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EDITORIAL

As We See It

To those who cling to the Wilsonian notion of an ideal world by force of arms—their tribe must be decreasing rapidly—the existing international situation must be disheartening indeed. To the true imperialist, so far as there are any left with much hope for the future, the outlook can be scarcely less depressing. To all the remainder of us, the present state of affairs is confusing and confused, a mosaic of realism, dream-filled silliness, ineptitude, and contradictions.

Historically viewed, it presents a strange mixture of denial of past pretensions and of faithfulness to tradition, these inconsistencies being exhibited at times by one and the same nation. More often, they result from altered outlook or changed policies, or at least an appearance of such changes. In the autumn of 1918, President Wilson is supposed to have admirably stated the views of a great many of the so-called Russian radicals when he said:

"Assemblies and associations of many kinds made up of plain workaday people have demanded . . . and are still demanding, that the leaders of their governments declare to them plainly what it is, exactly what it is, that they are seeking in this war, and what they think the items of their final settlement should be. They are not yet satisfied with what they have been told. They still seem to fear that they are getting what they ask for only in statemen's terms—only in the terms of territorial arrangements and discussions of power, and not in terms of broad-visioned justice and mercy and peace and the satisfaction of these deep-seated longings of op-

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Some Observations on Europe's Status in 1951

By WALTER HARNISCHFEGER

President, Harnischfeger Corporation, Milwaukee

Though reporting progress in general rehabilitation and economic conditions in Europe, U. S. business executive says full potential of all European manpower is not used and American people should insist on more initiative and self-help and better coordinated policies on part of our allies. Recommends ECA be ended and a minimum amount of funds be made available for reconstruction through loans by private banks, insured by Export-Import Bank. Calls for a more consistent U. S. foreign policy.

In summarizing my observations on conditions in Europe as I saw them on my fourth trip abroad since the Second World War, it is very apparent that substantial progress in the general rehabilitation and economic conditions has taken place.

W. Harnischfeger

The constructive forces by far outweigh the destructive elements. This does not imply that there are not some tremendous hurdles ahead to overcome.

I shall endeavor to briefly give my reaction to the situation as I saw it and make some suggestions how, in my opinion, to develop some more constructive policies.

Due to the fact I spent most of my time on this trip in the industrial heart of Europe, I will devote a substantial portion of my report to this area, where undoubtedly the most constructive action is necessary.

Most people are only now beginning to realize that as Western Germany goes politically, so will most of Europe go, and in that area the greatest pressure will be exerted against a free world.

GERMANY

On the constructive side a great deal of rebuilding of industry and housing has been accomplished in Germany during the last year. The stores are well stocked.

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A Realistic View Of the Stock Market

By MURRAY D. SAFANIE

Partner, Shearson, Hammill & Co.
Members, New York Stock Exchange

Mr. Safanie, in viewing business conditions and stock market, points out, though market is historically at high level, in terms of earnings and dividends it is not too high. Says ingredients that make for downward economic spiral are not present in the economy, but with strong bearish and bullish factors operating it may be advisable for conservative investor to withhold some of his funds from stocks at this time.

In recent months many people have been confused and undecided with respect to market policy. This is entirely understandable in view of the many conflicting forces which are at work. This state of indecision has become even greater since the news of a possible cease-fire in Korea.

Murray D. Safanie

The market is historically at a high level but in terms of earnings and dividends it is not high. Neither is it high in relation to yields obtainable from bonds. However, there is no gainsaying the fact that business activity is at a very high rate and its continuation depends principally on three forces, namely:

(1) Federal Reserve credit policy,
(2) Capital goods activity,
(3) The defense program.

A determined and vigorous policy of credit restriction can as it always has in the past put an end to the boom; a sharp contraction in capital goods activity also could have a retarding influence on business activity. Last but not least, curtailment of planned expenditures for defense could remove an important prop from the economy.

As to credit restriction, the Federal Reserve has regained its former dignity and is again in control. It has in fact already accomplished much of its desired objective. I do not believe that the Fed would pursue its pol-

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

Creole Petroleum—W. W. Cumberland, partner, and Morris Peckman, Security Analyst, of Ladenburg, Thalmann & Co., New York City. (Page 2)

Pittsburgh Steel Co. and Thomas Steel Co.—Max L. Heine, partner, L. J. Marquis & Co., and Vice-President of The Mutual Shares Corp., New York City. (Page 26)

Eastern Airlines—Fred Messner, Research Department, A. M. Kidder & Co., New York City. (Page 27)

DR. W. W. CUMBERLAND
Partner and
MORRIS PECKMAN
Security Analyst
Ladenburg, Thalmann & Co.,
New York City

Creole Petroleum

Development of oil production in Venezuela is one of the marvels of modern industry. From nominal production in 1924, the past quarter century has seen Venezuela move into second place in

W. W. Cumberland   Morris Peckman

world importance, with latest production during June, 1951, at the rate of 1,700,000 barrels per day. This contrasts with something more than six million barrels per day for the United States.

In case the Iranian government prevents normal flow of oil from its prolific fields, there is little doubt that Venezuela will be called upon to supply part of the deficiency and is well able to fulfill this role. To indicate the high degree of probability of obtaining additional production in Venezuela, if needed, it may be said that the percentage of dry holes to wells drilled by Creole Petroleum in the last four years was 7.6%, as compared with some three times as large a percentage of failures for wells drilled in the United States. Drilling results for 1947-1950 are shown in Table A:

TABLE A
Wells Drilled

	Wells Drilled	Dry Holes	Dry Holes
1947	310	20	7.5%
1948	334	25	6.5
1949	222	20	9.0
1950	149	11	7.4

In the mid 20s Creole Petroleum was established as a subsidiary of Standard Oil of New Jersey for exploration and development work in the Republic of Venezuela. Not only has there been great success in drilling in the shallow waters of Lake Maracaibo, but Creole has also developed significant fields in many other sections of the Republic. Total concession acreage held by the company amounted to 3,237,947 acres at the close of 1950, and most recent information reported production of Creole at 759,000 barrels per day, or about 45% of total oil recovered in that country. Thus it is by far the outstanding factor in the petroleum industry of Venezuela.

In the process of developing this enormous production, wells have been drilled to the extent that the company owned 2,422 producing wells at the end of 1950, which indicates average production of 313 barrels per well per day, as shown in Table B, as contrasted with 12 or 13 barrels per day as the average for all producers in the United States:

TABLE B
Creole Production & Refinery Runs

Year	Net Production & Purchased Oil	Refinery Runs
	(In Thousands of Barrels)	
1941	36,224	N. A.
1945	165,329	19,764
1947	215,146	21,641
1948	232,465	25,714
1949	215,749	23,502
1950	243,738	41,305
1951	273,750 Est.	-----

This extensive production has been obtained without the necessity of permanent debt, since the company had neither bonds, notes, nor bank loans outstanding at the close of the latest fiscal year. In addition, refining capacity of 120,000 barrels per day has been installed, and total property, plant, and equipment, was carried at a depreciated value of only slightly less than one-half billion dollars at the close of 1950. This is indeed an accomplishment to excite admiration in the course of little more than 25 years.

Moreover, Creole has no preferred stock, the entire capitalization consisting of 25,865,310 shares of common stock, of which Standard Oil of New Jersey owns 24,278,492 shares or 93.87%. Thus Jersey completely dominates Creole, and also Creole has the benefit of the unusual foresight, international experience and other assets of management which are implicit in affiliation with the Jersey company.

Creole is also in handsome working capital position, when consideration is given to the fact that all development has been financed from internal resources. On Dec. 31, 1950, net working capital well exceeded $100 million, and current assets were only slightly less than twice current liabilities. There is little reason to doubt that Creole can continue to finance its entire construction and development program from depreciation funds and retained earnings, even while paying generous dividends.

As to dividends, the company recently placed the stock on a $5 annual basis, as compared with estimated earnings during the present year of more than $8 per share. Thus retained earnings may well reach the substantial sum of almost $100 million, and depreciation, depletion, and amortization were charged off at more than $41 million in 1950, thus providing ample margin over the capital expansion program for the present year which is estimated at $61 million. A five year record of earnings and dividends is shown in Table C:

TABLE C
Creole Earnings and Dividend Record

Year	Gross Operating Revenue	Net Income	Earned Per Share	Paid Per Share
	——(000 omitted)——			
1945	$182,559	$64,601	$2.43	$1.25
1947	378,614	130,750	5.06	2.85
1948	565,104	198,655	7.68	3.60
1949	431,906	116,149	4.49	3.00
1950	515,616	166,930	6.45	3.40

At current price for Creole at around 71, dividends of $5 per share give the acceptable yield of 7%. For a company which is based upon natural resources and one which has shown the huge growth factor of Creole, this yield is unusually high. Aside from attractive yield, current price for Creole stock represents purchase of oil in the ground at 42.2 cents per barrel on estimated reserves of 4.1 billion barrels. The number of barrels per share of proved acreage amounts to 159 barrels per share of Creole stock. It should be noted that these reserves are calculated on the basis of proved acreage: whereas unproved acreage is carried on the balance sheet at greater value than net proved acreage. Thus it is reasonable to suppose that additional reserves of susbtantial proportions will eventually be proved. Creole's production department expenditures are large in relation to total capital expenditures as evidenced by Table D:

TABLE D
Capital Expenditures
(Millions of Dollars)

Year	Capital Expend.	Prod. Dept.	% Production
1946	52.8	46.0	87.1%
1947	122.4	68.1	55.6
1948	165.8	90.9	54.8
1949	95.1	48.0	50.5
1950	43.3	26.3	60.7
1951	61.0 (Company Est.)		

All of Creole's operations are outside of the territorial limits of the United States, with the result that its earnings are exempt from excess profits taxes. Under existing American legislation, not to speak of that which is proposed, this is a fact of real importance.

While political disturbances in Venezuela have not been unknown, these have little effect on petroleum operations in that country. There have been controversies between the foreign oil companies and the Venezuelan Government in regard to payments to be made to the government, but these have been amicably settled in each case. At present the arrangement is that the Venezuelan Government receives exploitation, income, and other taxes from Creole which in 1950 amounted to $168 million as compared with net earnings of the company for the same year of $167 million. Thus Creole and the government are on what is knwn as a 50-50 participating basis. To show the importance of the petroleum industry and of Creole to the Venezuelan Government, the distinguished petroleum economist, Dr. Joseph E. Pogue, stated that oil revenues constitute some two-thirds of total government receipts. We estimate that Creole's contribution to such total receipts amounts to at least ½ of the total. Hence it would represent bad judgment and disregard of self-interest to a high degree if the Venezuelan Government should interfere either with the production or with the profit of foreign oil companies within the boundaries of the Republic.

Payments to labor by Creole are amazingly high. Instead of a low

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A Plan to Ease Estate Taxation

By MITCHELL G. MEYERS
Attorney, Waterbury, Conn.
and
RAY B. WESTERFIELD
Professor of Economics, Yale University

Authors' proposal as means of easing burden of Federal Estate Taxes and curbing inflation while increasing revenue therefrom, comprises: (1) issue of interest-bearing "Estate Tax Anticipation Certificates," in convenient denominations and without maturity date; (2) that such Certificates can be used by registered holder to discharge his Estate Tax obligation; (3) any excess above 10% of Certificates above Estate Taxes issued to individual be redeemed at face value, less two-thirds of interest earned thereon; (4) that after five years from issue, holder of such Certificates may redeem same at face value, less two-thirds of interest paid thereon. Proposed Certificates to be exempt from income taxes.

Mitchell G. Meyers Dr. R. B. Westerfield

I. Treasury Problems

The Federal Treasury faces problems which in scale and difficulty and in scope and permeation of effect exceed anything found in fiscal operation, present or past. Attention is called, in fact, to three classes of problems that require careful attention. One group of problems derives from the need of larger revenues to help cover the costs of the Korean War, of the tremendous program of defending ourselves and allies, and of our foreign economic aid program. The all-purpose Federal tax levy as estimated in the budget for 1952 approximates $61 billion. In raising these inordinate sums, it is necessary, not only to select productive tax sources, but also to choose those which restrain inflation to the greatest degree.

The second group of problems attends the management of a debt of $256 billion, approximately $39 billion of which matures or is callable the coming fiscal year, and the probability that around $3 billion of "new money" must be raised by mid-summer and perhaps billions more before the fiscal year expires. These debt problems are intensified by the higher level and upward trend of interest rates and by the fact that the Federal Reserve authorities have recently taken a policy position less subservient to the Treasury and no longer consistently support the price of government securities above open-market levels. They are further intensified by the absolute necessity of financing the refunds and new debt as much as possible outside the banking system, so as to hold inflation to a minimum.

The third problem is to make sure that the methods employed in raising the gigantic revenues and in placing the security issues, not only do not destroy or unduly hurt our traditional system of private enterprise, but rather that they maintain our institutions, rights and privileges and in every possible way foster them.

We authors are submitting a proposal which will facilitate, in part, the solution of these three phases of the present fiscal problem. It is designed to render a service to the U. S. Government and to such individual citizens as may desire to avail themselves of it and at the same time tend to preserve our institutions and to restrict the ravages of inflation. It is not designed to reduce government revenues or to provide a means of evading or avoiding the payment of taxes, but rather to render such payment easier and surer and less disturbing to our economic and social life.

II. Death Taxes

The payment of so-called "death" taxes is an obligation imposed upon the executors or administrators of every estate of which the net assets exceed a certain fixed amount. The two major forms of death tax are the "estate" tax, levied upon the entire estate left by the decedent, and the "inheritance" tax, levied upon the separate shares of the estate transferred to the beneficiaries. They are alternative methods by which the government shares in the distribution of estates of decedents.

Both the Federal and state governments impose death taxes. Up to 1919 the Federal government used death taxes only as emergency measures; but following World War I the Federal estate tax, which had been imposed during the war, was not repealed and it became a permanent part of the Federal revenue system. With state inheritance taxation we have had a century and quarter of experience. Most of the states have adopted death taxes; inheritance taxes are more popular than estate taxes; only 12 states have estate taxes, but some of these have also an inheritance tax. The use of this revenue device was promoted by the enactment of the "Federal credit" in 1924 and 1926.

This legislation was promulgated to compromise the intense dispute that had developed as to

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Articles and News

Regular Features

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

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Alec B. Stevenson Is With Vance, Sanders

CHICAGO, Ill.—Vance, Sanders & Company announce that Alec Brock Stevenson has become associated with their Chicago office, 120 South La Salle Street, and will represent them in the South Central States.

Mitchell, Whitmer Partner

John H. Libaire, member of the New York Stock Exchange, will become a partner in the Exchange member firm of Mitchell, Whitmer, Watts & Co. 14 Wall Street, New York City, on Aug. 1. Mr. Libaire has been active as an individual floor broker.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James E. Ryan has become connected with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Common Stocks in Pension Funds

By DAVID L. TERWILLEGER

Manager, Pension Fund Department
Kidder, Peabody & Co., Members of New York Stock Exchange

Mr. Terwilleger, in his discussion of benefits from investing part of pension funds in common stocks, furnishes statistical data indicating higher income from common stocks. Explains cost advantages of "dollar averaging," *i.e.*, investing year after year regular amounts, and concludes results of investment in common stocks over long periods in past have been better, both as to income and principal value, than results from investment in bonds.

There is a decided trend toward investing a larger proportion of money going into pension funds in common stocks. Large New York banks who handle great amounts of pension funds are using them in increasing amounts. In many instances, companies themselves have requested their trustee bank to add them. A few companies, but not many, allow purchase of their own company's equity. One of the main reasons for this increase is the desire of the employers to lessen the burden of their contributions by obtaining increased income in their funds, plus the possible sharing in the economic growth of our country, which sharing certainly can not be done through bond ownership. No matter what the method of financing, the tangible costs of a pension plan are made up of three things:

David L. Terwilleger

(a) The amount of money paid out in benefits;

(b) Plus the cost of administration of the funds;

(c) *Less* the earnings on the invested funds.

An employer establishes a fund and adds to it over the years to meet the cost of the liability he assumed when a retirement plan was established and formalized. However, over the years many changes may, and probably will, occur to bring about variations between original estimates of costs and actual costs. Changes have occurred in Social Security legislation, tax rates, employee turnover, wage rates, mortality rates, the purchasing power of the dollar. These and other factors have a direct bearing, not only on the cost of a retirement plan, but on the value of the benefits to be paid out to employees.

Some people have questioned the ability of a fund to discharge the liability of benefits to retired employees if it is partly invested in common stocks. A well-balanced fund invested in spaced maturity bonds and high grade common stocks should encounter no difficulty, even though we know that stocks fluctuate in value. Normal payments under a plan can be met out of annual contributions to the fund plus income from investments. If unusual payments must be made, they can be met through sale of short-term obligations which fluctuate in price very little. Therefore, how to invest the monies in a pension fund hinges on the answer to the question, "What investments probably will bring about the best income and principal results over a long period of time under changing conditions?"

Higher Income from Common Stocks

Generally, over a long period, considerably higher income has been obtainable from common stocks than from fixed income securities, such as corporate bonds. The question then is whether the higher average return on common stocks is enough compensation for running a risk of possible loss of some principal. This does not infer that principal can not be lost through bond ownership.

Payments into pension funds will expand and whether plans are contributory or not, payments into funds for many years should far exceed benefit payments. The national average age of employees now covered by formalized pension plans is reliably estimated to be 38 years. If the average age employee retires at 65, it might be 27 years before total benefit payments equal deposits into a fund plus earnings. Actually, it is likely this period will be much longer because employment is not static. Population growth is at a rate of 1% to 2% per year and employee numbers increase. New employees might outnumber those retiring, thereby lowering average employee age, with retirement age remaining constant. Also, in many plans a certain number of employees will resign before their rights become vested. This will tend to lengthen the time before outgo equals income to perhaps 40 years or longer in many cases. The mean between 27 and 35, or 31 years, has been used in these computations.

In a portfolio of high grade bonds with maturities spaced it is possible to obtain a yield of 2½%, today. It is also possible to obtain a dividend return of 6% from a representative list of high grade common stocks. The income from an approved pension fund is tax free.

If Pension Fund "A" is $1,000,000 invested in bonds, yielding 2½%, the income compounded annually over a 31-year period will amount to $1,150,007.

If Pension Fund "B" is $1,000,000 invested 75% in bonds yielding 2½% and only 25% in stocks yielding 6%, the income compounded annually from the bond segment ($750,000) will amount to $862,505 and the income from the stock segment (only $250,000) will amount to $1,272,025. Total income received will be $2,134,530.

Fund "B" will produce $984,523, or approximately 84%, more income than Fund "A" merely by investing 25% in stocks. The relatively small amount of Fund "B" invested in stocks will produce more income than the whole of Fund "A." This large difference in value at the end of 31 years could represent: (a) the amount an employer does not have to deposit into his pension fund in order to satisfy his future liabilities; (b) the amount of actual increased costs over estimated costs (the final liability to meet increased pension costs rests on the employer); (c) the amount by which benefits are increased in the future.

Dollar Averaging of Investments

Payments into individual funds are in nearly equal amounts year after year. Thus, a fund manager is in the very exceptional position of being able to "dollar average" investments year after year, i.e., he can acquire more shares of an issue of stock when its price is low than when it is high. Over a period of years "dollar averaging" results in reducing the average cost of a given investment well below its average selling price for those years. While this method does not assure profits, if constantly followed, investment will not be concentrated in periods of high prices, but will include investment during periods of low prices. If our economy is to continue to grow and if stock prices follow the channel of the various stock averages, dollar averaging has much in its favor.

From the table it will be seen that over the 31-year period, 1920 through 1950, $100,000 invested at Dec. 31 each year in the stocks which make up Dow-Jones Industrial Average would have had a market value of $5,637,363 at the end of the period. This is $2,537,363, or 82% more than the total of $3,100,000 invested during the period. The same amount of money would have a value of $3,731,188 had it been invested at the same times in the bonds contained in Standard & Poor's Corporate Bond Average. Appreciation in bonds would have been $631,188, or only about 20%. In actual practice, bond investments would have produced results not nearly as good as these figures. This is because as those bonds matured which had been purchased at low prices (high yields) reinvestment would have been accomplished at higher prices (low yields).

Stock prices would have to recede 45%, or to 129.48 for the Dow, in order to eliminate all profit. Take note that the average Dow-Jones Industrial stock price for the period was 148.47. This favorable difference is the result of dollar averaging. Bond prices could decline only 17% before gains are wiped out. This would be to 100.7 for the bond average.

The average return over these 31 years from dividends on stocks in the table was 6.0%, or one-third greater than the 4.5% on bonds (on a current yield basis). Dividends on stocks totalled $3,258,735, or 53% more than the $2,127,640 cash income from bonds. Very often government bonds are purchased in large quantities by pension funds. The yield on government bonds almost always is lower than on corporates. Therefore, again in actual practice the return from bonds would be considerably lower than the figures in the table.

Although for comparative purposes the current yield on bonds has been used, all of them mature at a definite time. While it may be unlikely that yields to maturity will increase to the high figures obtaining in the early 1920s, it is possible, that the greatest bull market in bond history has topped out. If it has, then pension fund managers may find that bond purchases made

Result of Investing $100,000 Annually on Dec. 31st Each Year in the Dow Jones Industrial Stock Average.

Date	D-J •Indust. Avge.	*Shares purch. for $100,000	Shrs. held Cumul.	Amount Invested Cumul. (000)	Market Value at Index prices	Dividends paid on D-J Indust.	Dividends Received	Yield on Cumul. Invest.
1920	71.95	1,390	1,390	$100	$100,000	$3.44	$4,782	4.8%
1921	81.10	1,233	2,623	200	212,725	2.96	7,764	3.9
1922	98.73	1,013	3,636	300	358,982	3.38	12,290	4.1
1923	95.52	1,047	4,683	400	447,320	3.94	18,451	4.6
1924	120.51	830	5,513	500	664,372	4.27	23,541	4.7
1925	156.66	638	6,151	600	963,616	4.17	25,650	4.3
1926	157.20	636	6,787	700	1,066,916	6.35	43,097	6.2
1927	202.40	494	7,281	800	1,473,674	5.54	40,337	5.0
1928	300.00	333	7,614	900	2,284,200	5.92	45,075	5.0
1929	248.48	402	8,016	1,000	1,991,816	12.75	102,204	10.2
1930	164.58	608	8,624	1,100	1,419,338	11.13	95,985	8.7
1931	77.90	1,284	9,908	1,200	771,833	8.40	83,227	6.9
1932	59.93	1,669	11,577	1,300	693,810	4.62	53,486	4.1
1933	99.90	1,001	12,578	1,400	1,256,542	3.40	42,765	3.1
1934	104.04	961	13,539	1,500	1,408,598	3.66	49,553	3.3
1935	144.13	694	14,233	1,600	2,051,402	4.55	64,760	4.1
1936	179.90	556	14,789	1,700	2,660,541	7.05	104,199	6.1
1937	120.85	828	15,617	1,800	1,887,314	8.78	137,117	7.6
1938	154.76	646	16,263	1,900	2,516,862	4.98	80,990	4.3
1939	150.24	666	16,929	2,000	2,543,413	6.11	103,436	5.2
1940	131.13	763	17,692	2,100	2,319,952	7.06	124,906	6.0
1941	110.96	901	18,593	2,200	2,063,079	7.59	141,121	6.4
1942	119.40	838	19,431	2,300	2,320,061	6.40	124,358	5.5
1943	135.89	736	20,167	2,400	2,740,494	6.30	127,052	5.3
1944	152.32	657	20,824	2,500	3,171,912	6.57	136,814	5.4
1945	192.91	518	21,342	2,600	4,117,085	6.69	142,778	5.5
1946	177.20	564	21,906	2,700	3,881,743	7.50	164,295	6.1
1947	181.16	552	22,458	2,800	4,068,491	9.21	206,838	7.4
1948	177.30	564	23,022	2,900	4,081,801	11.50	264,753	9.1
1949	200.13	500	23,522	3,000	4,707,458	12.7[illegible]	300,846	10.0
1950	235.41	425	23,947	3,100	5,637,363	16.1[illegible]	386,265	12.5
							$3,258,735	
31-year average	148.47			$100		6.87	105,120	6.0

*To nearest share.

Result of Investing $100,000 Annually on Dec. 31st Each Year in the Standard & Poor's Corporate Bond Indexes—Composite

Year	Yield to *Maturity	†Prices Dollars per $100 Bds.	Bonds Purch. for $100,000 (000)	Bds. held Cumul. Par value (000)	Amount Invested Cumul. (000)	Market Value at Index prices	Interest Received 4%	Stock Yield on Cumul. Invest.
1920	6.33%	73.78	$136	$136	$100	$100,000	$5,440	5.4%
1921	5.54	81.52	123	259	200	211,137	10,360	5.2
1922	5.10	86.31	116	375	300	323,663	15,000	5.0
1923	5.23	84.86	118	493	400	418,360	19,720	4.9
1924	5.00	87.45	114	607	500	530,822	24,280	4.9
1925	4.88	88.85	113	720	600	639,720	23,800	4.8
1926	4.71	90.87	110	830	700	754,221	33,200	4.7
1927	4.56	92.71	108	938	800	869,620	37,520	4.7
1928	4.74	90.51	110	1,048	900	948,545	41,920	4.7
1929	4.9[illegible]	87.57	114	1,162	1,000	1,017,563	46,480	4.6
1930	4.59	92.33	108	1,270	1,100	1,172,591	50,800	4.6
1931	4.95	88.03	114	1,384	1,200	1,218,335	55,360	4.6
1932	4.97	87.80	114	1,498	1,300	1,315,244	59,920	4.6
1933	4.70	90.99	110	1,608	1,400	1,4[illegible]3,119	64,320	4.6
1934	3.94	100.8	99	1,707	1,500	1,720,656	68,280	4.6
1935	3.51	107.0	93	1,800	1,600	1,926,000	72,000	4.5
1936	3.21	111.6	90	1,890	1,700	2,109,240	75,600	4.4
1937	3.27	110.7	90	1,980	1,800	2,191,860	79,200	4.4
1938	3.09	113.5	88	2,068	1,900	2,347,180	82,720	4.4
1939	2.97	115.5	87	2,155	2,000	2,489,025	86,200	4.3
1940	2.84	117.7	85	2,240	2,100	2,636,480	89,600	4.3
1941	2.84	117.7	85	2,325	2,200	2,736,525	93,000	4.2
1942	2.86	117.3	85	2,410	2,300	2,826,930	96,400	4.2
1943	2.83	117.7	85	2,495	2,400	2,936,615	99,800	4.2
1944	2.74	119.4	84	2,579	2,500	3,079,326	103,160	4.1
1945	2.60	121.8	82	2,661	2,600	3,239,860	106,440	4.1
1946	2.60	121.8	82	2,743	2,700	3,340,974	109,720	4.1
1947	2.83	117.8	85	2,828	2,800	3,331,384	113,120	4.0
1948	2.78	118.8	84	2,912	2,900	3,459,456	116,480	4.0
1949	2.54	122.7	82	2,994	3,000	3,673,638	119,760	4.0
1950	2.62	121.3	82	3,076	3,100	3,731,188	123,040	4.0
							2,127,640	
31-year average		102.1					68,634	4.5

*From January 1900 to December 1928, these indexes are based upon the mean of the monthly high—low price of 45 high-grade Corporation Bonds.

From January 1929 to March 1937, the indexes have been based on a varying group of A1+ Bonds, one price monthly (first of month) being used. From April, 1937 to date, the indexes are the average of four or five weekly A1+ indexes.

†Prices are a conversion of the yield index, assuming 4% coupon and 20 years to maturity.

during the past few years and today and perhaps for many years will show book losses.

Comparison of Stock and Bond Income

Total income from dividends added to current stock value results in a figure of $8,896,098. The comparable figure for bonds is $5,858,828. Total income from dividends plus market appreciation for stocks is $5,796,098. The comparable figure for bonds is $2,758,828. This large differential of $3,037,260 is a combined improvement of 110% in favor of stocks over bonds.

Disbursements out of a fund, for benefits to retired employees, are usually lower than income into the fund, in the early years. Therefore, a large portion of income is available for investment. Had the excess of income over payments been reinvested, the results would have been even more in favor of stocks.

Although the return at time of purchase is no criterion of the return to be received in future years, from a common stock investment, nevertheless, if dollar averaging had been used in the past, very good results would have been obtained. The past is no sure guide for the future, but one is reasonably safe in expecting future action of common stocks not to differ too much from the past, in that if stock prices and dividends do recede they will not always be at depressed levels, but will ultimately return to a level substantially higher than their lows, both as to prices and dividends. These alone are most persuasive arguments in favor of the use of equities for pension fund investing.

The results of investment in common stocks over long periods in the past are better, both as to principal value and income, relative to the results obtained from investment in bonds. It is probable that economic growth accounts for the fact. Fixed income securities can not participate in this growth. Corporate management and retirement fund committees should give serious consideration to a program calling for investment in high grade common stocks in reasonable amounts in their pension funds in order to obtain lower costs to the employer or greater benefits to the employee or both.

Grimm & Co. Opens Branch in Buffalo

Buffalo, N. Y.—Grimm & Co., members of the New York Stock Exchange, have opened a branch office at 17 Court Street under the management of M. C. Unholz. Associated with the new office will be Roger R. Hayes and R. A. Pilkington.

Joins J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Xenophon Mirageas is now with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

The State of Trade and Industry

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

With the annual miners' vacation period out of the way, along with a substantial rise in automotive output, country-wide industrial production advanced moderately the past week. Production in the aggregate rose slightly above the high level for the comparable period of 1950. With respect to total claims for unemployment insurance, they showed virtually no change from the week previous.

Steel ingot production moved ahead fractionally the past week to approximately 102% of capacity, while automobile and truck output, it was reported, rose some 20% in the week ended July 14. Compared with the like period a year ago, production was lower by more than 39%.

Manufacturers of hard civilian goods—automobiles, refrigerators, washing machines, electric toasters—can count on getting 15% of the total steel supply during the closing months of this year, says "Steel," the weekly magazine of metalworking. This is estimated to be sufficient to permit them to maintain manufacture of their products within the limitation orders set up by the National Production Authority. NPA is making plans to include the durable civilian goods manufacturers under the Controlled Materials Plan starting in the fourth quarter and will allocate an average of 15% of steel output to their products.

Steel producers, however, report mill books for most products are filled to the limit of the set asides ordered by NPA through September and, in some cases, through October and November as well, states this trade weekly.

Fears are growing in the steel industry, it adds, that production may suffer this winter for lack of scrap. Inventories at leading steel mills now range from four to five days' supply up to three weeks. Normal inventory at this season is about 60 days. Although scrap is flowing in fair volume, consumption rates are so high that practically all mills find it is impossible to build up stocks. Traditionally, the magazine notes, mills accumulate more scrap than they use during summer months to carry them over the winter when weather conditions cut down the collection and shipment of iron and steel scrap. The pinch arises from sharply increased demands for scrap to feed the expanded steel capacity. Requirements for market scrap this year will be 36,000,000 tons, or nearly 25% more than was used in 1950, which itself was a record year.

With the exception of adjustments in prices on nickel-bearing steels to compensate for the June 1 increase in nickel costs, iron and steel prices are steady at ceiling levels, the magazine concludes.

In the automotive industry output was lifted above the previous week, notwithstanding labor troubles and floodwater conditions.

Operations at Dodge, DeSoto, Studebaker and Hudson in the United States and at Ford and Chrysler in Canada were curtailed by walkouts, while operations of the Buick-Oldsmobile-Pontiac plant at Kansas City were halted all week and Mercury closed its St. Louis plant Thursday noon because of the flood, "Ward's Automotive Reports" disclosed.

The past week's production was aided by resumption of Nash assemblies following a two-week vacation shutdown, plus normal operations by Plymouth after labor trouble the previous week, the agency said.

No improvement is seen for car and truck production during the remainder of this month and early August by "Wards."

Oral arguments in respect to the railroads' petition for a 15% increase in freight rates opened on Monday, July 9, and continued throughout that week.

In behalf of the railroads, arguments were presented in support of the petition by Edwin H. Burgess, Vice-President and General Counsel of the Baltimore & Ohio Railroad, Edward A. Kaier, General Attorney of the Pennsylvania Railroad, spoke for the Eastern lines; William L. Grubbs, General Counsel of the Louisville & Nashville Railroad, for the Southern railroads, and H. C. Barron, Counsel, Executive Committee, Western Traffic Association, argued for the Western lines.

Textile mills made further cuts in production last week because their inventories are heavy at a time when demand for goods for fall lines remains weak. Burlington Mills and J. P. Stevens, it was reported, halted weaving of filament type rayon fabrics, used in making dresses and lingerie, for a week, while small mills have taken steps to reduce operations by as much as 50%. Mills have practically no orders on hand for third quarter delivery of filament type rayon goods, the report disclosed.

The aggregate valuation of June building permits fell to $385,041,042, from $568,023,104 in June a year ago, according to Dun & Bradstreet, Inc. This represented a drop of 32.2% and marked the fifth successive month to show a decline from the same month of the previous year. The June total was 11.7% less than the May permit turnover of $436,074,181.

In New York City, building plans filed last month were valued at $51,458,270, or about one-half the year-ago figure of $102,-562,255, and 18.0% below the May sum of $62,762,259. Permits in the 214 outside cities, excluding New York, came to $333,582,772 in June. This was down 28.3% from $465,460,849 in June, last year, and 10.6% under the May volume of $373,311,922.

Steel Output Falls 0.5 of a Point This Week

A growing number of hungry steel users are finding the Controlled Materials Plan cupboard is bare, according to "The Iron Age," national metalworking weekly. Even those who are armed with National Production Authority certified checks for steel are being turned away empty-handed in many instances because mills are booked up to the limits set by NPA for CMP orders.

The steel shortage, this trade authority points out, is bad enough, but it is being made to appear even worse than it actually is by too-zealous control over distribution. Continuing, it states, those who thought they could draw a line through the steel market and make it half slave and half free are finding how wrong they were. They were not prepared to withstand the irresistible pressure which was bound to come.

Even free enterprise would rather be nurtured by the government than die of malnutrition in the free market, this trade journal notes, especially when they are told that an all-free market (except for military priority) isn't far away. This explains why more and more industries have been fighting to get included under CMP. So far they have been accommodated with remarkable alacrity.

Of the large steel users, only makers of consumer durables such as autos and appliances are left out of CMP—and that won't be for long, states "The Iron Age." Barring a change in policy, they are headed for the dole line by the fourth quarter. Then CMP will become closed-end by word as well as deed.

A lot of people in industry are already beginning to ask why we have practically total control of steel distribution—especially when production is running well over 100,000,000 tons a year, and military priority needs are less than 20%. The answer, this trade weekly points out, is that some "essential" civilian programs needed help, too. But steel controls have long since spread beyond the military and essential civilian users.

The pressure to limit priority to strict military uses will grow. It will gather more steam from the production miracle which is continuing daily in the steel industry. But the change won't come until next year. Those who are talking of an easier steel market during the fourth quarter are just whistling in the dark. It's coming, alright, but not that soon.

Some believe if a more effective check could be made on inventories, part of the frenzy might vanish from the steel market. When applications for first-quarter (1952) steel are made many firms will probably find that they had a little left over. Such users could get along with a smaller allotment. But, concludes

Continued on page 25

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AMERICAN CAR AND FOUNDRY COMPANY

FIFTY-SECOND ANNUAL REPORT—YEAR ENDED APRIL 30, 1951

CONSOLIDATED BALANCE SHEET APRIL 30, 1951

ASSETS

CURRENT ASSETS:			
Cash in banks and on hand		$12,263,561.94	
Marketable Securities (less reserve) at Market Value		1,780,696.00	
U. S. Government Securities at cost		500,000.00	
Notes and Accounts Receivable, less reserve		19,812,238.30	
Accrued Unbilled Escalation Charges		801,879.19	
Inventories at cost or less, and not in excess of present market prices		46,088,992.71	$ 81,247,368.14
PREPAID AND DEFERRED ITEMS			997,544.06
NOTES RECEIVABLE—MATURING SUBSEQUENT TO ONE YEAR, LESS RESERVE			621,601.95
INTEREST IN CAR LEASE RENTAL PAYMENTS DUE AFTER ONE YEAR (See Note 1)			1,194,492.60
MISCELLANEOUS SECURITIES, LESS RESERVE			20,541.73
DEPOSITS OF CASH AND SECURITIES			574,903.59
PLANT AND PROPERTY ACCOUNT (See Note 2):			
Land and Improvements		$ 6,804,611.37	
Buildings, Machinery and Equipment	$111,525,517.65		
Less: Amortization and Reserve for Depreciation	57,910,402.63	53,615,115.02	
Patents, Trademarks, etc.		18,605.79	60,438,332.18
			$145,094,784.25

LIABILITIES

CURRENT LIABILITIES:		
Notes Payable to Banks	$15,309,528.00	
Accounts Payable and Accrued Expenses	15,217,646.97	
Accrued Federal, State and Local Taxes	3,380,185.65	
Advance Payments received on Sales Contracts	81,075.91	
Sinking Fund requirements due within one year under indentures securing debenture issues of Shippers' Car Line Corporation	685,000.00	$ 34,673,436.53
SECURED LONG TERM NOTES PAYABLE (See Note 1)		1,180,478.00
SINKING FUND DEBENTURES OF SHIPPERS' CAR LINE CORPORATION, A CONSOLIDATED SUBSIDIARY:		
3% DUE APRIL 1, 1961	$ 3,500,000.00	
3% DUE JULY 1, 1962	2,700,000.00	
3¼% DUE APRIL 1, 1963	1,860,000.00	8,060,000.00
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY		11,275.41
RESERVE ACCOUNTS:		
For Employees' Welfare Plan (See Note 3)	$ 4,233,317.79	
For Contingencies	7,729,208.90	
For Dividends on Common Capital Stock to be paid when and as declared by Board of Directors	735,744.74	12,698,271.43
CAPITAL STOCK:		
Preferred:		
Authorized and issued 300,000 shares—par value $100.00 per share	$30,000,000.00	
Less: 10,550 shares of Treasury Stock	1,055,000.00	28,945,000.00
Common:		
Authorized and issued 600,000 shares—no par value	$30,000,000.00	
Less: 600 shares of Treasury Stock	30,000.00	29,970,000.00
CAPITAL SURPLUS:		
Excess of acquired equities over cost of investment in consolidated subsidiary	$ 2,397,790.63	
Excess of par (or stated) value of Treasury Stock over cost of acquisition	551,600.25	2,949,390.88
EARNED SURPLUS ACCOUNT, See Statement		26,606,932.00
		$145,094,784.25

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

Gross Sales and Car Rentals, less discounts and allowances		$119,657,304.41
Cost of Operations, including Administrative, Selling and General Expense, but before Depreciation		109,742,247.47
		$ 9,915,056.94
Depreciation		3,969,371.26
Earnings from Operations		$ 5,945,685.68
Other Income:		
Dividends	$113,902.38	
Interest	60,438.68	
Royalties	64,643.85	
Cash Discounts	327,473.11	
Miscellaneous	50,620.84	617,078.86
		$ 6,562,764.54
Other Charges:		
Interest and Discount	$693,796.91	
Royalties	296,063.82	
Loss on Property Retirements	313,337.62	
Miscellaneous	321,654.04	1,624,852.39
Net Earnings before Provision for Federal Income Taxes		$ 4,937,912.15
Deduct—Provision for Federal Income Taxes (See Note 4)		2,261,998.46
Net Earnings Carried to Surplus		$ 2,675,913.69

ERNEST W. BELL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 Beaver Street, New York

To the Stockholders of
American Car and Foundry Company,
30 Church Street, New York City

We have examined the Consolidated Balance Sheet of the American Car and Foundry Company and its subsidiaries as of April 30, 1951 and the related Consolidated Statements of Income and Surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Surplus present fairly the consolidated financial position of the American Car and Foundry Company and its subsidiaries at April 30, 1951, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNEST W. BELL AND COMPANY

New York, June 28, 1951

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Balance, May 1, 1950	$ 24,275,463.81
Add: Net Earnings for year	2,675,913.69
	$ 26,951,377.50
Deduct: Dividends paid during the year on Capital Stock publicly held, viz: On Preferred $1.19 per share from earnings for year ended April 30, 1950	344,445.50
Balance, April 30, 1951	$ 26,606,932.00

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

Notes to Consolidated Financial Statements

Note 1: During the fiscal year the parent company sold 1,500 freight cars to an insurance company to be leased to a railroad company. Under the terms of the sales contract 80 per cent of the purchase price was paid upon delivery of the cars, the balance to be paid in sixty equal monthly installments from rentals received by the insurance company from the leasing railroad. At April 30, 1951, the unpaid balance receivable under the sales contract amounted to $1,507,692.60, of which payments due within one year in the amount of $313,200.00 are included in notes and accounts receivable under current assets; payments due after one year, amounting to $1,194,492.60, have been excluded from current assets.

