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EDITORIAL

As We See It

Late last week in an address in Detroit, the President said:

"In the last war, Detroit proved itself as one of the great production centers of the arsenal of democracy. Its tanks and trucks rumbled ashore on every beachhead from Normandy to Okinawa. From Detroit and other great American cities came such an outpouring of the weapons and equipment of war as had never been seen before in all history.

"That miracle of production was made possible by American industry in action. It was made possible by the expert management and skilled workers of America. Free men working together here in Detroit made it possible for free men around the world to win the war."

In referring to the current defense program, the Chief Executive developed his ideas somewhat further as to the origin of the industrial might of the United States. Here is what he said:

"Peace is the purpose of our defense program. Peace is what this great production job is all about.

"We have the resources, the morale, the economic strength, to do this job, and we are going to do it.

"We have this great strength because the people and the Government have been working together for the welfare of all Americans. We have this strength because we have been working for equality of opportunity and economic security for all our citizens. We have helped our farmers and our workers to reach higher and higher living standards; we have developed our natural re-

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The Stock Market is Basically Strong

By V. LEWIS BASSIE*
Director, Bureau of Economic and Business Research
University of Illinois

Illinois University economist bases opinion stock market is fundamentally in strong position on pressure of idle money seeking investment, together with shift of institutional investors into corporation stocks. Looks for these developments, together with resumption of greater activity by professional speculators, to force market toward higher levels.

The peace talks beginning at the anniversary of the Korean conflict have helped to put securities on the bargain counter again. At mid-year, the stock market as a whole was back to the level at the beginning of the year, and many stocks had fallen much further.

V. Lewis Bassie

The bearish view is supported by the business adjustment now going forward. Production in many lines had to be cut back in order to prevent inventories from piling up, and in some lines inventories are being liquidated. If these adjustments are accelerated, there may be an actual decline in total production, including military, rather than a mere leveling off. The temporary nature of any such decline was pointed out last month.

Pessimistic appraisal of stock values is likely to be just as temporary. Business will continue prosperous and the trend at the end of the year will in all probability be upward. Profits exclusive of inventory revaluation, funds available for dividends, and actual dividend payments will all be well maintained. Investors with funds that cannot be effectively employed elsewhere are likely to find stocks attractive at

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*Reprinted with permission from the "Illinois Business Review," published July 27 by the Bureau of Economic and Business Research of the University of Illinois.

Near Term Prospects and Their Policy Implications

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Discussing pressures likely to be made on the economy, Dr. Slichter finds objectives of economic efficiency and economic stability are in conflict. Holds rising incomes may not be as inflationary as expected, provided consumers regard current prices as too high and increase their savings. Advocates tight credit restrictions and reformed price-wage controls. Criticizes straight increase in income taxes, and urges reformation of tax system.

I

Charles E. Wilson, Director of Defense Mobilization, has recently announced that expenditures for national security will rise from an annual rate of about $35 billion now to an annual rate of about $65 billion a year hence. Spending for defense during the fiscal year 1952-53 may be even greater than $65 billion—according to the Council of Economic Advisers. This rate of spending would mean that outlays on defense alone during the fiscal year 1952-53 would be about 45% greater than all the outlays of the Federal Government in the fiscal year just past and that the total Federal budget in the year 1952-53 would be about twice as large as in the year just past.

Prof. S. H. Slichter

In the face of these prospects it is interesting that the present lull in business and the possibility of a cease-fire in Korea have led many businessmen and Congressmen to believe that the danger of inflation is pretty much behind us. This conclusion has led to demands that present direct controls of prices be discontinued or considerably relaxed and that various indirect

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*An address by Prof. Slichter at the University of Michigan, Ann Arbor, Mich., July 30, 1951.

PICTURES IN THIS ISSUE—Turn to page 21 for pictures taken at the Annual Party of the SECURITY TRADERS ASSOCIATION OF LOS ANGELES at Lake Arrowhead.

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

HERBERT G. KING
Member New York Stock Exchange

National Distillers Products Corp.

