer extravagantly cheap. Neither are they abnormally high particularly in the light of the general economic prospects of the next two years.

Probability of Market Decline

From this analysis I derive the conclusion that we cannot rule out the probability of a market decline over the nearer term of the order of 10% to 20% from the recent top; but I am firmly convinced that a decline here would be in the nature of a correction rather than the initiation of a major bear market, as I do not believe that we have present in our economy today the elements of a major depression over the foreseeable future. On the contrary, I look for continued expansion of the economy for a considerable period of time ahead.

In the analysis of the stock market there is one factor that must not be overlooked, namely, the tremendous and steadily growing volume of institutional funds that provide the market a solid foundation of investment demand. I believe that this factor has been largely responsible in recent times for the orderly nature of price declines and the quick rebound from such declines. As you probably know, I can report cheerfully that the open-end investment companies are currently selling new shares at an annual rate of about half a billion dollars and the trend continues upward. This results in a current net contribution of about a quarter of a billion annually, largely to the equity markets. Beyond this there is a large and growing demand for equities from the insurance companies particularly as a result of the recent legislative authorization for the purchase of common stocks by the life companies in New York. A growing number of states are permitting purchase of common stocks by trustees; and the rapidly growing pension funds are a potential source of a huge flow of money into equities. We recently estimated that the amount of funds available to the equity markets from these sources should be running at close to one billion dollars per annum. This great concentration of institutional investment funds which are ordinarily committed on a long-term income basis may well result in lower yields for good quality common stocks than we have been accustomed to for some years past.

Even granting that present circumstances suggest the possibility of a 10 to 20% correction of the market, I do not believe that this consideration should deter the investor from committing available funds now to the shares of investment companies of established standing if he is willing to accept my basic premise that we can anticipate an expanding rather than a contracting economy for a considerable period of time ahead. I make this recommendation for these reasons:

(1) It is seldom profitable for the individual to attempt to catch relatively short swings. In the first place, if we do have a minor decline the investor who sells or refrains from buying is not likely to buy at the bottom. In the second place, he will be without income while he stands on the side lines and income is of the essence of investment.

(2) The purchase of shares in an investment company should be regarded not as a purchase of common stock, but rather as the employment of investment counsel. In purchasing the shares of a good investment company the investor is achieving the three cardinal prerequisites of satisfactory investment experience, advantages which accrue ordinarily only to the institutional investor or the very wealthy individual through the employment of competent investment advisers.

Barclay Inv. Adds.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Lyle E. Ware has been added to the staff of Barclay Investment Co., 39 South La Salle Street.

With Buffett & Co.

(Special to The Financial Chronicle)

OMAHA, Neb.—Warren E. Buffet has joined the staff of Buffett & Company, Omaha National Bank Building.

J. C. Eversole Opens

(Special to The Financial Chronicle)

CHICAGO, Ill.—Joseph C. Eversole is engaging in a securities business firm offices at 4340 Drexel Boulevard.

Continued from first page

Economic Implications Of a Korean Settlement

goods. The real economic impact of rearmament is still ahead of us.

Yet at the same time, the economy has begun to show many signs of hesitation and readjustment. A number of commodity prices have retraced part of the sharp upsurge that occurred after the outbreak of war in Korea. Civilian goods are more abundant than at any time in the past ten years. Retail price cutting has reappeared and "price wars," unheard of since the depression years, have been undertaken to stimulate the flagging buying interest of consumers.

Clearly, business sentiment has changed, and consumers as well as businessmen are displaying a degree of skepticism and hesitancy regarded as most unlikely a few brief months ago. Now, the impending settlement in Korea is providing a further strong incentive for a careful scrutiny and critical reappraisal of the economic outlook.

International Developments and Business Activity

The record of the past 12 months clearly indicates the potent influence of the international situation in shaping the course of economic events. Although the outbreak of the Korean war should perhaps not have occasioned great surprise in view of the unsettled state of our international relations during the postwar years, it nevertheless had immediate economic repercussions. It set off a series of interrelated booms in consumer goods, in business spending for plant and equipment, in business inventories, in construction, in government stockpiling and later in spending for defense. All these were promptly reflected in a sharp upsurge in commodity prices and in a substantial rise in the rate of industrial production. This general environment of rapid spending, rising prices and mounting production persisted into the early months of this year.

The change in business sentiment, which first became evident a few months ago, likewise reflected developments on the international scene. The military progress in Korea, coupled with the failure of Russia to take overt action, contributed to a calmer appraisal of the international outlook, and the fear of imminent worldwide war, which had been held by many people last fall, began to subside. Also, with the passage of time, it became evident that the defense program was not going to be pressed with the vigor of an all-out effort and that consequently its effects on the economy would be less extreme and longer delayed than was generally supposed a year ago. In recent weeks, this feeling of caution has been reinforced by the initiation of steps apparently designed to liquidate the war in Korea.

In appraising the economic outlook, international events again appear decisive. Should the efforts to arrive at a settlement in Korea end in failure the disappointment in this country would be great, and would probably be followed by a determination to step up the pace of rearmament even above current schedules. The present uncertainties concerning the trend of business activity would be largely dissipated by the prospect of a rapid rise in defense spending to twice current levels, or higher. This would revive the general economic environment and outlook of a year ago.

However, should progress be made toward ending the Korean war, the feeling of uncertainty regarding business prospects would in all likelihood be enhanced. Without attempting to call the turn on international affairs, it is obviously more useful and pertinent to discuss the economic outlook on the assumption that the peace negotiations in Korea will proceed and will be interpreted as indicating some relaxation of international tensions, rather than to assume a renewal of military conflict.

Increased Prospects of Business Readjustments

Even before the steps toward a Korean settlement became a factor in the economic outlook, it was evident that the boom engendered by the outbreak of war was beginning to lose some of its vigor, and that excesses had developed which might entail readjustments. Recent happenings in Korea have increased the possibility of a temporary downturn in the levels of business activity and prices. The general effect of a truce there would be to strengthen, at least for a time, the forces operating in this direction. A brief consideration of some of the factors supporting this point of view is in order.

Commodity Prices—One of the most eloquent indications of a change in economic prospects was the halt in the sharp upward trend of commodity prices in the early part of 1951, shortly after the imposition of widespread price controls. Without doubt, the price ceilings directly prevented some price increases; in addition, they may have reduced the eagerness of consumers to rush out and buy goods in an effort to beat the price rise. However, it appears that by the time broad price controls were put into effect, the initial inflationary forces resulting from the outbreak of war had already largely spent themselves and that the controls had relatively little influence on the subsequent course of commodity prices. In recent months, some of the sensitive price indexes have reversed part of their rise and the more comprehensive indexes have been substantially on a plateau.

It seems reasonably clear that the price boom in the last half of 1950 pushed some prices to levels not likely to hold in the absence of a continuing war psychology. The increase in prices in this period was one of the most rapid on record, being exceeded in the twentieth century only in the postwar inflations of 1919-20 and 1946-47. Many factors contributed to this sharp rise. There was a fear of war and of interference with foreign sources of raw materials. The imminence of price controls and of limitations on the use of materials for civilian production was widely publicized; this encouraged businessmen to mark up their prices as a defensive measure. The consumer buying wave, which resulted in greatly increased orders, further stimulated higher prices. Rising production brought many materials into short supply. At the same time, the government sharply increased its stockpiling activities, and the inflationary environment convinced the businessmen that inventories were better than cash.

With the passage of time, however, these factors gradually lost their power to keep prices under continuous upward pressure. In the case of consumer goods, large inventories have checked price increases; in fact, efforts to reduce some excessive inventories have led to conspicuous demonstrations of price cutting. For farm prices, lower levels are reasonably certain if the present good crop prospects materialize.

Genuine peace in Korea would further weaken the underpinning of commodity prices. Specifically, it would reduce the urgency to build stockpiles and would lead industry and government to reappraise future needs for raw materials. Of course, not all forces will be operating in the direction of lower prices: labor costs are likely to continue to rise and the farm price support program is still on the statute books. Nevertheless, for the time being at least, the prospect is for stable or somewhat lower prices rather than for continued strong inflationary pressures. This change in the price outlook will have its effects on consumers and businessmen.

Consumer Spending—Since the beginning of the Korean war the country has experienced two great consumer buying waves. The first appeared almost immediately after the outbreak of war; the second emerged at the close of last year, when the Chinese Communists entered the war and the President declared a national emergency. In these buying waves, consumers anticipated future requirements for durable goods, such as automobiles and household appliances, and probably for some soft goods as well. It has been estimated, for example, that as many as one million additional passenger cars were sold last year as the result of scare buying.

This forward buying naturally had its effects upon retail sales in recent months, especially since the expected shortages of consumer goods did not materialize and the war news improved. Also, the regulation of consumer credit has had some effect. Even though personal income has continued to rise in recent months, retail sales have not followed suit; they have sagged from the record levels that prevailed during the two consumer spending booms. Although retail trade still continues to show increases over the corresponding months of 1950, we are now entering a period in which sales will be measured against the very high records established last year. Consequently, retail trade comparisons are likely to be less favorable in the months ahead.

Progress in settling the Korean war would act as a restraining force on consumer spending. It would remove the last vestiges of scare-buying, if any still remain. Also, it might induce consumers to hold out for lower prices. Recent developments in retail trade suggest that consumer resistance is directed at least to some extent against high prices; when prices were reduced, consumers demonstrated both their willingness and their ability to increase their buying. As a result of the huge postwar output, consumers have probably never been in a better position than today to postpone their purchases of durable goods.

Business Inventories—The past 12 months have witnessed one of the biggest inventory booms in our history; during this period business inventories rose by more than $15 billion, or by about 30%. Retail inventories, despite the two big consumer buying waves, increased by one-third or more over the past year. Most of this inventory building occurred in the past nine months.

Much of this growth reflects higher prices and the larger inventory requirements resulting from higher levels of industrial production and sales; also, inventories of defense goods are on the increase. But there is evidence that some of the inventory accumulation during the past few months has been of an involuntary character and represents the backing up of merchandise where production has been running in excess of sales. As long as retail sales were holding at very high levels, businessmen felt comfortable with large stocks; in fact, they frequently regarded their inventories as inadequate and placed orders accordingly. But when retail sales tapered off and deliveries began to be received on orders placed a few months earlier, the inventory situation shifted rather rapidly.

The price outlook is also an important factor. As long as businessmen expect continuing shortages and rising prices, they strive to build up their stocks of raw materials. When the price outlook changes, their natural desire is to shorten commitments and to allow inventories to run down.

Inventory policy is one of the major factors underlying short-term swings in business activity. But it is also one of the most volatile factors in the economy and one of the most difficult to forecast. If the Korean situation develops satisfactorily and influences prices and consumer spending along the lines here discussed, it is difficult to visualize inventory accumulation continuing anywhere near the same rapid rate as in recent months. While production and inventories of defense goods will be rising, business may well endeavor to reduce inventories of consumer goods, which would entail some declines in new orders and output of civilian items. For some consumer durables, shortages of materials as the result of the defense program are expected to lead to forced cutbacks in production and this will further tend to reduce the size of civilian inventories. In any event, inventory accumulation is not likely to be the stimulant to economic activity which it has been over the past nine months.

Credit Policies—In recent months restrictive credit policies have exercised restraint in some areas of the economy and have become a factor to be considered in appraising the outlook. Selective controls over consumer credit and real estate credit were imposed last year. The former have not caused any significant contraction in the volume of outstanding consumer credit but have prevented the increase that otherwise would probably have occurred. The regulation covering real estate credit has not yet been very effective. Many builders hastened to begin operations in order to protect themselves against the shortages of building materials expected to develop this year, and entered into commitments covering the financing of their projects before the anticipated credit regulations became effective. This backlog of pre-control commitments has not yet been fully utilized; later, the results of real estate credit control may become more pronounced.

The program of voluntary credit restraint—a new venture in the field of credit policy—will likewise tend to restrict in growing measure the amount of financing available for less essential purposes. Since the program does not affect outstanding commitments, its effectiveness presumably will increase with the passage of time. Also, the large increase over the past year in the volume of loans makes the commercial banks less aggressive in their lending policies.

The development in the field of credit policy that had the most immediate effect on economic affairs, however, was the "accord" reached last March between the Federal Reserve and the Treasury. This gave the Federal Reserve more flexibility of action in the use of its powers of credit restraint, and enabled it to display considerably greater reluctance in the acquisition of government securities. As a consequence, yields on government obligations have risen, and for the first time in much more than a decade, long-term government bonds are below par. The recent action would probably have been more effective had it not been for the substantial shortening of maturities by many financial institutions in the months preceding the unpegging of government bonds; nevertheless, some commercial banks and other lenders now face capital losses on the sale of government obligations, and are less eager to undertake such sales for the purpose of expanding their loans or other investments. Doubtless this has exercised a restraining influence on the extension of credit.

Yields on corporate bonds have risen sharply since governments were unpegged and the differential in yield between corporate and government bonds has widened substantially. However, corporations have considerable flexibility in their financing operations and have been able to continue to raise funds by offering a more attractive yield on their new issues.

The new credit policy has demonstrated its strongest impact in the case of real estate financing. For a variety of reasons, including the hesitation of borrowers to increase their fixed charges significantly, it has not been feasible to increase mortgage lending rates to make them competitive under present circumstances. As a consequence, long-term financing for new ventures has been difficult to arrange, and this in turn has restricted the availability of interim or construction financing.

The cumulative effect has been to dampen the ardor of builders. New residential starts so far this year are running at the annual rate of about 1 million, which is a sizable decline from the 1.4 million attained in the record year 1950. Recent starts will hold up the level of building for some months to come, but the consensus is that new starts will decline substantially later in the year unless credit restrictions are relaxed fairly promptly. Residential building is an important basic industry, and should this pattern materialize, it will have significant effects on a number of industries that provide the furnishings and equipment for new homes.

The purpose of these credit policies is not to foster lower production, idle plants and unemployment, but to restrain competitive bidding when materials and labor are scarce. Presumably, therefore, these policies will be relaxed if slackness should develop in the economy. However, experience seems to indicate that restrictive policies are generally started too late and continued too long. This is not said in criticism of the monetary authorities. It simply reflects the difficulties of sensing the course of the economy; trends must run for a time before they can be discerned in the statistics, and the momentum thus established cannot be changed overnight. Thus, as far as the effects upon the economy are concerned, there are lags when credit restrictions are relaxed as well as when they are tightened.