Amcar Corporation, a subsidiary corporation, was formed for the purpose of acquiring the foregoing interest in car lease rental payments held by the parent company. Funds to finance the purchase of such interest in car lease rentals were loaned to Amcar Corporation by a New York bank without recourse to the parent company. The unpaid balance of this loan at April 30, 1951 amounted to $1,490,006.00. This indebtedness is evidenced by Amcar's serial note payable to the said bank in monthly installments through March, 1956. Installments payable within one year and amounting to $309,528.00 are included in notes payable to banks under current liabilities. As collateral security, Amcar has assigned its interest in the said car lease rentals to the said bank, together with United States Government obligations and cash (deposited in escrow) amounting to $304,602.44. The latter amount, which is subject to quarterly reduction, is included in deposits of cash and securities.

Note 2: Plant and property of parent company included in valuations were inventoried and valued by Coverdale and Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost. Plant and property of subsidiary companies are included at cost.

Note 3: The Reserve for Employees' Welfare Plan (salaried employees) has, during the year, been charged with the net amount (after tax benefits) of $152,799.65 on account of employees' retirement cost applicable to past services.

Note 4: Federal taxes deducted from net earnings are shown before tax benefit of $119,246.55 as a result of charges made to the Reserve for Employees' Welfare Plan. This saving has been applied as a reduction in the charge to said reserve.

Note 5: Pensions and Disability Benefits for Employees Represented by Collective Bargaining Agents:

The Company's labor union contracts contain certain provisions with respect to pension benefits as approved at the last annual meeting of stockholders held August 31, 1950. The Company has not yet finalized these pension agreements as to funding arrangements, etc.

As at April 30, 1951, the Company has a liability of approximately $1,900,000.00 representing the present lump sum valuation of pensions payable to those employees who had been retired up to that date or who may retire during the term of the present labor agreements. The cost of providing for the foregoing liability over future years will be less than the amount shown by reason of income tax credits. Pending the formation of a definitive plan the company has charged all costs to operations on a cash basis. For the period ended April 30, 1951, such costs aggregated $22,181.84.

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET — NEW YORK 8, N. Y.

To the Stockholders:

The past fiscal year has again illustrated the feast and famine character of the car building business. While the first six months showed a net loss (on a consolidated basis) of $1,191,555.92 (as stated in our semi-annual report of December 14, 1950) the second six months not only made up this loss but resulted (as more fully shown in the attached statement) in a final net profit for the year of $2,675,913.69.

The above earnings being adequate to cover a full dividend for the year of $7 per share upon the preferred stock, the Board declared a dividend of this amount on May 17, 1951. The dividend (while declared for the full amount of $7) was made payable in four quarterly installments of $1.75 each; payable on June 30th and October 1st 1951; January 2nd and April 1, 1952. Action on the common dividend was deferred until the June meeting of the Board, awaiting a more complete earnings report. On June 21st the Board declared a dividend of $2.00 per share upon the common stock payable July 16, 1951. Of this amount $1.2262 is to be paid from the "Reserve for Dividends on Common Capital Stock, to be paid when and as declared by the Board of Directors", thus closing out this account, and the balance is to be paid out of accumulated past earnings.

The consolidated balance sheet, income account and statement of consolidated earned surplus are shown herein as usual. The Company's financial position continues strong showing capital and surplus of $88,471,322.88 while net working capital amounts to $46,573,931.61; both quite ample for our normal needs. However, at times when our operations require the accumulation of larger inventories (as they do at present) it naturally becomes necessary for us to make use of our banking facilities which (illustrating the high standing of the Company in the banking world) afford us credit lines fully covering all probable needs of our regular business. At the present time the Company's bank borrowings amount to $15,000,000. and may go somewhat higher before inventory reductions and other liquidations bring about a reduction and eventual extinguishment of the debt.

During the past year we completed the closing of our Chicago and Madison (Illinois) Plants and these are now on the market for sale. Wilmington, Delaware has also been discontinued as a car building plant. These moves have resulted in a substantial reduction in our overhead expenses and when these plants are sold will bring in additional capital which can be used in our business. As has been stated in our previous reports, one of the most important factors that aggravated our feast and famine periods was the expense of carrying closed plants at times when our business volume was low. The closing of these "marginal" plants (so-called because they were needed only in exceptionally good times) leaves us with the following establishments.

Berwick, Pennsylvania — equipped to build box cars, hopper cars, mine cars and at present engaged in converting a large part of its facilities for work for the U. S. Army.

Milton, Pennsylvania — manufacturer of tank cars, pressure tanks and other similar equipment.

Buffalo, New York—producer of various equipment for the Armed Services.

Huntington, West Virginia—equipped to serve the "Coal Roads" with hopper cars and mine cars.

Detroit, Michigan—our new and expanding Valve Division maintains a foundry and plant for the manufacture of a line of valves for the oil and other industries on a part of these premises. The balance of the property is leased to desirable industrial concerns.

St. Louis, Missouri—equipped to make freight cars of every description; it serves mainly the Middle West and the West. A large foundry produces chilled iron car wheels and other castings.

St. Charles, Missouri — a thoroughly equipped, modern passenger car plant. At present it is additionally engaged in war work and may shortly be used more extensively in that direction.

St. Louis, Missouri—is also the home of the Carter Carburetor Corporation with the largest and most up-to-date carburetor plant in the world. In addition to carburetors they manufacture automobile fuel pumps and have recently taken orders from the U. S. Government for fuses—a line which completely occupied them during the past war.

In addition there are minor installations such as repair shops maintained by Shippers' Car Line Corporation at Kansas City, East St. Louis and elsewhere.

These plants are adequate to do all the profitable business which the future seems to promise and closing down the surplus plants will stop the drain which our going plants have had to bear in all but the best years.

The Carter Carburetor Corporation (a 100% owned subsidiary of our Company) continued during the year to hold its position as the largest carburetor producer in the world. It contributed materially toward our earnings. The carburetor business requires continuous research and the invention not only of new and improved carburetors and other products but also the invention and development of manufacturing processes and special machine tools to make such products. A large part of the machinery in use at the Carter plants is of their own design and manufacture and is continually in process of improvement. There is nothing static about this business as is well known to all who have anything to do with the automotive industry.

During the past two years Carter has introduced a new automobile fuel pump to the automotive trade. This pump met with excellent reception and is fast becoming an important factor in our business. Sales in this new line during the past year were approximately 350% greater than the previous year and are expected to continue to grow in response to an aggressive sales promotion campaign.

As our shareholders may recall Carter was one of the largest producers of fuses (used by the Army and Navy) during the last war. They have now again received a substantial order for fuses and the volume of production will, of course, depend upon the future turn of world events. Should events be such that they are compelled (as they were in the last war) to utilize all their facilities for the manufacture of fuses it will doubtless also be at a time when the production of automotive products is cut down by reason of defense requirements. Thus, the outlook for a full utilization of Carter's facilities seems to be quite good.

Shippers' Car Line Corporation's business consists of the ownership of tank cars and other cars of various sizes and construction which it leases to many of the largest and strongest corporations for the transportation of chemicals, vegetable oils, liquefied gas and to a minor extent petroleum products. It has been a steady and substantial contributor to our earnings. It has expanded its business materially during the past five years. Its ownership of tank and other cars during these years has grown as follows:—

1947	8,332
1948	9,495
1949	10,244
1950	10,447
1951	10,515

Present plans contemplate further increasing the fleet by about 1,000 cars during the present fiscal year as the demand for leases of cars from chemical, vegetable oil and other sources continues quite active and on a profitable basis.

Our Valve Division with its plant in Detroit has sales representatives throughout the Southwest oil country and in many other sections where valves are sold for various purposes. This division which was begun in an experimental way only a few years ago has now grown to the dimension of a substantial earner. The outlook here, too, warrants the expectation that it will give good account of itself during the coming year.

It has been the aim of the Management to diversify the business of the Company so that it would not be entirely subject to the vagaries of the railroad car business. What has been accomplished in this direction so far has been done not by purchasing going businesses at fancy "sell-out" prices but by the laborious and difficult method of building up new lines from small beginnings. Your Management intends to continue its efforts in this direction always being mindful to explore carefully not only the possibility of profits but also hazards

(Continued on following page)

(*Continued from preceding page*)

of the new line before getting into it to any great depth. The outlook for profits is usually quite visible and alluring but the hazards are much more difficult to detect and appraise. When entering unknown territory the prudent man proceeds with caution. That will continue to be our policy.

We entered the new year with a substantial backlog which totaled approximately 340 million dollars on June 1st. Included in this figure are orders for approximately 170 million dollars in railroad equipment—the balance being war orders, carburetors and miscellaneous business. This is a very satisfactory condition so far as it goes but before profits can be extracted from a backlog the backlog must first be converted into finished product. This requires men and materials. So far as men are concerned, our Company, while suffering from what we now consider a "normal" number of strikes and other stoppages, has no great grievance. On the contrary, our relations with labor have been much better than most companies of our size. Materials, however, are quite another story. As the defense program gets under way the procurement of steel, aluminum and other raw materials becomes subject to all the impediments of a defense economy—shortages develop, governmental regulations enter in, inventories become unbalanced, etc. However, during the past six months we have been able to cope successfully with these difficulties and it can be reasonably expected that these conditions will continue. The Government authorities realize the urgent necessity of building up the nation's inadequate fleet of freight cars and have endeavored to cooperate with the car builders. However, the stark fact faces us that there just is not enough steel to go round and the car builders must take some share of the necessary cut. The present outlook is that—while there will not be enough steel for our car plants to work at capacity—they will be able to work at least at a level showing a satisfactory profit.

It is unfortunately impossible for us to do more than touch on a bare outline of our defense orders. Governmental regulations prohibit our stating more than that our orders are quite large and the outlook is that more will be forthcoming. Up to the present time we have been engaged largely in the tremendous task of converting certain of our plants to mass production of defense products. Only a small amount of work has to date reached completion and profit from this line of business realized during the past year has therefore been of only minor proportions. While we expect that during the current year, the volume of this work will reach considerable proportions, it is not our expectation that any unduly large profits will result. We, like most other producers of defense material shall be content with a moderate profit which we expect to augment by earnings from our regular lines of business.

To sum it all up, the earning prospects of the Company appear to be quite favorable. We have a large backlog of business taken on a satisfactory basis and so long as present conditions continue, our earnings should be very satisfactory indeed. While the present outlook contains no indication which would substantially mar this pleasant prospect, we must bear in mind that in times as disturbed as these, the situation can change overnight either for the better or for the worse. Therefore, the foregoing favorable forecast must be re-examined from time to time in light of events as they develop.

During the year the condition of his health made it imperative that Mr. John Sherman Hoyt, who had served your Company as a member of its Directorate since June 28, 1917, should cease his active participation in business affairs. His place on your Board has been taken by Mr. Robert H. R. Loughborough, who for some years past has been an account executive with Messrs. Johnson and Higgins, insurance brokers.

With deep regret your Management reports that, as of the close of the fiscal year, Mr. Charles J. Hardy resigned as a member of your Company's Board of Directors and as its Chairman—this because, having passed the number of years allotted to mankind by the psalmist of old, he felt the need of more leisure than could be his were he to continue in the offices named. Mr. Hardy's connection with your Company and its affairs—as Counsel, Director, President and Chairman—dates back to the formation of your Company in 1899, thus covering a period of more than fifty years, during which time your Company has attained the commanding position it holds in the industrial world. At Mr. Hardy's insistence, your Management had no alternative but to accept, with the utmost reluctance, his resignation as tendered.

Your Management once again records its sincere appreciation of the loyalty and devotion of the individual members of our organization in their untiring efforts to protect and advance the interests of your Company and its Stockholders.

For the Board of Directors:

Respectfully submitted,

JOHN E. ROVENSKY

Chairman

June 28, 1951.

Stocks With Split Personalities

By IRA U. COBLEIGH

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

A brief outline of certain shares that have split during the past year, plus some fascinating nominees for financial fission in the future.

In commenting on the discernible fashions in finance in these columns, surely I would be remiss if I did not single out for special citation the schizophrenia that has hit the stock market in the past year or so. In case you and your psychiatrist are not on speaking terms, that's the scientific word for a split personality. If you have it—it's bad (you may be nuts), but if your stocks have it, it's good. You've surely watched acrobatic dancers on television. If they do a "split," they get applause. Well, it's the same way in Wall Street. Splits get applause and the stocks tend to bound up afterward—like the acrobats!

Ira U. Cobleigh

Before we start picking out specific split-ups you may have a question or two in your mind—like this. When did stock dividends originate? What's the difference between a s ock dividend and a split-up? What's the advantage of owning two pieces of paper instead of one in the same company? How does that make the stock worth more—or doesn't it?

Well, the first stock dividend on record was a bit before your time, and mine—1682 to be exact—when the East India Company, having had a fat year, declared a 100% stock dividend. A couple of centuries had to go by before they attained any sort of vogue in this country; and it was not until after World War I that they began to really blossom out as the "extras" or "melons" ripening on lush financial vines.

A miles one in the life of this financial mink was a Supreme Court decision in 1922 declaring stock dividends non-taxable; and the following seven years witnessed a veritable epidemic of paper dividend distributions. Some companies even built a regular dividend policy around them. North American Company paid 2½% quarterly in stock from 1923 to 1933; Cities Service paid 6% in cash and 6% in stock from 1925 to June of 1932 (then during the depression, of all things, a reverse split—one new share for ten old). And in 1926, Texas Pacific Land Trust split 100 for 1.

The next volume period of stock dividends, or split-ups, was in 1936-38, when the practice became a fashionable means of avoiding the bite of the undistributed profits tax. And now we come down to the present, when this split deal is even more popular.

Certain clear points s and out about stock extras:

(1) In true stock dividends, a slice of surplus is transferred to Capital Stock account.

(2) Split-ups were originally accompanied by a reduction in par value.

(3) Nowadays, with no-par stock, there's virtually no difference between a stock dividend and a split-up.

In any event, stock extras are bullish. While they technically give Joe Stockholder nothing he did not already have, they do tell him that:

(a) The company is real prosperous.

(b) Increase in assets or earnings is being given official recognition on the balance sheet.

(c) Earnings have been retained by the company, and reinvested for him therein.

(d) Optimism is exuded, in that the company management believes it can earn dividends on a larger number of shares.

So it is that we find stock dividends being molted by strong and growing companies in the up-phases of the business cycle; and we perceive a tendency for the package of new shares to exceed, in market value, the price of the old. This is partly due to a rising market—the old stock might have gone up anyway—but more particularly because the new item winds up in a more popular market range. Thus newly attracted buyers tend to prod the stock upwards.

Let's go over a few—ten to be exact—selected from those blossoming out with extras since June 2, 1950:

Stock—	Market Price 6/2/50	Split During Year	7/20/51 Market Price New Stock	Equivalent Price for Old Shares
Allied Chemical	254½	4 for 1	73¼	293
Amerada	124	2 for 1	105½	211
General Motors	90½	2 for 1	48½	97
Gulf Oil	68½	2 for 1	47⅞	95¾
McDonnell Aviation	29	2 for 1	16	32
Chas. Pfizer	74⅜	3 for 1	40	120
Phillips Petroleum	67⅞	2 for 1	43⅛	86¼
G. D. Searle	63½	2 for 1	71	142
Singer Mfg.	284	5 for 1	56¾	283¾
Standard of N. J.	76½	2 for 1	63¼	126½

A number of these new shares have been out for too short a time to establish regular dividend rates; but I think you will find at the end of this year that, in almost every case, total cash dividends on the new stock delivered, will exceed total 1950 cash distributions. Stock dividends are the evidence, and the embodiment of corporate prosperity.

When I went into this subject some years ago, I remember reading a monograph arguing that split-ups make very little difference market wise. That, over time, the old stock would have made a price advance roughly equal to the combined price of the new. Frankly, I don't think that theory holds true today; for the very object of splits in current practice, is to accomplish two things: (1) to broaden the market for shares, and (2) to expand the number of stockholders. Thus as soon as you take a stock out of the $100 class and put it in the $50 group, almost twice as many possible buyers become interested in the stock and, on the record, the number of stockholders has increased. And more buyers are bound to exert some bullish force on the price of shares. Another thing, we have at least 3 million new customers for stocks now, over 1941—wage and salary earners in higher bracke s—and because of inflation they're seeking the higher yields found in good stocks. They're likely to avoid $100 and $200 stocks, but they add a lot of dynamics to stock buying at the below-fifty level.

Well if stocks that split-up do well in the market, and get a little more lavish with the cash dividends, how about moving out of the history department, and picking a few likely candidates for fancy splits between now and next Fourth of July. After an oriental rub on the crystal ball, out of the mist I see:

Issue—	7/20/51 Market Price	Cash Dividends (last 12 months)	Prediction
American Cyanamid	115⅛	$4.25	3 for 1
Atchison	150½	8.00	3 for 1
Cities Service	103¾	5.00	2½ for 1
Cons. Mining & Smelting	139	10.50	3 for 1
Dow Chemical	110¼	2.40	2 for 1
Humble Oil	116½	4.00	2 for 1
Merck	89½	2.38	2 for 1
Superior Oil of Cal.	430	5.00	at least 3 for 1
U. S. Gypsum	112¼	9.00	2½ for 1
Zenith Radio	59	3.00	2 for 1

Just not to have any loose ends of this prophecy hanging around, add $1 to each cash dividend listed above, and divide by the number of new shares, to get regular dividend rate on the new issues! Also remember there is not the slightest wisp of evidence that any of these split-ups may come to pass. It's the purest, and by all odds, the most repulsively unreliable sort of conjecture, in each case. Only possible hint to share multiplication is found in the prices and earnings of these investment glamour girls—and their sensitivity to fashion. Come to think of it, it's a pretty decent list to be found lurking in your safe deposit box, even if nothing happened!

There's always the exception that proves the rule. Here we've talked about getting stocks down into a price range where people will trip over each other to buy, and shareholders will come trooping in on the books; then we look at American Tel. and Tel. at 155¼ with a million stockholders—more than any other company. No sense in trying to predict a split in that one. The $9 dividend for 31 years in a row, stands there like a financial monolith, and a stock that should, in theory, have split years ago, proves each day it doesn't need to!

There are roughly 15,000,000 shareholders in America today, and if one of our financial goals is to broaden ownership in American enterprise, then split-ups are truly functional. What this country really needs is a good $5 stock—and this is a step in that direction. Meanwhile share division, and the prospect of same, will continue to fascinate and animate the market; and stocks with split personalities may well prove to be social lions among bulls.

Business Man's Bookshelf

Accounting Technique for Reporting Financial Transactions—R. K. Mautz — Bureau of Economic and Business Research, University of Illinois, Office of Publication, Administration Building, Urbana, Ill.—paper.

Compulsory Arbitration of Utility Disputes in New Jersey and Pennsylvania — Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—$2.00.

Development of Supervisory Personnel—Waldo E. Fisher—Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif.—paper—$1.00.

Don't Underestimate Woman Power: A Blueprint for Intergroup Action—Dallas Johnson and Elizabeth Bass Golding—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—paper—20¢.

Executive Talent, Its Importance And Development — Frank W. Pierce—Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif.—paper—$1.00.

Fundamentals of Speaking—Wilbur E. Gilman, Bower Aly, and Loren D. Reid—The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—cloth—$4.00.

Handbook on Over-the-Counter Trading—National Association of Securities Dealers, Inc., 1625 K Street, N. W., Washington, D. C.—paper.

Louisville Story, The: A Report of the City of Louisville Sinking Fund Commission—F. E. Wood—Commissioners of the Sinking Fund of the City of Louisville, Ky.—$2.50.

Money, Trade & Economic Growth — 17 papers in honor of John Henry Williams—The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—cloth—$5.00.

Nature And Tax Treatment of Capital Gains And Losses—Lawrence H. Seltzer with the assistance of Selma F. Goldsmith and M. Slade Kendrick — National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—cloth—$7.50.

Oil In Brazil—Joseph E. Pogue—The Chase National Bank of the City of New York, Petroleum Department, New York 15, N. Y.—paper.

Search For Peace Settlements, The—Redvers Opie and Associates—The Brookings Institution, 722 Jackson Place, N. W., Washington 6, D. C.—cloth—$4.00.

Dealer-Broker Investment Recommendations and Literature

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

Banks—Comparative values of 36 representative banks—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

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.

Federal Debt—Chart showing comparative Federal debt from 1864 to date—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

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

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

Leading Banks & Trust Companies of Northern New Jersey—Semi-annual study—Parker and Weissenborn, Inc., 24 Commerce Street, Newark 2, N. J.

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.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the 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 a 12½-year period. Of the 35 companies represented in the National Quotation Bureau's Over-the-Counter Industrial Stock Index, 12 trace their ancestry to years before the Civil War and another nine had their beginnings in 1900 or earlier. Twenty-three of the companies have been paying dividends continuously from seven to seventy-nine years. Of the other twelve, one started paying dividends 119 years ago, and its stockholders have received annual dividends regularly with the exception of the years 1833, 1840 and 1858—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

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

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 CF4, Value Line Investment Survey, 5 East 44th Street, New York 17, N. Y.

Selected Stocks—Bulletin on nine stocks that appear interesting—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

The Polymer Age—Booklet on services offered in evaluating rubber and plastics by Foster D. Snell, Inc., consulting chemists, 29 West 15th Street, New York 11, N. Y.

Trading Range—Bulletin on market action—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

What Next for the Rails?—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

* * *

American-Marietta Company—Semi-annual report—American-Marietta Co., American-Marietta Building, Chicago 11, Ill.

Atlantic Coast Line—Bulletin—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

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

British Columbia—Analysis of situation in the Province—The Western City Co., Ltd., 544 Howe Street, Vancouver, B. C., Canada.

California Oregon Power Company—Summary—Pacific Northwest Co., Exchange Building, Seattle 4, Wash.

Canadian Pacific Railway Company—Review—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Chicago Railway Equipment Company—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Commercial Solvents Corporation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Continental Copper & Steel Industries, Inc.—Discussion—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. Also available are brief data on **National Sugar Refining Co., Cosden Petroleum Corp., Continental Foundry & Machine, Motorola, Inc., Libby Owens Ford Glass Co., De Vilbiss Co.,** and **Elliot & Co.**, and a bulletin on **Neptune Meter Co.**

Crown Zellerbach Corporation—Review and analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Doeskin Products, Inc.—Analysis—Berwyn T. Moore & Co., Inc., Marion E. Taylor Building, Louisville 2, Ky.

Erie Forge—Analysis in current issue of "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is a special write-up on **Green Mountain Power** and brief data on **Winters & Crampton.**

General Bottlers, Inc.—Analysis—F. S. Yantis & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Harshaw Chemical Company—Analysis—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Mexican Light & Power Co., Ltd.—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Nathan Straus Duparquet Inc.—Memorandum—Russell & Saxe, 60 Broad Street, New York 4, N. Y.

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

Pabst Brewing Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Ray-O-Vac Company—Analysis in the current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. In the same issue is an analysis also of **Bank of America N. T. & S. A.**

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.**

Southern Railway Company—Discussion of suggested bond exchange—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Southwestern Public Service Company—Survey and analysis—Kerr & Co., General Petroleum Building, Los Angeles, California.

Sunray Oil Corporation—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Time Incorporated—Special report—First California Co., Inc., 300 Montgomery Street, San Francisco 20, Calif.

U. S. Thermo Control—Data—Raymond & Co., 148 State St., Boston 9, Mass. Also available is information on **Thermo King Ry.**

NSTA Notes

DENVER BOND CLUB—IBA FROLIC

Phillip J. Clark

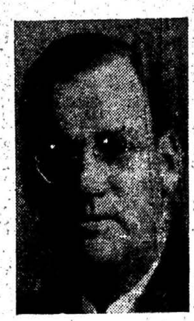
Bernard F. Kennedy

Malcolm F. Roberts

Glen B. Clark

R. L. Robinson

Robert L. Mitton



Walter J. Coughlin

With a rare reversal of form, the 1951 annual frolic and outing of the Denver Bond Club and Rocky Mountain Group of the Investment Bankers Association will be held at the Park Hill Country Club this year on Friday, Aug. 24. All members of the Bond Club of Denver and Investment Bankers Association are invited to participate.

The activities will include a noon luncheon, golf, softball, tennis, putting, horseshoes and special entertainment in the after-

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COMING EVENTS

In Investment Field

Aug. 23, 1951 (Rockford, Ill.)

Rockford Securities Dealers Association "Fling Ding" at the Mauh-Nah-Tee-See Country Club.

Aug. 24, 1951 (Denver, Colo.)

Denver Bond Club-Rocky Mt. Group I. B. A. annual frolic and outing at the Park Hill 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-Oct. 4, 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.

Jacob Eisinger Dies Atty. & Wall St. Broker

Jacob S. Eisinger, partner in and counsel for the New York Stock Exchange firm of Cohen, Simonson & Co., 120 Broadway, New York City, died at his home last Sunday, age 57.

Jacob S. Eisinger

Mr. Eisinger was Council Head of the University Settlement Society. He became interested in the organization during his boyhood days while living on the lower East Side of New York City where his parents settled after their arrival from Austria, Mr. Eisinger's birthplace.

Mr. Eisinger attended Fordham College, graduating from New York Law School in 1922, and afterwards specializing in corporation law. Mr. Eisinger was a member of the Board of Governors of the New York Curb Exchange and a trustee of the Ethical Culture Society. He was also an active worker in the United Neighborhood Houses.

Joins Waddell, Reed Staff

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Tolbert L. Christman is now with Waddell & Reed, Inc.

Three With Slayton

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—John C. Bowden, Jr., William H. Kuntz, and Jenny R. Reed have joined the staff of Slayton & Co., Inc., 126 Carondelet Street.

Failure of Administration's Foreign Policy

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Senate Republican Party leader, asserting people have lost confidence in Democratic Administration, says Korean war, undertaken without constitutional authority, has been useless and expensive, and has imposed almost unbearable burdens which threaten the national economy. Scores Administration's military and fiscal policies, which he says has brought country to one of most dangerous threats in its history. Predicts Republican Party victory in 1952.

We look confidently to a Republican victory in 1952. It is none too soon to begin the campaign to give this country an honest, efficient and progressive Executive administration. The country has lost all confidence in the Democratic Administration today. For the first time since the early days of the Republic, we are seriously threatened by the power of a foreign nation whose strength was built up by the policies of this Administration. For the first time we have fought a useless and expensive war, with 80,000 American casualties, a war begun without authority by President Truman on his own initiative. We are negotiating a peace which only postpones the ultimate danger and admittedly will not reduce the burdens on the people brought about by Administration policy. As far as we can see there is no plan to bring to the world that permanent peace for which all of us yearn.

Robert A. Taft

The failure of foreign policy, the loss of the peace after the American people won the war, has imposed on this country tremendous burdens and taxation which threaten and impair the liberty which lies at the basis of our well-being and of our power. We are still forced to require from every boy in the most formative period of his career two years' service in the armed forces with serious and upsetting influence in his education and life program. We are still required to support a standing army of 3,500,000 men, by far the greatest military force ever maintained by us in time of peace. We are burdened today with taxes from the Federal government estimated to take from the people $60 billion, and to meet the huge expense imposed upon us we are now asked to take $10 billion more. Not only must this be a burden on every citizen, reducing the standard of living of all classes, including the lower income groups, but it also destroys the incentive to the development of new ideas, new methods and new products which has been responsible for the American progress so much greater than that of any other nation.

Because of the tremendous expenditure we face the necessity of all kinds of economic controls, again limiting the freedom of our people, choking initiative and progress and containing in its enforcement injustice and discrimination. 25,000 bureaucrats are demanded by the OPS to operate and enforce these controls. At the same time the freedom of every man in this country is limited by the tremendous tax burden, taking from him the money which he has earned by his own effort to be spent by the government for services he may or may not want, and may or may not even get.

We are asked to send abroad $8½ billion of money taken from our taxpayers to support other peoples and other governments throughout the world through a vast crew of government bureaucrats overrunning every friendly nation, with no thought or consideration for the hardworking Americans at home who have to provide these tremendous subsidies.

The Administration proposes no reduction in these burdens. Even after the hump of new construction for the Army has passed, they contemplate a total burden of $65 billion a year and taxes at least equal to those of today. Prior to the present emergency the President advocated the socialization of the country through price control, rent control, government operation of business, socialization of medicine, the Federal control of welfare service and many other measures. Naturally, when the tremendous spending program forces many of such measures on the people, he is not much concerned with getting rid of these controls so much in accord with his peacetime domestic program. The left-wingers throughout the country are more than delighted to accomplish their purposes through a vast spending for military purposes if they cannot accomplish them directly, and so the Administration has no particular program or interest in finding a solution for our present difficulties.

Mistakes of Democratic Foreign Policy

The Administration says that this program was forced upon it by circumstances beyond its control. It is quite true that we are forced today into a great military program, and into reasonable assistance to foreign nations where such asistance can really check the dangerous growth of Communist dictatorship throughout the world. But it is also true that these circumstances were brought about by the foreign policy of this and the previous Administration. The Administration cannot escape responsibility for a foreign policy which has brought this country to one of the most dangerous threats in its history.

This Russian threat exists because of the weak and wrong-headed policies of this and the preceding Administration at Tehran, Yalta, Potsdam, and in China. Even during the war the policies adopted by the government completely ignored the danger of Soviet expansion after the war, though many of us pointed it out. The policy of unconditional surrender and increased resistance has left a vacuum in Germany into which Russia has ever since threatened to move. Our government was inspired by the stupid fear that Russia might make a separate peace with Germany, and the equally stupid assumption that we had to invite Russia into the Japanese war, when in fact we had already won that war.

We acted as if it were a favor to us for Russia to accept our lend-lease assistance. I pointed out after the Tehran conference that the whole Roosevelt policy was based on the delightful theory that Joe Stalin in the end would turn out to have an angelic nature if we gave him everything he asked.

At Yalta this attitude was supplemented by something more sinister in the indirect influence of communism and Communists on American statesmen. Hopkins and Harriman, who seemed to have had most to do with the Far Eastern agreement, apparently accepted completely the idea that Russia was a peace-loving nation. William C. Bullitt, former ambassador to France, says that the President and Hopkins developed the theory that the Soviet Union was "a peace-loving democracy." Henry Wallace thought that Russian democracy was in some ways better than American democracy. The Communist Party had made a deliberate drive to place people in positions where they could affect public opinion or public policy or influence others who could do the same. They planted spies in the government. We know of Hiss and Marzani and Coplon and Wadleigh. We know that the Englishman, Fuchs, a Communist, was admitted to all the secrets of the Atomic Energy Commission, and delivered all the plans for the atom bomb to Russia. Communists successfully planted among many American leaders the philosophy which was adopted at Yalta—that communism was, in fact, a form of government more or less consistent with American ideals. I could never undertsand how any man who even went through an American high school, and understood what America is about, could reach such a conclusion.

The result was that at Yalta our government accepted all Stalin's promises, although he had never kept a promise which he had made. They accepted them without any means of enforcing them. They set Russia up in Berlin and Prague and Vienna where they

Continued on page 27

*An address by Sen. Taft at the Maryland Republican Outing, Annapolis, Md., July 21, 1951.

Truman Renews Plea for More Taxes and Economic Controls

Also hints enlargement of military forces and heavier defense expenditures. Scores extremists who urge abandonment of economic controls.

President Truman on July 23 released to Congress his mid-year economic report, which comprised his own message together with the mid-year report of his Council of Economic Advisers. In his report the President not only reiterated his requests for economic controls and all-out defense production, but called for an enlargement of military forces, and accompanying heavier defense outlays with more and higher taxes.

President Truman

The portions of the report dealing with stabilization policies, taxation, public expenditures and credit policies follow:

During the past year, the growth of production in the American economy has been very large. During the second quarter of 1950, our total output was at an annual rate of about $300 billion dollars, measured in today's prices. During the second quarter of 1951, measured in the same prices, our total output rose to an annual rate of 300 billion dollars, or a real gain of thirty billion. This gain far exceeded the increased outlays for national defense. Our economy is stronger now than it was when the defense build-up started.

This growth in our productive power was not achieved without considerable inflation, partly because the measures for controlling inflation took time to enact and get into operation. But since these measures have been in full swing, we have continued to expand total output without inflation. That is a salient fact about economic developments since the early part of this year.

We are now in a position where, if the Congress enacts adequate legislation, we can continue to enlarge our defense efforts, to expand our productive capacity, and to hold inflation in check. I emphasize that our success in these matters will depend on a series of legislative measures which the Congress is now considering. If the Congress enacts sound and strong legislation, as I earnestly hope it will, we can achieve our goals.

Our Production Goals

The Council of Economic Advisers estimates that we have the ability to increase our total output by at least 5% within a year's time. This goal is practicable, and we should strive to surpass it. . . .

Manpower is our prime productive resources. Within a year, through various programs for the voluntary mobilization of our manpower resources, as well as through population growth, we should expand our total labor force by one and a half to two million persons. This expansion is entirely possible, and with it there should be no general manpower shortage, although there will be shortages in certain skilled trades, and in some industries longer hours will be needed. . . .

A number of basic expansion programs have been prepared by the defense agencies, and are now going forward under continuing review. In steel, the program calls for an increase of capacity from 107 million ingot tons annually now to nearly 120 million tons by the end of 1952. The aluminum program is planned to more than double our 1950 rate of output by the end of 1953. The proposed electric power program looks toward a 40% increase of generating capacity by the end of 1953. . . .

It is now more urgent than before that we begin at once certain developmental projects—like the St. Lawrence seaway and power project—which will not be completed for several years, but which are especially needed in a defense economy. . . .

Our Stabilization Goals

After the Korean outbreak, a wave of inflation swept over most countries. It was less serious in the United States than in some other places. But even here, it raised living costs by 9%, and wholesale prices by 13%. This inflation encouraged speculation, and put heavy burdens on many of our people. Those fortunate enough to have rising incomes were able to maintain their living standards. But more than half the families of the nation had no income gains between early 1950 and early 1951, and almost one-fifth suffered actual declines.

During the past few months, there has been relative price stability. Wholesale prices are now somewhat below the peak levels of last March. Consumer prices are no longer soaring, although they rose slightly from February to May.

The easing of the inflationary pressure since spring has been due partly to larger civilian supply. It has also reflected higher taxes, credit restraints, and the application of price and wage controls early this year. Moreover, as the military situation improved, many consumers switched from frantic buying to cautious buying, while businesses felt that some inventories were excessive, and curtailed their orders.

These recent developments have led some people to think that the inflationary trend is ended. This is a dangerous assumption. We cannot accept it as a guide to national policy.

The fundamental fact is that we must increase the annual rate of national security expenditures by about $30 billion during the next year. In order to produce more airplanes, tanks, and other munitions, we must continue the cutbacks which have been made in the production of consumer and investment goods, and possibly make some further cuts. . . .

It is estimated that, by a year from now, personal incomes before taxes, measured at an annual rate, may rise to a level $15 to $20 billion above the current annual rate. If taxes and savings are not sufficiently increased, there would thus be a growing disparity between the incomes which people would desire to spend and the supply of consumer goods. This disparity represents the inflationary gap. If controls were to be relaxed, the inflationary gap would be greater—probably very much greater. The price-wage spiral would again be set in motion. . . .

Taxation

There is no more important single measure for combating inflation, under present circumstances, than the maintenance of a balanced budget. The substantial increases in taxes adopted by the Congress since the Korean outbreak have helped to stabilize the economy and aided in halting the price rise. The public approval of these tax increases has demonstrated that the American people are ready to pay the price of protecting our way of life.

Government expenditures for national security have risen from an annual rate of $18 billion (in present prices) before the Korean outbreak to a current rate of about $35 billion. It has been pointed out that the annual rate of these outlays is scheduled to increase by about $30 billion within the next 12 months. This increase, even when accompanied by economy in other expenditures, is bound to result in growing deficits under present tax legislation.

To put our security program on a pay-as-you-go basis, and to reduce the inflationary pressure which this program will generate, we need an increase in taxes of at least ten billion dollars this year. . . .

Public Expenditures

We must also continue to pare down less essential or postponable public spending. This is another avenue toward a balanced budget and toward the control of inflation. The less urgent public activities of Federal, state, and local governments should be reduced or retarded, until the security build-up has passed its peak, or until our over-all productive power catches up with the increased burden imposed by the security program. . . .

Underlying strength, for the long pull, includes education and training, health services, development of natural resources, research, and scientific progress. We must strike a careful balance, not doing so much of all of these things as we ought to do in normal peacetime.

The budget which I have submitted to the Congress for the current fiscal year represents a minimum program consistent with this policy. . . .

Credit Policy

Credit expansion contributed to the inflation of the past year. We must prevent it from adding to future inflationary pressures. . . .

Effective measures of selective credit control, such as regulation of consumer and real estate credit, are needed. The legislative authority to impose them should not be impaired.

One important merit in the selective credit controls is that they may be loosened or tightened by prompt administrative action, in response to shifts in the economic situation. This flexibility would be destroyed if the Congress, by excessively detailed legislation, were to narrow the range of administrative discretion within which the Board of Governors of the Federal Reserve System could operate in exercising selective credit controls. I recommend that the Congress avoid unwise limitations upon the use of an instrument which has clearly proved its worth.

I have recommended several times that the Congress authorize the placing of margin requirements on speculative trading in commodity futures. I repeat this recommendation now. Similar provisions for margin requirements in stock trading have proved very useful.

Authority to impose additional reserve requirements when needed would strengthen the Federal Reserve System's influence over credit conditions with minimum effects on the needs of debt management. . . .

Voluntary Saving

Voluntary saving is an essential part of a well-rounded anti-inflationary program. . . .