When an investor selects his favorite security, he is usually guided by five well-known yardsticks. The first, of course, is the safety of his capital; the second, the certainty of its income; the third, the probable enhancement possibility; the fourth, the past record of the security and its income, and the fifth is whether or not it is in style and popular at the moment.


Col. Herbert G. King

With these points well in mind, I have no hesitation in choosing National Distillers common stock, selling at 32 on the Big Board. Yielding 7% on the expected 1951 dividend of $2.25, with an earnings yield of 11.7% on the estimated 1951 earnings of $3.75 a share, having an unbroken dividend record since 1935, holding a commanding position in the liquor field, it is now expanding into the popular chemical field and its future growth possibilities are tremendous. At the moment, chemicals are very much in demand and very popular with investors.

The company's management, under Mr. Seton Porter, the Chairman, has been excellent and the new President, Mr. John B. Bierwirth, former President of the New York Trust Company, has long been recognized as an outstanding leader in the financial community.

It is the company's aim to have about one-third of its profits come from chemicals. Its $10 million plant at Ashtabula, Ohio, manufactures metallic sodium and chlorine, two products very much in demand. The absorption of the stock of U. S. Industrial Chemicals, Inc., will improve the company's position in the chemical field and increase its facilities for the manufacture of grain alcohol. Jointly with Panhandle & Eastern Pipe Line, the company is planning to construct a plant in Illinois for the conversion of natural gas into chemical products and it has acquired a 20% interest in the Intermountain Chemical Company which will produce soda ash from large trona deposits in Wyoming.

The company has long been regarded as a leader in the liquor business. It has many well-known brands and is the leading producer of bottled-in-bond and straight rye and bourbon whiskies.

The net income for the past 10 years totaled almost $200 million. Half of this went to stockholders in dividends and the other half was reinvested in the business. Sales approached $137 million in the quarter ended March 31, 1951, 88% above the 1950 period, and total sales for 1951 look as though they will be about $500 million. A dividend of $2.25 for 1951 seems likely as compared with the $2 rate paid since 1947. For tax purposes, the company has the advantage of high average earnings during the 1946-1949 base period.

The stock's past record is favorable, the dividend yield is excellent, the future possibilities look very bright and the popularity of the stock gives it a wonderful market, a combination hard to beat and one that makes National Distillers the security I like best.

GEORGE F. SHASKIN, JR.
Partner, Shaskin & Company
Members, New York Stock and Curb Exchanges

Eastman Kodak

"Oh dear, what shall I do, what shall I do," said the White Rabbit pulling out his watch. "I am already 15 minutes late to the Security I Like Best party and the Editor will be dreadfully angry with me."


Geo. F. Shaskan, Jr.

"I was reading the other day about Eastman Kodak," Alice ventured timidly, "and . . ."

The Rabbit started violently, scrambled through the piles of papers he had been searching in, and just missed catching his whiskers in the pages of the heavy statistical manual which shut with a bang.

"What about Eastman Kodak?" he demanded angrily. "It recently made a new low for the year while all the securities my friends own are hitting new highs. And besides," he went on with a note of deep disdain, "none of the big institutions like the stock, so of what value is your opinion."

"I only meant to say," Alice started—

"Then say what you mean," snapped the White Rabbit, who by this time was becoming even more irritated.

"Off with her head," ordered the Queen, as she joined the other two. "Any fool knows that Eastman Kodak has been the largest single factor in the photographic supply and film industries since its founding in 1880. Dividends have been paid consecutively since 1902 and the company has never operated at a loss. It has . . ."

"But," Alice started—

"Hold your tongue, child," the Queen said softly, and smiling, went on as though there had been no interruption, "no funded debt."

"All quite true," said the White Knight as he rode up, "but the market is interested only in chemical stocks and . . ." But before he could finish he tumbled off his horse.

Alice seized the opportunity to blurt out, "But it has expanded into the chemical industry." And, continuing all in one breath proudly announced that Eastman Kodak was the country's second largest producer of acetate rayons (after Celanese) and the second largest producer of cellulose plastics (topped by Hercules Powder but ahead of such well known names in plastics as Monsanto, duPont, and Union Carbide).