Conversion Problems — Last year, it was fairly generally anticipated that sometime in the first half of 1951 industry would be faced with the problems of converting from civilian to military production. So far, these problems have not assumed noticeable proportions, partly because the defense program has been largely in the "tooling-up" phase.

In recent weeks, however, real cutbacks have been ordered in the materials available for civilian goods, and there have been some signs that the cutbacks in civilian production might not be wholly offset by increased defense production. It is difficult to see how this can become a major problem, since presumably no less labor will be required to work on the materials used for defense orders than is employed when these materials go into civilian output. In fact, the general expectation is for growing labor shortages later in the year. Nevertheless, we should not ignore the possibility that for a while at least, the task of shifting into defense production may involve some unemployment and with it some decreases in income and consumer spending.

Summary — Current conditions in our economy bear many of the earmarks commonly associated with the opening phase of a cyclical downturn in business activity. In some respects, the Korean war boom resembled the final flare-up of a business boom just before the decline. Coming upon the heels of a tremendous and protracted postwar prosperity, it brought such typical symptoms as a rapid speculative runup in many commodity prices, large inventory accumulations financed in part with borrowed money, and increasing tightness of credit. At the same time, the deferred consumer demands that sustained our prosperity in the postwar years have by now been met, except possibly for certain types of housing. In the absence of supporting factors, this situation would suggest the imminence of an economic contraction involving sizable inventory liquidation, fairly widespread price corrections, reductions in output, rising unemployment and a general decline in the rate of business activity.

However, we must take into account that our economy is not operating in a normal environment. Real and powerful factors are at hand which will tend to offset the pressures for a downward readjustment.

Supporting Factors in the Economy

Defense production and defense spending are rising significantly, and will provide strong forces to sustain the economy for some months to come. As of today, it seems they will be powerful enough to prevent any widespread declines in business or in the general level of prices. It is entirely possible that we shall see some inventory liquidation, some further price corrections, and lower production in certain lines, but the supporting factors in the economy are likely to prevent such corrections from developing into a broad and serious cyclical downturn.

The Rearmament Program—Regardless of the events in Korea, outlays for rearmament will continue to rise for the next 12 months or more, and the level of defense spending a year from now will be substantially higher than today. Settlement of the Korean dispute, even should it be achieved reasonably expeditiously, is not likely to be interpreted as real peace. The cleavage between East and West is basic and comprehensive, both ideologically and politically, and the need for preparedness remains urgent. The President has already announced that favorable developments in Korea would not justify a reduction in our defense program.

However, should peace be achieved in Korea, it seems highly probable that modifications will be made in the defense program which may involve some curtailments or at least cause it to be stretched out over a longer period. The armed services are not likely to press for the production of mammoth quantities of equipment, much of which is already obsolete. They will be reluctant to freeze designs and probably will be more interested in increasing industrial capacity to produce arms, and in experimentation and research. The military authorities may very well propose that any reduction in outlays thus achieved be diverted to other defense purposes, but whether Congress will agree seems doubtful.

The members of Congress are fully cognizant of the need to build our defenses. But at the same time they are displaying increasing aversion to the extremely high taxes required to avoid a deficit. It may well be that after adopting a tax bill this year, the Congress will seek to hold defense outlays to a rate which can be met without further levies in 1952. At the moment it seems reasonable to assume that after enactment of the tax increase in 1951 a defense program of about $50 to $55 billion a year might be supported without additional taxes and without incurring a sizable Treasury deficit.

A level of defense spending around $50 to $55 billion a year reached by the middle of 1952 would be $5 to $10 billion less than the rate contemplated under the Administration's present schedule. This compares with a present rate of about $35 billion and a level of less than $15 billion a year ago. Under these assumptions, consequently, the rate of defense spending would increase by $15 to $20 billion, which is not far different from the rise experienced over the past 12 months.

However, a much larger proportion of the anticipated rise will go into procurement of material and into construction, and a much smaller proportion into pay, subsistence and "soft" goods than was the case during the past year. Thus the drain on metals and other materials in short supply will be substantially greater, as will the support provided to heavy industry which is the bellwether of the economy.

The Budget Outlook—While an improvement in the foreign situation is not likely to inhibit the rate of defense spending importantly over the near term, it may well contribute to Congressional procrastination on the distateful task of imposing additional taxes. Even if prompt action were taken to levy new taxes, the buget situation will deteriorate over the next 12 months. In contrast with a cash surplus of over $7½ billion in the fiscal year just ended, the outlook is for a cash deficit in the current fiscal year. This deficit is not likely to assume large proportions for an economy of our size, particularly if the defense program is held down, but it will add to inflationary pressures and will increase the difficulty of maintaining a restrictive credit policy.

Other Supporting Factors—There are additional factors that will provide substantial support to the economy over the months ahead. One of the most important of these is business spending on plant and equipment, which is currently running about 40% above the rate of a year ago. It seems clear that business will spend some $25 billion on plant and equipment during the present year and that 1951 will set a new peak. The backlog of unfilled orders for industrial equipment is very high and this will support production for some time to come. Construction, other than private residential building, is likewise at record levels and is expected to continue very strong for the rest of the year; here, also, 1951 will exceed all previous records.

Even in the case of business inventories there are forces at work that will tend to relieve the pressure toward liquidation. Apparently some basic materials are going to be in short supply during the balance of the year; a reduction in the peak level of defense spending, if achieved, is not likely to ease this situation significantly over the next few months. Consequently we may expect that cutbacks in the production of consumer durable goods will continue to be necessary during the balance of this year at least, and that this will soon temper any excessive endeavors to reduce the volume of such goods on the shelves.

On the demand side, rising employment in defense industries and continued increases in wage rates will minimize conversion problems and will maintain personal income around peak levels. Also, as time passes, the effects of the earlier overbuying of consumer goods will tend to disappear. In recent months consumers have been spending an abnormally small percentage of their available income, but eventually a more normal relationship is likely to be restored. All these factors may reasonably be expected to provide considerable support to economic activity within the near future.

Conclusion

Unlike a year ago, there are divergent and conflicting forces at work in the economy. An improved international situation may be expected to strengthen the tendencies toward inventory liquidation, price adjustments and declines in production in some lines. It may have troublesome implications for some marginal concerns, or for firms that have overextended themselves on the premise that highly inflationary boom conditions would continue indefinitely and without pause.

However, the sustaining forces in our economy are very real and tangible, and are already committed for some time ahead. Defense spending is certain to increase; a settlement in Korea may affect the ultimate level of the outlays but not their upward direction over the next year or so. The rising rearmament program, with its ramified economic implications, is likely soon to meet and offset the weaker tendencies in other sectors of the economy. In order to assume a protracted business or price decline in the near future, one would have to visualize far greater inroads being made upon the defense program than seems wise, expedient, feasible or probable at the present time.

The reflection that the trend of business is likely to be sustained by a large program of defense spending is not, however, very comforting in the final analysis. Our present structure of prices, incomes, production and employment has grown around a succession of abnormal inflationary postwar and war-scare booms. While a huge defense program may be expected to defer once again any serious business readjustment over the near future, it emphasizes the growing danger that our economy may be relying upon the injection of increasing doses of government spending.

Surface indications of prosperous business conditions should not obscure the fact that rearmament places a very real burden upon the economy. Large defense outlays entail a level of taxation which is already at or beyond the borderline of the taxpayers' willingness to bear. The alternative is deficit financing, with all its demonstrated inflationary consequences for the future. On the other hand, the prospect of a leveling off or a decline in defense spending at some future date may evoke the very real economic, social and political problems associated with a painful business readjustment.

Consequently this nation faces many difficult but challenging tasks. We must ensure and safeguard our national security in a troubled world. The defense program promises to be a long, arduous and costly effort. We must avoid as best we can the inflationary pressures that would destroy our economic, social and political fibre, and at the same time we must not impair our industrial efficiency through a maze of detailed regulations and controls. Furthermore, we shall have to cope with these perplexing problems in an environment in which political pressure groups are strong and active, and in which public support of the rearmament program may flag and wane. These conditions will make it necessary to give particularly close attention to the various forces and trends in our economy, and to reappraise the outlook carefully and frequently as time moves on.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

I've left the stock market for the past few weeks and am touring the West Coast. Right now this is written from Las Vegas, a fabulous one-street town, full of slot machines and other devices calculated to awaken one's stupidity. This business is so large that practically every place with these one-armed bandits, and every place has them, is open 24 hours a day. You're probably wondering what all this has to do with the stock market. The answer is it has nothing to do with it except that when I wrote here that I didn't expect the market to do much this summer, I followed my own advice and took leave of it. But taking leave of Wall Street doesn't mean getting away from it all. There are brokerage offices all over the country and Las Vegas has all the facilities—or most of them—to keep me in touch with things that make markets go up or down.

* * *

Just before I left New York I wrote a piece in which I said that a rally would start, followed by another reaction, to be followed in turn by a long period of dullness. You saw the rally. As this is being written under the hot desert sun at El Rancho Vegas, the reaction has set in and the same rumors that flood markets whenever a turn comes are again seeping out. There is no change in the immediate market outlook. A rally such as you saw didn't take any genius to foresee. It is a normal sequence, a kind of pendulum swing that is common to markets such as this. Having exhausted its first upswing a reaction is also to be expected. But here some other factors come into play. A "boloxed up" national economy superimposed on a confused foreign policy is bound to have an adverse effect on markets. On an upswing this isn't felt too much. But on a downswing the accumulated fears gather force. So what starts out as a technical reaction gains momentum until it becomes a wide open break.

* * *

From this point on I'll only repeat myself. I still feel that after the current reactionary phase is over we will go into a period of dullness. I don't expect any real fireworks until the end of August, if then.

[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.]

July 25th Is Date

John F. McLaughlin, partner of McLaughlin, Reuss & Co., 1 Wall Street, New York City, will

John F. McLaughlin

celebrate his birthday on July 25. Keep in mind that date to congratulate Mr. McLaughlin, a director of the Security Traders Association of New York.

N. Y. State El. & Gas Offer Underwritten

The New York State Electric & Gas Corp. is offering to its common stockholders of record July 17, 1951, the right to subscribe on or before Aug. 2, 1951 for 217,904 additional shares of common stock (without par value) at $25.25 per share in the ratio of one new share for each ten shares held.

The financing is underwritten by The First Boston Corp., together with Lehman Brothers; Wertheim & Co.; and Merrill Lynch, Pierce, Fenner & Beane.

The utility company will use the net proceeds to finance in part its construction program which calls for a total outlay of $68,000,000 for the years 1951, 1952 and 1953.

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Tax Discrimination Against The Investor

which alone has taken from them many billions of dollars in the last 17 years, to which the House now proposes to add the 20% withholding tax. There is no doubt that the government should remove grossly biased tax provisions which it has imposed. These provisions, some of them, such as the double dividend tax, agreed by both parties and also by the Treasury Department to be unfair, were bad enough when rates of tax were comparatively low. They are intolerable under present conditions.

Revision of Internal Revenue Code

Year after year the need for a complete rewriting and simplification of the tax laws has been admitted on all sides. Three years ago the House, after lengthy study by the Ways and Means Committee, passed a Bill, too late for Senate action, which corrected a large number of obvious minor injustices. The excuse for non-action has been lack of time.

Gentlemen, with the present load of taxes under which our economy is staggering, we believe there is no more time for delay in removing complex confusion, iniquitous discrimination and gross unfairness from the Internal Revenue Code. Accordingly, we earnestly recommend that a Joint Committee be appointed forthwith from the Senate Finance Committee and the House Ways & Means Committee, adequately staffed, to rewrite the Internal Revenue Code from one end to the other, as speedily as possible, to make it more simple and understandable in form and more equitable in substance; that H.R. 4473 be limited by amendment to the provisions passed by the House in 1948; and that a general excise tax of 5% be imposed on sales, to take the place of existing special sales taxes of all kinds except on liquor, tobacco and high-priced luxuries. Such a tax would be immediately effective and would produce additional revenue of at least five billion a year—an amount which should be enough, with proper executive economies, to balance the budget for the current fiscal year.

Capital Gains Tax

The Investors League also favors a reduction in the holding period which applied to capital gains taxes. We believe—in fact we are certain—that if this holding period was reduced the government would receive more in tax revenues and that investors at the same time would benefit.

As the taxes stand now a person who has purchased securities must wait for six months before he can resell them and still come within the provisions of the capital gains tax. It frequently happens that the profits on the securities decline and may even disappear before that six-month period has elapsed. This means that if a purchaser were to sell at the end of the six-month period he would pay a smaller amount of taxes or perhaps no taxes at all.

It follows, too, that if a person were to come within the scope of the capital gains tax provisions by holding for a three-month period rather than a six-month period, it is probable that his taxes would increase.

In the final analysis a capital gains tax is in effect a levy on capital. In fact it has been held to be such a levy by our Courts.

Many countries have no capital gains tax whatsoever for that reason. Certainly the taxes levied in this country should not be designed to hamper the employment of capital.

We believe, therefore, that the holding period should be reduced to not more than three months.

The Investors League is aware of the possibility that such a reduction in the holding period might encourage greater speculation in corporation securities. We believe, however, that any such increase in speculation would not be detrimental to the nation's economy, particularly in view of the very rigid credit restrictions now in force and also because of the careful scrutiny which the Securities and Exchange Commission exercises over our security markets. The same reasoning applies even more strongly against the proposed increase in the capital gains tax return which certainly has the effect of reducing the tax received.

In conclusion, gentlemen, I ask you with all the sincerity at my command: Please, for God's Sake and for the sake of God's children, humanity, do not dry up the wells of Prosperity, American Style!

Continued from page 6

Inflation and the Railroads

that shows improvement. Generally speaking, such railroads are the ones with better-than-average growth.

Most of the railroad companies that maintained or developed a high or even merely higher degree of efficiency, as just defined, did so because they had a greater than average increase in traffic and revenues. If we examine the companies in the A Group and B Group previously discussed, we find that revenues growth was the chief producer of efficiency, i.e., an ability to cope with the inflation of costs only partially offset by increased rates. Examine the following:

REVENUES INDEX FOR 1950
(1935-1939 equals 100)

Group A		Group B	
Atch., Top. & Santa Fe	335	Chesapeake & Ohio	211
Atlantic Coast Line	301	Chic. & North West.	217
Chicago, Burl. & Quincy	260	Del., Lack. & West.	172
Illinois Central	255	Erie	211
Kansas City Southern	312	Lehigh Valley	159
New York Cent. & St. L.	274	New York Central	227
Seaboard Air Lines	340	Pennsylvania	227
Southern Pacific	296	Reading	216
Average	297	Average	205
Class I Railroads	246		

All the railroad companies in Group A had a 1950 revenues index higher than Class I Railroads; all companies in Group B had a lower than Class I Railroad 1950 revenues index.