The Government saving bond program is very important in the effort to promote voluntary saving. The Treasury has carried on an intensified payroll savings drive since shortly after the out-

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Despite higher taxes and a further increase in expenses, New York City banks in the first six months of the current year were able to report a gain in net operating earnings.

The same factors which have dominated operations for more than a year, continued to be the most important influences in the banking picture during the first six months. These were a high and increasing loan volume and firming interest rates.

As compared with the end of last year, loans and discounts were about 6% higher on the average. Practically all of this gain occurred in the first three months of the year and there were only minor changes in the second quarter.

Most of the expansion in loans took place after the Korean war started—in the last half of 1950. Thus, as compared with figures at the end of Jne, 1950, the current volume of loans for the New York banks is approximately 35% higher.

Holdings of U. S. Government securities show an almost opposite trend. While loans have been increasing, securities have been sold to provide part of the necessary funds. Although there has been a modest increase in holdings during the past three months, the totals are about 17% below the levels of a year ago.

The larger loan volume and higher interest rates have enabled the banks to offset the loss of income from the smaller holdings of governments, increases in operating expenses and the higher tax rates currently in effect. Some banks have also been able to augment their income through larger earnings from their trust and service departments.

The result has been that operating earnings have generally shown a gradual improvement.

In the tabulation below, net operating earnings for the first two quarters and first half of the current year are shown compared with those of the similar periods of 1950.

	First Quarter		Second Quarter		First 6 Mos.	
	1951	1950	1951	1950	1951	1950
	$	$	$	$	$	$
Bank of Manhattan	0.52*	0.52*	0.53*	0.53*	1.25	1.21
Bank of New York & Fifth	6.19	5.70	6.21	5.99	12.40	11.69
Bankers Trust	0.80	0.69	0.81	0.61	1.61	1.30
Chase National	0.60	0.60	0.71	0.61	1.31	1.21
Chemical Bank	0.81	0.71	0.88	0.70	1.69	1.41
Corn Exchange	1.26	1.32	1.25	1.37	2.51	2.69
First National	18.24*	17.72*	20.38*	22.65*	33.27	32.96
Guaranty Trust	4.48	4.31	4.38	4.26	8.86	8.57
Hanover Bank	1.40*	1.31*	1.40*	1.31*	2.80*	2.62*
Irving Trust	0.37	0.35	0.38	0.35	0.75	0.70
Manufacturers Trust	1.18	1.12	1.22	1.15	2.40	2.27
Morgan, J. P.	4.72	3.26	4.58	3.75	9.30	7.01
National City Bank†	0.80	0.70	0.81	0.76	1.61	1.46
New York Trust	1.95	1.70	2.08	1.76	4.03	3.46
Public National Bank	0.90	0.81	1.00	0.88	1.90	1.69
U. S. Trust	3.90*	3.92*	4.58*	4.12*	8.48*	8.05*

*Indicated earnings—Net operating earnings not reported. †Includes City Bank Farmers Trust Company.

In the case of National City Bank and Public National, which soid additional stock earlier this year, the above figures have been adjusted to present capitalizations for comparative purposes.

Also, there is another consideration that should be kept in mind in reviewing the above table. That is in the matter of accounting for income tax liabilities.

It is generally expected that the Federal income tax rate will be increased later this year from 47% existing at the present time to 50%-52%. Some of the banks have taken this likelihood into consideration in the preparation of their income statements of the first six months by providing an additional tax reserve based upon their estimated liability if taxes are raised.

Some of the other institutions have not done this but have accumulated tax reserves at the rates now in effect. Thus there are discrepancies in the different income accounts which should be considered in appraising the current reports. These differences will tend to be eliminated in the last half of the year as the form and provisions of the tax bill are made known. Currently, however, these differences exist and each report should be reviewed with this fact in mind.

Thorwaldson Joins Staff Of Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ellis O. Thorwaldson is now affiliated with Hooker & Fay, 340 Pine Street, members of the San Francisco Stock Exchange. Mr. Thorwaldson was formerly with Davies & Mejia, Bailey, Selland & Davidson and Livingstone & Co.

Beauchamp to Admit C. J. Stava to Firm

Charles J. Stava, member of the New York Stock Exchange, will become a partner in T. J. Beauchamp & Co., 60 Beaver Street, New York City, Exchange member firm, on Aug. 1. Mr. Stava will retire from partnership in N. D. Biddison & Co. effective July 27.

Population and Investment

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

In discussing barriers to foreign investment of American capital, Dr. Spengler points out as first limitation, the capacity of undeveloped countries to absorb foreign capital; (2) the frequent absence of satisfactory stable political and economic conditions, and (3) demand for capital as affected by population growth and other social or economic conditions. Indicates there is a direct relation between fluctuations in increase in population and business conditions, and finds population redistribution causing changes in types of investment.

II

In the first* paper I indicated that the great growth of population taking place in the world would stimulate the demand for American capital; but I added that something of a barrier stands in the way.


Joseph J. Spengler

It is frequently suggested that the Western countries, and the United States in particular, should invest heavily in countries where the population is growing rapidly. For example, in a recent United Nations study, it is estimated that, given present population growth and an increase of 2% per year in per capita income, $19 billion a year will be needed by Africa, Asia, and Latin America, of which these lands can supply but $5 billion. This leaves a shortage of $14 billion. A goodly part of this can be made up by the Western world, with an income of about $350 billion, it is suggested.

Now my point is that there is a limit to how much foreign investment a country can absorb per year. Exactly what this limit is I cannot say, for the available data have not been analyzed to permit a precise answer. It is probably safe to say, however, that for every one dollar that a foreign investor puts in a country there ought to be three or four domestic dollars invested. When this is done there is enough capital created of the kind that can be made at home, enough, that is, to permit effective use of the dollar that comes in from abroad. This being the case, an outside limit is set to the capital-absorption capacity of the capital-short foreign countries, and this limit will go up only in proportion as the rate of domestic capital formation is stepped up.

Let me illustrate, making use of Clark's estimates for the mid-1950's. He put the savings of the under-developed countries at 17.5 billion I. U. This suggests that these countries could not use more than 6 billion from the Western countries, or about 14% of their savings. An even worse case is indicated by the United Nations' figures. These suggest that the under-developed country could use hardly 10% of the advanced country's savings. We are thus led to the paradoxical conclusion, if my reasoning is correct, that an increase in domestic saving within the under-developed countries will step up their demand for American capital.

In sum then, the growth of population elsewhere will stimulate the demand for American capital, but it will take a step-up in rate of domestic investment in the under-developed countries to activate this demand.

*This is the second of three lectures on investment as affected by population changes, delivered by Prof. Spengler before the 1951 Life Officers Investment Seminar, at Beloit College, Beloit, Wis., June 18 and 19, 1951: The first one appeared in the "Chronicle" of July 19, 1951, and the final lecture will be published in a subsequent issue.

Implications of American Population Growth for American Investors

I should like to deal in somewhat more detail with the effect of American population growth upon the demand for American capital. The type of argument I have already presented holds, of course, but it needs to be supplemented when we turn to the domestic scene.

(1) *The Demand for Capital as Affected by Population Growth in General*—This question received much attention in the 1930's for at that time the stagnation thesis had considerable support, and many people feared that the demand for capital would be quite inadequate to absorb the volume of savings that would be forthcoming under conditions of full employment. While this argument received much support because of the prevailing depression psychology, it was founded in part upon the decline in the rate of population growth.

The argument went like this. In Europe somewhat less than half of all investment in the 19th Century was made because of population growth and its effects, capital being needed to equip this growth. In America, it was estimated, over one-half of the investment that took place was stimulated by population growth. But population growth was slowing down to almost a trickle, and so there would be a shortage of investment opportunity.

At the same time it was pointed out that we could have full employment only if there was enough investment to absorb the savings that would be made if there were full employment. But there would not be enough investment to generate full employment, it was said, because the rate of population growth had fallen so low; at least, there would not be enough investment unless other compensating factors were introduced into the investment picture. So population growth, or rather the lack of it, was made partly responsible for the depth and persistence of the great depression of the 1930's.

There is a certain amount of truth in this argument, but not so much, judging by its present conditional acceptance, as was originally supposed. In general, it was noted that many other factors affect the amount of investment, and that the volume of savings was not likely to increase as much as was supposed.

Because we live in a period when never before in history was there such a clamor for capital, it is hard for us to remember the importance attached to the population-investment argument in the 1930's. We must be careful, however, lest our Victorian emphasis upon the need for capital cause us to overlook the changed domestic population situation.

Earlier I said that the rate of population growth in the future would be in the neighborhood of 0.5%. Yet, since the turn of the century, with the exception of 1930-40, the rate of population growth approximated 1.375-1.5% per year. In the future, therefore, the rate of population growth will be only about one-third as high as it has been in recent decades. And this will reduce the demand for capital here at home, other conditions being the same. How much, one cannot say with precision, but on the assumption that per capita income grows 1.5% per year, the capital requirement will be only about two-thirds as high as it was, other conditions remaining constant. Using a capital income ratio of 4, and assuming both population and per capita income to grow 1.5% per year, the demand for capital will approximate 12% of the national income. If, now, the rate of population growth is cut to 0.5%, the demand for capital, other conditions remaining the same, will approximate 8%. It is evident, therefore, that the decline in the American rate of population growth will reduce the demand for capital. But it is well to remember that if our national income grows 2.25% per year, we will need to save 7-11% of our national income for this purpose. Additional savings can flow abroad or step up domestic production further.

(2) *The Demand for Capital, Especially Housing Capital, as Affected by Family Formation*—Some forms of the demand for capital are oriented to the spread of population in space, and some to the growth of population as such. But other forms of capital are oriented to the rate at which the number of families increases rather than to the rate at which the population as a whole grows. A case in point is housing, a source of investment in which insurance companies are especially interested. Let us examine the relationship between the family trend and the population trend therefore, though keeping in mind that the size of the family is smaller now and will be smaller in the future than was the case 40 years ago.

The average size of the family, 4.9 in 1890, had fallen to 4.1 by 1930 and to 3.8 by 1940. It has been predicted that it will approximate 3.1 by 1980, though this figure may be a bit on the small side. It must be kept in mind that the demands for housing are not proportional to the size of the family. As the family gets larger, it wants more space. But since the family income does not keep pace with family size, it often happens that, when the family becomes larger a lower-grade and lower-priced type of housing is sought, under the pressure of lack of funds, of course. We cannot reason, therefore, that a diminution in the size of the family will diminish the outlay per family on housing, particularly if the change is accompanied by an improvement in the income situation.

The number of families has grown faster than the population. For example, between 1890 and 1940, the population grew about 110% while the number of families grew about 175%, and this trend has continued. Recently it was estimated that between 1940 and 1980, the number of families would grow 2-2.5 times as fast as the population. It is certain, therefore, that the number of families will grow more rapidly than the population for a quarter century at least, until a stable relationship is established between population and the number of families.

Should the population almost cease to grow toward the close of the present century, the number of families will not cease to grow for 10-20 years later. Eventually, of course, the number of families will become constant if the population remains constant, and it will decrease if the population decreases. The point is, however, that the growth of families proceeds more rapidly and declines less rapidly than the total population. This point must be taken into account by investors in forms of capital that supply the wants of families and households, such as housing, house furnishings, etc. For this reason also the effect of a decline in the rate of population growth upon capital demands is somewhat cushioned. But the deceleration principle will work nonetheless.

Population Cycles and Investment Cycles

Recent experience has again brought home to us the elementary truth that the number of births and the rate of natural increase fluctuates much as do business conditions and in large part because business and employment conditions fluctuate.

The fluctuation in the number of births is one of the factors that can produce a minor fluctuation or change in business conditions, but usually this effect is hidden by the effect of many other circumstances. The demand for goods and services utilized by children fluctuates because the number of children fluctuates, and this number fluctuates, though in a lesser degree, because the number of births fluctuates. Later when the survivors of these fluctuating births become of working age, the rate at which workers are added to the labor force fluctuates, and this in turn affects the behavior of wage rates and the length of business booms, for if the labor supply drys up the boom tends to come to a close.

Some writers have made much of the supposedly disturbing effects that are produced by fluctuations in the number of births, but they have exaggerated, it seems to me. It remains true, however, that business fluctuations produced by birth fluctuations call for more attention than they have received, since if the relationships are clearly established something can be done to offset or ease the impact of these fluctuations, since they are predictable.

Other Effects of Decline in Rate of American Population Growth

(1) *Upon Public Finance*—At this point there is one main aspect of public finance to which I wish to call attention. Some types of public outlay keep pace with population and some do not. Some types of public outlay result in an increase in the output of goods and services while others do not. Let us call unproductive the outlays which, though they may be very necessary, do not result in a significant increase in the output of goods and services. Two types of unproductive outlay which do not grow at the same rate as population are military expenditures and veterans' pensions.

Some time after the close of the Civil War a great veterans' lobby put over the Civil War pension scheme. The country was able to absorb it because its population was still growing rapidly and Fed-

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Mutual Funds

By ROBERT R. RICH

THROUGH A UNIQUE application of mutual fund shares, The Quaker City Paper Co. of Philadelphia solved its investment problem in connection with a newly established Profit-Sharing and Retirement Trust for its employees.

The company, according to Howard W. Lee, President, had to consider these conditions in the investment of the Fund: There was the size of the company. Even though the firm is one of the larger paper distributors in this area, it is a comparatively small concern. Moreover, its profits fluctuate considerably from year to year because of the nature of the business. Thus for some years to come the Retirement Fund was not likely to be sufficiently large to warrant the cost of professional investment management. Other factors were costs of bookkeeping, of custody of securities, actuarial problems and the like.

How could these problems be solved for a modestly sized Retirement Fund? It was at this point that the mutual fund department of Kidder, Peabody & Co., investment bankers, working with the company and the latter's law firm of Duane, Morris and Heckscher recommended that the Retirement Fund be invested exclusively in shares of balanced mutual funds.

Here is the way that recommendation is working out, as well as the reasons why the company adopted it: The Retirement Fund now gets the benefit at low cost of experienced and successful management in the field of balanced mutual funds. Individual employee's allotments in the Retirement Fund are not commingled. All mutual fund shares in the Retirement Fund are held by its trustee in the names of the respective employees of the paper company. This latter arrangement is possible even though the Retirement Fund pools purchases of mutual funds shares as it does—another feature that brings costs down.

The exclusive use of the balanced mutual fund shares has other benefits too. Complicated bookkeeping by the trustee of the Retirement Fund is unnecessary. The managements of the mutual funds do it. Also eliminated is the need of a custodian of securities. Maximum flexibility and liquidity are also obtained because each individual participant's shares is not commingled but kept in an individual account.

From an investment standpoint, the best measure of the wisdom of the Quaker City Paper Company's decision is the performance record of the balanced mutual funds in which the Retirement Fund will invest.

Let's look at the performance record of one of the Funds. Had Quaker City put its retirement plan into effect 10 years ago, here is how its investment would have fared: From Jan. 1, 1941 to Jan. 1, 1951, its return from the ordinary income of the mutual fund would have averaged annually 5.28%. In addition there would have been an average annual return of 2.75% to the Retirement Fund from realized capital gains of the balanced fund for a total annual average return of more than 8%. This return is exclusive of the fairly substantial unrealized appreciation of capital over the 10-year period.

The Quaker City Paper Company is believed to be one of the first firms in Philadelphia to specify balanced mutual fund shares as the exclusive investment for its Retirement Fund. However, mutual fund specialists believe that because of the obvious advantages more and more small firms will be turning to mutual fund shares to solve their Retirement Fund's investment problems.

SEMI-ANNUAL REPORT of Fundamental Investors shows net assets on June 30 of $94,175,322, a gain of $10,377,053 in the six months since Dec. 30, 1950. The Fund had 27,924 shareholders on June 30 against 24,437 at the end of 1950.

Dividends from net investment income were 40 cents per share during the half-year, compared with 30 cents in the corresponding 1950 period. Net asset value per share rose from $17.65 on Dec. 31, 1950 to $17.99 on June 30, 1951.

Edmund Brown, Jr., President of Fundamental Investors, in his letter to stockholders, states that the government program suggests "a high rate of production in heavy industry and high personal incomes for the foreseeable future."

During the six months covered by the report, investments in public utilities, chemicals and drugs, and in food industries were increased; decreases were made in steels and rail holdings. Largest investments by industries as of June 30 were in the petroleum and natural gas field.

KEYSTONE CUSTODIAN Funds reported that total payment of 32 cents per share from net investment income for the current fiscal year ending July 31 is the largest for any 12-month period in the Fund's history. Payment of 57 cents per share from profits realized on the sale of Fund portfolio securities for the same fiscal period is the largest since 1946.

The mutual investment company, trustee for the 10 Keystone Funds, with combined assets in excess of $200,000,000 owned by approximately 50,000 investors, attributed the increase in both income and capital gains to the high level of business activity which has "improved the outlook for many companies in the lower-priced class." The current relatively generous income dividends reflect the sharp rise in earnings of the companies whose stocks are held by the S4 Fund. However, such stocks are selected solely for their capital growth prospects in rising markets, and are not normally dependable income producers, the company said.

In the growth category, the S4 Fund reported a capital gain of 36% for the 12 months to July 1, 1951, and an 81% increase from its low of two years ago to the same date. The Fund meanwhile showed strong resistance to the market decline of the first six months of this year. Its per share asset value on July 1, 1951, was $6.53 compared to $6.54 on Jan. 1, 1951.

NORTH AMERICAN SECURITIES Company has announced the appointment of Carl Rasmussen as wholesale representative for the distribution of Commonwealth Investment Company shares in Northern California, Oregon and Washington.

Mr. Rasmussen is the successor to Guy M. MacVicar, deceased.

Prior to his appointment, Mr. Rasmussen was associated with Schwabacher & Co. as a security analyst and also served as a member of the Board of Governors of the Security Analysts of San Francisco.

Mr. Rasmussen will service his territory with his headquarters being in San Francisco. Commonwealth Investment Company shares are now being distributed in the United States through wholesale representatives located in eight major cities.

Currently, Commonwealth's assets exceed $34,000,000, which reflects an increase of 100% in net assets during the past year.

VANCE, SANDERS & COMPANY, principal underwriters for one of the largest groups of mutual investment companies in the country, including Massachusetts Investors Trust and Boston Fund, announce that Alec Brook Stevenson has become associated with the Chicago office of their firm as a representative in the south central states, making his headquarters in Nashville.

Mr. Stevenson, who was born in Toronto, has lived most of his life in Nashville, Tenn. Prior to accepting his new position, he had been Vice-President, trust officer and director of The First American National Bank of that city (formerly The American National Bank).

Following graduation from Vanderbilt University in 1916 and service in the AEF during the First World War, he became associated with the investment affiliate of The American National Bank, and remained in the investment banking business until 1940, when he became Vice-President of the bank.

He is a past President of the Vanderbilt Alumni Association and a member of its board of directors.

A leading authority on investment company operation, he is the author of a number of books and

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Government's Responsibility In Promotion of Class War

By WILLIAM H. RUFFIN*
President, National Association of Manufacturers
President, Erwin Mills, Inc., Durham, N. C.

Refuting fiction there is inevitable and incurable state of class warfare between labor and management, NAM head scores Government policy in labor-management field as political alliance with labor. Accuses Administration of aiding labor elements interested in aligning employees against employers and, by fostering nationwide bargaining and compulsory arbitration, of eliminating mutually satisfactory relationships attainable through collective bargaining on local level.

In these days of shocks, sensations and scandals it is unfortunate—but not surprising—that people are unaware of serious inconsistencies and paradoxes in the policies and practices of our government. Specifically, I refer to the government's persistent efforts to control and direct labor-management relations.

William H. Ruffin

To the uninformed this may appear a desirable and necessary activity of government. But here is the inconsistency and paradox of the whole thing: Government is seeking to move in at the very time American industry is perfecting the techniques and machinery it has developed for better employee relations and mutually profitable peace between employees and employers.

Often we hear it said that memories are short. Politicians place great dependence in this saying. And, no doubt it has considerable validity. However, if memories are short, the same cannot be said of misunderstandings based on deliberately fostered misrepresentations.

A crowning example of this is the fiction that there is an inevitable and incurable state of class warfare between labor and management—that employees and employers are natural enemies. All during the troubled thirties and the hectic forties this precept of the Marxian class struggle was cultivated — openly by left-wing labor factions, and inferentially by left-wing government officials. And large elements of organized labor and a considerable segment of the general public fell for this spurious doctrine of confirmed socialism.

During those thirties and forties, management was probably both slow to recognize the dangerous implications of this vicious idea and often inept in countering it with truth and industrial statesmanship. As a matter of fact, management was so bewildered by the charge and the wide acceptance it had gained that it was puzzled how to correct it. But in many instances, management was blamed for inaction of hostility when, as a matter of fact, it was only perplexed as to what it could and should do.

Giant union was fighting giant union for power and position. Right-wing and left-wing factions within unions dueled for control of the employees. And management was, in many cases, an innocent bystander who took the licking. This was a situation "made-to-order" for the politicians.

Government Forging Political Alliance With Labor

Government moved into the labor-management field and quickly made clear that it was forging a political alliance with labor. The government's blatant labor bias became so marked, regardless of the right and wrong of the occasion, that it was difficult to decide whether government was running labor or labor was running the government.

The unlamented Wagner Act was a powerful aid to this alliance of government and labor. It was a law loaded against the employer. It assumed the employer was wrong. And it gave labor every opportunity to dictate to government.

The stage had been carefully set for this step. The left-wing fiction of an inevitable class struggle persuaded many people that only a strong central government could achieve labor-management peace. Government realized the tremendous political power it could acquire by meeting the demands and whims of labor officials.

And it did not hesitate to make the most of its opportunity. Government knew that labor as such has many more votes than management as such. Management lost precious ground at every step of this prolonged, two-decade struggle. But far more important, industrial workers and the public and the nation lost too.

Sadly, it has taken too many of us too long a time to realize that only the political opportunists and certain types of labor officials won.

Management has, of course, made measurable progress in industrial relations. It has created numerous effective channels of two-way communication between employee and employer. It has stayed consistently away from the totalitarian idea that the individual is a number, or an entry in an alphabetical file.

Management has rejected the idea that any human being is an inarticulate member of a common herd. It has, in short, revitalized the traditional American human relationship between employee and employer.

Nevertheless, there is still a great deal of volatility and some hostility left in the employee-employer relationships. Frequently there is found a smoldering resent men on the part of employees —a residue of hot coals from the class conflict fire lighted by the leftist leaders. And certain elements of the labor hierarchy miss no opportunity to fan these hot embers into flames.

For example, about nine months ago the Director of Research of one of the large international unions, writing in the "Harvard Business Review," attacked management's enlightened human relations approach to employees. He scoffed at management's determination to regard and treat every employee as an individual. He even questioned the motivation and sincerity of such an attitude. He denied any possibility of a worker achieving satisfaction and advancement except as part of a mass labor movement incorporated into unions.

There you have it. There you have the all too familiar practice of using the union as the chief vehicle of the Marxian class conflict. Let me quote a few revealing words of this implacable foe of cooperation between employee and employer:

"This 'humanistic' or 'human relation' approach has no appeal for the trade-unionist. He (the trade unionist) starts with the proposition . . . that our society does create a 'disordered dust of individuals.' He goes on to seek a remedy, however, not from the open or disguised bounty of the employers, but through the formation of trade unions.

"The trade unionist"—I am still quoting—"knows that the individual worker is helpless in the face of the economic and social power of the employer. He knows that the individual worker can gain individual status only by graduating out of his own class. And he knows that the majority who will fail to do so must find some alternative. The alternative is to seek advancement, not as an individual, but as a part of a concerted drive by all who are similarly situated."

This labor spokesman then goes on to state categorically that the worker's basic loyalty is to his union, not to the enterprise employing him. That's like saying one's first loyalty is to his "Class," and not to himself.

Then, further on in this astonishingly revealing document, we find this statement: "Unions are also challenging the belief that personal identification with a particular plant or company is essential in building cooperation and a 'will to work'."

Endangering Foundations of Individual Freedom

It would be quite enough if management had only to contend with such an attitude on the part of some powerful union officials. But when this destructive philosophy is strengthened and supported by policies and actions of the government, it becomes a problem of great magnitude. It carries potentialities to endanger the foundations of the great American system under which we live and work as a free people.

Now, those are strong statements, and consequently require substantiation. First, workers are industry's major resource. As such they must enjoy all the traditional American freedoms if they are to serve their own best interests and those of industry and the nation as a whole. If their freedom is infringed, then all freedom in America is jeopardized.

If the men and women in American industry are not free men and free women, then they cannot use the skills, initiative, imagination and ambition that have made them Americans, and make the—freedom's greatest asset. If they are not free, they cannot serve their country to the extent they desire. If they are not free, their children will not be assured of the benefits of their industry and thrift.

Finally, a free American will not be deluded by the Marxian dogma that employees and employers must be sworn enemies bent on each others destruction. The fact that a worker belongs to a union should not automatically or necessarily mean that he is any the less a free person. However, many unions work on just the opposite theory.

A free, self-disciplined and responsible labor movement can make a great contribution to a dynamic democracy. Such a labor movement, however, must be one dedicated to continual progress through unfettered freedom of choice.

But let's look at this business of freedom. A man forfeits freedom when a union forcibly tags him with a class label. He gives up God-given rights when a union deprives him of the right to communicate with or to bargain with his particular employer. He accepts insults to his intelligence when a union induces him to blind agreement that his employer is his enemy.

As a free man he humiliates himself when he bows to the dictates of a union board of strategy that uses him as a pawn in a game for stakes having nothing whatever to do with his job or his relations with his employer.

Worker Losing His Individual Identity

In these circumstances—circumstances which are often tragically true today in America—the worker losses his identity. He becomes no more than a cipher to labor dictators who have divorced him from his employer. He is denied the right to use his initiative and skills in furtherance of his innate ambition.

Some may wonder how such conditions can be tolerated by Americans. The principal answer is probably found in some astonishing figures published recently in the May issue of "The Annals" of the American Academy of Political and Social Science.

Joel Seidman and associates of the University of Chicago studied a 14,000 member local union in the steel industry. It was found that, apart from the local's 36 officers, *only 89 members attended four or more union meetings in the course of a year.* Now, if only 89 men out of 13,964 union members regularly attend meetings, is it any wonder that a mere handful of dedicated left-wing leaders, socialists or other extremists can control unions? Is it any wonder that while the great majority of the workers are honest, just and peaceful, the unions are so often irresponsible and antagonistic to every worthy and sound objective of business?

Management must encourage in every possible way possible the natural and sincere friendship that should exist with the individual employee. Obviously, when a union enlists unthinking men in its ranks, and if it can then so control them as to break the natural bond that links them with their employer, then that union is in a fair way to dictate to an entire industry.

That's the direction we've been heading in. Thus a relative handful of big unions could be in a position to dictate to the entire nation. And that, too, without doubt, is the direction in which we've been heading.

I have said that our government by its policies and actions has given comfort and support to big unions dedicated to the class conflict and the destruction of the natural, instinctive bond between employee and employer.

Government, of course, has not come right out and said this. That wouldn't be good politics. But it has, through both statute and administrative laws, accomplished the same end. It has thrown a succession of barriers between employee and employer, so that two-way communication has been increasingly difficult and sometimes impossible.

This might be some more characteristic government bungling. But it isn't. The truth is more unpalatable. The history of this development shows it has been a studied policy of government to support those labor elements most interested in aligning employees against their employers. That policy has been—and is—to directly or indirectly discourage or prevent collective bargaining on a local plant basis.

Totalitarianism in government moves first to substitute industry-wide or nation-wide agreement between labor and management for individual or local plant rela-

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*An address by Mr. Ruffin before the Blue Ridge Conference of Southern Industrial Executives, Ashville, N. C., July 18, 1951

Gold Standard Needed To Combat Inflation, Says Walter E. Spahr

"Programs emanating from government and private groups to halt currency depreciation, commonly called inflation, generally omit the one weapon known to bring victory in a monetary battle, namely, a redeemable currency. In our case this would involve a provision by our Congress that the dollar constitutes a title, for all holders, to 1/35th of an ounce of gold on demand," said Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy.

Dr. Walter E. Spahr

"As laudable as many of these 'anti-inflation' programs are, they fall short of effectiveness by avoiding insistence upon a redeemable currency," Dr. Spahr added.

"The reports of our United States Senate and House of Representatives, after hearings, contain little or nothing as to the success of the gold standard in keeping a currency in a relatively healthy condition.

"Efforts similarly well intended, but not reaching to the heart of the matter, have been undertaken by associations of advertisers, bankers, insurance firms, and manufacturers.

"Until these groups and the government review monetary history, learn that the gold standard is the only fundamental remedy that will end a progressive depreciation of a currency, and then begin openly and courageously to advocate a redeemable currency, as a needed base for related reforms, we can expect a continuation of our current practice of dealing in symptoms and of avoiding a fundamental corrective measure.

"Any 'anti-inflation' program, whether of governmental or private sponsorship," concluded Dr. Spahr, "will be good only if and as the money unit is made as 'good as gold.'"

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market has a buoyant tone, with volume expanding somewhat as prices continue to stay on the constructive side. The type of buying appears to be improving with investors taking some of the play away from traders and dealers, although there is still a fair amount of professionalism in the picture. The bank eligibles, paced by the 2½s due Sept. 15, 1967/72, have been the market leaders, closely followed by the 1952 eligible tap bonds. It is evident that the restricted issues, which will be bank eligible next year, are being well bought, with investors, according to reports, being the important takers of these securities.

The combination of decreased liquidation and somewhat enlarged buying has had a favorable effect upon the whole market, especially in the longer end of the list. This has been mainly responsible for the uptrend in the longest bank obligation, which is currently at the best level for some time. The better showing of the Sept. 15, 1962/72s has not had an adverse influence upon the 1952 eligible tap bonds.

Demand continues to have the upper hand in the Government market, despite the fact that the market does not have the breadth or volume that one would expect, with the price-trend upward as it has been. Nonetheless, it is reported that somewhat more than what has been regarded as light activity appears to be taking place in Government securities, with investors and dealers inclined to be a bit bolder in their operations. Added to this is the drying up of selling as the market improves, which is not an unusual happening. Taken as a whole, this means that the market is assuming a more constructive attitude and not a few money market followers believe the rise in prices of Treasury obligations will continue further, allowing for backing and filling here and there in order to consolidate the gains that have already been registered.

Out-of-Town Banks Active Buyers

To be sure no run-away in prices of Government obligations is looked for, but strength sufficient to keep it on the buoyant side is expected. It is pointed out that the trend of interest rates is believed to be slightly downward, and this should not have an adverse effect upon the yield of Government obligations. There seems to be tangible evidence that the out-of-town commercial banks are also of this opinion because they have been moving into the higher yielding Treasuries in order to maintain earnings. Volume has expanded slightly in these purchases, with the longest bank issue seemingly getting most of the attention at this time. This does not mean that the earlier maturities are not being taken by these institutions since the 1956/58s, the 1956/59s and the partially exempt 2¾s have not been exactly neglected. The 1⅞% Notes (both maturities) as well as the 2% bonds have likewise been under accumulation by the out-of-town deposit banks.

Beating the "Gun"

The near eligible tap bonds continue to attract attention, and the rumor still persists that ways and means are being found to put these obligations into accounts that are not considered among those eligible to purchase these securities at this time. It is reported that the 1963/68s have been getting what is considered to be the better buying among the 1952 eligible restricted obligations. It is indicated that more of the going-away or investment buying is going on in this issue than any of the others. The 1962/67s are not among the neglected issues by a long shot, but there is a tendency to shy away somewhat from this obligation at current prices. Also there has been switching from the earliest eligible tap bond into the 1963/68s. The June 2¼s of 1959/62, according to advices, is also being well taken, with swaps being made into this bond from the later eligible restricted obligations. Pension funds and trust funds appear to be the main buyers of the restricted bonds as a whole, with the size of the commitments being stepped up. It is believed these funds will not be inclined to change their policies now, even if price irregularity should develop, because they too appear to be of the opinion that price weakness would afford a better buying opportunity.

Liquidation About Ended

Insurance companies have been modest sellers of the tap issues, as have been the savings banks, but these offerings have not been a problem to the market and are not likely to be unless they are increased. More than a few operators in the Government market are of the belief that selling by non-bank holders of Treasury obligations has passed the peak and disposal from now on will be on a reduced scale, which should not be too much for the market to digest. What Federal will do if the market should get too frisky does not seem to be too difficult for the imagination. However, it is not expected that the Central Banks will be inclined to do much as long as the market continues to be orderly, and prices do not run away. A moving market, inclined to be on the constructive side, with expanding volume, should not be unwelcome in the financial district.

Halsey, Stuart Group Offers Equipments

Halsey, Stuart & Co. Inc. and associates are offering today $2,745,000 Central Railroad Co. of Pennsylvania 3% equipment trust certificates, series A, equipment trust of 1951, maturing annually Aug. 1, 1952 to 1966, inclusive. The certificates are priced to yield from 2.50% to 3.125%, according to maturity. Issued under the Philadelphia Plan, the certificates are being offered subject to authorization by the Interstate Commerce Commission.

The certificates will be secured by new standard-gauge railroad equipment estimated to cost $3,437,093. The equipment comprises nine 1200 h. p. Diesel electric yard switching locomotives and thirteen 1600 h.p. Diesel electric road switching locomotives.

Associated in the offering group are R. W. Pressprich & Co.; The Illinois Co.; Freeman & Co.; Wm. E. Pollock & Co. Inc., and McMaster Hutchinson & Co.

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Mutual Funds

articles on financial subjects, including "Shares in Mutual Investment Funds" (Vanderbilt University Press, 1946); "Investment Company Shares" (Fiduciary Publishers, Inc., 1947); "Some Aspects of Estate Planning in Tennessee" (Vanderbilt Law Review, 1949) and articles in other publications.

TOTAL NET assets of Selected American Shares, Inc. at June 30, 1951, were $19,502,492 compared with $19,035,503 at the 1950 year-end and $16,502,450 on June 30, 1950. Net asset value per share on June 30, 1951, was $12.77, comparing with $12.72 at Dec. 31, 1950 and $11.16 on June 30, 1950.

In the semi-annual report to shareholders, President Edward P. Rubin states: "Doubtless genuine peaceful developments . . . would call for important economic readjustments. But such readjustments would probably be temporary. Nothing could be so fundamentally encouraging to the preservation of all our institutions, including that of private capital, as an end to war and fear of war. . . . Meanwhile the management of Selected believes that stocks continue to appraise their intrinsic values conservatively in the market place. If this judgment is correct, risks should be short-term in duration and limited in degree, and opportunities for the long-term should be substantial. . . ."

INVESTORS MUTUAL, largest mutual fund affiliate managed by Investors Diversified Services, Inc., added nearly as many shareholders during the past 12 months ending June 30 as it did during the first four years of its existence, it was revealed today in The Mutual Investor, quarterly message to the fund's shareholders.

As of July 1, the fund has 107,000 shareholders, 22,000 more than last year at this time and only slightly less than the 23,500 on its rolls in 1944, after four years of operation. Investors Mutual states it now has more shareholders than any other open-end investment fund and claims it is the largest balanced fund in the world, with current assets in excess of $264,000,000.

CHEMICAL FUND, climaxing a $12,678,000 increase in its resources since the first of this year, has become a $50,000,000 institution, F. Eberstadt, President, announced.

Since its establishment in July, 1938, with net assets of $100,000 and 23 stockholders holding 10,000 outstanding shares, the Fund has grown into a national investment institution with more than 2,000,000 shares now outstanding in the hands of approximately 14,000 stockholders.

Mr. Eberstadt attributed the Fund's growth to the continued advancement and importance of the chemical industry in the country's economy and to the increasing interest in chemical shares for investment portfolios.

DURING THE SECOND quarter of 1951, the number of Broad Street Investing shares outstanding reached 1,000,000 for the first time in its 21½-year history. On June 30, 1951, the total of 1,006,689 shares outstanding was held by 5,258 shareholders, compared with 793,605 shares and 3,948 holders on the same date last year. This increase in shares, together with the gain in their asset value during the period, brought total net assets to $20,191,206, compared with $17,045,241 six months earlier.

Approximately 86.5% of the total assets was invested in common stocks—the largest industry holdings were 20.65% in oil, 10.39% in public utility and 9.16% in building stocks—the balance, 13.5%, was in working cash and fixed income securities. Among the additions to the common stock portfolio during the second quarter were Bethlehem Steel, H. L. Green, Newport News Shipbuilding and Westinghouse Electric.

THE REPORT of Shareholders' Trust of Boston for the six months' period ended June 30, 1951, shows total net assets of $24.33 per share compared with $24.54 per share on March 31, 1951 and $24.07 per share on Dec. 31, 1950.

Based on market values as of June 30, net cash and receivables amounted to 6.9% of net assets; corporate bonds and preferred stocks, 24.3%; and common stocks, 68.8%.

Open-End Statistics—June 30, 1951†

101 Open-End Funds
(000's omitted)

Total Net Assets	6-30-51	3-31-51	12-31-50	6-30-50
45 Common Stock Funds	$1,363,899	$1,302,271	$1,221,697	$1,000,665
30 Balanced Funds	806,972	781,960	727,679	608,337
26 Bond & Specialty Funds	554,440	579,524	581,187	506,917
101 Total	$2,725,311	$2,663,755	$2,530,563	$2,115,919
Sales	2nd Quar. 1951	1st Quar. 1951	1st 6 Mos. 1951	1st 6 Mos. 1950
45 Common Stock Funds	$56,892	$75,642	$132,534	$108,219
30 Balanced Funds	49,978	57,637	107,615	90,340
26 Bond & Specialty Funds	28,705	44,417	73,122	65,213
101 Total	$135,575	$177,696	$313,271	$263,772
Repurchases	2nd Quar. 1951	1st Quar. 1951	1st 6 Mos. 1951	1st 6 Mos. 1950
45 Common Stock Funds	$27,645	$36,090	$63,735	$58,968
30 Balanced Funds	12,805	15,075	27,880	24,053
26 Bond & Specialty Funds	30,813	53,304	84,117	51,416
101 Total	$71,263	$104,469	$175,732	$134,437
Net Sales	2nd Quar. 1951	1st Quar. 1951	1st 6 Mos. 1951	1st 6 Mos. 1950
45 Common Stock Funds	$29,247	$39,552	$63,799	$49,251
30 Balanced Funds	37,173	42,562	79,735	66,287
26 Bond & Specialty Funds	—2,108	—8,887	—10,995	13,797
101 Total	$64,312	$73,227	$137,539	$129,335
	2nd Quar. 1951	1st Quar. 1951	1st 6 Mos. 1951	1st 6 Mos. 1950
New York Stock Exchange Volume (No. of shares—not dollars; 000's omitted)	100,149	147,040	247,189	251,889

†*Figures compiled by National Association of Investment Companies.*

British Mills and Japanese Competition

By PAUL EINZIG

Commenting on return of Japanese competition following peace treaty with Japan, Dr. Einzig, after explaining basis of fears of British textile and other interests, points out admission of Japanese cheap manufactures in certain underdeveloped countries has a long run advantage in that it plays a useful role in familiarizing backward peoples with manufactures and encouraging them to work in order to buy them.