"That makes no difference," said the White Knight, who by this time had remounted but was sitting perilously far on the side of his steed. "The market wants pharmaceuticals," and with that he tumbled to the ground once again.

"Eastman is also in this field," Alice replied softly, as she was beginning to feel sorry for the oft-tumbled old man. "Eastman is the leading producer of vitamin A and a major producer of vitamins D, C, and E." Alice wondered whether any one had noticed that she had mixed up the alphabet but no one seemed to be paying the least attention to her. So she went on half to herself, "It is also a major supplier of organic chemicals to the lacquer, insecticide and medical dressings industries . . . . an important producer of acetic acid and such widely used solvents as acetone and ethyl acetate . . . and the country's largest manufacturer of high vacuum pumps and stills."

The White Knight by this time had tumbled to the ground four or five times more and as Alice stopped to catch her breath she heard him tell the White Rabbit that he must find a company which could play an important part in a defense economy. The White Rabbit was scribbling away at a rapid rate but, unfortunately, there was no ink in his pen.

"What did you say about defense?" he asked.

"Eastman Kodak played a major role in the country's defense during the last war," Alice stated boldly. "Not only was it a supplier of vital photographic and optical material but it was the first producer in quantity of Uranium 235, and the largest manufacturer of explosives in the whole world."

"It must also be a growth company," continued the White Knight, who this time made no effort to get up from his nineteenth tumble.

Alice now wished she had practiced her sums more carefully when she was at school because she recalled that Eastman had enjoyed a remarkable growth. "Let's see," she said to herself, and began jotting down some figures in her notebook:

	1941	1950	Increase
Total Assets	$234,000,000	$426,000,000	82%
Net Working Capital	74,000,000	155,000,000	110%
Net Sales	182,000,000	461,000,000	154%
Net Income	22,000,000	62,000,000	186%
Earnings per Share	$1.41	$4.09	190%

She was quite impressed with her figures, particularly when she reflected that this tremendous growth had been accomplished without any outside financing—a feat duplicated by very few corporations of similar size. But just as she was ready to announce these remarkable findings she looked up and heard the Walrus solemnly telling the others that the company was too generous with its employees.

Oh, thought Alice, I must tell them about the company's outstanding labor relations but now I shall not be able to give them all the figures I have just worked out. This made her very angry so she fairly yelled, "See here, Eastman Kodak has never had a strike among its more than 50,000 employees. Its labor turnover has constantly run at about one-third the rate averaged by all U. S.

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Glamour Stocks

By BRADBURY K. THURLOW
Partner, Talmage & Co.,
Members, New York Stock Exchange.

Calling attention to inability of investor to evaluate dynamic effect which pure glamour can exert on price of a stock, Mr. Thurlow warns market may go through one of its shifts of sentiment, and points out that steel stocks, with higher yields and outlook for several years of capacity business, may cause current so-called "growth stocks" to pass into background.

It must be admitted that a coldly logical approach to investment problems (at least over the past few years) has suffered from at least one serious shortcoming: the inability to evaluate the dynamic effect which pure glamour can exert on the price of a stock, irrespective of such statistical considerations as assets, earning power, or reasonably projected outlook. This inability stems partly from the memory that many great fortunes of the 1929 era were destroyed in the ensuing debacle because the magic vision of growth had obscured the basic concept of value. Investors would buy anything at any price whatever if a good story went with it. Unfortunately, when a stock is bought on this basis, there is no logical criterion for selling it other than financial necessity, and we all know that when one has to sell securities to eat, stock prices are usually very low.

B. K. Thurlow

One would think that people, particularly those with enough intelligence to be investors, would learn from past experience; yet there is every indication that they do not. Hence, one of the oldest maxims of speculation, to the effect that people will continue to make the same mistakes in the future that they have in the past. Today, with virtually all forecasting services exuding gloom on a scale not witnessed since the dismal decade of 1932-1942, we see investors forsaking sound statistical values in favor of a steadily depreciating currency or, what is more remarkable, chasing in the name of safety, after the Will-O-The-Wisp of long-term growth at any price. We understand investors' preference for dollars, which change in value rather than price, over properties, which change in price as well as value. Dollars are simpler to reckon with and keeping a good supply in the bureau drawer is a relatively painless way to lower one's standard of living. But the passion for growth stocks, with all the old arguments and trimmings so popular during the New Era, is difficult to rationalize in combination with the genuine pessimism expressed on the outlook for all equities not in this category.