Now to get back to something that is a little closer to this matter of inflation. To show you somewhat more specifically how inflation has hurt most of the lack of growth companies, I want now to compare Chicago North Western and Kansas City Southern. The former is for many reasons, including lack of pronounced growth of traffic and revenues, a high cost operation. Kansas City Southern, on the other hand, is a low cost operation.

Last year Chicago & North Western had an operating ratio of 84%. In 1950 Kansas City Southern's operating ratio was 58%. Transportation ratios for the two were 44% and 29% respectively. Last year Chicago & North Western's wages were 55% of its operating revenues. For Kansas City Southern, the ratio was 35%. Suppose there were a 50% increase in wages over a period and 25% increases in freight and passenger rates. For the sake of simplicity let us skip the probability that costs other than wages would go up also. They have in the past, but assume now that they did not. For Class I Railroads, a 25% increase in rates would about offset a 50% increase in wages, as wages in 1950 were just about half operating revenues for the railroads as a whole.

Under these conditions, Chicago & North Western would experience a wage increase of $51.9 millions and an increase in revenues of $47.2 millions. The difference of $4.7 millions would reduce pre-tax earnings by $5.70 per share of common stock.

Kansas City Southern, on the other hand, would gain $15.2 millions from the rate increase and lose only $10.7 millions from the wage increase. Its net gain would be $4.5 millions or $8.80 per common share before income taxes.

	Chicago & North Western	Kansas City Southern
	(Millions)	
1950 Operating Revenues	$188.9	$60.8
Rate Increases of 25%	47.2	15.2
1950 Wages	103.8	21.4
Wage Increases of 50%	51.9	10.7
Loss	4.7	--
Gain	--	4.5
Per Share of Common	$5.70	$8.80

That could happen. It has been happening and it could continue. If it does continue, the rich will get richer and the poor will get poorer—unless you get a complete change in Federal Government regulation that changes, through the Interstate Commerce Commission, the methods of rate making, or some other basic changes occur fundamentally to affect and alter the over-all railroad economy.

There are, of course, other factors that make for large or small railroad earnings. You've probably all been reading about aggregate loss of half a billion dollars from passenger and head-end operations. I've no doubt that you've heard of the relatively large terminal expenses of some of the short haul carriers. I know you've heard plenty about Diesel-electric locomotives and the increasing use of labor saving devices in maintenance of way and equipment. These are all important factors and I don't want to minimize their importance. I do want to emphasize the fact that the most important development that has made for a low cost operation is better than average growth, and the absence thereof has made for high cost operation. Add inflation and you widen the differences even more.

The stock market has taken cognizance of the tremendous changes in earnings between these two groups I have discussed. Santa Fe was selling at 13 in 1940 and Pennsylvania was selling at 15. Today one is 155 and the other 18.

I gave them those figures in Philadelphia recently. But in the end I made the Pennsylvania officials feel better. At the end of my talk I took the Santa Fe and Pennsylvania 1950 income accounts and gave Pennsylvania Santa Fe's growth and Pennsylvania's growth to Santa Fe. On that basis, the 1950 per share earnings for Pennsylvania would be higher than the earnings for Santa Fe. This raises some interesting questions as to whether low net income necessarily indicates poor management.

One feature of the railroad stock market that to me stands out prominently but that has not been much discussed, so far as I know, is that the stocks of the low or improved transportation ratio companies sell at as low price earnings ratios as do the stocks of high cost companies. Consider the following:

PRICE EARNINGS RATIOS

	1950 Transportation Ratio	Recent Price	Earned per Sh. 12 Months To May 31, 1951	Price Earnings Ratio
Group A				
Atch., Top. & S. Fe	30%	153	$33.18	4.61
Atlantic Coast Line	38	65	13.47	4.83
Chic., Burl. & Quincy	33	125	22.15	5.64
Illinois Central	35	57	20.36	2.80
Kansas City Southern	29	60	15.46	3.88
N. Y. C. & St. L.	33	191	48.19	3.96
Seaboard Air Lines	34	52	17.13	3.04
Southern Pacific	36	63	12.98	4.85
Average	33.5%	96	$22.86	4.20
Group B				
Chesapeake & Ohio	32%	29	$4.71	6.16
Chicago & North West.	44	23	5.18	4.44
Del., Lack. & West.	44	12	3.80	3.16
Erie	40	19	4.65	4.09
Lehigh Valley	40	10	2.73	3.66
New York Central	44	17	2.95	5.76
Pennsylvania	42	18	3.20	5.63
Reading	39	26	4.62	5.63
Average	41.1%	19	$3.98	4.82

If I were putting money into railroad equities on any but a speculative trading basis, I'd much prefer to have Kansas City Southern selling less than four times recent earnings or Seaboard Air Line selling around three times recent earnings than New York Central or Pennsylvania selling over five and a half times recent earnings. To be sure, the latter might advance more percentage-wise in a strong stock market just as they did late last year and early this year. But lasting price improvement is another matter and would seem to require the promise of traffic much heavier than I now visualize in an economy short of all-out war.

Last July war broke out in Korea and it looked as if there would be a big increase in traffic which would probably result in large earnings improvement for the high cost operations. You could afford to buy such companies on a temporary speculative basis. You could buy North Western at 11 and get 29. You could buy Central at 12 and get 26, but the point is that you would have had to sell, for speculative stocks of this kind have come down substantially in recent months. If you are going to stay with a railroad equity and treat it like an investment, you have got to go into the stocks of the relatively low cost operations, especially if you think we are going to have further inflation.

In addition to widening the differences between the earnings of growth companies and the earnings of companies with not so much growth, inflation has had other effects on the railroads. For all but the highest operating cost railroads, inflation has played an important part in improving the position of debt. Inflation has helped to increase practically all items in the railroads' income accounts and balance sheets except debt and charges and stock. Last year's statistics for 47 of our largest railroad companies show that 42 had fixed charges less than 5½% of operating revenues. In 1929 there were only four of which this could be said. For 1950 the average for the 47 companies was 3.60%, compared with 10.24% in 1929.

Most other ratios show corresponding improvement. For example, in 1929 these 47 companies on average needed a 32% reduction in maintenance charges to save an amount equal to fixed charges. Last year a reduction of 12% would have saved an amount equal to fixed charges. Incidentally, in 1936, one of the best years of the 1930's, the reduction would have had to be 52%. This was one reason railroad stock and bond prices dropped so low in 1937 and 1938. This ratio of fixed charges to maintenance charges is not much used but it is a very useful indication of the safety of fixed charges.

Another development of inflation has been a large increase in the leverage for the stocks, which presumably means wider earnings fluctuations in the future than in the past. On the common share now outstanding, Seaboard Air Line had operating revenues of $68 a share in 1929, $36 a share at the low point in 1932. But last year revenues per common share were $159. Kansas City Southern had 1929 operating revenues of $74 per common share, $33 in 1932. Due to the acquisition of Louisiana and Arkansas and to inflation, Kansas City Southern had revenues of $119 per common share in 1950. Between 1929 and 1950 Atchison, Topeka & Santa Fe's revenues per common share increased from $110 to $215.

As I've said, earnings fluctuations should be wider, but an important stabilizing factor is present in the high Federal income tax rate.

Inflation has also stimulated the purchase of labor-saving tools of many kinds. As a result, equivalent ton-miles per employee in 1950 were 30% higher than in 1940 and 82% higher than in 1930.

	Class I Railroads 1950	1940	1930
Ton Miles (millions)	588,522	373,253	383,450
Passenger Miles (millions)	31,771	23,762	26,815
*Equivalent Ton Miles (millions)	652,064	420,778	437,079
Average Employees (thousands)	1,221	1,027	1,488
Equivalent Ton Miles (millions)	534,040	409,716	293,736

*Ton miles plus twice passenger miles.

One other important result of inflation is the large increase in the cost of capital improvements. Even in the case of a company which has not grown much, the cost of replacing worn-out equipment is much greater than the depreciation charged against the equipment bought in years past at lower prices. In many cases, too, the high cost of replacing facilities worn out or obsolete is very large in terms of net earnings *and* depreciation. This in part explains the highly conservative dividend policies of many railroad companies including those excellently situated financially. Consider the Atchison, Topeka & Santa Fe:

ATCHISON, TOPEKA & SANTA FE RAILWAY COMPANY
(In millions of dollars)

	Gross Additions and Betterments			Depreciation and Amortization			Excess of A
	Road	Equipment	A—Total	Road	Equipment	B—Total	Over B
1946	$10.0	$13.2	$23.1	$5.6	$13.9	$19.5	$3.6
1947	13.5	22.5	36.0	6.5	14.4	21.0	15.0
1948	16.1	39.1	55.2	6.7	13.6	20.3	34.9
1949	16.1	54.7	70.9	6.9	14.8	21.7	49.2
1950	14.6	42.1	56.7	7.1	16.7	23.8	32.9
Total	$70.3	$171.6	$241.9	$32.8	$73.4	$106.3	$135.6

Gross additions and betterments totaled $241.9 million in the past five years. Depreciation amounted to $106.3 million. The difference of $135.6 million was largely met out of earnings. (Santa Fe has not borrowed on equipment since 1946.) In addition, Santa Fe paid off equipment obligations of $18.3 million. To finance these operations Santa Fe used about $154 million of its earnings less whatever came in from sale of scrap, etc. One hundred and fifty-four million dollars is about $60 per common share, or about $12 per share per year.

Thus, although retained earnings totaled about $57 per common share in the last five years, working capital did not increase substantially.

Santa Fe with its large earnings has been in good position to finance replacement of equipment and other facilities at high cost. Many other railroads, however, have had a serious financial problem—a considerably greater problem than casual inspection of earnings per share alone would indicate.

This brings up a very important point that is not given enough attention in railroad stock analysis. Not enough attention is paid to the question, "To Whom Do the Earnings Belong?" They may "belong" to the bondholders in a sense, i.e., if credit is poor and it is necessary to reduce debt. Or they may "belong," so to speak, to the equipment manufacturers or the manufacturers of signals. If working capital position is weak, they may "belong" to the balance sheet.

In few cases do the earnings belong to the railroad common stockholder in the sense that he is likely to get cash dividends anything nearly equal to the net income. This is all to the good in the long run, but it makes for low price earnings ratios.

Let's now sum up a bit.

The inflation of the last six postwar years has raised material prices and wages over 100% and freight and passenger rates less than 50%. The effects on the individual carriers have been quite different. Only the most efficient railroads have been able to cope with this combination of inflationary developments. The high cost operations have been severely harmed.

In most instances railroad efficiency today seems linked with better-than-average growth. This at least is what the figures show. The companies that experienced better-than-average traffic and revenue gains in the past ten years generally speaking are today's efficient railroads.

If we are to have more inflation, and you and I certainly hope not but still fear the established trend, then the railroads that will do best are the ones that have the relatively low costs, the low wage impact. The others will have a hard struggle. This sort of situation will presumably prevail until the nature of railroad regulation is considerably changed, i.e., until the high cost operation is aided in ways that so far have been considered impossible or at least impractical.

In conclusion I'd like to say a few words regarding what I think is a wrong approach to railroad analysis. I have in mind the all too prevalent practice of arguing from the general to the specific. People are always asking me, "What about the rails?"—meaning the rails as a group. Too many of us think in terms of Class I railroad results. This may have had certain merit in the past but is no longer a good method of approach for the simple reason that the differences in the earnings and finances of the various railroads have been widening at extremely rapid rates. Some railroads now have revenues 3½ times what they had in the late 1930's. Others have revenues only 1½ to 2 times their late 1930's revenues. Some companies have been hurt by inflation and others have not. Some have made great strides financially and others are still burdened with debt and fixed charges and haven't had the money to make the improvements so vital in a period of rising labor costs.

So don't think generally of the rails. Think in terms of a certain company. There probably never was a time in railroad history when the differences between road A and road B were as great as today. Unless recent trends change, these differences will widen further.

In other words don't invest in railroad bonds and stocks. Invest in the bonds and stocks of a particular railroad that has what it takes under present day conditions. Selection has been tremendously important in recent years. It still is. Proper selection will pay off handsomely. Bear in mind that the force that made Santa Fe common advance from 13 to 150, while Pennsylvania stock was going from 15 to 18, is still effective. Just as it paid in 1940 and in subsequent years to pick the right one, so will it pay in the future.

Occasionally, usually only temporarily, speculation in the high cost operations produces liberal gains. Last July, for example, outbreak of war in Korea indicated a large traffic increase, large enough to produce good earnings for high cost roads until wages were raised. Stocks of high cost roads doubled and trebled in price by January and February last. But the price gains were not well maintained. Only a relatively short-term commitment was justified.

For the longer term the best results will probably continue being obtained from investment in the low cost operations.