LONDON, Eng.—The approaching conclusion of a peace treaty with Japan revived public interest here in the possibilities of Japanese competition. Lancashire textile interest in particular are viewing the prospects with grave concern, and pressure is brought to bear on the government to insist on the insertion of provisions for the restriction of Japanese competition. Various suggestions have been made aiming at raising the cost of production or the sale price of Japanese exports, but no formula has so far been put forward which could serve as a basis of practical considerations. Some quarters would go so far as to favor the conclusion of a "Carthagenian" peace treaty under which Japan would be simply forbidden to export certain types of goods beyond certain quantities. Some Socialists, who pride themselves of their humanitarian sentiments, are willing and even eager to adopt some such formula for the sake of safeguarding the standard of living in Lancashire. Their narrow and selfish views are not shared, however, by the government.

Dr. Paul Einzig

It is realized that Japan, with her 85 million inhabitants, must export in order to live. The United States cannot reasonably be expected to continue to subsidize Japan as an alternative to chaos and Communism. Japan has to become self-supporting by means of securing for herself the necessary overseas markets. This inevitably entails competition with the other industrial countries, and the latter are bound to lose some of their foreign markets. British industries are prepared for this. What worries them is that Japan, by quoting unduly low prices, as she undoubtedly did before the war, will spoil their markets far beyond the actual extent of the increase of Japanese exports.

Owing to the low standard of living of the Japanese workers, Japanese exporters are undoubtedly in a position to quote prices which are much below those quoted by British, American or Western European exporters. Experience has proved, however, that the standard of living of the workers in industrial countries, and the level of their wages, is by no means the only factor determining their competitive capacity. Many industries in India, for instance, are unable to compete abroad, or even in the domestic markets, with the manufactures of the Western industrial countries, in spite of the incomparably higher standard of living and wages level of the latter. Considerations such as efficiency and quality play also an important part in determining competitive capacity. Very often the low level of wages is more than offset by the low productivity of badly-paid and badly-managed workers.

Since the end of the war social legislation in Japan has made some progress, and it is possible that the difference between the standard of living of Japanese and British textile workers is not so wide as it was 12 years ago. Even so, there can be no doubt about it that Japanese exporters are in a position to quote prices for low-quality products which are well below the lowest British prices. The latter are inflated by the costs of the Welfare State and by the high wages level resulting from over-full employment.

It must be borne in mind, however, that Japanese price-cutting is not an unmitigated evil. There are hundreds of millions of people in under-developed countries in Africa and Asia who could afford to buy the low-priced Japanese goods but could not possibly afford to buy even the cheapest American or British goods. For them the choice is not between buying Japanese or Western manufactures but between buying Japanese manufactures or no manufactures at all. The possibility of buying cheap Japanese goods provides some inducement for the East African natives to undertake to work for the European planter instead of confining themselves to producing their bare requirements. So long as no cheap Japanese goods are available there is very little inducement for these natives to work for wages, because on the prevailing level of wages they could not afford to buy appreciable quantities of Western manufactures.

The appearance of cheap Japanese goods on such markets may admittedly displace to some extent Western exports. To a much larger extent these goods will appeal to classes of consumers who would not otherwise buy manufactures. Japanese goods fulfill a useful role in that they induce Africans to work harder and produce more. To them the high-priced goods are unattainable. But they are willing to exert themselves for the sake of Japanese goods which are within the reach of their means.

The main difficulty of western colonizers is their inability to induce the native population to undertake to work for them. Thanks to cheap Japanese goods, this difficulty could be overcome to a considerable extent. For this reason alone it would be a mistake to resist Japanese exports. The scarcities of raw materials can only be overcome if millions of natives of Africa and Asia can be persuaded to lend their labor for large-scale production instead of cultivating their small fields to meet their own requirements.

Even from the point of view of Western manufacturers, the admission of cheaper Japanese manufactures has certain advantages in the long run. The immediate effect may be the loss of some markets and the need for lowering their prices and profits in order to retain other markets. But taking the long view, the result of Japanese competition is an expansion of requirements of manufactures, and all industrial nations stand to benefit by this.

Let us take the example of the boot-making industry. Beyond doubt it would greatly benefit by the general adoption of the habit of wearing boots by the hundreds of millions of peoples who go at present barefooted. But so long as the only boots that are available for them are high-priced British or American boots they are not likely to acquire the habit of wearing boots. The possibility of buying cheap Japanese boots should go a long way towards inducing them to acquire the habit. And once they have acquired the habit there will be a possibility for British or American exporters to secure for themselves the new markets in spite of their higher prices. For in the long run superior quality is bound to play an important part in competition.

If an East African finds that a pair of British boots costs five times as much as a pair of Japanese boots he unhesitatingly chooses the latter. But if, as a result of experience, he finds that the British boots last ten times longer, he may eventually decide to buy the more expensive product. As and when his standard of living increases he will be inclined to give preference to better quality. But people on the bare subsistence level are bound to prefer the cheapest.

Beyond doubt, the low-priced Japanese goods play a useful role in getting backward peoples into the habit of buying manufactures and of working in order to be able to buy them. It would be a mistake to oppose Japanese exports, or to stipulate conditions under which Japan would not be able to cut prices. To do so would only delay the development of production and consumption in the under-developed areas, at a time when their development is evidently a most urgent economic and political necessity.

French Consider War With Russia Unlikely

In his regular broadcast over the ABC network on July 16, Henry J. Taylor, speaking from Paris, holds if war does come, French would fight.

In his regular broadcast, sponsored by the General Motors Co. on July 16, Henry J. Taylor, speaking from Paris, expressed as the opinion of the French people that there is not immediate danger of war with Russia.

Henry J. Taylor

According to the commentator, "no world war is coming now from Russia, say the French. Like last week from England, right or wrong, this is the answer I'm getting from top to bottom, here in France, to the burning question you and I and our families are thinking about back home."

Continuing, Mr. Taylor stated: "From the most informed French and American sources I'm getting a lot of hope here—solid hope—about the whole outlook for war. It boils down to the absolute conviction—no world war is coming now. What a joy it is to try to pass this along to you at home tonight. This city of Paris is further from a feeling of war peril than I've seen France in many years.

"Right or wrong, it just isn't in the air. You don't feel it as at home.

"But if war did come, and the chips were down, would France stay neutral? Would the French fight? Many British I saw in England doubt the French would fight, just as many do at home. But here on the spot you find the French people have actually expressed their will to go it again, at least as best they can—if they have to—in order to stay free of Stalin.

"I spent this afternoon with Mr. Rene Pleven, until recently premier of France and soon expected to be premier again. 'Underneath the noise and clamor and Far East strife,' he said, 'the French people are actually proving their willingness to do their part to maintain peace and security through international armed resistance against Stalin. They will fight once more for the independence of France, if necessary,' he said.

"Mr. Pleven helped me seek out proof on my own to back up his words, and so did our own ambassador, Mr. David Bruce. For we in America could hope for absolutely no results at all from our arms aid here or from General Eisenhower's efforts if this foundation of a French will to fight if the chips are down were not present. But this foundation, at least, is present.

"And that's the second piece of good news to add to our hopes at home; namely, that with sufficient strength in America there will be no war as far ahead as anybody of importance can tell me over here; and that if there is a war, we can really hope for something from France.

"To clinch this finding, let me say it has a large part in General Eisenhower's own quiet optimism here, in spite of his enormous difficulty. I know it is what sustains him as he throws himself into this nearly heartbreaking job night and day, around the clock. He's taken a good, hard-boiled look at this French prospect. He's right in the middle of all the difficulties we read about in the papers back home and which seem so insolvable to us. Yet, he's encouraged more than you or I could possibly be unless we knew as much as he does. And, incidentally, he never looked better in his life.

"General Eisenhower is encouraged—greatly encouraged—that I can report to you, at first hand from long talks I've had with him in this subject in Paris and out in Versailles where the General lives."

Greiner & Co. to Be Formed in New York

Albert W. Greiner and Alfred Greenwald, member of the New York Stock Exchange, will form Greiner & Co. with offices at 50 Broadway, New York City, as of Aug. 1. Mr. Greiner was formerly a partner in Dobbs & Co.

A. L. Eppler Co. Formed

REDWOOD CITY, Calif.—Avery L. Eppler is now engaging in the Securities business under the firm name of Avery L. Eppler Co., with offices at 2512 Whipple Avenue.

Frank H. Crerie Opens

HOUSTON, Tex. — Frank H. Crerie & Co., Ltd., has been formed with offices at 1302 Texas to engage in the securities business. Partners are Frank H. Crerie, formerly with Harris, Upham & Co., and J. S. Jones.

Canadian Securities

By WILLIAM J. McKAY

Canada, as a predominant producer of wood pulp and paper, is reaper of the benefit of recent developments in the newsprint situation. With the recovery in U. S. demand for newsprint and even more for wood pulp, pulp, and paper, the Canadian paper companies greatly expanded both their own logging activities and their market purchases of wood. Employment in the woods was around 75% greater than in the previous winter and the cutting season has been extended. For the 12 months ending this May, the pulpwood harvest east of the Rockies is expected to reach a record of 12 million cords, an amount nearly 10% greater than the previous peak reached in 1947-1948. Production of pulp and paper has been sustained close to capacity levels despite the shortage of surphur and difficulties in securing box cars. Pulp prices in the United States have risen by more than 50% since last summer, although newsprint prices have risen much less markedly. Requests from overseas countries for paper have led to the first steps towards international allocation.

Price of newsprint now is $112 a ton in Canada, exclusive of a 10% sales tax. The newsprint makers' objection to selling their paper at a cheaper rate as requested by U. S. Government is based on certain difficulties of a diplomatic as well as a financial nature.

The beneficial effect of the general prosperity in the pulp and newsprint industry is indicated in several recent financial statements of Canadian paper companies as well as American paper concerns with Canadian subsidiaries, though as yet the full effects of the recent price rises have not been reflected in earnings. Thus, the Consolidated Paper Corporation, Ltd., in an interim earnings report for the first six months of this year showed a net profit of $5,789,116, compared with $5,579,344 for first six months of 1950. An increase in gross sales of more than $3 million to a total of $15,090,933 is reported by Consolidated and subsidiaries. Investment income was somewhat greater, bond interest requirements were reduced, while depreciation provision was increased by more than $100,000 and tax provisions jumped from $3,896,617 to $6,853,036.

Net results, as above, are on the basis of the 2,536,058 shares outstanding as at Dec. 31, 1950. In the year closed with that date net was equal to $4.75 compared with $4.28 in 1949. During 1950 the company paid dividends totalling $2.25 compared with $1.75 in 1949. In the past three years the company has disbursed an average of slightly over 77% of its profit.

For the first half of the current year the company has declared a dividend of 75 cents a share, the same as that paid semi-annually since July 17, 1950. An extra of 75 cents was paid with the semi-annual dividend in December last year.

Another large Canadian paper producer, the Abitibi Power & Paper Company, Limited, also is sharing in the improved earnings situation. The annual report of this company for 1950 shows net earnings of $12,623,833 compared with $9,780,947 for 1949, an increase of 29%. Earnings per share of common stock are $8.77 as compared with $6.17 for 1949. Net sales for 1950 are shown at $93,776,756 as compared with $84,677,709 for 1949, an increase of $9,099,047 for the year.

The necessary financing in connection with Abitibi's acquisition of 50% of the shares of Alaska Pine & Cellulose Ltd., has been successfully completed, it was recently reported by D. W. Ambridge, the company's President, and as a result the secured bank loan of $17,139,000 appearing on the books of Abitibi Power & Paper Co. at Dec. 31 has been repaid in full.

United States paper concerns are taking advantage of the tight paper situation by expanding and increasing their Canadian properties. Keeping pace with industrial and natural resource developments currently under way in Western Canada, St. Regis Paper Co. (Canada) Ltd. will commence construction at once of a multiwall bag plant at Dryden, Ont., according to an announcement by Thomas H. Cosford, Vice-President and managing director.

The new plant, which will replace one now leased from the Dryden Paper Co. Ltd., will represent the most modern construction and design. It will provide a capacity three times that of the present plant and will call for approximately a 50% increase in employment.

The decision to proceed with the new factory coincides with consummation by the company of an extension on a broadened scale with the Dryden Company for a long-term supply of the kraft paper used by St. Regis for conversion into multiwall bags at that centre.

The Crown Zellerbach Corporation, a large producer of newsprint and paper products on the Pacific Coast, is also expanding its Canadian producing facilities. Through its Canadian subsidiary, Pacific Mills, Ltd., this concern in 1950 invested $4,000,000 for 50% of the outstanding common stock of the Elk Falls Company, Ltd., a new concern organized to manufacture newsprint at Duncan Bay on Vancouver Island, B. C. The new company has begun construction of a mill which will have an initial annual capacity of about 75.000 tons and with designed ultimate capacity of about 100,000 tons annually.

With Edw. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — June A. Mackey has joined the staff of Edward E. Mathews Co., 53 State Street.

Continued from first page

A Realistic View of Stock Market

icy of credit restriction aggressively to the point that would threaten serious deflation. In the event that other deflationary forces become operative, such as a reduction of capital expenditures or a major cut-back in the defense program, I believe the Fed would reverse its policy promptly.

The capital expenditure program has reached very high proportions and many of the expenditures now being made for new and added plant and facilities will terminate next year. However, the mere fact that these expenditures are at a very high level both in absolute terms and in relation to the total national income is not conclusive evidence of an excessive rate. The high dollar amount reflects not only the activity rate but to no small degree the vastly increased costs of labor and material both in construction and equipment. It reflects also the construction costs of many virtually new industries, such as gas transmission lines and related facilities and many new chemicals and synthetic fibres. Nevertheless, some cyclical decline in this broad and important category of industrial activity (which has a very stimulating effect upon general business and employment) is very apt to occur in 1952, notwithstanding the many utility, housing, road building and other projects now in contemplation. The decline, however, should roughly coincide with, and be partially if not fully offset by, the increased tempo of armament manufactures.

With respect to the armament program, I believe the situation is dynamically favorable to sustained business activity. The impact of this type of activity on the general economy is far greater than that of expenditures for military pay, subsistence and maintenance, which may be reduced in Korea. From my own long experience in Washington during the war, I know that a large defense program reaches maturity very slowly. It takes many months to decide on the broad outline of the program, designing the equipment, establishing the quantities required, dates of delivery, and allocation of procurement orders among the most suitable contractors. Then comes the tooling-up process, the period for acquisition of materials, the shift from civilian production, etc., all of which are also time-consuming. In the words of Mr. Churchill, a defense program at first is a mere trickle, then a stream, and finally an avalanche. Mr. C. E. Wilson, Defense Mobilizer, has been saying for some time that while deliveries of defense equipment are now running at the monthly rate of $1.5 billion, they will rise to $4 billion within a year and will probably reach a peak of possibly $5 billion monthly in 1953. I believe this to be a fact, and furthermore, I am confident that even in the event that the Korean shooting should come to an end, our national policy, both political parties included, is unalterably committed to carrying out our present large scale defense program. It is inconceivable, notwithstanding the likelihood of a stiff Soviet peace offensive, that our long-term armament program would be curtailed one iota. After all, the program was designed originally not solely to meet the Korean crisis, but for something far more important, namely, to place us in a position for all time to meet any military challenge that may arise. No one, in my opinion, should be lulled into believing that if the Korean incident comes to an end, or even if the Russians, as they may very well do, profess an interest in peace and suddenly sprout wings, that we would assume the risk of trusting their sincerity and sabotaging the defense effort.

I recognize the vulnerability of our economy today in the event of a sharp curtailment of defense expenditures. The Russians recognize it even more, and there is nothing that they would like better than to have us "pull the plug" that would bring on a depression and weaken our defense position. It is unthinkable that we would yield to such pressure to curtail our program and expose ourselves to the consequent economic and political risks. Especially is it inconceivable that we would do so before the 1952 elections are over!

On the inflation-deflation front, the efforts at control are ineffective in the long run so long as we are committed politically to full employment, to a strong defense position, and to building up our allies. Especially is this true so long as we exempt, as a practical matter, wage increases for organized labor, while we shout from the house-tops the need for controls. Taxes cannot yield the revenues to cover all of these social and economic goals.

There are some soft spots in the economy in the direction of excessive inventories in soft goods, but the correction is well under way and its liquidation is of a short-cycle character. Agricultural products are in abundant supply and a declining commodity price level has been in progress in all materials except metals. I cannot see, however, everything considered, more than the possibility of a 5 to 10% contraction in the rate of industrial production over the next 18 months or so, if any. In the long run, we must find use for our vastly increased industrial capacity. The growth of population will take up much of the slack and so will armament production. This country, in my opinion, will be a large armament producer for the Western world for many years. Beyond that, to sustain the philosophy of full employment and strengthening our Allies, I believe we will develop world trade on a larger scale even if much of it is done on "credit."

None of the ingredients that make for a sharp downward economic spiral are present in the economy today unless provoked by the money managers. Even then, we do not have the "shoe-string" margins of the past; securities are by and large owned outright and holders view their investments from more of a long-term viewpoint than ever. Agriculture is very strong financially whereas in earlier periods it was vulnerable to commodity price declines. There is no glut of raw materials. Industry was financially never in better shape and its dividend payout continues modest.

As to the stock market specifically, a cautious policy is still desirable, but it should not be overdone. Too much emphasis should not be placed on prices *per se* without relating them to the factors which determine their values. Real emphasis, rather, should be placed on individual securities and their merit. In the long run, so long as a spiralling deflation is not in sight, good security selection is the best insurance and far preferable to unduly large cash reserves.

The relationship of stock prices to earnings currently and at the last three bull market tops, as pointed out by Harry Nelson in "Barron's," deserves attention:

	D-J Ind. Average	Earnings Rate	Times Earns.
7-13-51 ________	254	$33.98	7.5
5-29-46 ________	212	9.32	22.7
9-12-39 ________	156	7.30	21.4
3-10-37 ________	194	11.46	16.9

Mr. Nelson also tabulates for the same dates the relationship of the stock yields and bond yields, as follows:

	D-J Ind. Avg.	D-J Ind. Yield	Barron's Hi Gr. Bd. Yld.	Spread in Favor of Stks.
7-13-51 ___	254	6.45%	3.06%	3.39%
5-29-46 ___	212	3.23	2.59	.64
9-12-39 ___	156	3.45	3.20	.25
3-10-37 ___	194	3.71	3.21	.50

I do not remember a time when during a period of prosperity there was so much cash held in reserve for a market decline for so long a period; when there was so much cautiousness and bearishness of various degrees; and, in general so much anticipation of lower prices when business was at extremely high levels and earnings and dividends so high in relation to price.

Institutions and funds operating on the "formula plan" of investment liquidation, that is selling at progressively higher market levels, have in many cases completed their liquidation and have large cash reserves. Additional investible funds are steadily becoming available to pension and other welfare funds. It would indeed be a thoughtful and accommodating market that would validate all this cautiousness and anticipation.

As to corporate profits, my firm's economic consultants, whose record of forecasting has been excellent, predict that while such profits generally have reached an all time high in the first quarter of this year, based on present tax rates, the average earnings for the 30 Dow-Jones industrials will be $28 a share this year against $30.70 last year. Before taxes they will of course be higher than last year. For 1952, as new capacity comes into operation, they expect profit margins to be squeezed further. However, no calamity is being predicted—nothing like the early 30's or even 1938. Perhaps something more like 1949 is possible when the 30 Dow-Jones stocks earned $23.54. Even on such earnings the multiplier at which the market is valuing such earnings is still not excessive. In any event a number of industrials are still likely to show increased net earnings in 1951 over last year: viz. oil, lead and zinc, coal, railroad equipment and steel. Others like banking, cement, containers, copper, paper, electric power, variety stores and woolen goods are expected to have earnings after taxes this year about equal to last.

While I am advocating a realistic approach to the current situation and not over-emphasizing the bearish factors, I nevertheless recognize that a conservative investor should withhold some part of his common stock funds from stocks at this time.

Victor Miller Officer of G. A. Saxton Co.

G. A. Saxton & Co., Inc., 70 Pine Street, New York City, securities dealers, announce the election of Victor M. Miller, as secretary and a director of the company. Mr. Miller has been associated with the Saxton organization since 1937.

With Hanrahan & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — William K. Gray has become affiliated with Hanrahan & Co., 332 Main Street, members of the Boston and Midwest Stock Exchanges. Mr. Gray was formerly with Coburn & Middlebrook, Inc., and R. H. Johnson & Co.

Merchandizing

By ROGER W. BABSON

Mr. Babson, in advising ownership or investment in merchandising establishments, recommends purchases of chain stores, particularly those that have branches in investor's locality. Points out merchandising concerns with quick turnover are not adversely affected by inflation.

I have invested the bulk of my savings in the stocks of merchandising companies. This probably is because of the advice of my good father who once owned the leading "dry goods and variety store" in Gloucester, Massachusetts.

Roger W. Babson

"Don't be a manufacturer and be dependent upon one location and one product with accompanying labor troubles. Don't be content to be always working for others. Start out by being a salesman of investments, insurance or merchandise with the ultimate goal of having a business of your own. In other words, be a middleman or shopkeeper, free to grow and to serve."

The above was my father's advice and he would sometimes add, "The live merchant who cleans up his bank loans once each year and puts half his profits back into the business can't help but succeed. But remember, Roger, that the best floor covering for a successful store consists of the footprints of the owner!"

What About Merchandise Investments?

First, I would advise a young man to have a store in a small city. Likewise, I advise investors to put their money into helping to build up a local independent store, rather than in the stock of any big department store of some large city. If you can't invest money in such a local store, then buy stock of one of the good chain stores operating in your town. It may be one of the grocery chains like the A & P, or one of the variety stores like Penney, Woolworth, Kresge, Grant, McCrory, McLellan, Newberry, Murphy or Green—although some of these stocks seem pretty high priced to buy now.

Large department stores have prospered the past few years through the sale of furniture, electric refrigerators, television sets and other household goods which are not carried by the variety stores. When, however, hard times or a crop failure come, department store sales fall off sharply; while the variety store sales often increase. Besides, having stores in many different states, as do the chains, gives the advantage of diversification both of merchandise and locality. Most such chains have excellent management and no debt. The stock of all are listed on a Stock Exchange; if you buy into one which has a store in your own community, you can keep an eye on what it is doing.

What About Inflation?

Dollars may decline in purchasing power until they reach 25 cents. If World War III should come, dollars could go even lower. Hence, it is common sense to have your money in good merchandise rather than in cash or government bonds. But, insist upon investing in those stores with an annual turnover of four to seven times a year, and which charge off to zero every article held more than one year.

The live merchant—chain or independent—has nothing to fear if he follows the above rules, using his profits to improve his store and buying only quick-selling goods. Or, he can use his profits to open another store in an adjoining community, putting in charge thereof the best clerk in his present local store. This not only makes a success of the new branch, but also serves as an incentive to all employees. Such a policy will soon make you a chain owner.

A Word to Children

Let me add a word of advice to young people—boys and girls—whose father has a good store. Learn to know and serve in your father's store. Follow my example and work there during vacations and Saturdays. This is the way I started and today—with my savings alone—apart from my regular business of writing and advising on investments, I am the largest owner of a chain of over 200 stores, the stock of which is listed on the New York Stock Exchange.

At your father's death he can leave you a good store—free of debt and with "good will" established by extensive advertising and good service. Such a store is a safer and more profitable investment than any bonds or mortgages that your father may have in his safe deposit box. Remember what happened to the poor cow who was always seeking the green hill in the distance!

J. C. Jenks Heads Dept. For Cyrus J. Lawrence

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, announce that Jeremy C. Jenks has become associated with them as manager of their investment research department. Mr. Jenks was formerly with Baker, Weeks & Harden.

Joins Goffe & Carkener

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Otis L. Randall is now with Goffe & Carkener, Inc., Board of Trade Building, members of the Midwest Stock Exchange.

Dewar, Robertson Co. To Admit Shaughnessy

SAN ANTONIO, Tex. — Dewar, Robertson & Pancoast, National Bank of Commerce Building, members of the New York Stock Exchange, will admit Walter B. Shaughnessy to partnership on Aug. 2.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Ralph M. Zitzmann has become associated with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Railroad Securities

New York, Chicago & St. Louis

Railroad analysts, and many investors in railroad securities, are anxiously awaiting a decision with respect to the proposed common stock split of New York, Chicago & St. Louis, commonly referred to as the Nickel Plate Road. The split (five-for-one) was proposed many months ago and was overwhelmingly approved by both the common and preferred stocks. Generally speaking it is normally considered that there will be little trouble in splitting a railroad stock, and in the normal course of events the new Nickel Plate stock should have been issued a couple of months ago. However, one holder of 25 shares of the preferred stock (which is not being split) objected on the grounds that his voting power was being diluted.

It is notable that the large individual and institutional holders of the preferred, where voting rights might have been of some significance, did not find the splitting of the junior equity objectionable. Preferred holders as a group had voted a very substantial majority in favor of the proposal. Nevertheless, the smallest individual holder is entitled to his day before the Interstate Commerce Commission. A Commission examiner held hearings late in May and then called for the filing of briefs by late June. It is the examiner's report that is now expected any day.

It is the general feeling that the examiner will recommend that the proposal be approved by the Commission. Even when, and if, he docs, however, there will presumably be additional delays. The intervenor has 20 days in which to file objections to the examiner's report with the Finance Division. Then the Finance Division takes the examiner's report and any objections that may have been filed and decides whether or not the report should be approved. As a final resort it is possible to appeal the Division's findings to the full Commission. It is not expected that this particular case will be carried that far. Nevertheless, it now seems likely that it will be impossible to consummate the split until the early fall, almost six months later than had originally been expected.

As a rule, high priced stocks are of less interest than lower priced shares to a large segment of the investing public. People prefer to trade in 100 share lots rather than in odd lots and the money involved in buying a round lot of a stock selling close to 200 is too large for many traders. This is aggravated in the case of Nickel Plate common by the fact that it is not on a dividend basis. Thus it is ineligible for purchase by many institutional accounts. As a result, the stock has been a desultory performer in recent weeks. If, as is expected, the stock is split in the fall and also goes on a dividend basis, most analysts anticipate a sharp increase in investment interest, accompanied by rising prices.

On the unsplit stock, earnings over the last 10 years have averaged $25.83 a share, with the high for the period established last year at $55.88 a share. So far this year gross revenues have continued on the upgrade, with a rise of 13% reported for the five months through May. This revenue gain has been just about matched by the increase in operating costs so that pre-tax net income was practically unchanged from a year earlier. However, Federal income taxes were nearly a million dollars higher and net income declined by just about that amount.

Press reports indicate that in June both gross and net fell below the level of the preceding month, although gross at least continued ahead of 1950. On this basis it has been estimated that share earnings for the half year amounted to a little over $20.00 compared with $23.10 in the first half of 1950. The summer months will probably show considerable slackening but the prospects are bright for a substantial expansion in traffic in the fall. Also, it is likely that by that time freight rate increases will have granted. The full year's results naturally depend to a large extent on the amount of the rate increase, and on the tax situation. Even with these uncertainties, however, it appears reasonable to look for share earnings of around $50.00 on the present stock, or $10.00 on the split stock. Cash requirements for serial equipment obligations and bank loans are quite substantial so that a highly conservative dividend policy is indicated. Even a conservative program should allow the institution of an annual $3.00 dividend rate on the split common, the equivalent of $15.00 a share on the present stock.

Buckeye Pipe Line Sells $30,000,000 Debs.

The Buckeye Pipe Line Co. on July 24 announced that it has negotiated through Kuhn, Loeb & Co., contracts for the sale of $30,000,000 principal amount of 3½% consolidated sinking fund debentures due Sept. 1, 1971, to a small group of institutional investors.

Of the debentures, $6,000,000 will be issued in exchange for an equal amount of the company's presently outstanding 15-year sinking fund debentures due April 1, 1963, and the proceeds from the remaining $24,000,000 of debentures will be applied to the construction of a products pipe line system extending from the Linden, N. J., refining area to consuming areas in eastern Pennsylvania and central New York State.

Delivery of the debentures is to be made in instalments on or before June 30, 1953.

Robert D. Miller With Reynolds & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert D. Miller has become associated with Reynolds & Co., 208 South La Salle Street. He was formerly with Wheelock & Cummins and E. W. Thomas & Co. In the past he was with Halsey, Stuart & Co.

Joins King Merritt

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Hershel Routman is with King Merritt & Co.

Must We . . . . ?

"1. Are we to have self-administered pyramiding cost-plus pricing, with business encouraged not to cut costs, but to increase costs, so that it can make ever-higher profits?

"2. Must we give up any hope of rolling back excessive prices which reflect abnormal and extortionate profit margins?

"3. Are we to have higher rather than lower meat prices, and so hamstring price control administration as to stimulate black markets?

"4. Must rents in presently uncontrolled areas of critical housing shortages either remain uncontrolled or be legalized at 'boomtown' levels?" — Eric Johnston.

Eric A. Johnston

Must we always have this perpetual nonsense—clap-trap implying that our salvation lies in taking a leaf from the Kremlin's notebook?

Individual Liquid Savings Decline

Amounted to but $100 million in first quarter of 1951, compared with $1.8 billion in preceding three months. Is still $50 million above first quarter of 1950.

Individuals in the aggregate managed to put aside only a very small amount of saving in liquid form in the first quarter of 1951 according to the quarterly estimates made public today by the Securities and Exchange Commission. In the first quarter of this year individuals' liquid saving amounted to $100 million compared with $1.8 billion in the preceding quarter and less than $50 million in the first quarter of 1950. Individuals made substantially higher income tax payments during the first quarter of this year than previous quarters.

Saving in non-liquid forms in the first three months of 1951 was substantial. Home construction and construction by non-profit institutions alone amounted to $2.7 billion in the quarter as compared with $2.2 billion in the corresponding quarter of last year.

Individuals' holdings of cash and bank deposits fell off in the first quarter, following the usual seasonal pattern. The drop in cash and bank deposits was much larger, however, than in the first quarter of last year, showing a decline of $2.2 billion this year as compared with an $800 million decline last year. Currency holdings were reduced $300 million and demand deposits $1.7 billion. Time and savings deposits also showed a decline, although it amounted to only a little more than $100 million.

Insurance and pension reserves constituted the largest form of liquid saving of individuals in the first quarter of this year. Private insurance increased $1.1 billion, approximately the same as in the corresponding quarter of last year. Government insurance and pension reserves increased $900 million, slightly less than in the last quarter of 1950. In the first quarter of last year, government insurance and pension reserves showed a drop of $1.4 billion as the result of the special dividend payment from the national service life insurance fund.

Net purchases of securities of $800 million were made by individuals in the first quarter of this year, compared with $1.4 billion in the first quarter of last year. Holdings of U. S. savings bonds were reduced $300 million in the first quarter of this year, reflecting the redemption of matured Series D bonds. Sales of Series E bonds just about equalled redemptions. Holdings of U. S. Government securities other than savings bonds were increased $400 million in the quarter. Corporate security holdings were increased $700 million, $600 million in bonds and $100 million in stocks. There was little change in individuals' net holdings of State and local government securities.

Net new issues of corporate bonds in the quarter amounted to $1.1 billion. Insurance companies and other institutions absorbed about $400 million in the three-month period. Net new issues of stock in the first quarter amounted to $400 million, of which institutions absorbed about $100 million and individuals, $300 million. Individuals' purchases of stocks, however, were offset by a $200 million increase in borrowings for the purpose of purchasing securities.

Mortgage debt of individuals continued to increase at a near-record rate in the first quarter, growing by $1.5 billion. On the other hand, other consumer debt was reduced by $800 million in the first quarter, reflecting seasonable influences as well as credit restrictions imposed in September, 1950.

With Carr & Company

(Special to The Financial Chronicle)

DETROIT, Mich.— Frieda H. Kohlmeyer has been added to the staff of Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

Joins C. G. McDonald

(Special to The Financial Chronicle)

DETROIT, Mich. — James F. Simmons is now associated with C. G. McDonald & Company, Penobscot Building, members of the Detroit Stock Exchange.

Geo. McDowell Adds Three

(Special to The Financial Chronicle)

DETROIT, Mich. — Ronald E. Baird, Thomas M. Breen and Eugene T. Forrest have become associated with George A. McDowell & Co., Buhl, Building, members of the Detroit Stock Exchange.

Two With Merrill Lynch

(Special to The Financial Chronicle)

DETROIT, Mich. — S. Tracy Freeman and Morton H. Golde have been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 205 West Congress Street.

Bankers Offer Dome Exploration Ltd. Stk.

Offering of 500,000 shares of $2.50 par value common stock of Dome Exploration (Western) Ltd. was made on July 24. Of the total offering, 350,000 shares are being offered in the United States by a group of 40 underwriters headed by Carl M. Loeb, Rhoades & Co. at $10.60 per share. The balance of 150,000 shares are being simultaneously offered in Canada by a group headed by Wood, Gundy & Co. The offering was oversubscribed and the books closed.

Proceeds from the sale of these shares will approximate 5,000,000 Canadian dollars and will be applied in part to the purchase and retirement of $2,721,500 of the company's outstanding notes. The balance will be added to the general funds of the company to be used for the acquisition of additional properties and for exploratory, drilling and other operations and expenses of the company as and when required. It is the present intention of the management to devote approximately $500,000 to drilling and exploratory operations during the balance of 1951.

Dome Exploration (Western) Ltd. was incorporated to engage generally in the business of prospecting for, acquiring and developing oil and natural gas properties, and producing and selling crude oil, natural gas and related hydrocarbons in the western provinces of Canada. The company's business includes both the acquisition and development of proven and semi-proven petroleum lease interests, and to a limited extent the exploration for new oil and natural gas fields. The company has interests in 1,120 acres of proven and semi-proven leaseholds in the Redwater Field and in 161 acres in the Excelsior Field, which were acquired at an aggregate net cost of $6,380,000.

Harold Bache Director Of Japanese Trading Co.

Harold L. Bache, senior partner in the New York Stock Exchange firm of Bache & Co., has been elected a director of Daiichi Bussan Kaisha, Ltd. of Japan, one of the leading Japanese trading companies. Daiichi Bussan Kaisha, which transacts a business upwards of $200,000,000 a year, is a successor to Mitsui & Company, Ltd. and is the largest of the trading companies organized after the late war by some of the former directors and executives of the latter corporation. The company has over 1,000 employees and maintains branch offices in all of the important industrial centers of Japan. Mr. Bache and associates recently acquired a substantial block of the common stock of Daiichi Bussan Kaisha, the purchase representing the first postwar investment of substantial new money by Americans in the common stock of any Japanese trading companies.

Harold L. Bache

Jackson-Anderson Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Bertrand B. Bratton has become associated with Jackson-Anderson, Inc., 214 North Canon Drive. Mr. Bratton in the past conducted his own investment business in Los Angeles.

Improving Stockholder Relations

By FLOYD A. ALLEN

President, Floyd A. Allen & Company
Investments and Analyses

Mr. Allen, pointing out neglect of stockholder relations by corporations, lays down briefly a few points, whereby corporations, particularly merchandising concerns, can improve relations with stockholders.

"All the stockholder cares about is his dividend." That statement was made by the Treasurer of a large dairy company just previous to the recent annual meeting of their 1,500 stockholders.

Floyd A. Allen

It is unfortunate that there is so much truth in the gentleman's remark. The few who attend an annual meeting sit like wooden soldiers voting a solemn "Aye" to all the planted motions, whether an approval of the minutes as read or doubling the capitalization of their corporation. A tiny minority have the temerity to ask for a look behind the scenes to learn if possible what is the jet force back of those dividends and what assurance there is that they will continue to come.

But the lethargy is not all with the stockholder. In many corporations, especially those engaged in retail trade, the management is extremely customer-conscious. The fetish that "the customer is always right" is followed blindly in spite of frequent experiences to the contrary. Employee relations, too, draw top consideration. Short hours, overtime pay, merchandise discounts, paid vacations, health service, bonuses, pensions—nothing is too good for the employee. But the stockholder, the owner, whose money keeps the wheels greased, he is the country cousin to whom is furnished as infrequently as possible a report filled with figures and terms which he fails to understand and is ashamed to ask about. Amortization, capital surplus, undivided profits, reserves for depletion, investment in unconsolidated subsidiaries, refunable taxes (estimated), special reserves for bonuses, pensions, expansion and unforeseen contingencies—these are hardly subjects that women stockholders are going to talk about over the tea table.

Take for instance a merchandising institution. There are scores of these over the country, not all of Macy or Marshall Field proportions, but important trade centers in their own localities. If incorporated, their stockholders are mostly local people, many of them are customers. If such a store has 1,000 stockholders, their objective should be to have 2,000 within the next year with special efforts made to secure a large majority of women. They are the ones who do most of the buying.

It should not be a difficult task. But before it is undertaken the hearty support and cooperation of every present stockholder must be firmly secured. This will require in too many cases a complete change in the mental attitude of management toward their corporate owners. These people being characteristically human are more concerned with the everyday side of life and business than with columns of figures. They would be interested in a hundred details of the business which managers evidently feel they are not entitled to or that the matters are of such small consequence that they justify no effort. But every business and life itself consists of details, and the better they are met and handled the finer the resulting structure. Every tenshare stockholder would welcome information as to what goes on behind the plate-glass windows and bronze doors of the establishment whose stock he owns.

Just a few of the many points which come to mind: Number of customers entering the store on an average day? Number of sales transactions? Amount of average customer purchase? Number of purchases carried? Number delivered? Number of such account? Number of such accounts? Average number of packages returned daily? Routine and expense of handling a returned package? Total number of employees? Number with store 20 years or more? Discounts, services, vacations, and extra compensation available to employees? Number of stockholders? States and countries represented? Number owning 10-25-50-100-500-1,000 shares? What concessions offered to stockholders?

This list of questions could be continued quite indefinitely. Pointed information could be passed out at times without divulging too much to competitors. Word-of-mouth advertising is conceded to be a powerful factor in building or injuring good will. The objective of the whole program: to promote healthy stockholder relations, to arouse stockholder suggestions, to stimulate friendly stockholder criticism. Customer criticism needs no encouragement.

Century Shares Trust Adds Two New Trustees

Trustees of Century Shares Trust, $30,000,000 investment fund organized in 1928, announce the appointment of Vinton C. Johnson and William H. Davies as additions to the board of trustees.

A Vice-President of The First Boston Corporation, Mr. Johnson has been associated with that firm since 1929, specializing in the analysis and underwriting of insurance and bank stocks. He is well known in insurance and banking circles. Mr. Johnson will start full-time duties in September and at that time will assume the responsibility in the management of the trust's portfolio of bank and insurance company stocks formerly handled by the late Donald C. Watson.

Mr. Davies was Secretary of the trust from 1928 to 1939 and was reappointed Secretary on Jan. 1, 1951. He will continue his full-time duties as Trustee and Secretary.

With Shearson Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles A. Baggott has become associated with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with Shields & Co. and Francis I. du Pont & Co.

Joins Morgan Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Chester M. Fields has joined the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Edgerton, Wykoff & Co.

Securities Salesman's Corner

By JOHN DUTTON

Answer, Please!