Perhaps those who bought their Electric Bond and Share at 550 or their radio at 100 are satisfied with the growth these issues have shown over the past 22 years. They have, to be sure, grown handsomely since 10 years ago, when they could be bought for around 2. Curiously enough, in both of these cases the companies expanded as anticipated—only not quite as soon.

Those who rush to buy Pfizer or Dow whenever they announce a new cure for heartburn would do well to recall the history of other popular growth leaders of the past and consider the fact that their investment is selling at 18 times present earnings to yield around 3% on a price which has tripled in three years. They should also recall that under present tax laws it is difficult to foresee a large increase in earnings for some time. In addition, much time and expense are involved in marketing products after they have been developed on a test-tube basis. One is reminded that in 1929 television was considered an immediate source of income for the radio industry.

I am not going to be foolish enough to predict the imminent collapse of these high-priced stocks with which the public appears to be carrying on a prolonged flirtation, but would call attention to the factors listed above which could easily justify lower prices. What seems most likely at this writing is that the market may go through one of its well-known shifts of sentiment as investors discover that steel stocks (or something of the sort which is now out of favor) can be bought for five times earnings to yield 7% to 9%, with an outlook calling for several years of capacity business. At that point, the growth stocks would be expected to pass into the background and stay there until the companies grow a little closer to the size being discounted in the present valuation of their equities. This may take a good many years. In the meantime, those who have profited so handsomely in these wonder drugs and chemicals might do well to exchange them for something more conservative, bearing in mind that, even in this miracle province, "trees don't grow to the sky."

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

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More Fission in Financial Waters

By IRA U. COBLEIGH

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

A continuation of last week's comment on those scintillating market magnets, the splitting stocks.

My concluding phrase in an article in the "Chronicle" of July 26 was: "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." Well frankly, how animated, how bullish can you get? On Wednesday, July 25 Merck closed at 98½ — up three on the day. On the 26th, announcement of a 3-for-1 split of this fancy pharmaceutical was made, and the shares closed at 103 on Thursday, and 104½ on Friday —up 9 points in three days. Yes sir, splits can "rev up" the stock market.


Ira U. Cobleigh

Another show-case example. Freeport Sulphur closed at 92½ on Wednesday July 25. Next day a plan tripling the outstanding number of common shares of Freeport was made known—and Friday's closing was 101½—up 9 points. Why, you could almost say Freeport Sulphur "matched" the performance of Merck!

So in doing a retake this week on split-ups, it appears I'm operating in intensely topical territory. And, frankly, there seems to be no end in sight to this financial fission. It now appears highly appropriate to augment the list jotted down last week, of those stocks with division on their minds. Before this is done, however, it might be well to pause a moment for a further examination of just why it is that a multiplication of the outstanding number of shares is now so desirable, for so many corporations.

First, remember that there are thousands of investors in the upper echelons of personal income tax. For them, cash dividends are not what they're cracked up to be. They like a growing company, such as a chemical enterprise, which pays out only 35% of its net earnings in cash, retaining and reinvesting the rest, building up a sweet earned surplus. This, in due course, is usually reflected in the share market upward — making possible profitable security sale for capital gain, taxable at 25% maximum. The possibilities of this gain are maximized by stock split-up since this device often drives shares into new high ground. Hence, the current investor search for shares with split possibilities.

From the company management viewpoint, longer range thinking is in order. "X" chemical company is expanding. It doesn't want to pay out heavy cash dividends, since it can make excellent use of the wampum for internal expansion. Yet even these retained earnings are seldom enough for plant addition in a burgeoning enterprise, and it is important to lay the groundwork for possible offering of shares, perhaps tomorrow, perhaps three years from now. For flotation success, these publicly offered securities must be introduced at popular price levels. So the next thing management has to do is to decide just what is an attractive level? 50, 100, 200 or 35? Well, the market itself, and the decisions of a number of distinguished boards of directors, are slowly supplying the current answer.