Large Revenue Growth Offsets Inflationary Factors in Postwar Years

	*1950 Oper. Revs. Index	—Fixed Charges— Times Earned 1950	Safety Margin 1950	Net Operating Revenues —(Millions)— 1950	1940	Transportation —Ratio— 1950	1940
Seaboard Air Line	340	11.83	19%	$36.7	$9.2	34%	37%
Atchison, Topeka & Santa Fe	335	23.41	28	171.9	40.3	30	35
St. Louis Southwestern	325	15.18	31	26.2	5.7	30	30
Kansas City Southern	312	6.48	27	25.3	8.3	29	29
Union Pacific	305	20.95	26	138.3	47.2	33	34
Atlantic Coast Line	301	5.21	15	26.6	10.5	38	40
Average 300-350 Group	**320**	**14.01**	**24**	**70.8**	**20.2**	**32**	**34**
Southern Pacific	296	5.34	15	161.0	62.7	36	38
Northern Pacific	277	4.23	20	45.4	17.1	35	35
N. Y., Chicago & St. Louis	274	8.79	26	52.7	15.3	33	35
Missouri-Kansas-Texas	264	6.19	16	22.4	6.5	35	38
Texas & Pacific	263	5.84	20	22.0	7.7	33	32
Chic., Burlington & Quincy	260	10.20	24	83.3	25.8	33	36
Great Northern	260	6.67	20	65.4	35.8	34	30
St. Louis-San Francisco	258	7.20	18	32.7	9.0	36	38
Southern	258	4.32	18	71.3	33.0	34	34
Baltimore & Ohio	257	2.90	9	78.0	46.6	40	35
Illinois Central	255	5.50	16	75.7	16.9	35	40
Louisville & Nashville	254	7.07	22	52.3	25.9	37	33
Average 250-300 Group	**265**	**6.19**	**19**	**63.5**	**25.2**	**35**	**35**
Chic., Milw., St. Paul & Pac.	249	8.32	12	55.8	27.2	41	36
Denver & Rio Grande West.	247	6.34	19	19.0	5.7	34	36
Class I	246	4.35	15	2,413.9	682.0	37	35
Wabash	238	10.04	17	29.0	11.3	40	39
Chicago, Rock Is. & Pacific	232	12.29	16	48.9	18.3	37	37
Gulf, Mobile & Ohio	230	9.63	19	23.3	4.4	30	32
Delaware & Hudson	229	4.71	9	12.7	7.8	38	36
New York Central	227	1.77	4	126.8	91.9	44	38
Pennsylvania	227	1.93	6	145.6	139.1	42	35
Chicago & North Western	217	5.62	7	29.6	19.6	44	39
Reading	216	3.75	13	25.4	19.7	39	37
Chesapeake & Ohio	211	6.74	22	97.7	58.6	32	23
Erie	211	5.87	15	44.6	24.9	40	38
Average 200-250 Group	**228**	**6.42**	**15**	**54.9**	**35.7**	**38**	**36**
N. Y., N. H. & Hartford	195	3.63	10	35.7	23.4	42	38
Norfolk & Western	192	30.02	32	51.6	47.6	30	21
Central of New Jersey	191	1.49	5	12.5	8.5	42	40
Boston & Maine	188	3.38	9	20.0	13.3	41	39
Delaware, Lack., & Western	172	2.31	8	18.3	12.5	44	44
Lehigh Valley	159	2.69	9	16.5	14.3	40	41
Average 150-200 Group	**183**	**7.25**	**12**	**25.8**	**19.9**	**40**	**37**
Avg. (excl. Norfolk & West.)	**181**	**2.70**	**8**	**20.6**	**14.4**	**42**	**40**

*1935-39 = 100.

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The Security I Like Best

prises enjoy wider public acquaintance and acclaim than **The Permutit Company.** In addition if the dividend of $1.75 paid in 1950 is duplicated in 1951 the yield at a price of 21½ is 8.14%.

The acceptance which the company's products enjoy with the public has been achieved at minimum advertising expense, for, of the total annual sales of the company only 10%, on the average, represents domestic installations. A spokesman for the company says that this year, household sales are likely to be less than 10%; but the sharp increase in industrial expansion already under way to cope with the present national emergency production needs is expected to be directly reflected in a continued high level of sales to industry.

Dividends are currently paid at the regular annual rate of $1.00 per share; but pursuant to a liberal dividend policy, the management last year paid a year-end extra of 75c, raising the total returned to stockholders to $1.75 per share. Since 1945, annual disbursements have steadily increased: 1950, $1.75; 1949, $1.55; 1948, $1.30; 1947, 90c; 1946, 75c. The average annual distribution during the past decade has been 96½c per share. On the present offer price for the stock, the yield at the ten-year average is close to 4½%. The average for the past five years has been $1.01, which is approximately 5% on the present offering price of the stock. The average for the past two years is $1.65, which is better than 7% on the present price of the stock.

The following table sets forth the consolidated net sales, operating income and net income together with net earnings per share for the past decade:

CONSOLIDATED EARNINGS
(Years ended Dec. 31)

	Net Sales	Operating Income	Net Income	Net Per Share
1950	$9,896,474	$1,232,740	$633,009	$2.88
1949	9,316,928	1,149,533	610,702	2.78
1948	10,363,523	1,330,409	734,527	3.34
1947	9,218,897	1,211,018	664,616	3.02
1946	6,403,081	834,952	422,027	1.92
1945	15,507,955	2,285,161	480,042	2.18
1944	7,077,585	1,031,712	210,692	0.96
1943	6,615,926	1,270,102	210,579	0.96
1942	5,757,372	961,753	254,743	1.16
1941	4,773,352	876,771	341,072	1.55

The results for 1942 and 1943 are after renegotiation of war contracts. Taxes and charges in other years were as follows:

	Contingencies	Federal Taxes		Contingencies	Federal Taxes
1950	$27,000	$535,000	1947	$25,000	$466,000
1949	28,000	441,500	1946	25,000	314,000
1948	30,000	528,000	1945	50,000	*1,700,000

*This includes U. S. and Canadian income and excess profits taxes and renegotiation reserves. The large sales reported for the year represents the culmination and finishing off of the company's war effort.

The problems encountered and solved cover every conceivable phase of water treatment, and the knowledge and data accumulated, combined with the judgment of a large staff of technical experts, make **Permutit** service unique. A catalogue of the individual need for this service is impressively varied and long:

Municipal—Household—Sterile to prevent contagion; clear, colorless and free of organic matter—to make the supply pleasing to the eye; Soft and Iron-free, to make possible the use of water conditioned for all purposes in the home and in industry; Taste and Odor-free—to make it palatable.

Laundry—To eliminate waste of soap and detergents by converting hard water to soft; to free water of iron which causes unsightly discolorations and to render the laundry immaculately white.

Textile Mills—To save detergents, effect even dyeing, and to improve quality of the finished products.

Pulp Mills—To prevent streaks or shades in bleached stock; to insure freedom from discolorations, spots and stains; to improve quality, lower sizing costs and prevent scale formation in boilers.

Dairies—To promote sanitation; to prevent deposits in bottle washers, bottles, cans, boilers and water heaters.

Boiler Feed—(Stationary and Locomotive) To produce non-scale forming water thereby to reduce damage to boilers; to establish proper ratio of sodium sulfate to sodium carbonate for the inhibition of caustic embrittlement; non-corrosive and non-foaming.

Hospitals and Hotels—To eliminate hard water deposits in boilers, heaters and sterilizers; waste of soap and other detergents, used in scrubbing floors, in the laundry and kitchen, etc.; to prevent rust spots and contamination of equipment; to prevent contagion and prevent iron pick-up in the pipelines and destruction of the pipelines.

Bottling of Carbonated Beverages—To sterlize and to prevent growth in bottled drinks; to eliminate unsightly suspensions and deposits in the product and to promote good carbonization.

Brewing and Baking—To prevent iron discolorations and deposits; for better control of yeast in the making of a light beer; to prevent growth of parasite spores; to moderate calcium sulfate and to promote growth of yeast; for cake and biscuit baking where bicarbonate baking powder is used.

Swimming Pools—To sterilize and to prevent contagion; generally to provide a pleasing and healthful water for bathing.

Capitalization is simple, only 220,000 shares of common stock, no bonds or preferred stock. Financial position is good. This situation seems to offer opportunities for further sound growth.

Hatcher V.-P. of 1st Nat'l of Dallas

DALLAS, Tex.—Advancement of Maurice M. Hatcher to Vice President and manager of the bond department of the First National Bank in Dallas has been announced by Ben H. Wooten, President. Since Feb. 1, Mr. Hatcher has been manager of First National's municipal bond division.

M. M. Hatcher

Previous to joining the bank, he had for six years operated and served as President of his own firm, Hatcher & Company, Dallas dealing in municipal bonds. Before that he was associated with other Texas and Ohio firms specializing in municipal financing.

A native of Austin, Texas, Mr. Hatcher is a graduate of the University of Texas School of Business Administration.

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Where Do We Go From Here?

acs—as in 1946-49—and when the security owner will begin to discount 1952 prospects. It also remains to be seen how far the market can advance in the face of a dull nearby business trend—a loss of the inflationary enthusiasm which sparked the 1950-51 advance. **One thing seems fairly certain: There's a ceiling that postpones the hope 1952 will mark the end of the statistical underpricing of common stocks so persistent in recent years. Fact that the 250 industrial average level is relatively low, even though it is historically high, is primarily of academic interest.**

This guesstimate is not meant to minimize the importance of the probability that: 1—We're in a New Era—one which later may be called the Fabulous 50's, the Buoyant 50's; 2—There's a New Look to the stock market—for equities today are more respectable than they've been at any time in the past 25 years. But these are latent rather than aggressive factors. They are the reason why the market can do the unexpected—if the environment is favorable. On present view, the catalyst of a really stimulating environment seems likely to be lacking.

Withal, however, there's a definite floor to both business and the markets even if 1952 is to be a "poor" year. Why?

(1) Ours is a growing rather than a mature economy—a 20 million increase in population and a rising birth-rate spells a huge new market.

(2) Ours is a vigorous country—and we're in an era of tremendous technological improvement which is creating new markets.

(3) The redistribution in the pattern of our national income favors the buying groups who proportionately spend the most.

(4) The demand for securities today is primarily from a new multi-billion dollar group of semi-permanent buyers—not the emotional margin buyer who dominated the 1920's.

(5) A certain amount of inflation has been permanently frozen into the price level—and industry has re-invested such huge sums in the post-war years that most stocks are statistically better value today than at the lower dollar prices of past years.

Making allowance for the background sketched above, **we can visualize a coming pattern of broad price swings which rests on top of the 1946-49 trading range. As a matter of fact, a moral can be drawn from the market history of this earlier period — which should repeat itself in three respects: (1) It will be possible to enjoy a private bull market—but selectivity is the key; (2) Hence, any time—is a good time—to buy an outstandingly attractive common stock; (3) Sharp intermediate rallies will occur within the framework of the still to be established 1951-52 trading range.**

Post Script

The prospect of peace in Korea does not inject something radically new into the equation. This because, (a) It would be naive—if not stupid—for us to change our long-term policy of becoming an arsenal of democracy; (b) Even if political considerations later so dictate, our defense program has gained too much momentum to be stopped over night. Thus, all the latest news really does is introduce an element of uncertainty which heightens the previous prospect of a ceiling area in the market place. Now, the political as well as the business considerations have become suspect.

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The State of Trade and Industry

to get—cuts in the last half can be pinned down more definitely to credit curbs, the division chief continued.

Economic conditions are having the effect of squeezing low and middle-income families out of the housing market. Conventionally-financed upper-income housing has been little affected, he noted, since such homes always required down payments as high or higher than Regulation X calls for.

Steel Output Rises 0.4 of a Point in Current Week

The Controlled Materials Plan is heading into serious trouble, according to "The Iron Age," national metalworking weekly. More tickets have been issued for the production performance than there are seats in the house. This applies to steel allocations for both September and fourth quarter delivery. Some steel companies, it adds, are returning allocations for both periods, since they are already booked to the limit of the tonnages they must accept under the plan.

During the past 10 days steel producers have been engulfed in a flood tide of CMP orders and they are being returned to consumers by the hundreds, as their total mounts beyond the required acceptance percentages. Instead of assuring steel needs to an essential user, a CMP order, in some cases, is nothing more than a hunting license, states this trade authority.

Steel people have repeatedly warned that if the government is to make large-scale allocations of steel they must be matched against actual production. Past experience has shown CMP to be far superior to other methods of priority distribution because this basic rule was followed. When it is violated CMP loses all advantage, becoming no better than other plans that failed miserably, continues "The Iron Age."

Present confusion has revived talk within the steel industry on limiting controls. Sentiment is growing that perhaps a better plan would be to drop the entire CMP program and return to a straight DO system limited strictly to military needs. The mills feel that they could do a better job of distributing the remaining steel among defense supporting and other essential users than is being done—and still have some free tonnage for non-essential consumers. At present so-called "free" tonnage is infinitesimal and CMP is practically closed-end without being so labeled, 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 101.9% of capacity for the week beginning July 16, 1951, or an increase of 0.4 point from a week ago.

The current week's operating rate is equivalent to 2,037,000 tons of steel ingots and castings for the entire industry, compared to 101.5%, or 2,029,000 tons a week ago, and 103.2%, or 2,063,000 tons a month ago. A year ago it stood at 98.2% of the old capacity and amounted to 1,894,800 tons.

Electric Output Rebounds Sharply in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended July 14, 1951, was estimated at 6,738,873,000 kwh., according to the Edison Electric Institute.

The current total was 661,796,000 kwh. above that of the previous week, 732,528,000 kwh., or 12.2% above the total output for the week ended July 15, 1950, and 1,396,766,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Fall Sharply in Holiday Week

Loadings of revenue freight for the week ended July 7, 1951 totaled 588,246 cars, according to the Association of American Railroads, representing a decrease of 233,369 cars, or 28.4% below the preceding week.

The week's total represented an increase of 34,336 cars, or 6.2% above the corresponding week in 1950, and a decrease of 7,075 cars, or 1.2% below the comparable period of 1949. Loadings in the week ended July 7, and the like period in 1950 were reduced by the July 4 holiday and the coal miners' annual vacation period.

Auto Output Curtailed by Labor Troubles, Vacations, and Material Shortages

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 117,938 units, compared with the previous week's total of 98,087 (revised) units, and 194,073 units in the like week of 1950.

However, labor trouble, supplier strikes, vacations and material shortages combined to hold down output this week to the lowest for any five-day week since Feb. 10, when the switchmen's strike slowed down General Motors and Ford.

For the United States alone, total output was 110,933 units, lowest weekly total since December, 1949, against last week's revised total of 91,849 units, and in the like week of last year 184,791. Canadian output in the week totaled 7,005 units compared with 6,238 units a week ago and 9,282 units in the corresponding 1950 week.

Total output for the current week was made up of 87,133 cars and 23,800 trucks built in the United States and a total of 5,185 cars and 1,820 trucks built in Canada. In the previous week, Canadian output totaled 4,480 cars and 1,758 trucks against 6,558 cars and 2,724 trucks in the like 1950 week.

Business Failures Rise

Commercial and industrial failures increased to 173 in the week ended July 12 from 129 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were off slightly from the 187 which occurred in 1950, but exceeded the 1949 total of 167. Continuing well below the prewar level, failures were down 36% from 1939 when 272 concerns succumbed in the comparable week.