(Article II)

I mentioned in this column last week that I was going to ask some questions that have been in the minds of some of the men with whom I have been talking relative to the sales end of the retail securities business. These men want to know why certain handicaps are today accepted by practically all of the leaders of the industry. At least, if they are not accepting them, they are remaining mighty quiet about it. But, of course, there is a reason for that too, in this highly over-regulated business which depends for its very existence upon the sufferance of bureaucrats.

Do you know of any major industry in this country that makes a practice of selling the public its merchandise at wholesale, at the same time that it sells to others, who don't know any better, at retail? Can you conceive of going into a life insurance agency and asking the agent to buy you a policy at net cost, figured at a price that excludes his commission, and then offer to pay him a nominal commission for his services? Can you understand what would happen if he refused and you went to another agent? Or, if all the agents refused to do this (which they certainly would do, since it is a matter of law in most states that no licensed agent can rebate any part of his commission upon severe penalty and the revocation of his life insurance license) would you then write to the home office and ask them to give you a policy at wholesale? If you did, do you think you would get it?

You would not even think of doing this anymore than you would go into your retail furniture store and ask the salesman to sell you a chair at cost plus a small commission. You wouldn't find many wholesale houses in any line that would allow that sort of condition to exist. It has been tried in other businesses but you know how far such wholesale firms got with the idea—eventually they went out of business because retailers would not buy from them.

I asked the manager of a member firm in a southern city if he was able to get good men to go out and sell securities. He said, "No, my turnover is terrific." I asked him why this was so and he replied, "I think the main reason is that they can't make enough money working on a small stock exchange commission." I then asked why he didn't sell more unlisted issues, where he could afford to make smaller sales, although at the same time he could build up good portfolios which did not exclude listed stocks. He said, "I have to sell unlisted on the same basis as listed. Most people check with my competitor down the street. If not, sooner or later some one tells them that they can go there and buy unlisted on the same basis as listed, namely at wholesale. You see, we are **both Member Firms** and none of us make any money on that sort of business, but we have to do it to meet competition. The Mutual Funds, which show a gross of around 5%, are our only method of making it pay for salesmen; especially those who are breaking into the business and have to go out and build up a volume. They just get discouraged trying to make a living retailing **at New York Stock Exchange commission rates.**"

The Unlisted House

The problem is the same for the unlisted house. The New York Stock Exchange firms will buy unlisted stocks for their customers at wholesale plus a small commission. Then they also have unlisted trading departments and they invite non-member firms to buy or sell securities to their unlisted department. When these trades are consummated and the unlisted firms go out to do business with the public at retail, and expect to make a markup that would enable them to run their business on a profitable basis, hire new salesmen, give training courses, add a competent sales manager, advertise effectively and do the things necessary to do a volume business among millions of people who should now own stocks but who do not do so, what happens? The next thing you know the new customer of the unlisted house comes in to see the boss and he is as mad as a hornet. And why shouldn't he be angry? He just went down the street to some firm that was a member of the New York Stock Exchange and found out that instead of paying 20 for his stock, he could have bought it through them at 19, plus the regular stock exchange commission.

There Is An Answer

What is the answer? Isn't it cooperation and common sense among the people of the entire securities business, instead of a lot of the nonsense and regulation, bullying, and domination which has been attempted by the Securities and Exchange Commission, and its satellite, the NASD, these many years? Wouldn't it be a simple matter for the NASD to make it **a rule** that no member should trade with the public in any unlisted security at retail, on the basis of cost plus a commission, and that certain **minimum** markups should be mandatory? If this is not possible under the Maloney Act, why don't they ask Congress to so amend the statute as to allow such a policy. Isn't it just as important to insure a floor under markups, so that this dead and dormant securities industry could eventually support merchandising policies that would create millions of new stockholders in America (instead of the paltry 6,000,000 who now own equity investments) as it is to put a ceiling upon markups? After all, the New York Stock Exchange has a floor under its commission schedule. Why is it that the NASD is only concerned with keeping markups **down?**

Is it because there are people who lurk behind the Securities and Exchange Commission, the NASD, and the puppets who work there, who **just don't believe in America?** Are there people working in our government these many years who want to discourage investment in American industry? Do they wish to discourage risk taking? Do they know that this is one of the surest ways to socialize this country? Is this part of an overall plan to finally bring all under the domination of the police state—American style? Possibly so!

Do certain people who should know more than we do about this subject really want a live, healthy, and growing retail securities business? If they do want it, why don't they go about getting it? Why don't they take the first step? Why not put a floor **under** mark-ups, by putting the merchandising policies of the entire industry on a basis that is sensible and sound? Why run a mishmash of confusion and contention, and call it a well regulated business?

How about the answer to this question? If you want a live industry that will grow and prosper, this confused price situation had better be solved first. Why transact business on the retail level, at wholesale prices? Why? Do you know of any other business that would go on for years suffering from such a condition without doing something about it?

Continued from page 3

A Plan to Ease Estate Taxation

whether death taxes were a proper and exclusive revenue device for the states, and whether Federal estate taxation was to be restricted exclusively to emergency periods. It provides that up to 80% of the Federal estate tax, computed according to the 1926 schedule of rates, may be paid with state death tax receipts. This credit had the effect of depriving a state which had no death tax of any revenue from this source, although its residents had to pay quite as much as if they lived in a state which imposed such a tax; that is, they would pay it to the Federal government. The prevalent competition among the states in attracting wealthy people to take residence within their boundaries by imposing no or low death taxes was thus stifled. There was no longer any reason for a state to refrain from getting revenue from this source. The states tended to adopt death taxes of fairly uniform burden, and migration from state to state for the avoidance of such taxes declined.

The state tax statute defines the tax in terms of the Federal credit and contains a clause to the effect that "the intent and purpose of this statute is to obtain for this state the benefit of the credit allowed under the Federal estate tax law and any modification thereof later made; if the amount of the Federal estate tax shall be increased or decreased affecting a taxable estate, the tax imposed upon such estate under the provisions of this statute shall be changed accordingly."

III. Graduation of Tax Rates

Both the Federal and state death taxes are graduated according to value of the net estate or the inherited share thereof. The Federal estate tax starts at 1% of the amount of the net estate not in excess of $50,000, and rises by 20 steps to 20% of the amount by which the net estate exceeds $10,000,000.

Besides this so-called "basic estate tax" set by the 1926 statute there was levied beginning in 1939 an "additional estate tax," the amount of which was defined as the excess of a "tentative tax" over the above "basic tax." This "tentative tax," according to the schedule as modified by the Revenue Act of 1941, started at 3% of the net estate when the net estate was not over $5,000 and by 25 steps rose to $6,088,200 on a net estate of $10,000,000 plus 77% of the excess over $10,000,000.

As noted above, a credit is authorized against the "basic estate tax" (not in excess of 80% thereof) for death taxes paid to the states; and a "specific exemption" of $100,000 is authorized for the purpose of the "basic estate tax" in the case of a resident or citizen of the United States.

No credit is allowable against the "additional estate tax" for death taxes paid to the states; and the "specific exemption" allowed for the purpose of the "additional estate tax" is set at $40,000. Credits for Federal "gift taxes" are, under certain limitations and conditions, allowable against both the "basic" and "additional" estate taxes to residents or citizens of the United States.

The "net estate" is defined as the difference between the total value of the gross estate and the total amount of the authorized deductions.

IV. Ability to Pay

A feature that readily persuades legislatures to impose death taxes is that they see mto comply with the tenet of ability to pay. The legacy by itself seems to supply the heir with some ability to pay at the very time of inheritance, and the very existence of decedent's fortune seems to testify to his ability to pay during his lifetime and even more so at his death, when the fortune loses its importance to him.

This assumption of ability to pay death taxes does not altogether comply with facts. The death tax takes no account of the phase of the business cycle, or of the composition of the estate, or of the economic status of the recipient, at the time of the decedent's death. Death may in fact occur at a most inopportune moment; it may be a poor time to appraise the estate, to divide it, to liquidate a part of it to cover the death taxes; if the heir is a surviving widow, she has just been deprived of the main source of her support and in other respects has difficult adjustments to make.

The plan proposed in this essay is directed to a related adverse effect of death taxes, namely, the forced division of large estates. In a way, the taxes tend to defeat themselves because they tend to destroy their own base. As big fortunes disappear, the yield of death duties withers. The higher the rates and the more steeply they are graduated, the faster does this dissipation proceed. The fortunes nominally consist of securities, equities, bank balances and other claims to wealth and income; but back of these are the plants and equipment, the physical capital, the tools of the industry, the very sinews of our productive economy. The breaking-up of estates is likely to destroy the effective combination of business capital and managerial capacity which the fortune builder has devised and successfully operated, and thus do the economy an irreparable harm. In order to raise the money needed to meet the death taxes large and sudden liquidation of securities, physical plant or inventories may break the market and visit heavy loss on the estate. One heir, because of the necessity of meeting his inheritance tax, may dump a large portion of his inheritance and do great injury to the estate and to the other heirs who are more fortunately fixed.

The only medium usable in the discharge of death taxes is cash and, in general, this must be done within 15 months; property is not tenderable in payment of taxes. The amount of cash required may be disproportionally large in relation to the estate assets which are liquid. The withdrawal of substantial amounts of cash from the business itself may seriously impair its necessary working capital and jeopardize its ability to continue profitably. Financing facilities through normal channels may be unavailable or severely restricted because of the changes wrought by the owner's death. The financial structure of the average business in which capital is an income-producing factor, is one which economizes cash; no large sums of cash or liquid resources are present normally beyond reasonable needs for working capital: most of its resources is invested in building, machinery, equipment, inventory, accounts receivable and other assets necessary to successful operation of the business; management thinks of cash as non-earning and of other highly liquid assets, such as government securities, as earning less than can and should be made in the business. Probably the very existence of the estate-tax threat to the integrity and preservation of a business incline management to hold more cash and liquid securities than operational policies warrant.

Some relief from the losses caused by death taxes and from the dissipation or division of business estates; particularly owner-managed or closely held estates, whether they be in proprietorship, partnership or corporation form, can be attained by estate planning. Some plans are designed to reduce the burden of taxation when death comes, some to insure the continuity of the business enterprise through making available experienced successor management; and others to provide sufficient liquidity in the estate to preserve the business as an effective and profitable continuing entity. Space scarcely permits mention of some of these devices, much less does it permit detailed description. Moreover, the one phase of estate planning at which this article points is the provision of liquidity.

The owner (or owners—partners or shareholders) of an estate can provide liquid assets at the time of death through life insurance. The insurance may be business life insurance or personal life insurance. In the former, the business associates pay the premiums themselves, perhaps from funds made available through profit-sharing arrangements or increased salaries; each partner (stockholder) takes out insurance on the life of the other (or others), the premiums being paid by the partner who is not insured; or the insurance is purchased by the partnership itself, in amount sufficient to buy out the partner's interest at his death at a fixed price, or by the corporation to cover the loss of "key" men in the organization. In the latter, where the owner of a business is insurable and has no business associates, insurance is applied for and premiums paid by some member of the family other than the insured, without contribution thereto directly or indirectly, by the insured.

At best, the provision of liquid assets at death by means of life insurance is an awkward method, difficult to adjust to changing estimates of the amount needed; it is expensive, particularly if the insured are elderly when the insurance is taken out; in many cases it cannot be used because the owner or owners are not insurable; and it is none too sure a method because the taxing authorities often change their rules of interpretation of what is exempt.

A second form of relief when the estate of the decedent has too little cash to meet the estate taxes derives from the fact that the Treasury may allow the administrator of the estate and the heirs to pay the taxes on an instalment basis over a stretch of years. By this procedure a portion of the taxes may perhaps be paid out of income from the estate or even from outside sources, and the losses from forced liquidation be thus reduced.

V. Avoidance of Death Taxes

The adverse effects of death taxes and the difficulties in paying them are, however, so great that the owners of fortunes have tried a wide gamut of devices to evade or avoid paying them. The early scheme of migrating to a state with no or low death taxes is less effective since 1926 when the Federal estate tax was established. The most common method nowadays of escaping death taxes is through gifts of property before death. The advantage to the owner springs from the facts that the gift tax rates are lower than the estate tax rates, that the gift is taken from the estate's highest tax bracket, and that the gifts may be tax free altogether provided that they are not in excess of $3,000 to any person in any year. There are, however, so many difficulties of a legal nature involved in discriminating between the various types of gifts (gifts made in contemplation of death, gifts to take the effect at death, "death-bed" gifts, and gifts *inter vivos*) and the treatment of them respectively by the Treasury, that this procedure does not afford too safe a device for avoiding even a limited amount of death taxes. The best laid plans often miscarry after the owner's death.

Our proposal offers an opportunity to the owner of a fortune, large or small, while he is still living amply to safeguard his estate against any contingency arising out of the necessity that falls upon the executor or administrator to discharge the Estate Tax obligation.

VI. Outline of the Proposal

The proposal may be briefly stated as follows:

(1) That the U. S. Government shall issue Estate Tax Anticipation Certificates, in convenient denominations and without fixed maturity date.

(2) That these certificates shall bear interest from the date of issue to the date of death of registered holder, and shall be exempt from Federal income tax levies; that the rate of interest at the time of issue shall correspond with the current rate on Treasury bills, and shall thereafter be changed and adjusted semi-annually to agree with the average rate on Treasury bills for the preceding six-month period. The interest shall be cumulative, being compounded semi-annually at the said rates.

(3) That these certificates may be used only toward the payment of estate taxes due to the U. S. Government from the estate of the deceased registered holder of such certificates; that they shall not be transferable or negotiable; and that their tax-paying capacity shall be their par value plus interest to the date of death of registered holder.

(4) That any amount of such certificates held by the estate of the deceased in excess of the amount required to discharge the estate tax obligation of the deceased shall be redeemed, at par value plus interest earned to date of death of the deceased, by the U. S. Treasury, provided, however, that such excess shall not be more than 10% of the total estate tax obligation of said estate; and that, in order to compensate the Treasury for loss of revenue due to the tax-exempt feature of said certificates, any such amount over said 10% shall be redeemed by the U. S. Treasury at face value less two-thirds of the interest earned from the date of issue on said certificates up to the time of death of the registered holder thereof.

(5) That the registered holder of such certificates, at any time after five years from date of issue and during his lifetime, may surrender said certificates for redemption at par value less two-thirds of the amount of interest earned on such certificates from date of issue to such date of surrender.

(6) That, with the view of popularizing the use of the Estate Tax Anticipation Certificates, an allowance of ½ of 1% for each 12-month period that such certificates were held by the individual prior to his decease but not exceeding ten such periods or a maximum total allowance of 5% shall be made on the estate tax due from the estate of the deceased registered holder of such certificates, provided that the total amount of such certificates held by the deceased individual were at least 90% of the amount of estate tax finally determined to be due to the U. S. Treasury from the said estate.

VII. Comments

(a) Explanation of provisions of the plan.

The provisions of the proposal are obviously designed to insure that the certificates will be used for the sole purpose of anticipating the payment of the estate taxes, and not as a means of evading Federal income taxes. The two-thirds rule (in items 4 and 5 above) is an arbitrarily chosen proportion which may prove an advantage to some taxpayers and a disadvantage to others; perhaps the Treasury might determine a ratio that would represent a more equitable average advantage got by holders from tax exemption, or might even adjust the ratio to each taxpayer's top-bracket rate of income tax each year he held the certificates.

The 10% rule (in items 4 and 6) is designed to dissuade any individual from purchase of these certificates far in excess of estimated need at meeting the estate tax obligation, for whatever reason, as well as to encourage him to buy certificates up nearly to that estimated amount. The certificates are not intended to be a form of investment other than for the specific and sole purpose of anticipating the payment of estate taxes; they will not compete with other government securities in the open market, since they are non-marketable and have a fixed price; they are restricted to a special class of holders who do not time their investment according to forecasts of yield changes but who buy at a set price according to their estimates of the amount of taxes on their estates. The advantage of holding too great an amount of certificates is taken away, and an advantage is added for holding nearly enough to pay the tax. The 10% is, of course, an arbitrary figure and perhaps a higher or lower percentage would be better.

It is difficult, of course, to estimate just how great the estate tax will be. Among the many factors causing inexact forecasts are possible changes in the estate tax statute; the bracket that will be reached by the estate; the variation in the prices of securities and the proportion of the estate consisting of stocks; the executor's use (or non-use) of the "valuation option" and his ability at determining the trend of the market; and the time of death. The maximization of advantage from the certificates to any holder will require careful and continuous attention to, as well as able estimates of estate tax needs.

The allowance of ½% a year (up to 5%) against the tax will promote the use of the certificates by all individuals and to the maximum estimated need, because it may be regarded as a reduction of tax or an increase of yield on the certificates. The purpose of the allowance is to broaden the market for the certificates and thus provide the Treasury with funds. The purchase of the certificates amounts to payment of the estate tax before it is due, that is, before the death of the registered holder and in anticipation of the tax his estate will have to pay. This constitutes the warrant for making the interest on the certificates exempt from income tax. Indeed, a strong case may on this ground be made for regarding the amount of certificates held by the deceased as a proper deduction in determining the net taxable estate.

(b) Contrast to protection of life insurance.

It was remarked above that the estate owner often takes out life insurance to provide liquid assets at the time of his death with which the estate tax may be paid. The Internal Revenue Code stipulates that such insurance made in favor of the estate shall be included in the gross estate and thus becomes itself subject to the estate tax. The manner in which the policy is drawn is immaterial so long as there is an obligation, legally binding upon the beneficiary, to use the proceeds to pay such taxes. The full amount of the proceeds so receivable, without the benefit of any exemption, form a part of the gross estate. The estate tax specifically reaches the proceeds of life insurance "purchased with premiums, or other consideration, paid directly or indirectly by the decedent" or "with respect to which the decedent possessed at his death any other incidents of ownership, exercisable either alone or in conjunction with any other person." [Section 311 (g) (2)].

The amount of insurance in excess of $40,000 of the aggregate proceeds of all insurance on the decedent's life not receivable by or for the benefit of his estate must also be included in his gross estate. (There are certain exceptions.)

The method of providing by life insurance for payment of estate taxes differs basically from the proposed method of Estate Tax Anticipation Certificates, in that when certificates are brought by the individual during life he makes anticipatory payments of his estate tax to the government and what interest the certificates bear is payment by the government for these advances to it; whereas when he buys life insurance by paying premiums the funds pass to an insurance company and the value of the policy to the holder grows according to predetermined interest rates, mortality tables, and dividend participation in earnings. It is, in other words, an investment that forms a part of the estate, and none of the estate has passed to the government before the decease of the insured. The same situation would obtain if the individual bought and held other liquid securities or held the funds in banks.

(c) Tax-exemption of certificates.

It is proposed that the interest on the certificates be exempt from Federal income taxes in so far as they are really used for anticipation of estate taxes. This exemption makes their purchase more attractive; but the reason for exemption lies elsewhere, namely, in the fact that their purchase amounts to a prepayment of forecast taxes. The government should pay interest to the taxpayer for the use of the funds till the holder's death and it should not require that that interest be returned in part as income taxes. If such repayment be required, it will be necessary that the rate of interest paid be higher, else the certificates lose their attractiveness.

It is realized, of course, that this proposal runs counter to the trend the past decade, for the Treasury has tenaciously done away with tax exemption in its securities. All new issues make no provision for tax exemption, including those issued when outstanding tax-exempt securities are refunded. Besides the desire to put all forms of Federal debt on an equal tax basis and thus simplify debt management, a fundamental purpose of this policy has been to obviate the use of tax-exempt securities as a means of avoiding payment of income taxes. Such avoidance remains possible by investment in municipal and state securities; for constitutional reasons the Treasury cannot close this escape. For good and sufficient reasons the government may make exceptions to its policy of uniformity and allow tax and other favors; for instance, the Congress presently proposes to favor the United States Savings Bond by not requiring the withholding of the 20% tax on interest paid; and during World War II the government went to extraordinary lengths to encourage people to buy bonds, such as the guaranty of Federal purchase at certain floor prices and the issue of savings notes and bonds redeemable at holder's will at fixed prices. Inasmuch as the proposed Estate Tax Anticipation Certificates will be held for long periods on the average and are not a means of avoiding tax but rather of anticipating its payment, there is warrant in exempting interest thereon from tax.

(d) Tax-anticipation.

The principle of issuing certain interest-bearing securities for the purpose of anticipating certain taxes is not new to Federal fiscal procedure. For more than a decade securities have been issued for the specific purpose of encouraging corporations to anticipate payment of income taxes by cumulative purchase of these bonds rather than let the funds cumulate in bank accounts against tax dates. Treasury Decision 5109 provided regulations governing the acceptance of Treasury notes of tax series in payment of income, estate, and gift taxes (current and back) due from the original registered holder or his estate, at par and interest accrued to the month in which they are presented. The principal amount of such notes of each series acceptable on account of any one taxpayer's liability for income taxes or gift taxes was limited to $1,200 for any year and to $1,200 on account of any one taxpayer's liability for estate taxes. Quite obviously these very limited amounts did not suffice to anticipate the taxes on any but the smallest estates.

Treasury Department Circular No. 889, dated May 10, 1951, announced provision for new three-year Treasury Savings Notes of Series A, interest on which will accrue at rates ranging from 1.44% if the notes are held six months or less to 1.88% if the notes are held for the full three-year term. They are now available for use in payment of Federal estate taxes at par and accrued interest.

(e) Yield on certificates.

The rate of interest allowed on the proposed Estate Tax Anticipation Certificates is meant to conform to the prevailing rate on comparable government securities. The semi-annual adjustment of interest rate will keep them in line. One must recognize the necessity of keeping a reasonable relationship between the yields on marketable and non-marketable securities; the latter must be adjusted to the former. When the non-marketable U. S. Savings notes and savings bonds were first issued their yields were attuned to the yields on marketable securities. Recently the terms of the savings notes were revised to fit the present market, but no change was made with respect to the savings bonds and none is contemplated by the Treasury. The result is that no one purchases Series F and G bonds nowadays. Instead investors find it more advantageous to redeem F and G bonds than to sell marketable 2½s.

These present facts of the market illustrate the reason for proposing that the interest rate on the certificates be adjusted semi-annually to fit the rate on marketable Treasury bills. The owner of an estate will then find no advantage in putting income into government securities other than the certificates, except that the certificates must be held at least five years (other than in case of death) before redemption, and even this disadvantage is more than offset by the tax-exemption and the ½ of 1% allowance provided to the holder of certificates. These advantages also compensate for denying transferability and negotiability to the certificates. This denial has the effect of keeping them off the market, minimizing the "floating" quality of the debt and to that extent facilitating the management of the public debt. The certificates are in line with recent Treasury policy of tailoring securities to fit distinctive types of investors and financial uses, and also of increasing the non-marketable proportion of the public debt.

(f) Cooperation of states.

The size of the market for the certificates would be greatly enlarged if the several states would provide that their death taxes—both state and inheritance taxes—might be paid with the certificates. In that case the whole prospective burden of both Federal and state death taxes might be paid in advance out of current income, on what would amount to an instalment basis. Until such time as the states make such provision, the proposed plan of issue of Estate Tax Anticipation Certificates and the sections of the Federal Estate Tax statute governing payment of the tax might be so amended as to allow without penalty redemption of certificates in amounts sufficient to pay the state taxes. The plan would facilitate the payment of taxes, promoting the ease and comfort of the taxpayer, the efficient operation of the treasuries, and the stability of the economy.

Ralph C. Baker Director Forty Wall Street Bldg.

Ralph C. Baker has been elected to the Board of Directors of Forty Wall Street Building, Inc. He is

Ralph C. Baker

Vice-President and Treasurer of Amott, Baker & Co., New York investment firm.

Mr. Baker also is a director of C. A. Reed Co., Williamsport, Pa., and a director and Treasurer of Golding-Keene Co., Keene, N. H. and its affiliate, Standard Flint & Spar Corp., Trenton, N. J.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lewitt Hink is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

With T. Nelson O'Rourke

(Special to THE FINANCIAL CHRONICLE)

DAYTONA BEACH, Fla.—Marion H. Coley has been added to the staff of T. Nelson O'Rourke, Inc., 356 South Beach Street.

Francis I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Mrs. Cottye W. Hendry has joined the staff of Francis I. du Pont & Co., 455 East Las Olas Boulevard.

Joins Oakes Co. Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Frank G. Healey is now associated with Oakes & Company, 605 Lincoln Road.

Two With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Robert J. Jennings and Charles L. Reed are now affiliated with Goodbody & Co., 218 Beach Drive North.

With Barrett Herrick

NORMAL, Ill.—Curtis E. Lamborn is with Barrett Herrick & Co., Inc., of New York.

From Washington Ahead of the News

By CARLISLE BARGERON

There is seldom a day in Congress that some member doesn't tell another one that he is playing into the hands of Stalin, doing just what Stalin wants him to do. In fact, Truman and a lot of editors say this of those who disagree with them. I know of nothing that more attests to the decline of this country's moral climate than that a little second-rate bandit, the head of a second-rate power, should be in our consciousness to the extent that his name should be used this way.

Carlisle Bargeron

So in the same propaganda vein, it is not without significance that the Leftist columnists and commentators have come to the defense of Messrs. Charlie Wilson, Eric Johnston and Mike DiSalle. Here are three men, we are being told, who by way of trying to do their patriotic jobs and save the country, have incurred the wrath of their former associates; the National Association of Manufacturers is out to get them. It's a downright shame that these men, devoted to the principle of private enterprise, but having arrived upon the Washington scene to make the same sacrifice which the boys in Korea are making and learning the facts of life, should be so unjustly attacked by their former associates who can't see the menace to this country as they, having come to Washington, now see it.

Well, in the first place, I don't know who Mike DiSalle's former associates are. He has been a second-rate politician out there in Ohio. He wanted to run last year against Senator Taft, was not strong enough to win in the primary, and now hopes, through his campaign of being "for the housewife and the consumer" against the "interests," to run for Governor next year.

And it is my impression that the "former associates" of Eric Johnston gave him up long ago. He has proven himself to be the "Jim Dandy" of the business fraternity. He became one of the country's most vocal men after he worked himself up to the presidency of the United States Chamber of Commerce. Nobody has been able to laugh at the Washington scene more than he; he "understands" the "reactionaries," and labor; he even understands Stalin with whom he visited during World War II. He has a lot of confidence in himself and, come what form of government may, he is sure he will be able to continue to get his name in the newspapers and occasionally on the cover of "Time" magazine. He is the picture of the overworked Washington government official as he goes flitting about in the Washington social life. He is one of our best dancers and nothing amuses him more than to bedevil the representatives of industry who approach him upon these social occasions.

It was recently reported in the press that a representative of industry, making a proposition to Eric, said:

"Surely you will go along with that, Eric."

He was represented as replying:

"I would if I were on your side of the table."

What a silly thing for a man of his importance to be saying. The proposition was either right or wrong, regardless of which side of the table it came from.

Similarly Charlie Wilson bemoaned recently before a group that his former associates were asking, "What has happened to Charlie Wilson." Nothing has happened, he insisted, but he has a new responsibility.

"I hate controls," he explained, while arguing for them, "but I hate Communism more."

Now what in the name of heavens does the man mean by that? Does he believe that the second-rate Russians are not only going to destroy us with an atomic bomb but then move their secret police over here to put us all in jail? Does he know that Communism as an ideology and Russia as a physical might are entirely two different things, and that controls year after year, under crisis after crisis or some other pretext, fit right in with the ideology?

It is Mr. Wilson's explanation that he had different views back in industry but since coming to Washington he has realized the gravity of the situation. What an amazing explanation for a man of his responsibility in industry to make. Don't the men of industry know what is going on in the world? Of course, they do. But when they get to Washington it seems they really learn from the Oscar Chapmans and the Leon Keyserlings. What a ghastly commentary this is on these captains of industry who get the Washington bug!

With L. B. Jackson Co.

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill.—Elmer F. Messman is now with L. B. Jackson & Co., Inc., Livingston Building. He was previously with Barrett Herrick & Co.

Joe K. Matheson Opens

HICKORY, N.C.—Joe K. Matheson has opened offices at 331 Seventh Street, N. E., to engage in the securities business. He was previously with Louis G. Rogers & Co. and Southern Investment Co.

Highland Securities Co.

WALNUT CREEK, Calif.—R. J. Foley, G. H. Pittman and Audrey Pass have formed the Highland Securities Co., Inc. with offices at 2333 Mt. Diablo Boulevard to engage in the securities business.

Sincere Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Thomas M. Smyth is with Sincere & Company, 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Continued from page 11

Population and Investment

eral expenditures for other purposes were relatively small. Today our rate of growth is smaller and it will become smaller still. Today, also, our Federal budget is gigantic and our taxpaying capacity is extended up to the hilt. If in these circumstances a veterans' pension, with or without a bonus scheme, is added to the Federal budget, the effect is bound to be inflationary. For under a democratic free enterprise system in peacetime government can absorb only so much of the national income. We do not know just what this fraction is, but it appears to be in the neighborhood of one-fourth, and this fraction is now being exceeded under the impact of military expenditure. If a pension scheme is loaded onto the Federal budget, the effect will be inflationary. This should be of great concern to those engaged in the insurance business, for the prospect of continuous inflation makes the purchase of other than pure protection a poor buy, and it devalues even the protection. This inflationary prospect is to be traced back in part to the fact that our population will grow so much less rapidly in the future than in the past. Because of this inflationary prospect, investment in equity capital and housing is necessary to prevent a decline in the real value of a financial concern's investment yield.

(2) *Effects Upon Land Values, Interest Rates, and Profit Rates*—While land values will be less affected in the future than in the past by the course of population growth, they will still be affected, for, as I indicated earlier, the American population will grow about another 25-35% and this prospect will be reflected into anticipated rents and land values. The greatest impact, of course, will be upon urban land values in areas of growth as I'll show later. I am inclined to think also that what is presently low-grade but potentially high-grade pasture land will rise in value more than will other rural land. The reasons are two: the rise in population and income is greatly increasing the demand for meat, and the improvement of pasture grass and clover is greatly increasing the inherent yield to be had from land which once was considered inferior. This is especially true in areas where, as in the South, grazing is possible throughout much of the year. There may be a repeat of what happened in Europe in the early modern period when good grass was reintroduced in Europe and pastureland rose greatly in relative value.

Because of the pressure for capital arising from foreign sources, because of their population growth, and because of our heavy taxation, I should expect interest rates to remain firm and to feel some upward pressure for several decades at least.

I do not believe that profit rates will be affected by the slowing down of population growth in so far as profit depends upon risk and uncertainties. The slowing down of the rate of population growth should, however, reduce the size of the growth factor in many industries unless they can devise new products and so start up on a new growth curve which is largely independent of population for a while. Perhaps television is a case in point. Even so, the ratio of the profit rate to the interest rate will remain high enough to warrant investment in equities. This would relieve pressure on interest rates.

The Geographical Redistribution of the American Population

Up to now I have been talking about the growth of the population in the United States. But I have said nothing about its redistribution. I shall spend the rest of this lecture, therefore, upon the redistribution of population that is still taking place in the United States. Some parts of the country are growing whilst others are declining in population. Let me first review the main trends, as they were revealed in the decennial census taken last year. I shall approach the subject by trying to identify those parts of the country which appear to be slated for growth, and those which give little evidence of further growth, whatever happens to be their rate of natural increase. For by and large, the place to invest is where the population, or the relevant demand is growing.

(1) *State and Regional*—Four states experienced population losses in 1930-40: Arkansas, Mississippi, North Dakota, and Oklahoma. Eleven other states registered an increase of less than 7%, which is less than half the national average of 14.5: Vermont, Pennsylvania, Minnesota, Iowa, Missouri, South Dakota, Nebraska, Kansas, West Virginia, Kentucky, Montana. With the partial exception of Minnesota, none of these states has shown much percentage growing power since 1920. At the other extreme we find the Pacific Coast states, New Mexico, Arizona, Utah, Nevada, Florida, Virginia, Maryland, and Michigan, with increases over 20%. However, when we rule out states on the ground of smallness we are left with only the Pacific Coast and Florida, Virginia, Maryland, and Michigan, and we have some of the growth in Virginia and Maryland due to the expansion of the governmental bureaucracy in Washington. If we included all states which have grown 400,000 or more we would have to add New Jersey, Ohio, Indiana, North Carolina, and relatively slow growing New York, Pennsylvania, and Illinois. In general, therefore, if one looks just at the states and the groups of states, about all that one can conclude is that the West is growing much faster than the rest of the country and that one-fourth or more of the states have been growing at rates far below the national average for 30 years.

(2) *The Counties*—We may turn next to the counties. We find that of the country's 3,103 counties, 1,543 lost population in 1940-50, and 720 lost 10% or more. Of the 1,560 growing counties, 864 gained 10% or more, 498 gained 20% or more, and 28, all in the South or West, 100% or more. The growing counties were distributed somewhat differently than the growing states. Of the 217 Northeastern counties, 82% showed gains; of the 414 Western counties, 61%; of the North Central counties, 44%; and of the Southern counties, 47%.

(3) *Rural-Urban*—While various factors have affected the movement of the population, there is one characteristic which most of the counties that lost population have in common. These counties are rural in character in most instances. The proportion of the population that is rural has steadily decreased; on the old definition, which defined as urban only those living in incorporated places of 2,500 or more, 43.3% of the population was rural in 1940 and about 41% in 1950. This definition has been considered inadequate, however, since it excludes both people living in unincorporated places of 2,500 or more and people living in the thickly settled areas (with populations of 2,000 or more per square mile) around cities of 50,000 or more. On this definition, 64% of the population was urban in 1950, with the percentage ranging from 80% in the Northeast to 49% in the South, and, by state, from 87% in New Jersey to 27% in North Dakota. In only 17 states are less than half the people living in urban communities.

Trend of Population Cityward

That the trend is cityward is better suggested by the data relating to the rural farm population; for this is the truly rural population, since much of the rural-nonfarm population lives in essentially urban areas. The rural-farm population declined from 23.1% in 1940 to some 17% in 1950; and the decline is likely to continue until perhaps only one-eighth of the population will be rural farm. That this outcome is to be expected is suggested both by the past trend and by the fact that in the South, and in a few states outside the South, the farms are too small for present-day methods and the farm population is too large. These excess farmers will gradually be dislodged in the sense that their children will leave the farms and the smaller farms will be combined into larger units or the number of acres tended per farmer will increase. We may look forward, therefore, to a time when not over 11-13% of the population will be rural farm, when maybe 2-4% will be rural nonfarm, and when perhaps 85% will be urban under the new definition. How soon this outcome is realized will depend upon whether we have peace and upon how good business conditions are, since people tend to move out of rural farm areas in war periods and when times are good. It will also depend upon how fast improved methods of agriculture are introduced and farm consolidation is carried out.

The tendency for the population to become concentrated in and within urban centers is suggested by another set of statistics:

Population Places	Places Incorporated	Population (millions)		Places Inc. 1940	Population Cumulated in %
1,000,000+	5	17.3	11.5	5	12.1
500,000+	18	26.4	17.5	14	17
250,000–500,000	39	34.1	22.6	37	22.9
100,000–250,000	106	44.0	29.2	92	28.8
50,000–100,000	231	52.8	35.0	199	34.4
25,000– 50,000	474	61.3	40.7	412	40.0
10,000– 25,000	1228	72.9	48.4	1077	47.6
5,000– 10,000	2319	80.5	53.4	2042	52.7
2,500– 5,000	3873	86.0	57.7	3464	56.5

But the data reveal no marked trend in the past decade. If the unincorporated places are included, we get 477, instead of 474, with 25,000 or more inhabitants. Within these places are 61.4 millions, or 41% of the population. The concentration of the population is suggested also by the fact that of the 69 million people living in the nation's 157 urbanized areas, 37.6 live in the 12 largest, each of which runs over a million.

These figures do not tell us very much about the trend, however. They merely indicate the degree of concentration. The movement toward concentration is less evidenced by the growth of the 168 metropolitan areas within which lived 84 millions in 1950. Seven of these 168 lost population and the remaining 161 gained, with 90 of them showing an increase of 20% or more. About 81% of the nation's population growth took place within the metropolitan areas. This is the pattern:

Area—	—Population Increases, 1940-1950— Number	Percent Incr.	Distribution
United States	18,186,317	14.3	100
Standard Metropolitan Areas	14,653,382	21.2	80.6
Central Cities	5,652,053	13.0	31.1
Outlying Parts	9,001,329	34.7	49.5
Outside Standard Metropolitan Areas	3,532,935	5.7	19.4

These data show, in short, that most of the growth was concentrated in the metropolitan areas, but that the bulk of the growth took place in areas lying outside the central cities.

On the basis of what we have said, certain conclusions stand out. These conclusions are based upon the supposition that if the population of a unit has continued to grow significantly for the past two or three decades, it may be expected to continue to grow; and that if it has not, it is not likely to in the future in the absence of some specialized intervention. The places most likely to grow therefore have the following characteristics:

(1) They are in urban areas, not in rural areas.

(2) They are not situated in declining counties.

(3) They are situated in standard metropolitan areas, and not outside these areas.

(4) They are more likely to grow rapidly if situated outside the central cities of these areas than within these cities.

These observations are borne out also by data relating to the growth of population by the economic areas with the 48 states. The country is divided into 443 such economic areas. Of these areas, 338 showed population increases, 220 showed increases of 10% or more, and 120 increases of 20% or more. Of the 105 areas that lost population, only 21 lost 20% or more. The West and South have most of the fast growing areas. 60% of the Western economic areas grew 20% or more and 30% of the Southern. Only 18% of the North Central economic areas and 9% of the Northeastern experienced this much growth. One gets the impression that the heaviest growth was found in the states making up the outer border of states in the West and the South and the East, with the heaviest relative gains in the West. The growing areas were urban in character. These data are essentially in line with the ones just presented.

Will Population Trends Persist?

One can never say for certain that a trend will persist, for it is always possible that some fundamental change may arrest a trend. It is likely, however, that the trends to which we have called attention will persist. They would be seriously modified only if the government, finally becoming sufficiently alarmed at possible atomic attack, would seek protection in the dispersal of industrial activities and would provide the heavy subsidies which such a dispersal would entail. Until this happens, the trend is not likely to be modified greatly. If it happens, heavy growth within the interior of the country will be the result.

If we learn to use solar energy, or to transmit power long distance, or carry the power materials far as in the case of fissionable materials, the growth of the Southwest will be stimulated.

If we learn to use ocean water, the present water shortage of the West will be relieved somewhat and growth further stimulated.

What are the Implications of These Trends for Investors?—There are certain activities which are especially favored by population growth—investment in housing, and in consumer-oriented economic activities, and in other economic activities carried on to serve populations. The population trends described suggest that there are areas admirably suited to this type of investment and still other areas which are not at all suited to such investment. These trends do not have too much significance, however, for types of investment which are not affected appreciably by where the population is disposed to locate itself.

A few additional observations are in order concerning the redistribution of population taking place within the framework of the metropolitan area and the area surrounding it. These relate to trends that seem to be manifesting themselves and concerning which we shall have more evidence after the census returns have become available and been submitted to analysis.

(1) There has been a strong suburbanward movement.

(2) The rural-farm population has tended to grow within the 25-mile zone of metropolitan centers.

(3) Population 45 to 64 miles from the metropolitan centers has tended to grow little, because they are too far from the city to serve as suburban residential areas, and yet too close to be free of urban competition in retail selling.