General Motors, Gulf Oil, Phillips Petroleum, Charles Pfizer and McDonnell Aviation, all split their shares in the past year, and the new stocks wound up in the below-fifty range. The current splits of Freeport Sulphur and Merck indicate market prices for new shares around 35. At the present time, I believe over 70% of the volume (number of shares traded) on the N. Y. Stock Exchange is in the stocks selling below fifty. So, its fairly sound to conclude that to get wide investor following a stock should be available somewhere below the fifty level. Another point, the Stock Exchange on August 1st established an odd lot price differential of ¼ on stocks selling at forty and over; leaving the rate at ⅛ for shares below forty. This may well set up a new horizon of investor preference—below 40, that is.

I suppose some managerial diligence is also required, lest the split stocks sell too low. Some directors may well feel that if their company's shares sell say at 10, the stock may be tagged as a cat or dog, even though pertinent financial data would prove it at least a junior model blue chip.

Another bit of evidence should be introduced respecting popular prices for common stock. The mutual funds are now selling at an annual rate of over $400,000,000 in trust shares to investors, many of them newcomers to the market. So the mutual boys must know a good deal about correct pricing. Well, I took five representative and widely distributed mutual funds and averaged their current market prices. It works out to 27. So now I'm ready for my startling conclusion—a fast flash to the some 30 or 40 boards of directors who'll be mulling over splits (and I don't mean of ginger ale) between now and the year-end. The ideal price bracket for newly split shares of good companies is somewhere between 27 and 40. Are there any questions?

Thus it is I am now prepared to reverse myself. Last week I said it was silly to predict a split in AT&T; that it already had more stockholders than any other company in the world, even though selling at 157. But if AT&T has a million shareholders at this price, why, then, by splitting 4-for-1 it might easily attract 500,000 new characters onto its books of registry. So let's get on with it. Let's carry our argument to its logical conclusion by urging the split of AT&T 4-for-1.

And so, as promised earlier, there is submitted below my revised nominations for share division between now and next Fourth of July.

ISSUE—	Market 7/27/51	Split Prediction
Amerada	125	3 for 1
Amer. Cyanamid	126½	3 for 1
American Can	112	3 for 1
Amer. Tel. & Tel.	157⅛	4 for 1
Cities Service	115⅛	3 for 1
Dow Chemical	110½	3 for 1
Humble Oil	127	3 for 1
Peoples Gas Light	120½	3 for 1
Superior Oil of Cal.	440	10 for 1
U. S. Gypsum	113½	2½ for 1
Zenith Radio	57¾	2 for 1

Of course, you realize that no warranty goes with any of these predictions. They're just the vicarious results of an overworked crystal ball. No splits may take place and the market may fall outta bed to a point where even discussion along these lines may seem unreal. However, if stock splits are the children of expanding earnings, increased assets and surplus, a desire for broader share markets, and many new stockholders, then the above highly solvent enterprises have much to recommend them as logical candidates for plushy paper dividends. But you know full well the pitfalls of prophecy. Dewey, a sure thing in 1948, and stuff like that!

And so we conclude this novel fission expedition by casting the weight of our opinion along the current line of split-ups on a large scale. It's open season for spawning shares.

Rochester Gas & Elec. Offers Common Stock

The Rochester Gas & Electric Corp. is offering to holders of its common stock of record July 31, 1951, an additional issue of 175,000 shares of common stock (no par value) at $31.50 per share in the ratio of one new share for each six shares held. Rights will expire at 3 p.m. (New York time) on Aug. 15, 1951. The offering is underwritten by a syndicate headed by The First Boston Corp. No fractional shares will be issued.

The proceeds will be used to help finance construction expenditures estimated to reach a total of $26,700,000 for this year and next. Under the company's program, approximately $19,000,000 will be used for electric facilities and the remainder for gas facilities.