The week's rise centered in casualties involving liabilities of $5,000 or more; they increased to 136 from 93 but were less numerous than a year ago when 154 occurred. Small failures, those having liabilities under $5,000, were up 1 to 37 and exceeded last year's total of 33 in this size group.

Food Price Index Drops Sharply to New Low for Year

Continued weakness in food prices resulted in a further sharp decline in the Dun & Bradstreet wholesale food price index last week. The July 10 figure fell 1.1% to $6.92, from $7.00 a week earlier. This marked a new low for the year, and a drop of 5.3% from the year's high of $7.31 reached on Feb. 20. The current number is still above the $6.28 of a year ago, although the rise has been narrowed to 10.2%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Falls to Lowest Level In Almost Seven Months

Continuing the downward movement of recent weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped sharply last week to reach the lowest level in about seven months. The index fell to 308.72 on July 10, from 311.70 a week previous, narrowing the advance over the year-ago figure of 275.57 to 1.20%.

Grain futures markets on the Chicago Board of Trade were less active the past week. Trends were mixed as corn, oats and rye scored moderate gains while wheat moved lower under pressure of expected large new crop marketings, and the outlook for a cease-fire arrangement in Korea.

Favorable moisture conditions in the Spring wheat Northwest and in Canada have aided that crop materially.

Corn futures advanced as copious rains in the Midwest caused some apprehension about this year's crop. The cash market was also strong, aided by brisk demand coupled with dwindling receipts. Oats finished higher than a week ago although continued arrivals of Canadian oats have had a retarding influence on prices. Trade volume in all grain futures on the Chicago Board of Trade last week declined to a daily average of 41,000,000 bushels, compared with 44,000,000 the previous week, and 63,000,000 in the like week a year ago.

The domestic raw sugar market was relatively quiet this week with prices making a good recovery from the recent sharp recessions as the result of some new buying.

Demand for refined sugar has shown some tapering off from the activity of recent weeks. Lard developed a steadier tone, influenced by a drop in deliveries of cash lard and a much tighter supply position that a year ago. Livestock markets at Chicago were irregular. Steers and hogs scored small advances while lambs were off slightly.

Following a firm opening, both spot and futures cotton prices turned sharply downward in the latter part of the week.

There was considerable liquidation and stop-loss selling, influenced by favorable crop and weather news and continued slowness in textile business.

The market was also depressed by the issuance of the official acreage estimate of 29,510,000, which exceeded earlier expectations and compared with 18,613,000 acres planted to the staple last year, and a ten-year average of 22,163,000 acres. Strength in early dealings was attributed to an unexpected advance of 13 points in the mid-June parity price for cotton. Spot market activity declined. Mill demand was light with most mills closed down for the July holiday period.

Trade Volume Perks Up a Trifle in Post-Holiday Week

With the return of a six-day shopping week, the nation's consumers bought slightly more in the period ended on Wednesday of last week than during the preceding period. The total dollar volume spent was virtually unchanged from the level for the comparable week in 1950, states Dun & Bradstreet, Inc., in its latest survey of trade. There was little noticeable effect upon shopping patterns from the pending cease-fire negotiations.

Shoppers for apparel spent moderately more money last week than in the week before, although over-all dollar sales were slightly below the level of a year earlier. Much of the interest was centered upon cotton dresses, sportswear, accessories, children's wear, and men's slacks. The demand for coats and suits, although at a seasonal low, increased slightly from a week ago, following scattered promotions.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 2% above to 2% below the level of a year ago. Regional estimates varied from a year ago by these estimates:

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

There was almost no change in the amount of wholesale ordering during the past week; the total dollar volume ordered was very slightly below that for the corresponding week in 1950. While the number of buyers attending various wholesale markets rose somewhat from the prior week, it was considerably below the level for the similar period a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 7, 1951, increased 1%* from the like period of last year. This compared with a decrease of 2% in the previous week, and an increase of 1% for the four weeks ended July 7, 1951. For the year to date department store sales registered an advance of 9%.

Retail trade in New York last week, it is reported by trade observers, almost equaled that of the similar period in 1950 when buying, stimulated by the Korean outbreak, was approaching its peak.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of July 7, 1951, advanced 16%* from the like period of last year. In the preceding week an increase of 8% was registered above the similar week of 1950. For the four weeks ended July 7, 1951, an increase of 12% was recorded above that of a year ago, and for the year to date, volume advanced 11% from the like period of last year.

* In using year ago comparisons allowance should be made for the fact that stores in some cities were closed on Monday, July 3, last year, and, therefore, the week this year had one more trading day than the corresponding week last year in those cities.

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 22	101.9	101.5	103.2	98.2
Equivalent to—					
Steel ingots and castings (net tons)	July 22	2,037,000	2,029,000	2,063,000	1,894,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	July 7	6,168,800	6,180,550	6,168,350	5,475,500
Crude runs to stills — daily average (bbls.)	July 7	¶6,601,000	6,595,000	6,478,000	5,912,000
Gasoline output (bbls.)	July 7	21,837,000	21,628,000	21,227,000	20,059,000
Kerosene output (bbls.)	July 7	2,276,000	2,080,000	2,320,000	1,752,000
Gas, oil, and distillate fuel oil output (bbls.)	July 7	9,014,000	8,732,000	8,678,000	7,353,000
Residual fuel oil output (bbls.)	July 7	9,308,000	9,036,000	8,921,000	7,916,000
Stocks at refineries at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 7	126,758,000	127,006,000	129,353,000	114,278,000
Kerosene (bbls.) at	July 7	25,446,000	24,142,000	21,890,000	22,035,000
Gas, oil, and distillate fuel oil (bbls.) at	July 7	69,608,000	65,700,000	57,372,000	56,568,000
Residual fuel oil (bbls.) at	July 7	42,557,000	41,097,000	38,839,000	41,374,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 7	588,246	821,615	813,326	553,910
Revenue freight received from connections (number of cars)	July 7	589,241	688,042	655,639	541,081
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 12	$361,028,000	$404,655,000	$206,897,000	$364,963,000
Private construction	July 12	65,535,000	88,093,000	86,320,000	254,053,000
Public construction	July 12	295,493,000	316,562,000	120,577,000	110,910,000
State and municipal	July 12	145,532,000	165,609,000	77,783,000	68,385,000
Federal	July 12	149,961,000	150,953,000	42,794,000	42,525,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 7	1,410,000	*10,517,000	9,890,000	1,597,000
Pennsylvania anthracite (tons)	July 7	99,000	986,000	789,000	48,000
Beehive coke (tons)	July 7	48,700	*145,600	141,300	74,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 7	219	*258	311	218
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 14	6,738,873	6,077,077	6,746,691	6,006,345
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	July 12	173	129	130	187
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 10	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	July 10	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	July 10	$43.00	$43.00	$43.00	$37.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 11	24.200c	24.200c	24.200c	22.200c
Export refinery at	July 11	27.425c	27.425c	27.250c	22.425c
Straits tin (New York) at	July 11	106.000c	106.000c	129.000c	81.375c
Lead (New York) at	July 11	17.000c	17.000c	17.000c	11.000c
Lead (St. Louis) at	July 11	16.800c	16.800c	16.800c	10.800c
Zinc (East St. Louis) at	July 11	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 17	97.62	97.55	97.55	102.10
Average corporate	July 17	109.97	109.42	110.34	114.66
Aaa	July 17	114.46	114.08	114.27	119.82
Aa	July 17	113.50	112.93	113.50	118.40
A	July 17	108.88	108.34	109.42	114.46
Baa	July 17	103.80	103.13	104.31	106.92
Railroad Group	July 17	106.56	106.39	106.92	109.06
Public Utilities Group	July 17	109.97	108.70	110.15	116.22
Industrials Group	July 17	113.89	113.50	113.89	119.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 17	2.66	2.66	2.68	2.34
Average corporate	July 17	3.17	3.20	3.15	2.92
Aaa	July 17	2.93	2.95	2.94	2.66
Aa	July 17	2.98	3.01	2.98	2.73
A	July 17	3.23	3.26	3.20	2.93
Baa	July 17	3.52	3.56	3.49	3.34
Railroad Group	July 17	3.36	3.37	3.34	3.22
Public Utilities Group	July 17	3.17	3.24	3.16	2.84
Industrials Group	July 17	2.96	2.98	2.96	2.69
MOODY'S COMMODITY INDEX	July 17	471.6	481.6	493.6	439.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 7	267,786	221,045	283,122	226,087
Production (tons)	July 7	157,089	244,242	244,690	129,356
Percentage of activity	July 7	62	103	102	55
Unfilled orders (tons) at	July 7	657,277	547,963	696,726	491,744
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 13	149.4	150.0	151.7	121.6
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	June 30	34,654	27,026	20,988	51,541
Number of shares	June 30	989,523	750,440	600,390	1,543,106
Dollar value	June 30	$41,495,139	$34,973,167	$28,163,536	$67,599,778
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 30	26,332	22,709	16,655	45,843
Customers' short sales	June 30	571	176	285	293
Customers' other sales	June 30	25,761	22,533	16,370	45,550
Number of shares—Total sales	June 30	763,210	606,741	455,974	1,434,872
Customers' short sales	June 30	22,307	6,654	11,233	11,359
Customers' other sales	June 30	740,903	600,087	444,741	1,423,513
Dollar value	June 30	$30,934,737	$26,320,496	$19,409,644	$59,792,806
Round-lot sales by dealers—					
Number of shares—Total sales	June 30	201,880	176,020	113,630	422,380
Short sales	June 30	------	------	------	------
Other sales	June 30	201,880	176,020	113,630	422,380
Round-lot purchases by dealers—					
Number of shares	June 30	417,780	291,140	272,640	470,700
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	July 10	179.7	*180.2	181.7	163.0
Farm products	July 10	196.3	*197.6	198.0	178.2
Grains	July 10	179.5	176.5	181.4	173.1
Livestock	July 10	265.6	265.0	263.5	243.7
Foods	July 10	186.3	*187.2	186.9	172.6
Meats	July 10	275.6	275.6	275.4	265.1
All commodities other than farm and foods	July 10	168.2	*168.5	170.6	151.0
Textile products	July 10	177.1	*177.4	182.4	141.2
Fuel and lighting materials	July 10	138.2	138.6	138.7	133.2
Metals and metal products	July 10	188.2	188.2	189.0	172.3
Building materials	July 10	224.2	*225.4	226.8	206.7
Lumber	July 10	349.8	*349.8	357.3	‡
Chemicals and allied products	July 10	137.5	*137.7	140.1	117.3

*Revised. †Not available. ¶Includes 521,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	8,658,000	*9,094,499	8,143,230
Shipments of steel products, including alloy and stainless (net tons)—Month of May	6,938,708	6,634,510	6,252,672
AMERICAN ZINC INSTITUTE, INC.—Month of June:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	77,679	80,430	75,766
Shipments (tons of 2,000 lbs.)	74,149	73,093	68,214
Stocks at end of period (tons)	15,791	17,411	26,665
Unfilled orders at end of period (tons)	73,304	73,942	65,361
BUSINESS INVENTORIES, DEBT. OF COMMERCE NEW SERIES—Month of April: (million of dollars):			
Manufacturing	$37,700	$36,400	$29,400
Wholesale	11,700	11,400	9,400
Retail	18,900	*18,600	14,100
Total	$68,300	*$66,500	$52,900
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of June:			
Total U. S. construction	$1,027,087,000	$1,267,995,000	$1,254,389,000
Private construction	443,701,000	698,456,000	728,064,000
Public construction	583,386,000	569,539,000	526,325,000
State and municipal	402,522,000	359,566,000	420,392,000
Federal	180,864,000	209,973,000	105,933,000
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	44,014,000	43,390,000	*45,823,000
Pennsylvania anthracite (net tons)	3,543,000	*3,622,000	4,196,000
Beehive coke (net tons)	632,000	*622,500	580,600
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	6,744,734	*6,484,258	6,397,032
Oven coke (net tons)	6,122,225	5,910,775	5,868,380
Beehive coke (net tons)	622,509	*573,483	528,652
Oven coke stocks at end of month (net tons)	1,444,663	1,410,223	718,111
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1935-39 Average=100) Month of June:			
Adjusted for seasonal variation	303	*301	298
Without seasonal adjustment	286	*297	281
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of April:			
All manufacturing (production workers)	13,104,000	*13,205,000	11,597,000
Durable goods	7,438,000	*7,440,000	6,195,000
Nondurable goods	5,666,000	*5,765,000	5,402,000
Employment indexes—			
All manufacturing	160.0	*161.2	141.6
Payroll Indexes—			
All manufacturing	433.3	*433.5	337.2
Estimated number of employees in manufacturing industries—			
All manufacturing	15,942,000	*16,031,000	14,162,000
Durable goods	8,985,000	*8,975,000	7,548,000
Nondurable goods	6,957,000	*7,056,000	6,614,000
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of June:			
Deliveries (number of cars)	9,644	9,774	3,874
Backlog of orders at end of month (number of cars)	147,725	150,628	40,585
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION) — Month of May:			
Factory sales of washers (units)	253,942	292,193	304,640
Factory sales of ironers (units)	24,200	23,700	27,400
Factory sales of dryers (units)	32,292	32,960	16,122
MANUFACTURERS INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of April (millions of dollars):			
Inventories:			
Durable	$17,632	*$17,113	$13,704
Nondurable	20,061	*19,562	15,528
Total	$37,693	*$36,675	$29,232
Sales	22,300	23,400	17,200
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of June:			
Industrial (125)	7.03	6.44	6.92
Railroad (25)	5.90	5.85	5.60
‡Utilities (24)	4.86	4.77	4.54
Banks (15)	3.48	3.49	3.41
Insurance (10)	6.55	6.35	6.17
Average (200)	6.79	6.55	6.35
PORTLAND CEMENT (BUREAU OF MINES)—Month of June:			
Production (barrels)	21,925,000	20,184,000	19,941,000
Shipment from mills (barrels)	24,894,000	20,953,000	22,834,000
Stocks (at end of month—barrels)	19,394,000	*22,363,000	20,050,000
Capacity used	96%	91%	90%
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—Month of May:			
Total operating revenues	$888,715,928	$851,444,701	$745,406,420
Total operating expenses	693,802,498	668,850,295	580,566,624
Operating ratio	78.07%	78.55%	77.89%
Taxes	$102,888,968	$92,801,386	$80,705,674
Net railway operating income before charges	74,936,575	70,594,568	67,072,547
Net income after charges (est.)	50,000,000	45,000,000	40,000,000
U. S. GOVT. STATUTORY DEBT LIMITATION —As of June 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	255,221,976	255,093,096	257,357,352
Guaranteed obligations not owned by the Treasury	29,227	29,335	19,503
Total gross public debt and guaranteed obligations	$255,251,203	$255,122,431	$257,376,855
Deduct—Other outstanding public debt obligations not subject to debt limitation	684,574	686,955	724,721
Grand total outstanding	$254,566,629	$254,435,475	$256,652,133
Balance face amount of obligations, issuable under above authority	20,433,370	20,564,626	18,347,866

*Revised. ‡Not including stocks of American Tel. & Tel.