(4) Beyond the 65-mile limit the urban centers appear to be showing some development, being assisted by the auto and removal from the competition of the large cities.

(5) While there is no evidence of population dispersion, there is a possibility that greater growth rates may begin to manifest themselves in hinterland urban areas sufficiently removed from the big urban areas to develop an independent existence. There has not yet been enough time for the improvements in transportation to exercise full effect upon the distribution of population around the large centers or upon the development of hinterland cities. Perhaps analysis of the results of the 1950 census will throw more light on this question.

Baldwin Inv. Co.

LYNDONVILLE, Vt.—The Baldwin Investment Co., Inc. has been formed with offices at 9 Center Street to engage in the securities business. Principals of the firm are Hollis Baldwin, Harry J. Baldwin, Helen Baldwin, and Jutton A. Longmoore. Harry J. Baldwin was formerly associated with Paine, Webber, Jackson & Curtis and A. M. Kidder & Co. Hollis Baldwin was with F. L. Putnam & Co.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Constantinos G. Cazanas is now associated with Bache & Co., 21 Congress Street.

With Chas. A. Day

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Lewis D. McDowell is now affiliated with Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

Joins Republic Inv.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph P. Shure has become connected with Republic Investment Company, 231 South La Salle Street. He was previously with Faroll & Co.

With Chas. A. Parcells

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John J. Jennings is now associated with Charles A. Parcells & Co., Penobscct Building, members of the Detroit Stock Exchange. He was formerly with Bradley Higbie & Company.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The Bankers Trust Company of New York announces the opening on July 23 of new offices of its Corporate Trust Department at 46 Wall Street.

* * *

William Mullen Campbell, Chairman of the Board of the **American Savings Bank of New York,** died at his home in New Canaan, Conn. on July 11. Mr. Campbell was born in New York 78 years ago. He had been a trustee of the bank since 1906, and President from 1915 until 1950.

* * *

Advices in the weekly "Bulletin" of the New York State Banking Department indicate that approval was given on July 19 to a certificate of reduction of capital stock of the **Patchogue Bank, of Patchogue, N. Y.,** from $205,000, consisting of 3,437½ shares of preferred stock "A" of the par value of $16 each and 6,000 shares of common stock of the par value of $25 each, to $150,000, consisting of 6,000 shares of common stock of the par value of $25 each.

* * *

The **Killington National Bank of Rutland, Vermont,** with a common capital stock of $150,000 was merged with the **Rutland Trust Co. of Rutland, Vt.,** effective June 30, under the title of the **Killington Bank & Trust Co.,** according to the July 16 weekly bulletin of the Office of the Comptroller of the Currency.

* * *

Effective July 5 the **Somerville National Bank of Somerville, Mass.,** was increased from $300,000 to $450,000, the increase having been accomplished through a stock dividend of $150,000.

* * *

At the 94th Annual Meeting of the corporators of the **Connecticut Savings Bank of New Haven,** held July 16, several changes were made in the official staff. Elected trustees were: Abbott H. Davis, William C. Bell, and Robert E. Ramsay. Elected a corporator and a trustee was Allan R. Carmichael. The first three are corporators of the bank, and have been for a number of years. Mr. Carmichael has been a Vice-President of the bank since July 1948. He came to the bank in September 1939. During World War II he served in the U. S. Navy in the South Pacific as a Lieutenant Commander. Elected officers of the bank were: Eugene S. Umbricht, Assistant Treasurer, and Cyril A. Newton, Assistant Secretary. Mr. Umbricht entered the employed of the bank in 1931; he is a graduate of the American Institute of Banking and of the Graduate School of Banking, A.B.A. Mr. Newton came with the bank in 1929 as a teller, and since the inception of the Savings Bank Life Insurance Department in 1942, has been Manager of that department.

Among the officers re-elected are: Chairman of the Trustees, George J. Bassett; President and Treasurer, Carl G. Freese; Vice-Presidents, Allan R. Carmichael, Harry H. Owen; Secretary, Robert A. Babcock. The trustees re-elected are: Henry A. L. Hall, George J. Bassett, Frederick D. Grave, Edward G. Buckland, Ernest L. Simonds, William B. Gumbart, Edward E. Minor, Fred R. Fairchild, Milton P. Bradley, Carl G. Freese, M. Grant Blakeslee, Curtiss K. Thompson, William Hamilton, David L. Daggett, Robert S. Judd, Charles A. Cahn.

* * *

Charles E. Blackford Jr., President of the **Peoples Trust Co. of Hackensack, N. J.,** died on July 18 of a heart attack suffered while playing golf at the Westchester Country Club, near Rye, N. Y. Mr. Blackford, who was 62 years old, had been President of the trust company for 26 years. He was born in Brooklyn, N. Y., and at the age of 14 was a runner for the Bedford Bank of Brooklyn, according to White Plains, N. Y., advices to the New York "Times" which also said in part:

"While working in the daytime, he studied law at night at Brooklyn Law School and was admitted to the bar. For 13 years Mr. Blackford was with the Chemical National Bank of New York, and in 1915 became a State Bank Examiner. He was a Vice-President and Cashier of the old International Bank of New York and later a Vice-President of the old **Fidelity Trust Co.** there. In 1925 he went to Hackensack as President of the Peoples Trust Company."

* * *

The Dumont National Bank of Dumont, N. J. with common stock of $75,000 and preferred stock B of $25,000, was merged with and into the **Tenafly Trust Co. of Tenafly, N. J.,** a state banking institution, under the title of "County Trust Co.," effective as of the close of business June 30, it was learned from advices from the Office of the Comptroller of the Currency at Washington.

* * *

Consolidation of **First National Bank and Trust Co.** and the **United States Trust Co.** both of **Paterson, N. J.** will be voted on by the banks' shareholders at a special meeting Aug. 23, according to an announcement by F. Raymond Peterson, Chairman of the Board of First National, and C. Wesley Bensen, Board Chairman of the United States Trust Co. Resources of the two banks totaled over $195,000,000 on June 30. Under the proposed consolidation, the merged banks will operate under the charter and title of First National Bank and Trust Company of Paterson, which, it is indicated, will become the largest National bank and the second largest commercial bank in New Jersey. It will have capital funds of approximately $12,740,000 comprising $3,750,000 capital $3,750,000 surplus and approximately $5,240,000 undivided profits and reserves. It is proposed that the capital stock of the consolidated bank shall be divided into 150,000 shares of common stock of a par value of $25 per share, of which the shareholders of First National will retain the 120,000 shares now held by them, and that the shareholders of the United States Trust Co. shall receive 30,000 shares. At present First National has a capital of $3,000,000, represented by 120,000 shares of par value of $25 per share. The United States Trust Co. has a capital of $600,000, represented by 6,000 shares of a par value of $100 per share. Under the consolidation plan, shareholders of the United States Trust Co. will receive five shares of a par value of $25 for each share of a par value of $100 held by them, and a cash dividend from the excess of capital, surplus, undivided profits and reserves of the United States Trust Co. over and above its contribution to the capital funds of the consolidated bank.

From the present boards of directors of the two banks, shareholders will be asked to elect 19 now serving on First National's Board, and six now on the Board of the United States Trust Co. The new Board of 25 will serve until the annual meeting in January next. It is understood that Mr. Peterson will be Chairman of the Board, Mr. Bensen Vice-Chairman, Benjamin P. Rial, President, Andrew DeRitter Senior Vice-President, and Peter Cimmino and Albert J. Baisch Executive Vice-Presidents of the consolidated bank. Other officers and personnel of the two banks will continue in much the same offices and positions they now occupy.

* * *

The Washington, D. C., "Post" of July 22 reported that announcement of completed organization of the **Metropolitan Savings & Loan Association** was made the previous day by the organizers, Howard R. Schafer, John R. Reeves and Ellis M. Jones. From the "Post" we also quote:

"Mrs. Jessie Hilderbrand will assume active management of the association. She has had 16 years experience in the savings and loan business, and, until recently, was associated with the First Federal Savings & Loan Association of Washington."

The following have been elected officers of the Association: John R. Reeves, President; Howard R. Schafer, First Vice-President; Mrs. Jessie Hilderbrand, Executive Vice-President; Ellis M. Jones, Secretary, and Alfred M. Rinaudot, Treasurer.

* * *

Associated Press advices from Washington on July 22 reported that control of the **International Bank of Washington** has been sold by the bank's founders, John R. Waller and Austin C. Waller, to a syndicate of widely-known bankers and industrialists including Henry Ford 2d and Nicholas R. du Pont. An announcement by T. Reed Vreeland, newly-elected President, said that the "price paid was not divulged."

Mr. Vreeland said the new ownership assumed management of the bank on July 9. The press advices state that the bank is not to be confused with the International Bank for Reconstruction and Development, an inter-governmental organization. In part the press advices from Washington as given in the New York "Times" also said:

"John R. Waller was elected Chairman of the Board and Austin C. Waller, Vice-Chairman. The brothers founded the bank in 1919 for the announced purpose of promoting world trade.

"The new owners, Mr. Vreeland said, 'Will direct the bank's course into the field of merchant banking, which in their opinion provides even under present world conditions a favorable avenue for the development and financing of productive enterprises at home and abroad'."

* * *

The capital of the **First National Bank of Memphis, Tenn.,** was increased as of July 12 from $3,000,000 to $4,000,000 as a result of the sale of $1,000,000 of new stock.

* * *

The Third National Bank of Nashville, Tenn., reports a capital of $2,500,000, effective June 30, increased from $2,000,000 by the sale of $500,000 of new stock.

* * *

The capital of **American National Bank of Jacksonville, Fla.,** has been enlarged to the extent of $150,000, increasing it from $100,000 to $250,000. A stock dividend of $100,000 served to bring the capital up to $200,000 as of July 2, while the sale of $50,000 of new stock raised it to $250,000, effective July 3.

* * *

According to an announcement by the Board of Governors of the Federal Reserve System the **Roosevelt State Bank of Roosevelt, Utah,** and **The Commercial Bank of Utah at Spanish Fork, Utah,** both State members, merged on July 2 under the charter and title of **The Commercial Bank of Utah.** In connection with the merger a branch was established in the former location of Roosevelt State Bank.

* * *

Appointment of L. G. Rumsby to the position of Assistant Manager of the London branch of **Bank of America National Trust & Savings Association of San Francisco** is announced by L. M. Giannini, President of the bank. Mr. Rumsby fills the vacancy left by the retirement of A. P. Wild. The new Assistant Manager has been with Bank of America since 1931, and was with the British-Italian Banking Corp., predecessor to the London branch, from 1925.

Public Utility Securities

By OWEN ELY

Telephone Stocks

American Telephone & Telegraph Company recently celebrated the acquisition of its millionth shareholder, and now reports the best consolidated 12 months' earnings since 1929—$13 a share. The stock currently sells around 155, and based on the famous $9 dividend yields approximately 5.8%. Despite periodic wage difficulties the management thus far has been successful in getting sufficient rate increases to take care of wage demands and maintain earning-power. New York Telephone, a large wholly-owned subsidiary, recently raised its request for higher rates from $44 million to $57 million—which if granted by the New York Public Service Commission would raise telephone bills about 11%. Mayor Impellitteri feels that rates in New York City are high enough and has announced that he will fight the increase. Meanwhile, the Wage Stabilization Board at Washington has approved a 10% hourly wage increase for 150,000 workers in eight Bell system subsidiaries (2% was granted a year ago).

American Telephone President C. F. Craig (recently elected following the death of Mr. Wilson) has announced that despite material shortages the Bell System will spend about $1 billion for construction this year, compared with $900 million last year. In the first half of this year 1,000,000 phones were added, bringing the total to 36 million (14.5 million more than in the prewar period).

The company's financing is done largely through the medium of plain debentures, convertible debentures and common stock. In recent years the proportion of debt financing has been higher than in the prewar period, but this will eventually be corrected through conversion of the large amounts of convertible bonds now outstanding. As an example of this readjustment, in the week ended July 6 over $7 million debenture 3⅜s of 1963, as well as small amounts of three other debenture issues, were converted into capital stock. This left about $329 million convertible debentures outstanding, which should eventually be turned into stock.

On direct offerings of common stock the company has relied largely on sales to employees, and as of a recent date some 250,000 employees owned an average of about 11 shares each, the total amount held representing one-fifth of the outstanding stock. Purchase plans for employees are not only liberal as to price terms, but also permit instalment payments.

From time to time there have been rumors that American Telephone might split its stock, perhaps on a 4-for-1 basis, but this development appears unlikely. Most of the Bell system companies have traditionally maintained the $100 par value of their stocks, although Southern New England Telephone split its stock 4-for-1 in 1949. Another exception is Cincinnati & Suburban Bell Telephone which for many years has had a $50 par. The principal independent telephone companies have used lower par values: General Telephone, $20; Rochester and Central, $10; Peninsular, no par, etc.

Despite the huge number of telephone companies operating in this country (mainly small independents) only a handful are well known to investors. Only American Tel. & Tel., Pacific Tel. & Tel., and General Telephone are on the Big Board. Mountain States, New England and Peninsular are Curb stocks. Southern New England, Rochester, Cincinnati & Suburban Bell, Central and others are traded over-the-counter. Yields on these issues range from 5.7% for Southern New England to 7.7% for the lowest-price issue, Central Telephone. (See accompanying table.)

New England Telephone has been strong recently, following the offering of subscription rights on a 1-for-2 basis—unusually heavy equity financing. Based on the new number of shares the $11.62 share earnings shown in the accompanying table would be reduced to slightly less than the $8 dividend rate. Moreover, net income for the month of May was substantially below last year. However, the company recently won a $5.3 million rate increase in Massachusetts which should improve earnings. The quarterly dividend rate was increased from $1.50 to $2 on June 29 (declared May 15).

TELEPHONE STOCKS

Bell System—	Recent Price	Div. Rate	Approx. Yield %	Recent Earns.	Price Earns. Ratio	Div. Pay-out %
*Amer. Tel. & Tel.	155	$9.00	5.8	$13.00	12.0	69
†Cinn. & Sub. Bell Tel.	74	4.50	6.1	4.59	16.1	98
‡Mountain Sts. T. & T.	100	6.00	6.0	7.32	13.7	82
‡New England Tel.	113	8.00	7.1	11.62	9.7	69
*Pacific Tel. & Tel.	108	7.00	6.5	9.06	12.0	78
†So. New England Tel.	32	1.80	5.7	2.12	15.1	85
Independents—						
†Central Tel.	10½	0.80	7.7	1.28	8.2	63
*General Tel.	28½	2.00	7.0	2.81	10.2	71
‡Peninsular Tel.	40	2.50	6.3	3.86	10.4	65
†Rochester Tel.	12½	0.80	6.4	1.52	8.3	53

*New York Stock Exchange. †Over-the-Counter or Out-of-Town Exchange. ‡Curb Exchange.

Continued from first page

Some Observations on Europe's Status in 1951

The people generally are well fed and adequately clothed. The prevailing hourly wage for common help is from 1 to 1.25 marks (25c-31c) and for skilled help 1.40 to 1.85 marks (35c-46c). Cost of living has been increasing and there is considerable talk about difficulties in making both ends meet. The prices of rooms and meals in first class hotels are as high as in New York.

It is estimated that Germany is at present operating 135% of its 1936 annual business turnover. This is a big step forward, but not sufficient to carry its 12 million refugees minus its Eastern food basket. Figures indicate the food deficiency which must be purchased in the world market today is between 35 to 45%.

The Russian menace is the main unsolved problem concerning Western Europe; although generally speaking there is less talk in Western Europe than in the United States about the imminence of war.

I talked to a number of people who have been behind the iron curtain during the past six months. The conditions reported as existing there are grim, indeed. The situation is undoubtedly a real deterrent to the orderly progress of civilization and must be recognized. In getting reactions from men who have been in concentration camps for four or five years, one must conclude that our former partners are conducting a totalitarian type of government on a scale much greater and more cruel than any modern comparison.

The end results of the treaties developed at Yalta, Teheran and Potsdam have brought about a geographic and economic division in the Balkans, in Poland, Austria, Hungary and East Germany, creating extreme dislocations of trade and populations, with resulting human sufferings. The American taxpayer is the victim of these unsound policies. The great question now is how to restore a sound, reasonably self-sustaining economy throughout Europe. It will take many years and much readjustment to correct the distortion which has been created.

Our government must insist that all possible constructive forces be coordinated in order to put Europe on a reasonably self-sustaining basis. The Atlantic Pact for rearming Europe, in itself, will not be the entire solution, as the impact of dollars for war preparation has a tendency to dislocate the economy. However, in order to reduce the load of the American taxpayer, I believe it is essential to insist that maximum use of existing manpower, materials and manufacturing facilities is utilized in every member country.

It must be recognized that in fighting communism, we are fighting an ideology. Therefore more attention must be given to finding methods selling the advantages of a free society. Unless an awareness of the malignancy of communism can be impressed upon the average person in Europe and how it affects him personally, the rearmament in itself will not be the answer. Any country without the will to defend itself will become a liability rather than an asset.

Undoubtedly an efficient Administration as well as a sound, consistent and firm foreign policy is essential to the prevention of a Third World War. Everyone with whom I talked who has had dealings with Russians, knows their processes of thinking and their psychology, agrees that a firm policy is the only one they would respect.

It is my opinion that, as long as the people of the United States have given billions of dollars to Europe and are continuing to do so, they have every right to insist on better coordinated policies on the part of our allies and the recipients of this assistance. To the degree the countries have recovered, we have a right to expect a much greater amount of self-help.

I do not believe that the American public fully realizes what is happening in Europe, or endorses the socializing of some of the basic industries in Europe at our expense. Such a course is bringing about new forces which will lead to totalitarianism. Nor do I believe that our people are endorsing policies which have been preventing a peace treaty with Germany being consummated six and one-half years after the war. The restoration of initiative and the restoration of a free business in trading in the industrial center of Europe is paramount in order to restore a sound, healthy, normal Europe. It appears to me we have at times adopted policies which entirely ignore fundamentals.

Some of the ridiculous arrangements which have been approved, such as forcing Germany to sell two million tons of coal per month at one-half the world market price and then purchase American coal at full price in its place to maintain her industries, is inconceivable. The deficit of course is being made up by the American taxpayer. The only possible way that Germany can pay its way and feed its population is to convert raw materials into finished products, which means that its industries must operate at capacity and have access to the raw material markets of the world.

There is still considerable unemployment in Germany, and since unemployment breeds socialism and communism, we must revise our present policy, and utilize German manpower and its industries if there is to be rearmament. If it is desirable to control this rearmament it can be done with a few companies of American ordnance, without serious disturbance to its economy. To illustrate what we have done to stifle the economy of Germany at our expense, the following should be noted:

One of Germany's most efficient steel mills is now operating at 10% capacity. The methods employed in destroying a great deal of this expensive rolling mill equipment appears to be communistic in its origin and is a disgrace to our occupational policy. This plant can be restored to 75% of its former capacity in one year with an investment of $20 million. In view of the shortage of steel rolling capacity in the Western orbit today, this should be done.

Three years ago I suggested to General Clay that a militia be established in Western Germany patterned after the Swiss system. While I am not unmindful that the fear exists that Russia might attack a Western Germany in the process of rearming, the fact is that the Russians are doing this very thing in Eastern Germany, and Western Europe can never be protected from Russia by a fear psychology. The establishment of a German militia will reduce unemployment; it will provide a soldier willing to fight for his home at one-quarter of the cost of maintaining an American soldier on foreign soil. Such a defense force can be controlled by American officers in strategic command posts.

It will require considerable effort and propaganda to justify in the mind of the average German the reversal from our policy of a complete disarmament back to a reasonable mutual defense program. In this connection, I am informed that the Russians are putting on a much superior propaganda program. It was stated to me on numerous occasions that they understand the psychology of the European mind better than we do. I am also informed that Russia controls the air in many areas due to more powerful radio stations. This situation should be studied and rectified.

While I am not a military man, I do believe, from experience and observation, that the cost of maintaining our armed forces on a global basis is excessive. If our present program is not modified, it will result in an internal breakdown of our own economy due to excess of expenditure and overexpansion of our industries.

From Jan. 2, 1940, to Jan. 2, 1951, Congress authorized and appropriated almost $102 billion for foreign aid. In addition, loans totaling more than $12 billion were authorized and credits were extended for another $1.5 billion. President Truman requests an additional $8.5 billion for military and economic assistance to other nations. The total would be approximately $124 billion. This total represents one-half of the national debt. The Administration has requested and received from Congress the equivalent of one-fifth of this nation's physical assets.

In connection with the cost of German occupation, in six years the United States aid to Germany amounted to $3,250 million and the expenses of the Bonn Government amounted to $1,400 million. These figures clearly indicate the importance of finding a solution to putting this area on a more productive and self-sustaining basis. The only solution is to reduce the cost of occupation and increase the productivity of German industries, which means an expansion in its exports. At the present time it is extremely difficult to do business because of the many controls and the necessity of getting approval for every detailed move on the part of German and occupation authorities. In many cases these policies are administered by men lacking in practical business experience.

The decartelization program should be brought to a prompt conclusion so that German industries can function and produce earnings and carry their own tax load. Lack of working capital of its industries is one of the biggest problems.

I recommend that we cut out ECA aid. Instead, a minimum amount of funds, in the form of long-term loans through private banks reinsured by the Export-Import Bank, should be made available to be used when absolutely necessary. This will infuse into the economic structure sufficient essential capital to bring about further rehabilitation at a lower cost than political gifts. Then, once a peace treaty is concluded and some of the socialistic schemes are stopped, private venture capital will again be attracted into this area.

Another of the biggest unsolved problems which is deserving of much more careful attention is that of the displaced person. There are 9 million refugees from the Eastern zone of Germany plus several millions from Communist-satellite Poland, Rumania, Bulgaria, Hungary and Czechoslovakia. Many of these people are not contributing to the stability of the economy, and they are particularly susceptible to communistic blandishments due to not having any homes, and living in poverty. A sound solution would be the encouraging of selective emigration to underdeveloped areas of the world. Such emigration could be financed by advances to these people which they would be required to pay back. I have emphasized this population pressure in my two previous reports, not only as it affects Germany, but also as it exists in Greece, Holland and Italy. Much unrest could be eliminated by a program of orderly reconstruction of homes, encouraging long-term private financing at reasonable interest rates.

A provisional peace treaty would restore much freer commercial intercourse between Germany and its neighbors, provide a better and freer flow of capital between the adjoining countries, and contribute much to the stabilizing of the European economy.

A freer interchange of technical men and scientists on the part of industry without excessive detailed investigation would be desirable; skilled mechanics, household help, nurses, etc., in which our economy is greatly lacking, should be encouraged to immigrate on a selective basis.

Unless the free flow of commerce can be restored to a greater extent, and unless the ECA and Atlantic Pact funds are diverted entirely through private institutions rather than used as political gifts, we will wind up with an international planned economy and only a memory of the free enterprise system.

FRANCE

I spent several weeks in France and conditions have improved substantially. It is a rich country, and with greater development of its colonial possessions it is apparent it can again be a world factor.

Much has been written about the Schuman Plan of rehabilitation and industrial cooperation between France and Germany. I believe it desirable. Such a plan worked out and controlled entirely through businessmen should be given a fair chance. Economic rehabilitation and cooperation between France and Germany are essential for a sound and stable Europe. France possesses the iron ore and markets, and Germany possesses the coal, manpower and willingness to work. Both parties would profit by such an alliance. Industry should be operated and controlled by businessmen without undue political or union influence.

Cost of living in France, as in most parts of Europe, is high. The huge debt brought about by former wars, the cost of rehabilitation and the cost of rearmament are the causes for high prices. In order to bring down the cost of living, the cost of Government must be brought down. It is significant that the balance of trade between the U. S. A. and France has improved substantially. This will help to restore more normal trade. The election which took place recently is encouraging, and indicates a further turn to the right. While the Communist Party is still the largest party, the net results were a 5% loss in total votes and a substantial loss of seats in Parliament as well as loss of prestige. This election may mark the turning point for an expansion of sound and more conservative governments in Europe.

SWITZERLAND

This is a rich and thrifty little country. There is not much apparent change since my last visit. The people work hard. The Government is stable and the Swiss people work on sound, hard money. Their budget is balanced. They are spending more for defense than in previous years.

Switzerland is constructing additional power developments, one of its few sources of natural wealth. Its tourist trade is improving. Swiss industries are stimulated by rearmament. Much can be learned from the form of economy which has been built around an industrious, highly populated area without too many natural resources and with an efficient defense program, the cost of which is held down to what the country can afford. It is a practical example of what might be accomplished in other areas.

BELGIUM

I spent a very short time in Belgium. I talked to some of the leading businessmen. The Belgians have made much progress, and their country is booming. Prices are high. Expanding developments for the produc ion of raw materials in the Belgian Congo have provided dollars and stimulated internal and external commerce.

Cartels are fairly highly developed and are on a rather efficient basis, contributing to the wealth and stability of the country.

A business car'el as exemplified in Belgium, has some merit in highly populated areas such as Europe. Profitable operations result, and industry can support more people per square mile. It has a tendency to protect small employers and marginal producers if operated by capable business people, and is superior to Government controls or Government cartels.

HOLLAND

I spent very little time in Holland this trip. It is a fine country, and the Dutch have made progress in restoring their economy during the past year. I am informed, however, that government controls are multiplying as is the case in all areas where the government tries to substitute bureaucracy for experience.

Holland is suffering from overpopulation and the loss of its rich colonial possessions, and will have an uphill fight until a solution can be found to straighten out some of these fundamentals. In order to artificially assist business, Holland has established a form of subsidization, and is now utilizing three or four different types of guilders at different discounts.

In conclusion, I am of the opinion that if the full potential of all European manpower is not used to the utmost at prevailing rates of pay in the rearmament program as well as in the defense force, the cost of rearmament will be so great to the U. S. A. it will result in inflation and acceleration of internal problems. I can see little reason why we keep sending regiments over there, when there is an abundance of available manpower in Europe.

Most countries in Europe are faced with the problem of controlling inflation, of balancing the budget, encouraging venture capital and establishing convertibility of currency. Government controls, tariffs and quotas on import and export are still the order of the day. I believe a process of belt tightening is the only solution.

With a $72 billion budget the U. S. A. is not in a position to finance rearmament on such an enormous scale as is contemplated over the next 10 to 20 years without the complete devaluation of the dollar, and unless a solution is found to a great many of these problems, we are headed for trouble. If our present policies of waste and excessive spending internally and externally are not rationalized, the results to Western civilization may be as devastating as a full scale war. It is not going to be an easy task to coordinate these many intricate problems dealing with different nationalities and races by democratic process. A more practical approach is for the U. S. A. to take more individual unilateral action until complete order is restored.

Some of the leading businessmen in Europe are of the opinion that, in order to improve the monetary situation, most governments will be confronted with refinancing government obligations on a long-term basis at a substantially higher interest rate.

There is not a living individual that can accurately appraise the many internal and external forces working in Europe today. No one can predict the outcome of this melee. The pressures are enormous. Our actions have had, and will continue to have, tremendous influence.

There are a few simple axioms which I hope our country will follow. Let's get our own house in order first, and not unnecessarily dissipate our resources.

Develop a sound, consistent foreign policy.

Insist that our funds and assistance are administered on a sound business basis and through private business channels wherever possible, and that we get something in return for our assistance.

We must recognize that moral and material values of Europe and the world have been severely shattered, and these cannot be restored on a mass production basis over night. America is the last haven of Western civilization, and upon her shoulders rests the great responsibility to insist on sound policies.

Halsey, Stuart Group Offers United Gas Corp. 3⅝% Bonds Due 1971

Halsey, Stuart & Co. Inc. and associates are offering today $50,000,000 United Gas Corp. first mortgage and collateral trust bonds, 3⅝% series due 1971 at 102.367% and accrued interest. The group won award of the bonds at competitive sale on Tuesday on a bid of 101.65%.

Proceeds from the sale of these bonds and from the sale of additional common stock will be used by the corporation to finance in part the 1951 and 1952 construction of the United Gas System and for other corporate purposes. The presently estimated cost of the over-all construction program of the corporation and United Gas Pipe Line Co., a subsidiary, for the years 1951 and 1952 aggregates approximately $170,000,000.

General redemption of the bonds may be made at prices ranging from 104.87% to par, while sinking fund redemptions will be at 102.37% to par.

United Gas Corp., Union Producing Co. and United Gas Pipe Line Co. constitute the United System which is engaged principally in the production, purchase, gathering, transportation, distribution and sale of natural gas. The United System serves parts of Texas, Louisiana and Mississippi and also extends to Mobile, Ala., Pensacola, Fla., and to the International Boundary at Laredo, Texas. Among the important cities served with natural gas at retail are Beaumont, Houston, Laredo, Longview and Marshall, Texas; Bogalusa, Lake Charles and Monroe in Louisiana, and Biloxi, Gulfport, Laurel and McComb in Mississippi.

With Watling, Lerchen

(Special to The Financial Chronicle)

DETROIT, Mich. — Robert C. Farris has joined the staff of Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Joins Burke-McDonald

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Ivan J. Donaldson, Jr. is now associated with Burke & MacDonald, 17 East 10th Street. He was formerly with Prescott, Wright, Snider Co.

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The State of Trade and Industry

"The Iron Age," the onus will be on the inventory policemen to check if records are accurately kept and reported.

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 101.4% of capacity for the week beginning July 23, 1951, or a decrease of 0.5 of a point from a week ago.

The current week's operating rate is equivalent to 2,027,000 tons of steel ingots and castings for the entire industry, compared to 101.9%, or 2,037,000 tons a week ago, and 102.8%, or 2,055,000 tons a month ago. A year ago it stood at 98.1% of the old capacity and amounted to 1,892,900 tons.

Electric Output Continues Upward Trend

The amount of electric energy distributed by the electric light and power industry for the week ended July 21, 1951, was estimated at 6,974,574,000 kwh., according to the Edison Electric Institute.

The current total was 235,701,000 kwh. above that of the previous week, 788,872,000 kwh., or 12.8% above the total output for the week ended July 22, 1950, and 1,512,909,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Rise Substantially in Post-Holiday Week

Loading of revenue freight for the week ended July 14, 1951, totaled 779,454 cars, according to the Association of American Railroads, representing an increase of 191,208 cars, or 32.5% above the preceding holiday week.

The week's total represented a decrease of 9,952 cars, or 1.3% below the corresponding week in 1950, but an increase of 55,271 cars, or 7.6% above the comparable period of 1949.

Auto Output Lifted Despite Floods and Labor Troubles

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 128,207 units, compared with the previous week's total of 117,205 (revised) units, and 187,339 units in the like week of 1950.

The gain was made despite labor trouble and floodwater conditions which crippled assemblies, "Ward's" stated.

For the United States alone, total output was 120,374 units, from last week's revised total of 110,127 units, and in the like week of last year 177,494. Canadian output in the week totaled 7,833 units compared with 7,078 units a week ago and 9,845 units in the corresponding 1950 week.

Total output for the current week was made up of 94,251 cars and 26,123 trucks built in the United States and a total of 5,843 cars and 1,990 trucks built in Canada. In the previous week, Canadian output totaled 5,158 cars and 1,920 trucks against 7,094 cars and 2,751 trucks in the like 1950 week.

Business Failures Declined Moderately.

Commercial and industrial failures declined to 133 in the week ended July 19 from 173 in the preceding week, Dun & Bradstreet, Inc., reports. This decrease brought casualties down moderately from the 1950 and 1949 totals of 170 and 182. Failures remained far below the prewar level; they were off 47% from the 251 which occurred in 1939.

Casualties involving liabilities of $5,000 or more accounted principally for the week's decline.

All industry and trade groups showed a decrease in mortality during the week. The drop was marked in manufacturing, wholesaling and commercial service, but was relatively slight in retailing and construction. Fewer businesses failed than last year in all groups except wholesale trade, which remained at the 1950 level. In manufacturing and service, casualties were only one-half as heavy as a year ago, whereas only a slight dip from last year's level appeared in retailing and construction.

Most of the week's decline centered in the Pacific States. In five other regions, small decreases occurred including a dip in the Middle Atlantic States. While mortality in the East North Central States held steady, it rose in the New England and South Atlantic States. Only one area, New England, had more failures than a year ago. A moderate decline from the 1950 level prevailed generally; it was most marked in the East and West North Central States.

Wholesale Food Price Index Strikes Lowest Point Since December 19, 1950

Continuing a two-month recession, the Dun & Bradstreet wholesale food price index fell four cents last week to stand at $6.88 on July 17, marking the lowest level since Dec. 19, 1950, when it stood at $6.80. The current number shows a drop of 5.9% from the 1951 high of $7.31 on Feb. 20, and is only 7.3% above the year-ago index of $6.41.

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

Wholesale Commodity Price Index Touches Lowest Level In Period of More Than Seven Months

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fell to a new low level for more than seven months last week, reflecting further easiness in many staple commodities. The index finished at 304.28 on July 17, comparing with 308.72 a week earlier, and with 276.48 on the corresponding date a year ago.

Grain futures, with the exception of rye, were mostly steady to higher on the Chicago Board of Trade the past week. Wheat displayed marked strength in the latter part of the week, largely influenced by heavy buying by mills, more liberal flour sales, and reports of heavy rains in some of the harvest areas. The July 1 government estimate of all wheat production for this year was placed at 1,070,132,000 bushels. This was slightly higher than the June 1 forecast, and compared with a total yield of 1,026,755,000 bushels last year.

Substantial gains in corn futures early in the period were attributed to wet weather, firmness in the cash market, and strength in other grains.

The July 1 government forecast of the corn crop at 3,295,143,000 bushels, was in line with previous private estimates, and compared with last year's outturn of 3,131,009,000 bushels. Sales of all grain futures on the Chicago Board of Trade increased this to a daily average rate of 40,000,000 bushels, from 33,000,000 the previous, and compared with 44,000,000 in the like week of last year.

Domestic flour business broadened somewhat last week. A substantial volume was booked in family flour as mills protected against advances and some improvement was noted in hard wheat bakery flours. Cocoa and coffee values were quite steady and showed little net change for the week. Raw sugar trended upward, closing with a net rise of 5 points over a week ago. Demand for refined sugar continued slow. Lard was irregular in fairly active trading. Prices were quite firm in contrast to marked weakness shown in hog values. All livestock markets at Chicago moved lower, largely due to heavy receipts.

Domestic cotton prices declined steadily throughout the week with spot quotations down about 3 cents a pound for the period. The drop resulted largely from selling induced by the issuance early last week of a larger-than-expected official estimate of next season's acreage.

Other depressing factors included continued slowness in southern spot markets and dullness in textile markets where prices continued to ease.

Reported sales of the staple in the ten spot markets totaled 40,300 bales last week, against 31,100 bales in the previous week, and 106,300 in the corresponding week a year ago.

The Department of Agriculture announced an increase of 1,000,000 bales in the preliminary 1951-52 export allocation, raising the total to 3,500,000 bales. Favorable weather conditions were reported over the belt the past week and the crop was said to be making good progress.

Trade Volume Shrinks Slightly Due to Unusually Warm Weather

With abnormally warm weather throughout much of the country, consumer spending declined slightly in the period ended on Wednesday of last week. Total retail dollar volume was slightly below the unusually high level for the corresponding period in 1950, according to Dun & Bradstreet, Inc., in its current survey of trade.

Despite spreading promotions, shoppers generally bought less apparel than in the prior week. Total dollar sales for apparel were somewhat below the level of a year ago. Accessories were in increased demand, as were Summer items, especially cruise-wear, men's sport shirts, shorts and washable dresses. There was a seasonable decrease in the interest in coats and suits.

Housewives bought nearly the same amount of food the past week as during the week before; less expensive cuts of meat continued to be popular, along with canned and frozen citrus juices and dairy products. The selling of fresh produce declined very slightly, reflecting limited supplies of some lines; a moderate increase in the sale of soft drinks and ice-cream was brought by the prevailing warm weather.

The consumer purchasing of house furnishings was nearly steady last week, despite widespread clearances and other marked-down promotions.

Over-all dollar volume was very slightly below that for a year earlier.

Among the items in continued high demand were outdoor furniture, curtains and draperies. Housewares and tableware were requested in fairly unchanged amounts, while the interest in large appliances continued to be limited in many localities.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from unchanged to 4% below a year ago. Regional estimates varied from last year's level by these percentages:

New England and Midwest +1 to —3; East and Northwest +2 to —2; South 0 to —4; Southwest —3 to —7; and Pacific Coast —1 to —5.

The continuance of heavy inventories in many lines was a factor in the generally limited wholesale ordering that occurred during the week. The dollar volume of wholesale orders was nearly unchanged from the level for the similar 1950 week, although unit volume was moderately below that period. The number of buyers attending various wholesale markets, while moderately above that for last week, was noticeably below 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 14, 1951, decreased 10% from the like period of last year. No change was recorded in the previous week,* from that of a year ago, but a decrease of 1% is shown for the four weeks ended July 14, 1951. For the year to date department store sales registered an advance of 8%.

Retail trade in New York last week was supported by special promotions which helped to hold it at a reasonable level. Compared with the corresponding period in 1950 it declined 12%, but the current showing was considered good in view of the fact that the Korean scare buying was at a peak just a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 14, 1951, advanced 1% from the like period of last year. In the preceding week an increase of 17%* was registered above the similar week of 1950. For the four weeks ended July 14, 1951, an increase of 10% was recorded above that of a year ago, and for the year to date, volume advanced 11% from the like period of last year.

*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.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

It was gratifying to see the market go up. Tuesday's rise was particularly satisfying. It helped to allay the fears of the bulls and even encouraged the side liners to smile benignly at the proceedings and some even made tentative advances toward active participation.

* * *

All these signs, though pleasant to watch, do not remove the spectre of a draggy market which is still in the background. The fears and hopes that were all jumbled up a few weeks ago when I left New York for the West Coast have not been laid to rest.

* * *

In Los Angeles, Hollywood, Las Vegas, and now San Francisco, from where this is being written, the conditions I warned against in New York are being repeated, only the locale has changed.

* * *

A market on the way down has very few friends. One that goes up has too many friends.

* * *

You've probably read in your daily papers, or seen it on the broad tape, that government spending isn't going to be cut-back just because they're talking "cease fire" or something in Korea. That means that the panicky sellers of a few weeks ago are now wondering why they ran.

* * *

It's a cynical commentary on the basic reason for a market advance. However, the ethics of the situation, although recognized, has little bearing on the trend. I try to be a step ahead of the mob. If I do it often enough I see the results in the plus column. If I miss, the minus column has my name on the top of the list.

I continue to believe that the real profits won't be seen until sometime in August. The groundwork for this advance, however, is now being laid. There'll be some false moves before any general advance. There'll probably also be declines; some of them severe enough to scare out the timid.

* * *

It is on such declines, however, that the buying should be done. It doesn't take any great courage to buy when they're going up and everybody else is buying. When they're going down, or dragging their tails, is the time to start moving in.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Truman Renews Plea for More Taxes and Economic Controls

break of hostilities in Korea. Commencing on Labor Day, the Treasury will call upon all Americans to do their part in a full-scale savings bond campaign which will reach into every community and every home in the nation.

Because it is a voluntary program, this effort must be made in the last analysis not only by the Government, but also by every voice that can be heard throughout the country.