Securities Now in Registration

★ REVISIONS THIS WEEK
• INDICATES ADDITIONS

New Registrations and Filings

Alabama Flake Graphite Co., Birmingham, Ala.
July 12 (letter of notification) $100,000 of 7% 20-year sinking fund bonds dated Jan. 15, 1949 and due Jan. 15, 1969 (in denominations of $1,000 each). **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Proceeds**—For plant expansion. **Office**—420 Comer Bldg., Birmingham, Ala.

American Mucinum, Inc., N. Y. (8/15)
July 17 (letter of notification) 1,000,000 shares of class A stock. **Price**—At par (15 cents per share). **Underwriter**—To be supplied by amendment. **Proceeds**—For operating expenses. **Office**—27 West 72nd Street, New York 23, N. Y.

Anderson-Farmer Corp., Naumee, O.
July 13 (letter of notification) 3,000 shares of 4% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—Illinois Avenue, Naumee, Ohio.

Audio & Video Products Corp., N. Y. (7/24)
July 16 (letter of notification) $150,000 of 6% 10-year convertible sinking fund debentures and 90,000 shares of common stock (par one cent) to be offered in units of $100 of debentures and 60 shares of stock. **Price**—$100.60 per unit. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and to recondition and equip studios of subsidiary.

Bonanza Central Mining Co., Wenden, Ariz.
June 27 (letter of notification) 168,525 shares of common capital stock. **Price**—At Par ($1 per share). **Underwriter**—None. **Proceeds**—For new equipment and working capital. **Address**—Box 103, Wenden, Ariz.

Brass & Copper Sales Co., St. Louis, Mo.
July 9 (letter of notification) 2,807 shares of common stock (par $10) to be offered to common stockholders of record July 9 at rate of one share for each five shares held, and 1,500 shares of 5% cumulative preferred stock to be offered to residents of Missouri only first to common stockholders and then to public. **Price**—Of common, $50 per share; and of preferred, at par ($20 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—2817 Laclede Avenue, St. Louis 3, Missouri.

California Tungsten Corp., Grand Junction, Colo.
July 13 (letter of notification) 1,999,000 shares of common stock (par one cent). **Price**—15 cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—To purchase mining equipment and for working capital. **Office**—801 4th Avenue, Grand Junction, Colo.

Carolina Mountain Telephone Co., Weaverville, North Carolina
July 13 (letter of notification) 100,000 shares of capital stock (par $1) to be offered to stockholders on basis of one share for each two shares held. **Price**—$2.15 per share. **Underwriter**—Interstate Securities Corp., Charlotte, N .C. **Proceeds**—To retire loans.

Commercial Mortgage & Finance Co., Rockford, Illinois
July 13 (letter of notification) 1,800 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To retire indebtedness. **Office**—115 Seventh Street, Rockford, Ill.

Consolidated Equipment Corp.
July 10 (letter of notification) 300,000 shares of 6% cumulative preferred stock. **Price** — At par ($1 per share). **Underwriter**—None. **Proceeds**—For purchase of soft drink dispensing machines. **Office**—105½ East Pike Peak Avenue, Colorado Springs, Colo.

Delaware Research & Development Corp.
July 9 (letter of notification) 5,691 shares of capital stock. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To purchase production and processing equipment and for working capital. **Address**—P. O. Box 110, New Castle, Del.

Dole (John) Engineering Co.
June 27 (letter of notification) $24,798 of convertible 5% income notes due Jan. 1, 1957, second series, issuable upon exercise of assignable warrants. **Price**—At market (not in excess of $1.25 per $1 of notes). **Underwriters**—J. Barth & Co. and The Broy Co., both of San Francisco, Calif. **Proceeds**—To James D. Dole & Associates and three stockholders.
June 27 (letter of notification) $142,000 of convertible 5% income notes due Jan. 1, 1957, second series, issuable upon exercise of warrants. Price—At principal amount. Underwriter—None. Proceeds—For working capital. Office—58 Sutter Street, San Francisco 4, Calif.

Garrett, Miller & Co., Wilmington, Del.
July 9 (letter of notification) $250,000 of 12-year 5% convertible debentures. **Price** — $1,020 per $1,000 unit. **Underwriter**—Laird & Co., Wilmington, Del. **Proceeds**—For working capital. **Office**—111 West Fourth Street, Wilmington, Del.

Idaho Consolidated Mines, Inc., Seattle, Wash.
July 13 (letter of notification) 100,000 shares of capital stock. **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—Working capital. **Office**—4109 Arcade Bldg., Seattle 1, Wash.

Interstate Finance Corp., Evansville, Ind.
July 10 (letter of notification) 15,557 shares of common stock (par $1). **Price** — $10 per share. **Underwriter** — None. **Proceeds**—For working capital. **Office**—405 Sycamore Street, Evansville 8, Ind.

Longines Wittnauer Watch Co., Inc.
July 9 filed voting trust certificates for 400,000 shares of common stock (par $1). **Agent** — The City Bank Farmers Trust Co., New York. Statement effective July 13.

Mid Texas Telephone Co., San Antonio, Tex.
July 10 (letter of notification) $90,000 of first mortgage 4½% bonds (in denominations of $1,000 each) and sold to Wachob-Bender Corp. at 102% per unit. **Underwriter**—Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire loans. **Office**—South Texas Bldg., San Antonio, Tex.

Midwest Packaging Materials Co., St. Louis, Mo.
July 17 filed 10,880 shares of common stock (par $1) to be issued to Edward D. Jones & Co. upon exercise of warrants to purchase stock at $5 per share, and then to be publicly offered. **Price**—To be supplied by amendment. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo. **Proceeds**—$50,000 of proceeds from sale of warrants will be used to purchase 500 additional shares of The Midwest Wax Paper Co., a wholly-owned subsidiary, at $100 per share and the balance used for general corporate purposes.

Missouri Research Laboratories, Inc.
June 29 (letter of notification) 40,000 shares of cumulative convertible preferred stock (160,000 shares of common stock reserved for conversion). **Price**—At par ($5 per share). **Underwriter**—Morfeld, Moss & Hartnett, St. Louis, Mo. **Proceeds**—To redeem outstanding $20 par preferred stock and for general corporate purposes.

Montgomery Elevator Co., Moline, Ill.
July 10 (letter of notification) $300,000 of first (closed) mortgage 5% sinking fund bonds dated July 1, 1951, and due July 1, 1963. **Price**—100% and accrued interest. **Underwriter**—Illinois Securities Co., Joliet, Ill. **Proceeds**—To pay bank loan and to retire outstanding first mortgage 4½% note. **Office**—30 20th Street, Moline, Ill.

Olds Oil Corp., Casper, Wyo.
July 13 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds** — For working capital. **Office** — 101 North Kenwood Street, Casper, Wyo.

Potomac Plan for the Systematic Accumulation of Common Stock of The Potomac Electric Power Co., Washington, D. C.
July 16 filed $1,200,000 aggregate amount of Potomac Plans for the Systematic Accumulation of PEPCO Common Stock to be sold and paid for over a five-year period. **Sponsor**—Capital Reserve Corp., Washington, D. C.

Reorganized Silver King Divide Mining Co.
June 27 (letter of notification) 383,500 shares of capital stock (par 10 cents). **Price**—16 cents per share. **Underwriter**—None. **Proceeds**—To develop mining properties. **Address**—c/o Nevada Agency & Trust Co., 139 No. Virginia Street, Reno, Nev.

Riverside Stadium, Inc., Riverside, Mo.
July 12 (letter of notification) $250,000 of 15-year 5% debenture notes and 25,000 shares of common stock (par $1) to be offered in units of one $100 note and 10 shares of stock. **Price**—$100 per unit. **Underwriter**—Wahler, White & Co., Kansas City, Mo. **Proceeds**—To retire outstanding obligations.

Rochester Gas & Electric Corp. (7/31)
July 13 (amendment) filed 175,000 shares of common stock (no par), to be offered for subscription by common stockholders of record July 31 on basis of one share for each six shares held up to and including Aug. 15. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For construction program.

Russell (F. C.) Co., Cleveland, Ohio
June 27 (letter of notification) 8,500 shares of common stock (par $1). **Price**—At market (about $13 per share). **Underwriter**—None. **Proceeds**—To Frank C. Russell and Burton W. Bartless, the two selling stockholders. **Office**—1100 Chester Avenue, Cleveland, Ohio.

Schweser's (Geo.) Sons, Inc., Fremont, Neb.
July 10 (letter of notification) 1,650 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share.) **Underwriter**—Ellis, Holyoke & Co., Lincoln, Neb. **Proceeds**—For expansion and improvement.

Searle (G. D.) & Co., Chicago, Ill.
July 11 (letter of notification) 5,000 shares of common stock (par $5) to be offered to full time employees who are stockholders of company. **Price**—At market price (approximately $61.50 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. **Address**—P. O. Box 5110, Chicago 80, Ill.

Sears, Roebuck & Co., Chicago, Ill.
July 16 filed 500,000 shares of capital stock (no par) to be offered to employees under terms of an Employees Stock Purchase Plan. **Price**—To be equal to 85% of the price first quoted on the New York Stock Exchange on the date the contract for the sale is issued. **Underwriter**—None. **Proceeds**—For general corporate purposes.
July 16 filed 25,000 new memberships in the Savings and Profit Sharing Pension Fund of Sears, Roebuck & Co. Employees and not more than 750,000 shares of capital stock (no par) to be purchased by the Fund for members during the years. None of these shares will be purchased from the company.

Shawmut Association, Boston, Mass.
July 12 (letter of notification) 200 shares of common stock (no par). **Price**—$16.50 per share. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—To Walter S. Bucklin, the selling stockholder.

Storey Players, Inc., Reno, Nevada
July 5 (letter of notification) 2,000 shares of preferred stock and 200 shares of common stock. **Price**—$5 per share. **Underwriter** — None. **Proceeds** — For costumes, scenery and property and salaries to produce a play known as "The Romance of Scarlet Gulch." **Office**—43 North Sierra Street, Reno, Nev.

Strutwear, Inc., Minneapolis, Minn.
July 9 (letter of notification) 3,000 shares of common stock (par $5) to be offered to employees at prices not exceeding $10 per share, which is at, or below cost of treasury shares. **Underwriter**—None. **Office**—1015 So. Sixth Street, Minneapolis, Minn.

Tiger Tractor Corp., Keyser, W. Va.
July 12 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—M. J. Sabbath Co., Washington, D. C. **Proceeds**—For working capital. **Office** — East and Moselle Streets, Keyser, W. Va.

Trans Western Oil & Gas Corp., Baltimore, Md.
July 11 (letter of notification) 300,000 shares of common stock. **Price** — $1 per share. **Underwriter** — For 25,000 shares: Mitchell Hoffman & Co., Inc., Baltimore, Md. **Proceeds**—To drill wells. **Office**—404 Old Town Bank Bldg., Fallsway and Gay Streets, Baltimore, Md.

Transgulf Corp., Houston, Texas
June 29 (letter of notification) 160,000 shares of capital stock (par 10 cents) to be first offered to stockholders. **Price**—To stockholders at par, and to public at 15 cents. **Underwriters**—Herbert W. Schaefer & Co., Baltimore, Md., and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital. **Office**—1 Main Street, Houston, Texas.

Trusteed Funds, Inc., Boston, Mass.
July 11 filed 3,000 units of Commonwealth Fund indenture of trust. Plan A, aggregating $3,600,000 principal amount, and 1,300 units of Commonwealth Fund indenture of trust, Plan B, aggregating $1,560,000. **Dealer**—Herbert B. Schwabe, Hartford, Conn. **Proceeds**—For investment.

United Grocers Co. (Inc.) Brooklyn, N. Y.
July 11 (letter of notification) $300,000 of 5% debenture bonds due Aug. 1, 1961 (in denominations of $500 and $1.000 each). **Price**—At par. **Underwriter**—None. **Proceeds**—For frozen food locker equipment. **Office**—1630 Cody Street, Brooklyn, N. Y.

Western Carolina Telephone Co., Franklin, N. C.
July 6 (letter of notification) 2,109 shares of capital stock (par $50) to be first offered to stockholders at rate of one new share for each two shares held; unsubscribed shares may be publicly offered. **Price**—$60 per share. **Underwriter**—None. **Proceeds**—For working capital.

Western States Metals Corp.
July 10 (letter of notification) 200,000 shares of capital stock. **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For expansion.

Previous Registrations and Filings

★ 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). Statement effective July 3.

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.

★ 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 being offered to preferred stockholders at rate of one share for each 4½ shares held with rights to expire on Sept. 24; unsubscribed shares to be offered publicly. **Price** — $45 per share. **Underwriter** — None. **Proceeds** — To repay bank loans. Statement effective July 6.

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. Statement effective June 28.

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.

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.

Central Vermont Public Service Corp. (7/31)
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.; Smith, Barney & Co. **Proceeds**—To reduce short-term borrowings and for additional construction requirements. **Bids**—Invitations for bids are expected to be published about July 21 with bids probably opened on July 31.

★ **Century Geophysical Corp., Tulsa, Okla.**
June 29 (letter of notification) 104,000 shares of common stock (par $1). **Price** — $2.87½ per share. **Underwriters**—First Southwest Co. and Rauscher, Pierce & Co., Inc., both of Dallas, Tex. **Proceeds** — For working capital. **Office**—1333 North Utica, Tulsa, Okla.

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.

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.

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price**—$2 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes. Temporarily deferred.

Continental Electric Co., Geneva, Ill.
March 2 (letter of notification) $300,000 of 6% sinking fund debentures due Dec. 1, 1975 (to be issued in units of $100, $500 and $1,000 each). **Price**—91% of principal amount. **Underwriter**—Boettcher & Co., Chicago, Ill. **Proceeds**—To retire indebtedness and for working capital. **Offering**—Postponed indefinitely.