Price and Wage Stabilization

Indirect measures for controlling inflation are vitally important. But with inflationary pressures as large as those which we may face in the year ahead, indirect controls are not enough. They must be buttressed by direct price and wage controls.

The basic objective of price control now is to hold the general price line. Ceiling prices should not be raised except where essential to provide adequate production incentives to business, or to correct clearly inequitable situations. . . . Just as some upward adjustments of some prices will be needed, some rollbacks will be needed in selected cases, for example, where prices or profits are excessively high. . . .

This requires legislation which strengthens, not weakens, price control.

Wage stabilization requires a careful balance among three major objectives. First, it should seek to prevent an increase in total payrolls so large that, after making due allowances for taxes and voluntary saving, they would seriously inflate total demand. Second, it should provide adequate incentives for increased productive effort and redress serious inequities in the wage structure. And third, it should minimize wage increases of a kind which would require price increases.

The achievement of these objectives is the primary task of the Wage Stabilization Board. In the January Economic Report, I expressed hearty agreement with the principle that effective wage stabilization in a democracy requires the active participation and cooperation of management and labor. This is being attained through the present Wage Stabilization Board, which contains equal representation of those two groups and of the public.

In addition to its stabilization responsibilities, the board is empowered to handle labor disputes affecting the national defense program if parties jointly submit their case for recommendation or decision. The board is also empowered to recommend a settlement in labor disputes certified by the President as threatening the progress of the national defense program. The labor dispute responsibilities of the board are the minimum necessary for the mobilization effort. . . .

The board has recognized that wages should be adjusted to compensate for changes in the cost of living. . . . The Wage Stabilization Board has taken steps to deal with the difficult problems of productivity allowances and so-called fringe benefits. Within proper limits, productivity allowances provide desirable incentives and can make a real contribution to the mobilization effort while some fringe benefits may be anti-inflationary. . . .

Rent Control

The control of rents is important to the success of our mobilization effort. As we expand output in different industrial areas, we have to attract outside workers who would be repelled if rents were allowed to rise exorbitantly. Simple justice also requires us to protect the families of our soldiers, who move to the areas where military camps are being reopened or expanded. . . .

New Drass Branch

BERWICK, Pa.—J. H. Drass & Co., Inc., have opened a branch office in the Jackson Building. Associated with the new office will be Frederick Dolan.

Hemphill, Noyes Branch

HARRISBURG, Pa.—Hemphill, Noyes, Graham, Parsons & Co. have opened an office at 203 Market Street. Stephen P. Kephart is associated with the new branch.

Now Sole Proprietor

HASTINGS, Neb. — Donald G. Bell is now sole proprietor of W. E. Bell & Company, Gaston Building. Laura L. Graybill and Henry J. Luebben are with the firm.

Frederick W. Bacon

Frederick W. Bacon passed away at the age of 77 after a long illness. Mr. Bacon had been an officer of Chander & Co., Philadelphia, and of Ford, Bacon & Davis, of New York.

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The Security I Like Best

wage and low cost country, as many people suppose, direct wage payments per employee amounted to $3,712 in 1950, and a very high percentage of these are Venezuelans. The cost of indirect employee benefits during 1950 was $2,905 per capita, making total wage and benefit payments reach the extraordinary sum of $6,617 per annum, a rate not equalled by any other company of which we have knowledge. Venezuela is also a country of high living costs. In large part both of these phenomena have resulted from the fact that Venezuela has been a low cost and unusually prolific source of oil.

During August, 1950, Standard Oil of New Jersey offered 8/15 of a share of Standard Oil of New Jersey stock in exchange for each share of Creole stock to a limit of 500,000 shares of Creole. This would represent 11/15 shares of the present Standard of New Jersey stock for each share of Creole. On that basis Creole would have a value of $68 per share, or a little less than the present price of Creole stock. But the offer of Jersey did not prove sufficiently attractive to Creole stockholders, and only 191,623 shares were tendered. It is not unreasonable to expect, therefore, that a further and more attractive offer by Jersey will be made for the small balance of Creole stock now held by the general public. That such offer may well take place before the end of the present year is suggested inasmuch as ownership of 95% of Creole by Standard of New Jersey would permit the company to consolidate Creole earnings and thus avoid the corporate tax on 15% of the dividends received by Jersey from Creole which now has to be paid. In order to reach 95% Jersey would have to acquire 293,552 additional shares of Creole stock.

No company can present a picture with all pluses and no minuses so far as the investor is concerned. But it is submitted that the number of advantages in the ownership of Creole stock is rather formidable, and the entire position of the petroleum industry, as well as Creole's relation to that industry, seem to be sufficiently favorable to make Creole a desirable holding in an investment list.

MAX L. HEINE

Partner, L. J. Marquis & Co. and Vice-President, The Mutual Shares Corp., New York City.

Pittsburgh Steel Co. and Thomas Steel Co.

The recently issued proxy statement of **Thomas Steel Co.** in connection with the proposed merger with **Pittsburgh Steel Co.** gives some details with regard to the rapidly rising earnings of the two companies and their ambitious expansion program. I believe that Pittsburgh Steel Co.'s securities are a better than average speculation in the steel industry. I am now quoting in part from the proxy statement:

Max L. Heine

"Pittsburgh is engaged primarily in the manufacture and sale of tubular products, wire products and semi-finished steel products. It also sells pig iron produced in excess of its own requirements and certain by-products incident to the manufacture of coke. At Dec. 31, 1950, Pittsburgh's rated annual ingot capacity was 1,072,000 net tons. Of the 13 companies having larger ingot capacities than Pittsburgh, two had rated annual ingot capacities of 33,869,000 net tons and 15,000,000 net tons, respectively, and the remaining 11 had capacities ranging from 1,153,455 net tons to 8,967,000 net tons.

"During the past ten years Pittsburgh has been engaged in a program of modernizing and integrating its facilities and in the period 1941-50 has spent approximately $35,000,000 for these purposes. In 1950, Pittsburgh embarked upon a further modernization and expansion program directed toward increased productivity, improved product pattern and lower costs. This program, which is related to the current national defense needs, contemplates the expenditure of approximately $56,000,000 during 1951-53. The program will mark the entry of Pittsburgh into the flat rolled steel product market and will result in bringing into balance the productive capacity of Pittsburgh's blast furnaces, open hearths, blooming mills and primary rolling and finishing mills. The program will also increase Pittsburgh's annual pig iron production from approximately 854,000 net tons to the rated capacity of its blast furnaces of 954,000 net tons annually; increase its open hearth capacity from 1,072,000 net tons to 1,560,000 net tons of steel ingots annually; provide a new high-lift blooming-slabbing mill with a capacity to roll all the steel produced; and provide for the installation of new finishing facilities for the production of hot and cold rolled strip and sheet steel. At the completion of this program, Pittsburgh will be in a position to convert all of its semi-finished steel into a flexible product mix that will consist of the following approximate percentage of finished products: Flat rolled steel products, 52%; tubular products, 27%; and wire products, 21%."

This ambitious plan represents an increase proportionately greater than that planned for the industry as a whole.

The acquisition of Thomas by Pittsburgh is designed to improve Pittsburgh's ability to meet trade demands and competitive conditions. Thomas specialties are cold rolled strip steel, alloy strip and high carbon spring steel. They will help to integrate Pittsburgh's manufacturing program and (after 1952) will give it an outlet for some of its new capacity. Thomas stands to gain because the operations of Thomas have been curtailed from time to time and the expansion of its business has been limited by the quantity of hot rolled strip steel obtainable from its present sources of supply. The installation of its new rolling mill in 1950 not only has reduced the cost of production of Thomas strip at present volume, but has increased its rolling capacity substantially beyond its present ability to obtain hot rolled strip.

The investing public for reasons of past experience think of Pittsburgh Steel Co. in terms of a marginal producer with high cost of production and an antiquated plant. This seems to be a thing of the past. To quote the proxy statement:

"Pittsburgh believes that its plants are in good and efficient operating condition, and that its equipment is generally competitive, with the exception of the present blooming mill, one seamless tube mill and one rod mill. These facilities are old and have a relatively high operating cost. The blooming mill is being replaced by the new 66-inch high-lift blooming-slabbing mill now under construction at the Monessen Plant. The old-type seamless tube mill will be retired in connection with the installation of the proposed new cold strip mill at the Allenport Plant."

The capitalization after the merger will consist of:

Approximately 200,000 shares 5½% prior preferred stock.

Approximately 45,000 shares 5% preferred stock.

Approximately 1,070,000 shares common stock.

The funded debt is slightly above $5,000,000 now. In order to facilitate the $56,000,000 expansion a refunding program is anticipated which will replace the existing debt with $25,000,000 3¾% bonds due in 1971 and $5,000,000 3¼% notes payable over five years. This apparently is planned for 1952; for the current year it seems funds on hand are sufficient.

The company published a pro forma statement assuming consummation of the plan as of Jan. 1, 1950, taxes on the basis of the present law and somewhat increased depreciation. On that basis earnings were, per share:

	Prior Preferred	Common
1950	$31.50	$4.76
4 months 1951	15.30	2.50

The purchaser of Thomas Steel at $30 acquires on the basis of consummation of the merger the prior preferred stock at 72 to yield 7¾% and the common stock at 18. This compares with the present market of 77 and 20 for respective classes.

As to resumption of common dividends there is no news. From the point of view of prospective 1951 earnings of $8 and pro forma net current assets of $38,500,000 as of April 30, 1951 there should be little excuse for delay. Yet in view of cash requirements for the building program and the large payments on account of preferred dividend arrears earlier in the year action might be deferred for the immediate future.

FRED MESSNER

Research Department, A. M. Kidder & Co., Members of New York Stock Exchange

Eastern Airlines

Selection of **Eastern Airlines** as my favorite stock is based on these main features:

(1) The air transport industry holds promise of marked expansion over the long term, yet is sufficiently established to have passed the uncertain experimental stage and to have overcome the early "growing pains."

Fred Messner

(2) The company's record to date is distinctly better than that of its competitors.

(3) The present management under the leadership of Captain "Eddie" Rickenbacker possesses that unusual combination of driving force yet conservative policy which signifies progress for the future.

Regarding Point No. 1, the rapid-growth stage of the industry may be illustrated by the 150% gain in the main source of revenues, namely, passengers carried, in the past five years. Or, viewed in another way by using as a yardstick the Pullman business (somewhat comparable on a price, distance, speed, and luxury basis), the airline ratio rose from 20% to 70% of the Pullman passengers.

Just as the military experience in World War I demonstrated the feasibility of travel by plane, so World War II revealed the possibilities in hauling cargo. Rates on freight are relatively high; but reductions in other costs to shippers are a partial offset; and attainment of volume through experience with larger fleets of new-type planes should bring economies in due course.

Earnings for the industry hit a new peak in 1950 and are forging further ahead so far in 1951. Excess profits tax exemptions are relatively favorable.

Next as to Point No. 2, the achievement of **Eastern Airlines** has been enviable, especially considering the inevitably erratic fluctuations of a relatively new field. For the sixteenth consecutive year, the company earned a net profit—even through the period when other airlines reported deficits. The 167% increase over 1949 lifted 1950 to the new high of $2.19 per share. The first quarter of 1951 shows a 64% gain over the same period of last year. During the past five years, assets have grown 84%. Dividends have been restored to a regular 25-cent semi-annual rate.

Not all is rosy, to be sure, as competition is keen, plane accidents do occur even with exercise of the greatest care, traffic is seasonal, impetus to plane travel resulting from the rearmament program will eventually subside, and meanwhile the freight service is hit by release of cargo craft to the Department of Defense for the Pacific Airlift. Progress in the face of such difficulties becomes that much more impressive.

Finally, with respect to Point No. 3, in Captain E. V. Rickenbacker the company has a dynamic President and General Manager whose intimate acquaintance with all that a plane can do goes back to his memorable days as an ace in World War I. Conservative practice is demonstrated by depreciating equipment at a fast rate, by keeping finances strong, and in other ways—yet a progressive viewpoint is maintained. The strategic and well-integrated network is being extended where permitted. Territory already served reaches from Boston to Miami along the east coast of the nation, and as far inland as Texas and the Great Lakes, with lines also to Puerto Rico and Mexico. Many large eastern and mid-western industrial centers are connected with areas in the south where numerous new plants are being built as part of a decentralization program. Efforts are being made to promote travel to Florida in other than the winter vacation season. Reduced summer excursion fares to Florida, as well as special night air-coach flights at cut rates, illustrate the endeavor to promote traffic in the "off-periods."

Final orders have just been signed for a $100 million reequipment and expansion program, believed to involve the largest single fleet replacement ever undertaken in aviation history. Completion of the procurement orders for 90 greatly advanced transports will increase schedule speeds and more than double the airline's present capacity. The 30 Lockheed Super-Constellations each can carry as many passengers as 88, compared with 60 in the planes to be replaced; and cruising speeds will be increased to 330 miles per hour over the long-haul routes. On the inter-city routes, the 60 Martin 4-0-4s can almost double the number of passengers carried in each (40 compared with the 21 in the former type), and can cruise at 280 m.p.h., or about 100 m.p.h. faster than the older craft. Advance payments already made to manufacturers, cash to be accumulated on account of depreciation in the next three years, earnings, plus a $30 million bank credit previously negotiated, will finance the program.

The management's habit of looking ahead is illustrated by the fact that some types will be built so as to permit ready conversion to jet propulsion as soon as permissible, permitting speeds of over 400 m.p.h.

Changes in the general stock market, and in people's ability to travel or haul by air, will influence shorter-term fluctuations, of course; and dividend disbursements will be conservative at first. But over the long run, **Eastern Airlines** as a quality stock in a growing field offers the investor above-average opportunities for gains in capital and income.

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Failure of Administration's Foreign Policy

could dominate Central Europe. We agreed to give Russia a position in Manchuria which Japan had occupied—in effect, military control of Manchuria—contrary to every principle of American foreign policy since the days of John Hay and the open door in China. We gave Russia Sakhalin and the Kurile Islands without strings of any kind. This whole agreement was made without even letting Chiang Kai-shek know for four months that we had bargained away his most important industrial province. In short, we put Russia in a position in Manchuria where they could back the Chinese Communists, which, of course, they promptly did. General Marshall was sent to China to insist that Chiang Kai-shek take Communists into his cabinet and when he refused, cut off further military aid to Nationalist China for nine months at the most crucial period of the conflict.

Throughout this whole period there was a strong pro-Communist influence in the Far Eastern Division of the State Department which supported the Communist propaganda that the Chinese Communists were just agrarian reformers and that Chiang Kai-shek was some kind of a reactionary fascist. Even after we turned definitely against communism in Europe, the whole attitude of the Administration towards communism in Asia has been soft and often friendly.

Again the Administration has been less than frank. They are obsessed with the idea that they must never admit a mistake. When Senators Mundt and Nixon brought out the treachery of Hiss, the President referred to all such investigations as red herrings. Secretary Acheson refused to turn his back on Hiss, even after he had been convicted. The Administration appointed a hatchet committee headed by Senator Tydings to apply a complete whitewash to the whole smelly situation in the State Department. Efforts to investigate the Atomic Energy Commission were suppressed by smear and propaganda. Now it appears that the Englishman Maclean, who apparently has abandoned the British Foreign Office to join the Soviet in Moscow, had full access also to the secrets of the Atomic Energy Commission.

The Korean Blunder

The history of the Korean war shows that the Administration has no foreign policy, no consistency and no principle. First, we withdrew our troops from South Korea without arming the South Korean army, although General Wedemeyer had warned us against such a course because of the strength of the North Koreans with Russian assistance. Then Secretary Acheson and Senator Connally announced publicly that we would under no circumstances defend anything beyond the line of Japan, Okinawa and the Philippines, practically inviting an attack by the Communists, both on Korea and Formosa. Then when the attack came the President suddenly reversed our policy and without any authority whatever plunged the United States into a costly war. Then we refused to fight that war with the weapons at our command. Undoubtedly a stalemate peace at the 38th parallel is better than a stalemate war at the 38th parallel. The net result of the whole proceeding is the loss of 80,000 American casualties and billions of dollars and the destruction of the very country which we undertook to defend. How many billions we may ultimately have to pay to restore that country, no one has even ventured to estimate. As for punishing aggression, nothing has been accomplished. The aggressor knows now that he has everything to gain if he wins and nothing to lose if he loses. The Chinese Communists have captured half of Korea and their aggression is peculiarly flagrant because it is against the United Nations itself. Their aggression will be recognized, and they will be perfectly safe. No bombs have been dropped on their country. No blockade has been enforced against them. The Nationalist Chinese Army has been prevented from making any attempt to invade South China or build up a popular front in South China against communism. True, there is a loss of Communist manpower, but as the President pointed out in his April speech: "Behind the North Koreans and Chinese Communists in the front lines stand additional millions of Chinese soldiers." Manpower is cheap in China.

Of course the Administration wholly failed to realize the Russian threat which they had built up. It was only in March, 1950, less than 18 months ago, that General Bradley, Chairman of the Joint Chiefs of Staff, testified that $13 billion was substantially sufficient for the complete protection of the United States. General Eisenhower suggested that we add about half a billion dollars more. General Bradley said that the Joint Chiefs of Staff, while they would have liked a little more money, had never approved the large figure of $20 billion. He said that if he were to recommend $30 billion, we ought to get a new Chairman. Yet, without any substantial change in the Russian power, they are now asking for $60 billion a year. How can anyone have confidence in an Administration which does not know its own mind?

No Bi-partisan Foreign Policy

On June 27th, the President said that "A small, but determined group of reckless politicians is trying desperately to destroy bi-partisan foreign policy of this country." Since 1948, when the President was re-elected, there has been no bi-partisan foreign policy, because he has never consulted the Republicans before adopting any important program; and Senator Vandenberg repeatedly pointed out, so far as there was any bi-partisan policy before 1948, that it never related to the Far East. He was never consulted about the Far East and thoroughly disapproved of our policy in China. He was responsible for stiffening the back of the Administration against Communism in Europe and made a great contribution in that field, but he was only consulted about Europe and the U. N. after the fatal decisions at Tehran and Yalta. He was never consulted with regard to China.

Republician Victory in 1952

The American people do not propose to put their stamp of approval upon failure. In 1952 they will offer the people of this country an opportunity to take a fresh look and begin a new course. The Republican Party today has among its Governors and Senators, its Congressman and members in many walks of life, able and honest and experienced administrators to reorganize the government.

It proposes to eliminate from Washington the low moral tone, the dishonesty and the inefficiency which official investigation by a Democratic Congress has shown to exist from the top down in this Administration. It will restore honesty and integrity to government.

It will cut the expenses of domestic activity and study seriously and with determination the problem of reducing the cost of our tremendous military and foreign program. More effective results can be obtained in this whole field by a wiser selection of projects and an elimination of the waste which has always characterized military operations. The vitally necessary thing is to substitute in the Executive Department people who are interested in protecting the people from exploitation by the government through taxes and controls, instead of those who believe that spending is a public service necessary for their own welfare and that of the people.

The Republican Party has supported a consistent and strong policy in opposition to communism. It does not propose to relax the essential necessary expense to carry out that program. It proposes to carry out at home the elimination of Communist influence in every department of the government. It proposes that the battle against communism be carried out abroad to the extent that it is within our economic capacity. We do recognize that there is a point beyond which this country cannot go in public expenditure in time of peace without threatening the very existence of our liberty at home and our ultimate power in the event of war. During this emergency, we believe in reasonable aid to friendly countries, but only to the extent of our capacity, and only to the extent absolutely necessary in our battle against the spread of communism throughout the world.

We propose that controls shall be eliminated just as soon as this can possibly be done without danger of creating an inflationary spiral.

Finally, we offer an administration which shall be guided by the overwhelming belief that the preservation of liberty in the United States is the greatest essential for the happiness and the welfare of our people. We believe that the liberty and the peace of the American people must be the overriding aim of our foreign policy. We believe that the preservation of liberty at home and its protection against the excessive power of organized groups among our own people and against the excessive power of big government leading inevitably to socialism must be the overriding aim of our policy at home.

Continued from first page

As We See It

pressed and distracted men and women and enslaved peoples that seem to them the only things worth fighting a war for that engulfs the world."

We Doubt

There were then many, and there are now doubtless some, who are inclined to attribute just this attitude to the Bolsheviki, and for that matter the Kremlin of this day. Whether at any time the Communists or the Communist Party of Russia really ever had any such concern about the peoples of other countries or other parts of the world we do not profess to know, although we confess to strong doubts. To us, however, it is obvious that the professed interest of the Russian leaders of today in the welfare of other lands is but a sham, but a cloak to cover their own imperialistic ambitions whose objectives are in no fundamental way different from the leaders of the absolutism which preceded them in Russia.

Britain was in some respects at least the most vigorous, the most intelligent, and the most humane of the imperialists of the 19th century. She has throughout the past century or more shown most of the time a remarkable awareness of changes that were proceeding in world thinking and in the feeling of the peoples in her vast domains. She has usually understood the nature of the most feasible and effective adaptations to altered situations. About equally clear has been her shrewdness in protecting her economic interests. The convulsions through which the world has been passing during the past three or four decades have left the British with but a fraction of their former financial empire, and not a great deal more of their direct political control, although of course the foresight of their statesmen has left the "old country" still in a position of great influence in the "Commonwealth of Nations," the new name for the British Empire.

But a Socialist Britain, busily engaged in a program of nationalization at home, has certainly not shown the same brand of wisdom in dealing with Iran, which is now intent and apparently irrevocably determined upon a little nationalization of its own. It would be difficult to determine who or what must be held most responsible for the anti-British feeling in Egypt and the dangers to which it exposes the Suez Canal, but it must be said, of course, that as judged by results, Britain is not doing so well as it once was able to do. The attitude of Britain toward a liberated and resuscitated Japan, based largely, so it is said, upon a fear of a revived Japanese competition in world markets, particularly cotton textiles, can scarcely be said to reflect great wisdom in the existing situation.

American Victims?

As to the British attitude toward Spain and Germany, it would almost appear that Britain, with her superior world experience and realistic world outlook, has fallen victim to good old American provincialism. Britain for many long decades maintained her position in the world despite enormous development upon the continent of Europe by nurturing a balance of power there. This policy ran into heavy weather in 1914, and for a time at least after 1918 the situation on the Continent in this respect appeared to have undergone substantial alteration. But with the simultaneous rise in the power of the Kremlin and Hitlerite Germany, the possibility of a restoration of the old policy seemed to present itself. We find it difficult to dispel the suspicion that the British leaders of the 19th century—or the best of them, at any rate—would have found a way to prevent World War II, or at all events to have prevented it from engulfing the whole world.

But now we come to the current British attitude toward Spain and Western Germany. Precisely what they would do or avoid doing in these two cases is not always quite clear, but it would appear that they would avoid rubbing shoulders with Spain for reasons of self-righteousness, or at least such an attitude is the one which the world is given to believe is the true and basic one. The fact may be that the real reason is that the rank and file of British still hate the Nazis and anything which they associate with them in the past. But in any event it is hardly in keeping with British foreign policy of the past century or two to permit any such considerations as that to govern their decisions in world affairs. They apparently rather like the despotism of Communist China but despise the despotism of Franco—a strange sort of position, and one which hardly fits into the traditional British pattern.

A different policy toward Western Germany would fit much more neatly into the notion of building a balance of power on the Continent of Europe, although we must suspect that competition from a fully revived German economy is at the bottom of apparent unwillingness of Britain to see the rise of German power even on the limited scale that is now under discussion. It seems to be a changed Britain which turns its eyes toward the Continent these days.

We Change, Too

As to ourselves, it is obvious that profound changes are taking place in our thinking about world politics. We do not feel that we can do business with Kremlin controlled Communists in China, but apparently are quite willing to join Franco and permit, even aid, Germany and Japan to restore themselves to positions of importance in the world order. None of any of this smells particularly well, but if it is the Kremlin (and not any particular political philosophy) which most directly threatens the world at the moment—well, our altered policies have more realism underlying them than is sometimes the case.

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Government's Responsibility In Promotion of Class War

tionships. The White House itself has repeatedly and publicly lent its prestige to such agreements, thereby by-passing or ignoring the mutually satisfactory and profitable relationship between employee and employer on the local level. Moreover, and perhaps more important, this action by government ignores the rights and preempts the prerogatives and responsibilities of union locals.

There are countless examples of local unions working harmoniously and constructively with local employers. Yet repeatedly contracts arrived at through collective bargaining by these union locals have been repudiated by the international union.

Industrywide Bargaining Fits Into Socialism

Industry-wide bargaining—compulsory arbitration fit like jigsaw pieces into the socialist scheme. Relatively minor labor-management disputes that could and should be quietly settled on a local plant basis are skillfully blown up into national proportions by union strategists. A politically expedient and politically necessary national emergency is created out of an essentially minor issue. Then the cry is sent up that this is an emergency that can be resolved only by strong government action.

Compulsory arbitration by government is often the end desired by both labor and government. That means, of course, the fixing of wages, hours and working conditions by government. This is usually done for one or a group of companies in an industry, and then the same pattern is imposed on the entire industry. And, of course, the decisions of government are calculated to please "big labor," regardless of their effect on industry or the economy as a whole.

It is but a short step from wage fixing by government to price fixing by government. From that it is only a stumble to all the other measures that then become necessary to control the controls.

This is an insidious way of breaking down the whole American system. A worker is denied normal relationship with his employer. His identity with his plant and his company is eclipsed by an enforced allegiance to remote union officials who attempt to commit him not only economically but *politically*. That worker is no longer a free American.

Individualism is the keystone of our American individual enterprise system. If individualism among workers can so easily be wiped out, then it should be comparatively easy for subversive forces to destroy the private enterprise system itself.

I'm not saying that these things have already taken place. But I do say that the deadly process is under way.

One misunderstanding deliberately fostered among employees concerns management's attitude toward strikes. The right to strike is undeniable. No sensible American businessman denies that. An employer may argue that a strike is unnecessary, unjustified, injurious to employee, employer and to the nation. But no right-minded employer would say that an employee has no right to strike.

Strikes always create tensions and misunderstandings. But the average American worker is a fundamentally reasonable and peaceful fellow. It is rarely that he engages in the tossing of bombs—as has happened in this state recently—unless someone up the labor line encourages him to do so. As a matter of fact, much of the labor violence is perpetrated by rank outsiders—professional troublemakers and union gangsters who are specialists in violence and the provoking of it.

Interference With Local Law Enforcement

Allied to these tactics is the intimidation of local law enforcement officials, threatening them with political reprisals by the union if they dare enforce local and state laws. If they dare, mind you, to enforce laws designed to protect a man from violence when exercising his right to work, which is as sacred, certainly, as his right to strike. Law enforcement officers are apparently confused as to exactly what constitutes "mass picketing." And when there is no confusion there is apathy, often induced by inadequate law enforcement forces.

It is time that both the public and the local law officers should have a better understanding and a recognition of the individual's right to work as well as to strike. In protecting the individual they are protecting the rights of all Americans, including the right of others to strike if they so desire.

Now, there is no easy answer to the problems resulting from the alliance of certain union factions and government to short-circuit the normal and fruitful relationship of employee and employer. However, there are a number of favorable developments on the industrial relations horizon. For example, the time-worn cry that American industry is opposed to the legitimate needs and desires of its workers becomes progressively weaker and less believable with each passing day.

Every year between 50,000 and 100,000 agreements are quietly and peacefully reached between labor and management. Recent years constitute the most peaceful labor-management period in our history. Do our militant labor officials—or our demagogic politicians—ever mention these facts?

Again, management is increasingly recognizing what it has always subconsciously realized. That is, that workers are its major resource, and that it is management's imperative duty to demonstrate by deeds as well as words the truth that the worker is an individual.

More and more industrial executives are concerning themselves with winning the voluntary understanding, acceptance and spontaneous cooperation of employees. They are accomplishing these objectives by striving earnestly to assure that each employee shall achieve in his work the social and economic satisfactions he desires and merits—and which are possible only in a free society such as ours. Thus, the idea that management regards the employee as a time-clock number, or as a machine itself, lives only in the professional unioneer mythology.

Human Relations in Industry An Executive Responsibility

The art and science of human relations in industry has now become a major executive responsibility, fused and integrated with the total management function. Consequently, personal administration and industrial relations, even in the smaller concerns, are earning for themselves increasing importance and stature in the industrial family. This is reflected in the increasing smoothness and effectiveness of collective bargaining — especially when conducted on the local plant level where intimate knowledge of a concern's operations and its employees' needs and desires can be determined and applied to the problems at issue.

And yet, worthy and laudable as is the progress already made, there is much more that can and should be done. We are on the right road. That we know. But it is high time we—employers and employees alike — check on our road map.

We're all Americans—whether in the front office—on the assembly line—or down in the opening room. We're individuals—living as no other people on earth are living today—living freely—with a God-given right "to life, liberty and the pursuit of happiness"—a right guaranteed for only so long as we are willing to fight for it.

Americans — management and labor — working together have made America what it is today. There are those among us who would—for their own and other more sinister purposes—split us into classes and detour us from the high road of our destiny.

There is a challenge to every manager, every executive, every supervisor, every foreman, every worker—yes—a challenge to every American! Let's meet it as Americans have always faced a threat to their freedom!

With Barret, Fitch

KANSAS CITY, Mo.—James D. McBride is with Barret, Fitch & Co., Inc., 1004 Baltimore Avenue, members of the Midwest Stock Exchange.

Three With John Kinnard

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Wallace E. Berg, Eddie O. Johnson and Frank S. Schuh are now affiliated with John G. Kinnard & Co., 71 Baker Arcade.

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 29	101.4	101.9	102.8	98.1
Equivalent to—					
Steel ingots and castings (net tons)	July 29	2,027,000	2,037,000	2,055,000	1,892,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	July 14	6,171,200	6,168,800	6,189,450	5,495,450
Crude runs to stills—daily average (bbls.)	July 14	‡6,561,000	6,601,000	6,588,000	5,806,000
Gasoline output (bbls.)	July 14	21,985,000	21,837,000	21,895,000	19,311,000
Kerosene output (bbls.)	July 14	2,362,000	2,276,000	2,548,000	2,147,000
Distillate fuel oil output (bbls.)	July 14	8,695,000	9,014,000	8,531,000	7,179,000
Residual fuel oil output (bbls.)	July 18	9,033,000	9,308,000	9,169,000	8,026,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 14	124,157,000	126,758,000	128,467,000	111,739,000
Kerosene (bbls.) at	July 14	25,863,000	25,446,000	23,015,000	22,532,000
Distillate fuel oil (bbls.) at	July 14	72,306,000	69,608,000	60,274,000	58,658,000
Residual fuel oil (bbls.) at	July 14	43,239,000	52,857,000	39,659,000	42,708,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 14	779,454	588,246	826,239	789,406
Revenue freight received from connections (number of cars)	July 14	552,529	589,241	679,144	571,091
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 19	$361,082,000	$361,028,000	$207,449,000	$343,307,000
Private construction	July 19	128,380,000	65,535,000	54,691,000	217,786,000
Public construction	July 19	232,702,000	295,493,000	152,758,000	125,521,000
State and municipal	July 19	117,129,000	145,532,000	100,061,000	91,187,000
Federal	July 19	115,573,000	149,961,000	52,697,000	34,334,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 14	8,440,000	*1,480,000	10,340,000	9,074,000
Pennsylvania anthracite (tons)	July 14	693,000	99,000	876,000	786,000
Beehive coke (tons)	July 14	119,300	*56,700	148,200	117,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	July 14	240	*218	305	265
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 21	6,974,574	6,738,873	6,834,692	6,185,702
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 19	133	173	180	170
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 17	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	July 17	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	July 17	$43.00	$43.00	$43.00	$37.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 18	24.200c	24.200c	24.200c	22.200c
Export refinery at	July 18	27.425c	27.425c	27.425c	22.425c
Straits tin (New York) at	July 18	106.000c	106.000c	106.000c	91.000c
Lead (New York) at	July 18	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	July 18	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	July 18	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 24	97.84	97.62	97.18	102.16
Average corporate	July 24	110.15	109.97	109.42	105.04
Aaa	July 24	114.66	114.46	113.31	120.02
Aa	July 24	113.70	113.50	112.19	118.40
A	July 24	109.24	108.88	108.70	114.66
Baa	July 24	103.80	103.80	103.80	107.80
Railroad Group	July 24	106.56	106.56	106.74	110.15
Public Utilities Group	July 24	110.15	109.97	108.70	116.41
Industrials Group	July 24	114.08	113.89	113.12	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 24	2.64	2.66	2.60	2.34
Average corporate	July 24	3.16	3.17	3.20	2.90
Aaa	July 24	2.92	2.93	2.99	2.65
Aa	July 24	2.97	2.98	3.05	2.73
A	July 24	3.21	3.23	3.24	2.92
Baa	July 24	3.52	3.52	3.52	3.29
Railroad Group	July 24	3.36	3.36	3.35	3.1[illegible]
Public Utilities Group	July 24	3.16	3.17	3.24	2.83
Industrials Group	July 24	2.95	2.96	3.00	2.70
MOODY'S COMMODITY INDEX	July 24	467.5	471.6	490.9	444.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 14	189,525	267,786	195,953	188,355
Production (tons)	July 14	200,538	157,089	243,313	186,959
Percentage of activity	July 14	83	62	103	82
Unfilled orders (tons) at end of period	July 14	*638,852	657,277	649,604	489,490
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	July 20	148.1	149.4	151.1	123.5
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	July 7	25,832	34,654	24,482	25,093
Number of shares	July 7	712,560	989,523	708,405	722,305
Dollar value	July 7	$30,988,450	$41,495,139	$32,733,839	$30,976,066
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 7	19,021	26,332	21,603	19,311
Customers' short sales	July 7	426	571	292	152
Customers' other sales	July 7	18,595	25,761	21,311	19,159
Number of shares—Total sales	July 7	507,078	763,210	599,347	555,812
Customers' short sales	July 7	14,001	22,307	10,842	6,302
Customers' other sales	July 7	493,077	740,903	588,505	549,510
Dollar value	July 7	$20,388,426	$30,934,737	$24,599,224	$22,532,535
Round-lot sales by dealers—					
Number of shares—Total sales	July 7	106,520	201,880	176,820	135,810
Short sales	July 7				
Other sales	July 7	106,520	201,880	176,820	135,810
Round-lot purchases by dealers—					
Number of shares	July 7	334,450	417,780	281,190	279,150
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	July 17	178.8	179.7	181.6	184.3
Farm products	July 17	191.9	196.3	199.1	177.2
Grains	July 17	180.0	179.5	177.4	172.0
Livestock	July 17	261.6	265.6	268.4	244.2
Foods	July 17	186.4	*186.2	187.3	174.9
Meats	July 17	275.0	275.6	275.4	269.2
All commodities other than farm and foods	July 17	168.0	168.2	170.3	152.1
Textile products	July 17	176.5	177.1	182.1	144.5
Fuel and lighting materials	July 17	137.7	*137.7	138.7	133.4
Metals and metal products	July 17	188.2	188.2	188.2	172.6
Building materials	July 17	224.2	224.2	226.6	207.6
Lumber	July 17	349.8	349.8	357.3	‡
Chemicals and allied products	July 17	139.1	*140.5	139.2	119.3

*Revised. ‡Not available. §Includes 575,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of June (in thousands)	$135,027,000	------	$119,399,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$267,331,000	$258,666,000	$170,467,000
Exports	104,189,000	101,957,000	66,486,000
Domestic shipments	13,127,000	12,529,000	10,658,000
Domestic warehouse credits	9,366,000	9,717,000	10,472,000
Dollar exchange	242,000	876,000	638,000
Based on goods stored and shipped between foreign countries	30,970,000	33,232,000	20,721,000
Total	$425,225,000	$416,977,000	$279,442,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of June (in millions):			
Total new construction	$2,700	$2,550	$2,565
Private construction	1,821	1,727	1,892
Residential building (nonfarm)	909	876	1,178
New dwelling units	810	780	1,072
Additions and alterations	82	80	92
Nonhousekeeping	17	16	14
Nonresidential building (nonfarm)	463	433	305
Industrial	179	160	78
Commercial	130	130	110
Warehouses, office and loft buildings	47	47	28
Stores, restaurants, and garages	83	83	82
Other nonresidential building	154	143	117
Religious	41	38	33
Educational	29	27	22
Social and recreational	15	14	21
Hospital and institutional	38	37	30
Miscellaneous	31	27	11
Farm construction	126	113	118
Public utilities	318	300	278
Railroad	31	31	26
Telephone and telegraph	42	42	39
Other public utilities	245	227	213
All other private	5	5	13
Public construction	879	823	673
Residential building	51	46	28
Nonresidential building	313	310	201
Industrial	83	78	17
Educational	130	130	95
Hospital and institutional	52	52	39
Other nonresidential building	48	50	50
Military and naval facilities	85	80	9
Highways	250	215	266
Sewer and water	66	64	57
Miscellaneous public-service enterprises	21	20	16
Conservation and development	85	80	87
All other public	8	8	9
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of June 30 (000's omitted)	$331,000	$364,000	$240,000
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of June	351.2	336.6	328.8
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of May:			
Cotton Seed—			
Received at mills (tons)	15,437	15,275	94,580
Crushed (tons)	118,086	*163,732	275,850
Stocks (tons) May 31	141,399	*244,048	495,029
Crude Oil—			
Stocks (pounds) May 31	30,081,000	48,528,000	65,083,000
Produced (pounds)	38,629,000	*54,719,000	90,610,000
Shipped (pounds)	58,752,000	71,394,000	106,798,000
Refined Oil—			
Stocks (pounds) May 31	226,997,000	231,652,000	251,672,000
Produced (pounds)	54,149,000	65,744,000	98,983,000
Consumption (pounds)	63,388,000	62,876,000	130,694,000
Cake and Meal—			
Stocks (tons) May 31	94,892	105,949	179,112
Produced (tons)	49,092	*74,216	124,140
Shipped (tons)	60,149	*98,984	127,237
Hulls—			
Stocks (tons) May 31	34,413	40,159	79,316
Produced (tons)	27,301	*36,975	64,990
Shipped (tons)	33,047	*50,226	67,951
Linters (running bales)—			
Stocks May 31	44,099	52,957	98,504
Produced	36,309	*51,970	78,497
Shipped	45,167	*60,564	87,251
Hull Fiber (1,000-lb bales)—			
Stocks May 31	38	182	219
Produced	†	†	251
Shipped	144	†	289
Mote, grabbots, etc. (1,000 pounds)—			
Stocks May 31	4,997	*4,764	4,475
Produced	620	*1,028	1,772
Shipped	387	*1,359	3,110
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—As of July 1 (in thousands):			
Corn, all (bushels)	3,295,143	------	3,131,009
Wheat, all (bushels)	1,070,132	1,053,825	1,026,755
Winter (bushels)	706,749	705,175	750,666
All spring (bushels)	363,383	348,650	276,089
Durum (bushels)	40,906	------	36,064
Other spring (bushels)	322,477	------	240,025
Oats (bushels)	1,367,967	1,340,504	1,465,134
Barley (bushels)	262,590	254,903	301,009
Rye (bushels)	25,648	23,801	22,977
Flaxseed (bushels)	37,961	------	39,263
Rice (100 pound bags)	42,334	------	37,971
Hay, all (tons)	112,927	------	106,819
Hay, wild (tons)	13,356	------	12,509
Hay, alfalfa (tons)	45,614	------	41,029
Hay, clover and timothy (tons)	31,397	------	29,636
Hay, lespedeza (tons)	7,293	------	7,598
Beans, dry edible (100 pound bags)	16,194	------	16,843
Peas, dry field (100 pound bags)	3,555	------	2,979
Potatoes (bushels)	356,043	------	439,500
Sweetpotatoes (bushels)	39,854	------	58,729
Tobacco (pounds)	2,302,963	------	2,032,450
Sugarcane for sugar and seed (tons)	6,243	------	6,932
Sugar beets (tons)	9,970	------	13,497
Hops (pounds)	59,925	------	58,336
Apples, commercial crop (bushels)	121,916	------	123,126
Peaches (bushels)	67,128	65,537	53,485
Pears (bushels)	31,997	31,295	31,140
Grapes (tons)	3,271	------	2,707
Cherries (12 States) (tons)	231	224	242
Apricots (3 States) (tons)	170	171	215
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of June	£11,208,000	£11,070,000	£5,931,000

*Revised. †Omitted to avoid disclosure of individual operations.

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Aloilco Corp., Birmingham, Alabama
July 16 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For drilling expenses and survey of oil land. **Office**—620 Massey Bldg., Birmingham 3, Ala.

American Security & Fidelity Corp., Glendale, California
July 17 (letter of notification) $295,000 of 3% debentures, series B, due June 1, 1971 (in denominations of $50, $100, $300, $400 and $500 each) to be sold to Forest Lawn Memorial-Park Association, Inc. **Price** — At par and accrued interest. **Underwriter**—None. **Proceeds**—To make capital improvements and investments. **Office**—1712 South Glendale Ave., Glendale 5, Calif.

Auto Club Finance Corp., Cincinnati, Ohio
July 18 (letter of notification) 2,000 shares of common stock (par $25). **Price**—$27.50 per share. **Underwriter**—None. **Proceeds**—For additional working capital for general discount and loan business. **Office**—Cincinnati Club Bldg., Parkway and Race Sts., Cincinnati, O.

Basin Oil Corp., Evansville, Indiana
July 16 (letter of notification) $250,000 of 6% convertible sinking fund notes dated July 1, 1951 and July 1, 1956, and 25,000 shares of common stock (par 10 cents) to be offered in units of $5,000 of notes and 500 shares of stock. **Price**—$5,000 per unit. **Underwriters**—Mason, Moran & Co., and Cruttenden & Co., both of Chicago, Ill. **Proceeds**—To drill wells. **Office**—419 Grein Bldg., Second and Sycamore Sts., Evansville, Ind.

Blair (Neb.) Telephone Co.
July 18 (letter of notification) $175,000 of first mortgage 4% bonds, series A, due 1971. **Price**—101 and accrued interest. **Underwriter** — Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire first mortgage (closed) 3½% bonds and to convert to dial operation.

Community Finance, Inc., Newark, N. J. (8/1)
Jly 23 (letter of notification) $100,000 of 6% cumulative deferred debentures, due in five, ten or twenty years. **Price**—At par (in units of $100 each). **Underwriter**—None. **Proceeds**—To make loans. **Office**—405 Seventh Ave., Newark 7, N. J.

Community Television Corp., New Orleans, La.
July 16 (letter of notification) 1,990 shares of common stock and 1,000 shares of preferred stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For construction and operation of television broadcasting station. **Office**—1108 Richards Bldg., New Orleans, La.

General Appliance Corp., Springfield, Mass.
July 18 (letter of notification) 35,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None, but E. L. Aaron & Co., New York, will act as broker. **Proceeds**—To George Kleiman, President, who is the selling stockholder. **Office** — 15 Park St., Springfield, Mass.

Golden Cycle Corp., Colorado Springs, Colo.
July 17 (letter of notification) 14,841 shares of common stock (par $10). **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To repay bank loans. **Office**—500 Carlton Bldg., Box 86, Colorado Springs, Colo.

Herculas Cement Corp., Philadelphia, Pa.
July 18 (letter of notification) a maximum of 4,760 shares of capital stock (par $10). **Price**—$21.50 per share. **Underwriter**—Reynolds & Co., Philadelphia, Pa. **Proceeds**—To Nellie B. De Vinny, the selling stockholder.

Muehlstein (H.) & Co., Inc., N. Y.
July 24 (letter of notification) class B common stock (no par) in the amount of approximately $107,000, to be sold to approximately 15 employees. **Underwriter**—None. **Proceeds**—For working capital. **Office**—60 East 42nd St., New York, N. Y.

Nekoosa-Edwards Paper Co., Port Edwards, Wis.
July 16 (letter of notification) 5,992 shares of capital stock. **Price**—At approximately par ($25 per share), or about $4 per share less than the market price. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Nuclear Instrument & Chemical Corp.
July 17 (letter of notification) 74,500 shares of common stock (par $1). **Price** — $4 per share. **Underwriters**—Loewi & Co., Milwaukee, Wis.; Blunt, Ellis & Simmons, Chicago, Ill.; Doolittle & Co., Buffalo, N. Y.; Stein Bros. & Boyce, Baltimore, Md., Straus & Blosser, Chicago, Ill.; and others. **Proceeds**—For research and development of new instruments and working capital. **Office**—223 West Erie St., Chicago 10, Ill.

Seaboard Development Corp., Oakland, Md.
July 16 (letter of notification) 49,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To drill well and for working capital.

State Loan & Finance Corp., Washington, D. C.
July 23 filed 160,000 shares of 6% convertible preferred stock, series A (par $25). **Price** — To be supplied by amendment. **Underwriter** — Johnston, Lemon & Co., Washington, D. C. **Proceeds**—For general corporate purposes.

Tappan Stove Co., Mansfield, Ohio
July 17 (letter of notification) $225,000 estimated aggregate employee contributions for 1951 under an Employees' Profit Sharing and Retirement Fund to be offered by The Citizens National Bank & Trust Co., trustee, under an agreement between it and the company. **Underwriter**—None.

United States Plywood Corp., New York (8/2)
July 20 filed 60,000 shares of convertible cumulative preferred stock, series B (par $100). **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds**—For working capital.

Welex Jet Services, Inc., Fort Worth, Texas
July 16 (letter of notification) 9,573 shares of common stock (no par) to be offered to stockholders of record July 10. **Price**—$16 per share. **Underwriter**—None. **Proceeds**—To reduce bank loan. **Office**—3909 Hemphill St., Fort Worth, Tex.

Williams & Co., Inc., Pittsburgh, Pa. (8/8)
July 19 filed 180,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment (probably around $12.50 to $13 per share). **Underwriter** — Lee Higginson Corp., New York. **Proceeds** — To certain selling stockholders. **Business**—Sale of metals and metal alloys.

Workers Finance Co., Newark, N. J. (7/30)
July 23 (letter of notification) $225,000 of 6% cumulative deferred debentures, due in five, ten or twenty years. **Price**—At par (in units of $100 each). **Underwriter**—None. **Proceeds**—To make loans. **Office**—405 Seventh Ave., Newark 7, N. J.

Previous 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). **Price**—At par. **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Proceeds**—For plant expansion. **Office**—420 Comer Bldg., Birmingham, Ala.

American Bosch Corp., Springfield, Mass.
May 17 filed 98,000 shares of common stock (par $2). **Price**—At the market (approximately $15 per share). **Underwriter**—None. **Proceeds**—To Allen & Co. (owner of 198,000 shares, or 15.1% of outstanding shares). 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.

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.

★ 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 of record July 6 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.

★ Audio & Video Products Corp., N. Y. (7/30)
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.

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.

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.

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.

Capital Reserve Corp.
July 16 filed $1,200,000 aggregate amount of Potomac Plans for the Systematic Accumulation of Potomac Electric Power Co. Common Stock to be sold and paid for over a five-year period. **Sponsor**—Capital Reserve Corp., Washington, D. C.

★ Carolina Mountain Telephone Co., Weaverville, North Carolina
July 13 (letter of notification) 100,000 shares of capital stock (par $1) being offered to stockholders on basis of one share for each two shares held on July 23; with rights expiring on Aug. 24. **Price**—$2.15 per share. **Underwriter**—Interstate Securities Corp., Charlotte, N. C., and four others. **Proceeds**—To retire loans.

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**—To be received by company at Room 166, Parker House, Tremont and School Sts., Boston, Mass., up to 11 a.m. (EDT) on July 31. Statement effective July 19.

★ Checker Cab Manufacturing Co. (7/31)
June 28 filed 433,444 shares of common stock (par $1.25) to be offered for subscription by common stockholders of record July 31 at rate of one new share for each share held; rights to expire on Aug. 16. **Price**—$5 per share. **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. **Withdrawal**—A request was filed July 18 to withdraw registration statement.

Commercial Mortgage & Finance Co.
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.

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.

★ Cornucopia Gold Mines
May 14 (letter of notification) 229,800 shares of common stock (par five cents) being 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**—30 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—824 Old National Bank Bldg., Spokane, Wash.

★ Culver Corp., Chicago, Ill.
Oct. 23 filed 127,364 shares of common stock (par $5). **Price**—$6.77 per share. **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."

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.

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. Statement effective July 17.

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.

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.

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.

NEW ISSUE CALENDAR

July 30, 1951
Audio & Vidio Products Corp.----Debs., Common
Workers Finance Co.----Debentures

July 31, 1951
Central Vermont Public Service Corp. 11 a.m. (EDT)----Bonds
Checker Cab Mfg. Co.----Common
Rochester Gas & Electric Corp.----Common

August 1, 1951
Baltimore & Ohio RR. noon (EDT)----Eq. Tr. Ctfs.
Community Finance, Inc.----Debentures

August 2, 1951
United States Plywood Corp.----Preferred

August 7, 1951
Michigan Consolidated Gas Co. 10:30 a.m. (EST)----Bonds

August 8, 1951
Williams & Co., Inc.----Common

August 14, 1951
British Columbia (Province of), Canada----Bonds

August 15, 1951
American Mucinum Inc., N. Y.----Class A

August 31, 1951
Southern Counties Gas Co. of California----Bonds

September 11, 1951
Aalabama Power Co.----Bonds

September 19, 1951
Utah Power & Light Co.----Common

October 29, 1951
Utah Power & Light Co.----Bonds

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.
July 2 filed 129,785 shares of capital stock (par $1), being 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**—$62.87½ per share. **Underwriter**—None. **Proceeds**—For investment. Statement effective July 20.

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.

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 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. **Price**—At par. **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.

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.
June 27 filed 162,838 shares of common stock (par $5) being offered to common stockholders of record July 24 on basis of one share for each eight shares held, rights to expire Aug. 8. **Price**—$17 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.

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.
June 29 filed 541,464 shares of common stock (no par), of which 250,000 shares are to be offered for subscription by common stockholders of record July 23 at rate of one new share for each seven shares held, with rights to expire August 14; and the remaining 291,464 shares are to be sold for the account of certain stockholders. **Price**—$14.25 per share. **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. **Offering**—Expected today.

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.

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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 are offered shareholders of record June 26 on a 1-for-10 basis (with rights to expire Aug. 2) and then to public; and 8,000 to officers and employees. **Price**—$11 per share. **Underwriter**—None. **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.

★ **Pittsburgh Coke & Chemical Co.**
July 5 filed 140,243 shares of common stock (no par) being 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**—$24.50 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. Statement effective July 23.

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. Statement effective July 16.

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.

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; rights to expire Aug. 15. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For construction program.

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.

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.

★ **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. Statement effective July 17.

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.

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 73,250 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 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.

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.

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.

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 Carolina Telephone Co., Franklin, N. C.**
July 6 (letter of notification) 2,109 shares of capital stock (par $50) being first offered to stockholders at rate of one new share for each two shares held on July 16, with rights expiring on Aug. 16; unsubscribed shares may be publicly offered. **Price**—$50 per share to stockholders and $60 per share to public. **Underwriter**—None. **Proceeds**—For working capital.

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.

Prospective Offerings

Alabama Power Co. (9/11)
June 20 it was stated that company contemplates sale of $15,000,000 first mortgage bonds due 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Tentatively expected to be opened on Sept. 11. **Registration**—About Aug. 10.

American President Lines, Ltd.
May 27, Charles Sawyer, Secretary of Commerce, proposed the public sale to the highest bidder of the stock of this company now held by the Department of Commerce. The proceeds would be placed in escrow until the Courts decide whether the stock rightfully belongs to the Government or to the Dollar interests.

Alaska Telephone Co.
April 25 it was announced company may soon file a letter of notification with the SEC covering $300,000 of 6% convertible bonds. **Price**—At par (in units of $100 each). **Underwriter**—Tellier & Co., New York. **Proceeds**—For new equipment and for expansion.

★ **Arkansas Power & Light Co. (10/9)**
July 16 it was announced that company plans issuance and sale of $8,000,000 additional first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. and Central Republic Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Proceeds**—For construction program, estimated to cost about $20,000,000 in 1951. **Bids**—Expected to be opened about Oct. 9.

● **Arkansas Western Gas Co.**
July 10 stockholders approved issuance of $1,350,000 first mortgage bonds and increased authorized common stock from 300,000 to 500,000 shares (of which 289,706 shares are outstanding). Bonds will probably be sold privately, and proceeds used to redeem $420,000 of 3¾% debentures and retire $197,500 bank loans, with the balance for construction program. No common stock financing is contemplated at present.

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. (8/1)**
Bids will be received by the company up to noon (EDT) on Aug. 1 for the purchase from it 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 (8/14)**
July 18 it was reported that registration is expected July 26 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.

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 outstanding 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 $600,000 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. **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.

● **Liberty Broadcasting System, Dallas, Texas**
July 18, Barton R. McClendon, Chairman, announced company expects in a few weeks to raise about $3,000,000, probably through the sale of additional common stock. It has not been decided whether the financing will be done privately or publicly.

Long Island Lighting Co.
June 25 it was reported that the company's next step in its financing program may include the sale of approximately $15,000,000 of preferred stock. Probable bidders may include Blyth & Co., Inc.

McKesson & Robbins, Inc.
May 24 it was announced stockholders will vote Oct. 23 on a proposal to increase authorized common stock by 500,000 shares to 2,500,000 shares in order to provide for a probable offering of additional stock to common stockholders. Probable underwriter: Goldman, Sachs & Co., New York. Proceeds will be added to working capital.

Mead Corp.
June 8 it was announced that construction of a new $21,000,000 kraft container board mill near Rome, Ga., is scheduled to be under way at an early date. Traditional underwriters: Drexel & Co. and Harriman Ripley & Co., Inc.

Michigan-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.

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 voted 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.

● **Newark Telephone Co., Newark, O.**
July 16 the Ohio P. U. Commission authorized the company to issue 4,000 shares of common stock at $60 per share. **Proceeds**—To working capital.

Niagara Mohawk Power Corp.
June 6, company applied to FPC for a license for a proposed new project estimated to cost $22,611,000. On Jan. 26, company had announced that it probably would sell late this year or early 1952 about $15,000,000 of additional common stock to finance part of its $150,000,000 construction program scheduled for 1951, 1952 and 1953. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.

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 541,464 shares of common stock, see a preceding column).

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.

● **Rochester Telephone Corp.**
July 18, it was reported that the company expects to raise money through the sale of some preferred stock later this year. **Underwriter**—Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,000,000 construction program the company has budgeted for the next two years.

★ **Rockland Light & Power Co.**
July 19, Rockwell C. Tenney, President, announced that the company is planning the issue and sale this Fall of approximately $6,000,000 of first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Lehman Brothers. **Proceeds**—For expansion program.

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● San Diego Gas & Electric Co.
July 19, L. M. Klauber, Chairman, announced that the company plans to sell $10,000,000 of bonds early in 1952. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Proceeds**—For expansion program.

South Georgia Natural Gas Co., Atlanta, Ga.
May 24 the FPC dismissed the application of company to construct 527 miles of natural gas pipe line to supply markets in Georgia and Florida, the estimated cost of which was between $10,500,000 and $12,080,000.

South Jersey Gas Co.
April 24 Earl Smith, President, announced company plans a bond issue of more than $8,000,000 by fall of this year. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. **Proceeds**—To refund the presently outstanding $4,000,000 of 4⅛% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

South Jersey Gas Co.
June 15, SEC announced approval of a plan filed by The United Corp., which, in part, provides for the sale by the latter of its entire interest, amounting to 28.3%, or 154,231.8 shares of South Jersey common stock (par $5). These holdings will probably be disposed of to a small group of investors.

Southern California Gas Co.
April 4, the company indicated 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.

★ Utah Power & Light Co. (10/29)
July 16 it was announced company plans to register with SEC on Aug. 6 an issue of $11,000,000 30-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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). **Proceeds**—To repay bank loans and for construction program. **Bids**—To be received up to noon (EST) on Oct. 29.

★ Utah Power & Light Co. (9/19)
July 16 it was reported company plans to register with SEC on Aug. 6 an issue of 150,000 shares of common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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. **Bids**—To be opened at 11 a.m. (EDT) on Sept. 19.

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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NSTA Notes

noon, a dinner in the evening and the usual efforts to enhance the family bank roll whenever the mood strikes.

A very special attraction this year will be a spirited softball match between the Stock Exchange houses and the non-ticker boys. Insults have been exchanged, gauntlets flung in teeth, with both teams breathing fire—anything can happen. (Market letter of Booblebaum and Borsch—Watch Arnica Pfd.! Strong demand for this company's product on or about Aug. 25 indicates firm upward price trend, unless of course a violent down trend should occur, in which event the investor should be guided entirely by his own judgment, unless, of course, other action is definitely indicated. No other sheet will offer you this scoop!) The grand prize of the day will be awarded to the winners of this colossal encounter; therefore, strict supervision of playing personnel will be made to eliminate the possibility of ringers. Last year's umpire may be released from the hospital in time to work this game; if not, volunteers are requested. Contestants are requested to bring whatever softball paraphernalia they might have.

Dinner gong at 7, with the Park Hill caterer promising to outdo himself this year. Following the dinner will come the awarding of prizes for various events and door prizes. Guests are on their own from then until the 11:30 curfew.

Invitations can be secured from any member of the Invitation Committee listed below.

The following fees are to be charged; Non-golfing members, $6; golfing members, $8, and guest fees, $16. The guest fee covers all the day's activities, including golf. Hotel reservations will be made available through the Reservation Committee.

Members of the various outing committees are:

Hotel Reservations: Donald L. Patterson, Boettcher & Co., Chairman; Robert L. Mitton, Robert L. Mitton Investments; Harold Writer, Peters, Writer & Christensen, Inc.

Invitations: Bernard F. Kennedy, Bosworth, Sullivan & Co., Chairman; Lloyd Hammer, Coughlin & Co.; Fred Barker, Garrett-Bromfield & Co.; Thomas Simons.

Tickets for Special Event: George Davis, Harris, Upham & Co., Chairman; John Mullen, Harris, Upham & Co.; Orville Neely, Merrill Lynch, Pierce, Fenner & Beane; Robert Avery, U. S. National Bank of Denver; Paul Youmans, Bosworth, Sullivan & Co.; Elmer Longwell, Boettcher & Co.; Jerry Peters, Jr., Peters, Writer & Christensen & Co.; Robert Crist, J. K. Mullen Investment Co.

Prizes: Malcolm Roberts, Sidlo, Simons, Roberts & Co., Chairman; Earl Scanlan, Earl M. Scanlan & Co.; John Owens, Peters, Writer & Christensen & Co.; Richard Burkhart, Boettcher & Co.

Golf: Glen Clark, Colorado State Bank, Chairman; Ernest E. Stone, Stone, Moore & Co.; John Alff, Denver National Bank; Gerald D. Bachar, J. A. Hogle & Co.

Publicity: Robert L. Mitton, Chairman; Alexander Forsyth, Calvin Bullock; Edward Hanifen, McCabe, Hanifen & Co.; Floy Johnston, Sidlo, Simons, Roberts & Co.

Arrangements: Phillip J. Clark, Amos C. Sudler & Co., Chairman; Larry C. Inman, J. A. Hogle & Co.; Jerry B. Ryan, Peters, Writer & Christensen, Inc.; Robert D. Mannix, Earl M. Scanlan & Co.; Arthur Bosworth, Bosworth, Sullivan & Co.

Entertainment (except Golf): Walter Coughlin, Coughlin & Co., Chairman; Jack Ralston, Peters, Writer & Christensen, Inc., baseball (non-stock); Richard Jacquith, (horseshoes); Carl McKinley, Carl D. McKinley & Co., Greeley, Colo., (putting); Dudley F. Baker, Bosworth, Sullivan & Co., (tennis); Lyn Griffin, J. A. Hogle & Co., baseball (stock).

Ray Robinson, Sidlo, Simons, Roberts & Co., is General Entertainment Chairman.

NSTA CONVENTION

The 18th annual convention of the National Security Traders Association, Inc. will be held at the Hotel del Coronado, California from Sept. 30 to Oct. 4, 1951, according to John F. Egan of the First California Company, President of the association.

The 1951 convention special train schedule is as follows:

GOING

Lv. New York	P.R.R.	Thursday	Sep. 27	5:00 P.M. EST
Ar. Chicago	P.R.R.	Friday	Sep. 28	7:00 A.M. CST
Lv. Chicago	Milw.	Friday	Sep. 28	10:00 A.M. CST
Lv. Omaha	U.P.	Friday	Sep. 28	8:30 P.M. CST
Ar. Riverside	U.P.	Sunday	Sep. 30	8:30 A.M. PST
Lv. Riverside	U.P.	Sunday	Sep. 30	10:30 A.M. PST
Ar. San Diego	Santa Fe	Sunday	Sep. 30	4:00 P.M. PST

RETURNING

Lv. San Diego	Santa Fe	Thursday	Oct. 4	2:15 P.M. PST
Ar. Los Angeles	Santa Fe	Thursday	Oct. 4	5:30 P.M. PST
Lv. Los Angeles	Sou. Pac	Saturday	Oct. 6	9:10 P.M. PST
Ar. San Fran.	Sou. Pac	Sunday	Oct. 7	9:45 A.M. PST
Lv. San Fran.	Sou. Pac	Tuesday	Oct. 9	11:30 A.M. PST
Ar. Reno	Sou. Pac	Tuesday	Oct. 9	8:00 P.M. PST
Lv. Reno	Sou. Pac	Wednesday	Oct. 10	12:10 A.M. PST
Lv. Ogden	Union Pac.	Wednesday	Oct. 10	2:15 P.M. MST
Lv. Omaha	Milw.	Thursday	Oct. 11	11:15 A.M. CST
Ar. Chicago	Milw.	Thursday	Oct. 11	9:15 P.M. CST
Lv. Chicago	P.R.R.	Thursday	Oct. 11	11:15 P.M. CST
Ar. Philadelphia	P.R.R.	Friday	Oct. 12	3:40 P.M. EST
Ar. New York	P.R.R.	Friday	Oct. 12	5:25 P.M. EST

ALL EXPENSE TOUR COST

	Two in Bedroom Each	One in Roomette	Two in Compartment Each	Two in Draw. Room Each
From Chicago to San Diego and Return	$365.96	$382.05	$383.15	$409.49
From Philadelphia to San Diego and Return	471.84	492.67	493.53	528.03
From New York to San Diego and Return	482.72	504.23	504.97	541.25

The All Expense Tour cost includes round trip rail and Pullman, all meals on the train and at Coronado, all transfers of individuals and baggage between train and hotels. Hotel rooms at Coronado, Los Angeles and San Francisco on basis of two in a room.

Members of the Reservation Committee are:

New York—Walter F. Saunders, The Dominion Securities Corp., 40 Exchange Place, New York 5, N. Y.

Boston—J. B. Maguire, J. B. Maguire & Co., Inc., 31 Milk Street, Boston 9, Mass.

Chicago—Edward H. Welch, Sincere and Company, 231 So. La Salle Street, Chicago 4, Ill.

Philadelphia—John M. Hudson, Thayer, Baker & Co., Commercial Trust Building, Philadelphia 2, Pa.

Charles F. Bloomer

Charles F. Bloomer passed away at the age of 73. Prior to his retirement last December he was a member of Stern, Lauer & Co.

With Hamilton Manage't

(Special to The Financial Chronicle)

DENVER, Colo.—Robert G. McClary is with Hamilton Management Corporation, Boston Building.

Joins Inv. Service

(Special to The Financial Chronicle)

DENVER, Colo.—John S. Jones has become associated with Investment Service Corporation, 650 Seventeenth Street.

Waddell & Reed Add

(Special to The Financial Chronicle)

DENVER, Colo. — J. Norman Wilson is with Waddell & Reed, Inc., U. S. National Bank Building.

Joins Waddell & Reed

(Special to The Financial Chronicle)

BABSON PARK, Fla.—James S. Loudon is with Waddell & Reed, Inc.

Joins Goodbody Staff

(Special to The Financial Chronicle)

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

Dillon, Read Group Offers Texas Gas Tr. 5.40% Pfd. Stock

Dillon, Read & Co. Inc. headed an investment banking group which offered to the public on July 24 a new issue of 100,000 shares of Texas Gas Transmission Corp. 5.40% pfd. stock at $100 per share, plus accrued dividends. Proceeds will be added to general funds and help finance the company's $45,300,000 expansion program, providing it receives approval of the Federal Power Commission. The proposed expansion, involving an additional 600 miles of pipe line and compressor equipment, will interconnect the company's existing facilities with those of two subsidiaries and increase overall delivery capacity by approximately 240,000,000 cubic feet of natural gas per day. This increased capacity will meet growing requirements of customers and will permit the sale to The Ohio Fuel Gas Company of up to 95,000,000 cubic feet of gas per day. The company also has contracted to sell up to 90,000,000 cubic feet of gas on an interruptible basis to Tennessee Valley Authority.

The above offering was oversubscribed and the books closed.

The new preferred is callable at company option at prices ranging from $103 per share if redeemed through Oct. 1, 1956 to $100 per share after Oct. 1, 1966. The stock is also callable at $100 per share under a sinking fund which will begin to operate during the twelve months' period ending Oct. 1, 1956.

Texas Gas Transmission Corporation owns and operates a pipe line system extending from east Texas to western Ohio with a delivery capacity of approximately 665,000,000 cubic feet of natural gas per day. Approximately 95% of sales are made to 31 public utilities serving communities in Louisiana, Arkansas, Mississippi, Tennessee, Kentucky and Indiana and to Texas Eastern Transmission Corporation at a point in Ohio.

For the first quarter of 1951 operating revenues were $10,949,491 and net income was $1,358,172; for 1950, revenues were $30,861,665 and net income was $4,343,830.

Our Reporter's Report

Now that the United Gas Corp.'s big issue has been cleared away the investment banking industry finds itself settling into the mid-summer doldrums with little or nothing of importance in the way of new issues for some weeks ahead.

In fact it is now indicated that Labor Day will be close at hand before there is any marked pickup in new business. Not so long ago when shelves were pretty well stocked and new offerings weren't moving particularly well, the bankers might have welcomed this period of respite.

But currently the market is in a really receptive mood, more so than it has been in many moons, and in the circumstances underwriters and dealers are going to find little to do beyond trying their hand at trading for positions for a spell.

For at the moment there is little or nothing to talk about in the way of unsold inventories. The turnabout in the market has brought many buyers, who were hesitant some weeks ago, back into action.

Thus far there is still an absence of any robust interest on the part of the big institutional buyers in the East, whom the bankers like to characterize as the "bureaucrats." But there has been sufficient demand from other sources, particularly out-of-town insurance companies, trusts and other fiduciary institutions to make for a brisk market for new offerings.

United Gas Corp.

Three large groups sought United Gas Corp.'s issue of $50,-000,000 first and collateral trust, 30-year bonds when bids were opened on Tuesday. And to make it comparatively easy for the successful group, all three were thinking pretty much in the same price and yield area.

The winners paid the company a price of 101.65 for a 3⅝% coupon. The runners-up bid 101.60 only five cents a hundred less while the third bid was barely one-quarter point off the top at 101.39999.

Accordingly the syndicate which was slated to bring the issue to public offering today appeared assured of a rousing success with the bonds priced at 102.367 to yield 3.46%.

Cost of Borrowing

It is now possible to get a better idea of what the change in the Federal Reserve's credit policy has meant in terms of increased cost of borrowing to corporations.

As recently as the latter part of 1950 prime name corporations were able to obtain money needed for construction and expansion at a net cost of anywhere from 2.65% to around 2.80%. Now the figure ranges pretty much between 3.40% and 3.50%.

It is only eighteen months or so since United Gas Corp. this week's big borrower, was able to finance its then current needs on a 2.70% basis.

Stocks Snapped Up

Equities continue popular with investors as witness the quick oversubscription and closing of the books on two issues brought out early this week.

Texas Gas Transmission Corp's 100,000 shares of 5.4% preferred stock, priced at $100, was readily absorbed.

And on an outright speculative offering, 500,000 shares of Dome Exploration (Western) Ltd., of which 350,000 shares was offered in the United States, and the balance in Canada, not only moved out but went to a ½ point premium over the offering price of $10.60 a share.

A similarly good reception was accorded for El Paso Natural Gas Co.'s 71,500 shares of $4.40 convertible second preferred stock which reached the market yesterday at $101 per share.

With William Beeken Co.

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—D. Oliver Stabily has joined the staff of William S. Beeken Co., Harvey Building.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Not because the Reconstruction Finance Corporation in the near future will ever be able to attempt a repeat of anything like the loans to Kaiser-Frazer but because the use of direct government loans remains one of the favored weapons of the "economic expanders" to promote their objectives, a report issued here last week supplies a bit of fundamental background on government lending which probably will be kept for years as a reference.

This is the interim report of the Senate Banking Committee on the Kaiser-Frazer loans. It is the product of the RFC subcommittee of the Senate Banking Committee. Actually it is in a large part the job of Theodore Herz, one of the ablest accountants ever to be loaned to an investigating committee.

Kaiser-Frazer first got approval of a loan of $34.4 millions from the RFC. According to the committee, the alternative to the loan was liquidation of the applicant as a business. Part of the collateral for the loan was the Willow Run ex-bomber plant, already pledged to the government as security for a purchase loan at the time, but that first lien was subordinated to the RFC.

Later a loan of $10 million was approved for merchandising, but was amended to allow the use of these proceeds for working capital of the auto manufacturer as well as for merchandising.

Finally, the report details, a third loan for $25 million was approved. In April 1951 RFC postponed a substantial part of the repayment of the proceeds of all three loans in order that Kaiser-Frazer could get bank financing of defense contracts, the committee explained. From the date of the first RFC loan through 1950 Kaiser-Frazer's operating losses, the committee said, aggregated approximately $20 million.

So the committee clearly draws the picture of a government lender apparently willing to take the short end of the stick in this large financing operation, and it goes a long way to shedding light on the question of why.

One of the ostensible reasons was the protection against unemployment arising if Kaiser-Frazer went to the wall. But the committee scouts this by pointing out that unemployment generally was not much of a problem at the time. The prevention of unemployment was one of the official justifications given by RFC.

The committee does, however, without once using the nasty word, absolve Kaiser-Frazer of using "influence." The committee says it has no evidence to challenge the validity of Edgar F. Kaiser's statement that, in effect, no intermediaries were used in the loan applications.

However, the committee notes that when the application for the first loan was filed, Kaiser-Frazer submitted a letter to RFC which closed with these thoughts of the company:

"There is one additional factor in this case which we submit for such consideration as the (RFC) Board may take into account under its regulations:

"It is not our desire, in any sense, to state by inference or otherwise, whether or not a monopoly exists in the automobile business. Yet, it is common knowledge that three concerns dominate the industry.

"We believe we can make a valuable contribution to the entire country and to its future if we demonstrate that a new firm can successfully enter this competitive field. . . . Our nation is built on the principle of enterprise. A failure of K-F would certainly be a warning to those considering entering competitive fields that the opportunity is seriously limited.

"We believe that with the help the RFC can give us under the law enacted for this purpose, we can demonstrate that this country still offers opportunity if integrity and work are a part of the ingredients of the business."

This particular argument was in perfect tune with the Truman party line at that time of using government money to force competition. The directors of the RFC, as the RFC study hearings disclosed, did not actually operate from a cloister, free of the common political winds blowing around Washington.

The committee infers that failure of Kaiser-Frazer would have affected "at least insofar as reputation was concerned . . . Henry J. Kaiser and his associates in what are known as the Kaiser interests," and would "have been felt in important American industries other than the automobile industry and they might have had important repercussions in those other industries."

Not noted by the committee was the background factor that the Kaiser interests still owed RFC $100 million on the purchase of the Fontana plant at the time of the application for the first K-F loan.

Almost any government employee beyond a Grade 3 clerk in this town knows that Henry J. Kaiser is a favorite of the Truman Administration, as he was of the Roosevelt Administration. All government boards and chieftains keep their ears glued to the ground. The RFC directors heard no rumblings of discontent when the negotiations got under way to assist Kaiser-Frazer auto so generously.

Despite the operating loss of the borrower, however, and the delay of the RFC's return of the borrowed money to the needs of K-F defense financing, RFC will get its money back, the committee says, "though repayment may ultimately be made from the proceeds of defense contracts and other operations not contemplated when the first loan was made."

The committee declared that the RFC should not have made the original loan. The "public opinion" aroused in Congress by this loan will preclude RFC from attempting any similar course of loans under any parallel circumstances in the near future. However, whenever there is a search for means other than war to keep the economy rising, a government lending agency operating with billions of funds is a device that will be found by this Administration.

* * *

Information has come to light which puts the Administration "battle against inflation" on the housing construction front pretty much in the same frame as other facets of this sham battle.

This frame consists, one, of making gestures of doubtful utility toward curbing inflation, whilst blaming Congress and the political enemies of the Administration for inflation; and two, of being careful not to dampen down very severely those inflationary programs of the Administration.

The new information is that during June public housing "starts" aggregated 42,200, just *ten times* the monthly average rate prior to June. Thus, while cutting down on private construction under Regulation X, the Administration is proposing to open the throttle on public housing.

In this connection it is recalled that Gov. Oliver Powell of the Federal Reserve Board, in his capacity as Chairman of the National Voluntary Credit Restraint Committee, personally and on his own responsibility ruled that public housing bonds were not subject to the veto of VCR.

It is also noted that thus far there has been issued no formal, known government order requiring government lending agencies to restrain credit expansion in accordance with the professed objectives of the Administration.

There are thereby left two double standards. Inflationary state and local credit via the VCR must be restrained. Inflationary Federal credit must NOT be restrained unless agencies choose to restrain themselves.

Banks must, under the other double standard, restrain "voluntarily" (or be subjected to the strictest regulation under an official threat) whilst government lending agencies are free of any compulsion.

What moved the Public Housing Administration to open the throttle on public housing was the action of the House a few weeks ago in limiting appropriations for public housing to 5,000 units in fiscal '52. The Administration had proposed, with Mr. Truman's insistent backing, 75,000 units. The Senate committee allowed 50,000 units.

So now through June PHA can report "60,200 starts." Thus the public housers can cry to Congress that their program cannot be held even to 50,000 units because they have already "started" over 60,000 units.

This maneuver may succeed if Congress doesn't get wise to a little trick. Whereas BLS figures on other housing "starts" represent figures of actual construction work, involving not less than the digging of cellars, here is what public housing "starts" mean:

During June PHA issued "notices to proceed" on projects involving the 42,300 units. This is legally called a "start" in BLS figures. If Congress catches on quickly, it can counteract this trickery. If it doesn't catch on for a few weeks, however, PHA will have prodded the contractors to the point where they have pushed enough dirt around the sites of these projects so they can perhaps be considered projects under way.

* * *

Gasoline rationing may or may not be required in 8 to 10 months but the prospect was changed in no respect by a course of Senate hearings last week.

Senator Joseph C. O'Mahoney, Chairman of the Interior Committee, and several other Senators, are disappointed that there is not enough steel for completion of the Platte oil pipeline.

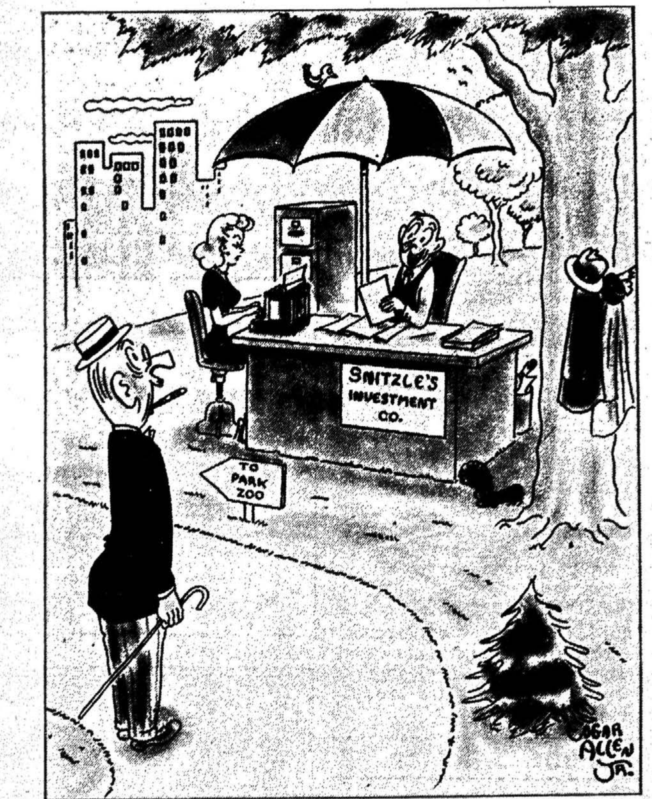
These Senators figured that if there were a public hearing they could maybe put enough heat on the Defense Production Administration to cause the latter to maybe let this pipeline and other oil needs have a little more steel.

So they called Oscar Chapman and other Petroleum Administration for Defense officials before this open hearing. PAD's requests for steel have been cut sharply by DPA. Now no Administrator of anything is going to admit that what he is responsible for is safe if his supplies have been cut. Naturally, when asked, Chapman said that without the steel he requested, gas rationing would be necessary in from 8 to 10 months.

That is the background for this headline goblin of last week. A lot of things can happen, however, in the next few months. DPA, incidentally, politely said "no thanks" to Senator O'Mahoney's request that they revise their allotments.

(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



"When I cut down on overhead—I really cut down!"

1st Louisiana Partnership

(Special to The Financial Chronicle)

NEW ORLEANS, La. — First Louisiana Partnership has been formed with offices at 635 Common Street to engage in the securities business. Partners are Armand F. Truxillo, Maurice B. Gatlin, and Joseph Costa, Jr. Also associated with the new firm are Edward R. Goodrum and Wilson W. Petty.

Prescott & Co. Add

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Stanley Huberty has become associated with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges. Mr. Huberty was formerly with Otis & Co. and prior thereto was with Goodbody & Co. and Curtiss, House & Co.

John W. Donnelly Opens Own Firm in Cedar Rapids

CEDAR RAPIDS, Iowa — John W. Donnelly has opened offices in the Merchants National Bank Building to engage in the investment business under the firm name of Donnelly & Company. Mr. Donnelly was formerly Manager of the Investment Trust Department for Ernest Kosek & Company.