Continental Sulphur & Phosphate Corp.
June 27 (letter of notification) 23,967 shares of common stock (par 10 cents). **Price**—$4 per share. **Underwriter**—None. **Proceeds** — To finance drilling and exploration expenses. **Office**—2010 Tower Petroleum Bldg., Dallas, Tex.

Cornucopia Gold Mines
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.

★ **Cudahy Packing Co.**
March 23 filed $10,000,000 sinking fund debentures due April 1, 1966. **Price** — To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc. **Proceeds**—To reduce bank loans by $9,000,000, and the balance added to working capital. **Withdrawal** — Statement withdrawn July 3.

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.

Deardorf Oil Corp., Oklahoma City, Okla.
May 18 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—70 cents per share. **Underwriter**—None. **Proceeds**—To pay obligations. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Offering**—Temporarily postponed "because of market conditions."

NEW ISSUE CALENDAR

July 20, 1951	
Meridian & Bigbee River Ry. 10 a.m. (EDT)	Bonds & Common
July 23, 1951	
Lehman Corp.	Common
Mississippi Power Co. 11 a.m. (EDT)	Bonds
St. Louis-San Francisco Ry. noon (EDT)	Equip. Trust Ctfs.
Texas Gas Transmission Corp.	Preferred
July 24, 1951	
Audio & Video Products Corp.	Debs. & Com.
Checker Cab Mfg. Co.	Common
Dome Exploration (Western) Ltd.	Common
Montana-Dakota Utilities Co.	Common
Pacific Power & Light Co.	Common
United Gas Corp. 11:30 a.m. (EDT)	Bonds
July 25, 1951	
Central RR. of Pennsylvania	Equip. Trust Ctfs.
El Paso Natural Gas Co.	Preferred
July 31, 1951	
Central Vermont Public Service Corp.	Bonds
Rochester Gas & Electric Corp.	Common
August 6, 1951	
United States Plywood Corp.	Preferred
August 7, 1951	
Michigan Consolidated Gas Co. 10:30 a.m. (EST)	Bonds
August 15, 1951	
American Mucinum, Inc.	Class A
August 31, 1951	
Southern Counties Gas Co.	Bonds
September 11, 1951	
Alabama Power Co.	Bonds

★ **Dome Exploration (Western) Ltd. (7/24)**
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.

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.

El Paso Natural Gas Co. (7/25)
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.

Falls Creek Mining Co., Seattle, Wash.
June 27 (amendment to letter of notification) 400,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Underwriter**—None. **Proceeds**—To S. A. Leining and Philip Seymour Heath, two selling stockholders. **Office**—418 Second & Cherry Bldg., Seattle 4, Wash.

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. Statement effective June 29.

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.

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. **Underwriter**—None. **Proceeds**—For working capital.

General Finance Corp., Chicago, Ill.
July 3 (letter of notification) 46,153 shares of common stock (par $1), to be offered to employees, officers and directors of company. **Price**—$6.50 per share. **Underwriter**—None. **Proceeds**—To The First National Bank of Chicago as Trustee for the Estate of Owen L. Coon. **Office**—184 West Lake St., Chicago 1, Ill.

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.**
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. **Offering**—Temporarily postponed.

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.

Inter County Telephone & Telegraph Co. (Fla.)
June 27 (letter of notification) 6,000 shares of 5% cumulative preferred stock, series B. **Price**—At par ($25 per share). **Underwriters**—Florida Securities Co., St. Petersburg, Fla.; and H. W. Freeman & Co., Fort Myers, Fla. **Proceeds**—For general corporate purposes.

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.

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.

★ **Lehman Corp. (7/23)**
July 2 filed 129,785 shares of capital stock (par $1), to be offered to stockholders of record July 20 at rate of one new share for each 15 shares held, with an oversubscription privilege; rights to expire on Aug. 3. **Price**—To be approximately the net asset value per share. **Underwriter**—None. **Proceeds**—For investment.

Lily-Tulip Cup Corp., New York
June 15, filed 75,000 shares of common stock (no par) being offered for subscription by common stockholders of record July 5 on basis of one share for each five shares held; rights to expire July 19. **Price** — $50 per share. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To be applied toward construction of new buildings. Statement effective July 5.

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."

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.

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.

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Michigan Consolidated Gas Co. (8/7)
July 6 filed $15,000,000 of first mortgage bonds due Aug. 1, 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Proceeds**—From sale of bonds plus $5,012,000 from sale of 358,000 shares of common stock to American Natural Gas Co., parent, will be used 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 St., Detroit, Mich.

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.

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 received up to 11 a.m. (EDT) on July 23. at office of Southern Services, Inc., 20 Pine St., New York 5, N. Y. Statement effective July 11.

Mitchum Pharmacal Co., Paris, Tenn.
May 18 (letter of notification) 290,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Offering**—Not to be made to public.

★ **Montana-Dakota Utilities Co. (7/24)**
June 27 filed 162,838 shares of common stock (par $5) to be offered to common stockholders of record July 24 on basis of one share for each eight shares held, rights to expire Aug. 7. **Price**—From $14.50 to $15 per share. **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 Aviation Corp.
July 5 (letter of notification) 700 shares of common stock (par $5). **Price**—At market (approximately $16 per share). **Underwriter** — Thomson & McKinnon, New York. **Proceeds**—To Elmer Wellin, the selling stockholder.

★ **New York State Electric & Gas Corp.**
June 26 filed 217,904 shares of common stock (no par) being 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**—$25.25 per share. **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.
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. **Proceeds**—For working capital. **Offering**—Postponed indefinitely.

Ohio Edison Co.
March 30 filed 150,000 shares of pfd. stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co.; Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Proceeds** — For construction program. **Bids**—Indefinitely postponed. Were to have been submitted up to 11:30 a.m. (EDT) on May 2.

Old Colony Finance Corp., Mt. Rainier, Md.
June 1 (letter of notification) $250,000 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.

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.

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.

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.

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.

Pitney-Bowes, Inc., Stamford, Conn.
July 2 (letter of notification) 9,370 shares of common stock to be offered to employees under stock purchase plan. **Price**—$14 per share (at rate of 36 cents per share per month). **Underwriter**—None. **Proceeds**—For working capital.

★ **Pittsburgh Coke & Chemical Co.**
July 5 filed 140,243 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one share for each four shares held on July 23, 1951, with an oversubscription privilege; rights to expire Aug. 9. **Price** — To be supplied by amendment (proposed maximum offering price is $30 per share). **Underwriter** — None. **Proceeds** — From the sale of this stock and the proceeds from certain borrowings together with company funds will be applied to construction program.

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) being offered 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. Statement effective June 29.

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.
July 6 (letter of notification) not in excess of 1,600 shares of common stock (par $1). **Price** — At market (about $17.75 per share). **Underwriter** — Laird & Co., New York. **Proceeds**—To Alexander Harris, President, who is the selling stockholder.

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; also 1,000,000 shares of capital stock (par $15) which may be purchased in open market or from company at market; aggregate contributions are not to exceed $35,000,000. **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.

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.

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.

★ **Texas Gas Transmission Corp. (7/23-26)**
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.

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.

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 received up to 11:30 a.m. (EDT) on July 24 at Two Rector Street New York, N. Y. Statement effective June 21.

United States Steel Corp., Hoboken, N. J.
May 21 filed 1,300,000 shares of common stock (no par) "to be offered from time to time to certain key employees" under an incentive plan. **Price**—At market (to net company about $54,275,000. **Proceeds**—For general corporate purposse. Statement effective June 11.

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.

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.

West Virginia Water Service Co.
June 27 (letter of notification) 1,000 shares of $5 cumulative convertible preferred stock (no par). **Price**—$105.50 per share. **Underwriter**—Allen & Co., New York. **Proceeds**—For new construction.

★ **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. **Withdrawal** — Registration statement was withdrawn on July 12.

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.

Winston & Newell Co., Minneapolis, Minn.
July 5 filed 50,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn. **Proceeds**—To reduce bank loans.

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 Se-

curities 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.

Associated Telephone Co., Ltd. (Calif.)
July 3 it was announced that tentative plans call for the sale later this year of $8,000,000 additional first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co., Kidder, Peabody & Co. and Shuman, Agnew & Co. (jointly); Harris, Hall & Co., Inc. and Equitable Securities Corp. (jointly). **Proceeds** — For construction program.

● **Baltimore & Ohio RR.**
July 16 company requested bids on a proposed issue of $7,755,000 of equipment trust certificates, series CC, to be dated Sept. 1, 1951 and to mature in 15 annual instalments of $517,000 each on Sept. 1, 1952 to 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 (7/25)**
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. **Bids**—Expected about July 25.

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, estimated to cost $47,000,000. Early last year, it was announced that the proposed project would be financed through the issuance of $28,200,000 of bonds, $14,100,000 of preferred stock, $4,700,000 of convertible common stock and 100,000 shares of no par value common stock.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 oustanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

★ **Derby Gas & Electric Corp.**
July 16 corporation received SEC authority to issue and sell $900,000 of debentures to mature July 1, 1957 (to be placed privately with an institution) but reserved jurisdiction over the proposed issuance of 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.

Fuller (D. B.) & Co., Inc.
July 9, Daniel B. Fuller, President, announced that company will soon file a registration statement with the SEC covering 120,000 shares of 6% cumulative convertible preferred stock (par $15). **Price** — To be named later. **Underwriter**—F. Ebertsadt & Co. Inc. **Proceeds**—To repay indebtedness of subsidiary, and for working capital. **Meeting** — Stockholders will vote on financing program on Aug. 10.

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 July 17 were scheduled to approve the 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.

★ **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 voted July 11 to increase 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.

Meridian & Bigbee River Ry. (7/20)
Bids will be received up to 10 a.m. (EDT) on July 20 by Leo Nielson, Secretary of Reconstruction Finance Corporation, 811 Vermont Ave., N. W., Washington 25, D. C., for the purchase from the RFC of $50,000 first mortgage 4% bonds due Jan. 1, 1968; $500,000 of income mortgage 4% bonds due Jan. 1, 1998; and 7,846.55 shares of common stock of no par value (having a stated value of $784,655).

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.

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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.

• Nekoosa-Edwards Paper Co.
July 18 stockholders were to approve an issue of $5,100,000 of new bonds. Proceeds are to retire $2,100,000 of outstanding bonds and the balance used for expansion program.

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.
June 29 it was announced company plans issuance and sale of $15,000,000 of mortgage bonds in the early part of 1952. **Underwriters** — To be determined by competitive bidding. Probable bidders: 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.

• Public Service Co. of North Carolina, Inc.
July 12 it was announced company plans to issue and sell several million dollars of first mortgage bonds in the Fall. In July last year, $1,200,000 of bonds were placed privately with two institutional investors.

St. Louis-San Francisco Ry. (7/23)
Bids will be received by the company at its office, 120 Broadway, New York, N. Y., up to noon (EDT) on July 23 for the purchase from it of $5,085,000 equipment trust certificates, series I, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 it would this year 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.

Superior Water, Light & Power Co.
July 7 it was reported that company expects to sell $1,000,000 additional bonds this month or next and another bond issue for a like amount in January. May be placed privately.

United Gas Improvement Co.
June 18, the SEC directed the company to dispose of its interest in six non-subsidiary companies, viz: Central Illinois Light Co., 35,340 shares; Consumers Power Co., 52,586 shares; Delaware Power & Light Co., 37,355 shares; Niagara Mohawk Power Corp., 145,000 shares; Public Service Electric & Gas Co., 36,801 preference common shares and 4,861 common shares; and Delaware Coach Co., a $1,000,000 note.

• United States Plywood Corp. (8/6-13)
July 11 it was reported registration was expected this week of 60,000 shares of convertible preferred stock (par $100). **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Expected in first half of next month.

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.

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.

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Dealer-Broker Investment Recommendations and Literature

Richardson & Sons, 367 Main Street, Winnipeg, Man., and Royal Bank Building, Toronto, Ont., Canada.

Cleveland Cliffs Iron Company—Progress—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Cooper-Bessemer Corporation—Circular—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Ferro Corporation—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Foremost Dairies, Inc.—Brochure—D. M. S. Hegarty & Associates, Inc., 52 Broadway, New York 4, N. Y.

General Manifold & Printing Company—Circular—Englander & Co., 115 Broadway, New York 6, N. Y.

General Precision Equipment Corporation—Brief Analysis—in "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in the same issue are a suggested portfolio of stocks yielding 6% and a list of interesting Canadian issues.

Green Mountain Power—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Walter E. Heller & Company—Study and appraisal—Weinress & Co., 231 South La Salle Street, Chicago 4, Ill.

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

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

Lehman Corporation — Analysis of changes in portfolio — Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a brief review of **New York Susquehanna** and of **American Viscose.**

Mission Corp.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Pabst Brewing Company — Analysis — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Photon, Inc.—**Analysis**—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

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.**

Ronson Art Metal Works, Inc.—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available is a brief discussion of **Grumman Aircraft Engineering Corp.**

St. Regis Paper Company—Analysis—American Securities Corporation, 25 Broad Street, New York 4, N. Y.

Seismograph Service Corporation—Bulletin—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Signode Steel Strapping Co.—Memorandum—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Towmotor Corporation—Bulletin—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Walt Disney Productions — Analysis — Republic Investment Company, Inc., 231 South La Salle Street, Chicago 4, Ill.

Wm. R. Staats Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Arthur R. Bell and Richard W. Denner have become associated with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Denner was previously associated with F. H. Breen & Co.

With Cantor, Fitzgerald

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Irving Hofstein is now with Cantor, Fitzgerald & Co., Inc., 224 North Canon Drive.

William J. Holm Joins Remer, Mitchell Co.

CHICAGO, Ill.—Remer, Mitchell & Reitzel, Inc., 209 South La Salle Street, announce the association with their investment department of William J. Holm. Mr. Holm was formerly Vice-President and Treasurer of the Steel Warehousing Corporation.

Rejoins Wilson-Trinkle

(Special to The Financial Chronicle)

LOUISVILLE, Ky.—Herman F. Monroe has rejoined the staff of Wilson-Trinkle Company, Louisville Trust Building.

Merrill Lynch Branch

HARLINGEN, Tex. — Merrill Lynch, Pierce, Fenner & Beane have opened an office at 202 East Van Buren Street under the direction of Warren D. Griffin.

Abbott, Proctor Admit

Archbold van Buren will become a limited partner in Abbott, Proctor & Paine, 14 Wall Street, New York City, members of the New York Stock Exchange, on Aug. 1.

To Retire from Firm

Palmer C. Macauley will retire from partnership in Davies & Mejia, San Francisco, on Aug. 1.

de Goumois Opens

WHITESTONE, N. Y.—Marc de Goumois is engaging in the securities business from offices at 7-03 154th Street. He was formerly with Goodbody & Co.

With Barclay Inv. Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Paul H. Dunakin is now with Barclay Investment Co., 39 South La Salle St.

With Lee Higginson Corp.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Walter G. Mann is now with Lee Higginson Corporation, 231 South La Salle St.

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Mutual Funds

against inflation, according to a review of "Commodity Prices" contained in "Perspective," monthly publication of the Investment Management Department of Calvin Bullock.

"Assuming that we are not to be lulled into a false sense of security by the truce in Korea and that we will continue to adhere to our rearmament blueprints, it seems clear to us that a statement made by this firm two months ago still stands—namely, 'that inflationary pressures will exist and will be somewhat greater in 1952 than in 1951'," the review says. Regardless of the immediate direction of prices, it emphasized, "There are still present in our economy many inflationary forces."

In the year since fighting began in Korea "we have come full circle on the problem of inflation," the study notes. "With supply in many areas running ahead of demand, with retail trade lagging after two mountainous waves of scare buying in July 1950 and January 1951, and with a truce in the cards for Korea there is again the smell of deflation in the air. The situation has reached the stage where there is a substantial amount of talk in Congressional circles about junking price and wage controls entirely.

"We are inclined to believe, however, that it would be very hazardous to assume that we are going to see a repetion of our 1948 price experience" when the first wave of postwar deflation, setting in in September of that year, marked the beginning of a steady 16 month price decline which by December 1949 resulted in a drop of about 11% from the August 1948 top.

EATON & HOWARD Balanced Fund Semi-Annual report to shareholders dated June 30, 1951, shows assets at a new high of $69,252,939, an increase of $6,329,147 since the beginning of the year. Shares outstanding increased from 2,149,102 to 2,340,620 and Asset value per share increased from $29.28 to $29.59. Nineteen percent of the Fund is invested in U. S. Government and Corporate Bonds, 18% in Preferred Stocks and 62% in Common Stocks; 1% is uninvested. Largest common stock holdings are in the Power & Light (12.5%), Oil (12.0%), Insurance (5.1%), Natural Gas (4.5%) and Chemical (3.9%) industries.

EATON & HOWARD Stock Fund Semi-Annual Report to shareholders dated June 30, 1951, shows assets increased from $6,826,865 on Dec. 31, 1950, to $9,101,956 on June 30, 1951. Shares outstanding increased from 335,206 to 432,180 and asset value per share increased from $20.37 to $21.06. Eighty-eight percent of the Fund is invested in common stocks, 6% in U. S. Government bonds, and 6% is uninvested. Largest common stock holdings are in the oil (13.9%), power and light (10.2%), rayon and textile (8.7%), chemical (6.2%) and electrical products (5.0%) industries.

WISCONSIN FUNDS, general distributors of Wisconsin Investment Company Shares announced the appointment of King Merritt & Co., New York City, as Southern States Distributor, and L. W. Simon Company, Cleveland, Ohio, as Midwestern States Distributor. Presently, First California Co. is Western States Distributor and Hartwell P. Morse, Binghamton, N. Y., is Eastern States distributor.

KNICKERBOCKER FUND, in its semi-annual report for the six months ended May 31, 1951, reports that per share asset value was $6.24 at the end of the period, as compared with $5.60 on Nov. 30, 1950. The fund's total net assets rose to $15,333,748 at the end of May from the $13,767,130 reported at the end of November last year.

KEYSTONE CUSTODIAN FUNDS reports that its Low-Priced Bond Fund, B3, registered a gain in capital value per share of 10% during the year ending July 1, 1951 and a decline of only 1% for the first six months of this year compared to 3.3% for long-term government bonds. The 10% increase from $16.42 to $17.58, which included 59c per share paid shareholders from realized security profits, substantially exceeded the 7% gain for the class of low-priced bonds as a whole. In the period from the market low of June, 1949, to July 1, 1951, the Keystone Fund registered a capital gain, including realized security profits, of 25% compared to 20% for the low-priced bond class.

Dividends from net investment income for B3's fiscal year ending July 31, 1951 totaled 90c per share which approximated that for fiscal 1950. Payment from realized gains for fiscal 1950 was 12c per share.

IN CHEMICAL FUND'S June quarterly report F. Eberstadt, President of the Fund, states that the continued growth in demand for both organic and inorganic chemicals has rendered essential the substantial plant expansions now under way in several fields of the industry.

Chemical Fund, Inc. reported net assets on June 30, 1951 of $45,784,998 represented by 2,091,666 outstanding shares compared with $41,253,208 on March 31, 1951 represented by 2,058,716 outstanding shares.

J. A. Hogle Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Raymond J. Carpenter has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street.

Our Reporter's Report

The corporate new issue market came to a virtual standstill this week as both underwriters and their dealers turned to vie, and successfully, with commercial banks for $171,000,000 of various tax-exempt housing bonds put up for sale on Tuesday. Underwriters were high bidders for more than $155,000,000 of the total.

Meanwhile the corporate end of the business was in the doldrums with only one issue, a small undertaking of $9,000,000 of 25-year first mortgage bonds of the Washington Gas Light Co., reaching market.

Of six bids received all but one specified a coupon rate of 3⅝%. The other and winning bid fixed a price of 100.195 for a 3½% rate. The group reoffered at a price of 100.665 for a 3.46% yield, but latest reports had this issue, like its several recent predecessors, a bit on the slow side.

Next week will bring to market for bids, United Gas Corp.'s $50,000,000 of first mortgage and refunding bonds. With four groups in the running this undertaking, because of its size, should provide a real test of the new market basis established since the successful flotation of Cleveland Electric's offering some weeks back.

Buyers at a Price

While market observers would like to see a bit more activity in the new issue field, they point out that it is possible to move good merchandise if the price is right.

The big institutional investors continue to hold more or less aloof being satisfied to go after private deals and to fill out their requirements through the medium of the mortgage market.

But smaller insurance firms are interested in the right kind of opportunities and, as those close to the situation point out, this potential source of buying has been ample recently to make for success where the proper conditions prevail.

R. F. C.'s Portfolio

There is a buzz of interest in the possibilities for business inherent in the portfolio of the Reconstruction Finance Corporation these days.

Ever since W. Stuart Symington, the new RFC chief, expressed the belief recently that the agency should have long since marketed some of its holdings, there has been a tendency to look for some possible action in that direction.

The emergency loan agency's corporate portfolio is not large, and leans sharply to railroad securities, with Baltimore & Ohio's big issue topping the list.

But it has considerable in the way of other securities which those interested in municipals might be inclined to bid for.

Fred O. Cloyes Joins Heronymus & Brinkman

(Special to The Financial Chronicle)

SHEBOYGAN, Wis. — Fred O. Cloyes has become associated with Heronymus and Brinkman, Inc., 809 North Eighth Street. Mr. Cloyes was formerly associated with Cruttenden & Co. and prior thereto was with the Chicago office of Geyer & Co., Inc.

Also associated with Heronymus & Brinkman is William Brick.

With Halsey, Stuart Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — John H. Evans, Jr., is now associated with Halsey, Stuart & Co., Inc., 10 Post Office Square.

With White, Weld & Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Thomas Lamb, Jr., has become associated with White, Weld & Co., 111 Devonshire Street. He was previously with First of Michigan Corp.

With McDonald, Evans

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Alan L. Weston is now associated with McDonald, Evans & Company, 1009 Baltimore Avenue. He was formerly with Waddell & Reed, Inc. for many years.

Waddell & Reed Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Marion F. Darby, Henry L. Lewis, Richard M. Schlesinger, Ewell S. Shipp and Samuel O. Zetcher have been added to the staff of Waddell & Reed, Inc., 1012 Baltimore Ave.

Andrew C. Reid Adds

(Special to The Financial Chronicle)

DETROIT, Mich.—John C. Huber is with Andrew C. Reid & Co., Ford Building, members of the Detroit Stock Exchange.

Joins Baron G. Helbig

Baron G. Helbig & Co., 60 Broad Street, New York City announce that Tristan G. Dupre has joined their firm, specializing in mutual funds.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Bureaucracies currently are putting on a swell demonstration, when thwarted temporarily in their drives for new and vaster powers to control the nation's economy, of the spider's advice that if at first you don't succeed, try, try again.

Right now it looks like Congress is going to refuse some two and one-half dozen additional powers which bureaucracy was rushing to thrust upon itself in its draft of the proposed extension of the Defense Production Act. So the perpetual grab for additional powers moves to new fronts.

* * *

Although Congress is disposed to give NO consideration to compulsory health insurance this year, Oscar Ewing, the Social Security Administrator, has cooked up a brand new try at this thing.

The new try is just a little amendment to the Old Age and Survivors' security set-up which would provide for health insurance for 6,000,000 persons on those rolls. Mind you, it wouldn't really cost the taxpayer anything. That aggregate of 3% of employer-employee withholding taxes for the old age insurance is building up such a large reserve fund that all it needs is a little minor amendment to allow the use of these funds for payment of health insurance for the aged you are supposed to think.

With not only the old-timers but all their children who feel they might be relieved of the need of paying for the medical care of their partially-dependent old folks expected to support this little amendment, Oscar figures he can put this across.

Then once you've got a few millions receiving the blessings of compulsory insurance, you can plan on adding a couple or three million more "beneficiaries" to the program a year, and by the end of a decade you then have a full-fledged state control of medicine.

* * *

This town was just flabbergased at the Administration's ideas presented last week as to just what should be done in the way of war damage insurance. The issue in committee has been whether to start out, first, with a comparatively limited form of property insurance, or whether to add provision for reinsurance of workmen's compensation liabilities. The committee was disposed to favor the former.

Then Elmer B. Staats, Assistant Director of the Budget, came forward with one of those grandiose ideas which simply defy description, complete with the draft of a proposed bill. Mr. Staats says that it is not a question of whether the government's responsibility should be limited to paying for property or injuries to workmen in case of a serious enemy attack.

What the government should do, said Mr. Staats, is merely to take care of everything.

Thus, the government would restore and rehabilitate essential community services and industries.

Government would provide income for individuals injured, dependents of those injured or killed, or income for persons whose source of income had been destroyed.

Finally, government would provide the broadest compensation for property damage.

It is the administration's idea that any notion of insurance should be entirely abandoned, that it should set up a vast bureaucracy which would "establish values" for every piece of property in the U. S., and set up as it saw fit a vast system of indemnities for loss. It would set up a system of personal cash benefits that would rival the social system.

All this, of course, adds up to a lot more power, although it is proposed that this vast scheme be enacted on a "standby" basis.

So all-embracing are the proposals of the Administration, as outlined by Mr. Staats, that the impression is given that there is no damage or no problem which cannot be solved by an act of Congress and the creation of government debt.

Just incidentally, the injection of this Administration idea of taking care of everything with a mere twist of the legislative dial, may serve to postpone action on even the more limited insurance of property loss. The Congress is unlikely to write a statutory directive to the Administration "to go ahead and do all you please" on this front.

* * *

Although at present the Smaller Defense Plants Corp. idea is not an Administration proposal, it bears watching.

Advocates of a special set-up in the defense program for "small business" pushed over a modified legislative phase of their crusade on the floor of the Senate, and another in the House committee bill. On the principle you can't oppose "small business," it carried.

This would seem to indicate that the final DPA will probably have some special features for the care, feeding, and diaper changing of what is called "small business." The final features, of course, will not be as sweeping as the text of legislation sponsored by the advocates of "small business" aid—advocates incidentally often identified with the left wing.

The original plan was sweeping. A special government agency with (at first, only, of course) $50 million could compel the RFC to make loans to a small business for any imaginable legitimate business purpose.

This $50 million it could use to buy land, build factories, install equipment and lease or sell same to businesses, small business, of course. It could engage and provide technical and managerial help for its clients. The Smaller Defense Plants Corp., would be empowered to serve as a "prime contractor" taking government contracts and subcontracting them to its clients. The corporation would be so supreme that practically no supply contract could be let until procurement officials had first cleared with Smaller Defense Plants Corp. to make sure the agency did not want to undertake the business.

Among other things, the Corporation could certify any small business as competent to perform on a war contract, and that certification would bind the procurement officials. Finally, the Corporation would take over the business of allocating short materials to small business.

Because this beautiful program would subordinate procurement to a special agency of government, the Administration as a whole is opposed to it, as well as for other reasons.

Congress was disposed to take a modified version on the theory that it would be like World War II's Smaller War Plants Corp., make a lot of noise, noise showing that everybody is friendly to small business, but would and could accomplish next to nothing.

There is one broad background factor, however, which prevails now and did not prevail during World War II. When, as, and if there is ever a real danger of set-back in business, if peace should just come, then the Administration before long would start plugging for a "Spence bill" as of two years ago, to provide for government-owned or government-forced construction of expanded plant capacity. This is just so that the castle of inflation which has been abuilding these 20 years shall never tumble.

And when it comes to putting across some grandiose scheme like the Spence bill, it is much easier to work over an existing piece of legislation than to persuade the Congress to swallow an entirely new scheme whole. Just put over an addition to the capital of the Smaller Defense Plants Corp. and remove with some obscure language, limitations on the set-up, and the trick is done.

* * *

Despite the apparent commitment in the Wilson report on money and credit, the Federal Reserve Board, it is now anticipated, will not request higher standby reserve requirements before fall, when it will be known whether the inflation predicted by all government officials, actually arrives on schedule. If inflation does not arrive, it is unlikely that higher reserve requirements will be sought.

If this prospect materializes—no boost in requested reserves before fall—it probably will reflect the change in leadership in Reserve Board thinking from Eccles-McCabe to William McC. Martin. The Eccles-McCabe approach was always to act upon projections of what might happen some months hence.

(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

"First I take him to the Astor for cocktails and dinner—then over to see 'Gentlemen Prefer Blondes'—after that to Sardi's for a late supper and drinks, then to the Copa for nightcaps and then the *——* tells me he doesn't do his firm's purchasing anymore—He was fired a month ago!"