As of June 30, 1951, Rochester Gas & Electric Corp. served 167,976 electric customers and 134,245 gas customers.

The State of Trade and Industry

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

Some slight rise in total industrial production for the country at large occurred the past week, reflecting a gradual acceleration in defense spending. Aggregate output was also moderately higher than the level prevailing in the corresponding week of 1950. Employment figures for the latest recorded week indicate no noticeable change in overall claims for unemployment insurance, but it is noted that initial claims show a very slight increase.

Steel-making operations declined one-half point the past week, but it is reported, expectations are that production will be pushed to the limit of available facilities right through the remainder of the year, barring necessary repairs to equipment from time to time.

Automotive production held steady the past week, despite interruptions by labor trouble at plants of Hudson and Chrysler, while parts shortages stopped Nash assemblies on Thursday and Friday of that week, "Ward's Automotive Reports" stated. It also noted that Packard had been down all of the past week because of materials shortages.

Further losses in production are threatened this week as a result of CIO Auto Workers' wildcat strikes at Chrysler's Dodge main plant and Ford's Monroe, Mich., plant, "Ward's" said. Both plants supply parts for their companies' car and truck assembly lines, the agency explained.

Production the current week will be severely affected by the previously announced plan of General Motors Corp. to suspend operations six to eight days "to avoid mass lay-offs" that would otherwise be required by government limitations on materials this quarter, "Ward's" noted.

Almost all Chevrolet assembly plants will be closed this week as well as the Michigan plants of the Buick, Oldsmobile and Pontiac divisions, the agency said. The Packard suspension will continue through this week, while resumption of operations by Nash is not scheduled until Wednesday, it added.

As a result, passenger car output this week promises to be at the lowest figure in more than 18 months, according to this trade authority.

Steel distribution under the Controlled Materials Plan, started only this month, already is in difficulty, says "Steel," the weekly magazine of metalworking. Tonnage certified for September shipment far exceeds the limits of mill set-asides set up by the National Production Authority for military and essential consumption. As a result, steelmakers have turned away hundreds of authorizations. The ensuing flood of complaints to Washington from consumers over the country last week, states the magazine, prompted NPA to up mill set-asides on various products, hoping through such action to avert threatened serious production interruptions at plants unable to get their steel authorizations honored by the mills.

Requests for fourth-quarter tonnage are coming to the mills in mounting volume, states "Steel." Some producers of certain products already appear to be fully covered for the period. For instance, one large mill is out of the market on sheared plate. Certain other plate-makers are in almost as tight a position. Various hot-rolled bar makers have no tonnage left on small sizes for the quarter, to say nothing of the large shell sizes. Delivery promises on shapes, hot-rolled sheets and galvanized sheets are far extended. Until full allocations for the closing quarter have been set up the mills cannot possibly know precisely where they stand. Even then schedules will be subject to revision from time to time as special directives arise.

Rush of consumers to file their fourth quarter steel tonnage applications with the government is on at the moment, this trade weekly adds. Producers of class B products had until July 31 to get their requests in. The same is true of manufacturers of consumers' durable goods who are expected to be brought under the CMP umbrella by the time fourth quarter rolls around. Time will be required to process all these requests, naturally adding to the

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Promoting Economic and Monetary Stability

By LELAND REX ROBINSON*

Vice-Pres., Economists' National Committee on Monetary Policy
Adjunct Professor of Political Economy, New York University.

Dr. Robinson's recommendations for creating and preserving economic and monetary stability are: (1) balancing of the Federal budget; (2) a tax system that discourages rather than induces inflation; (3) abandonment of practice of converting Federal debt into bank reserves; (4) increased industrial productivity accompanied by lower unit costs; and (5) restoration of gold standard and convertible currency.

Leland Rex Robinson

Whether or not the current negotiations in Korea bring about an armistice, we as a people can afford no letdown in effort and in sacrifice if national security is to be assured. In fact the cease-fire hoped for may lull us into lowering our guard. It may tempt us to lean even more heavily on superficial and politically cheap means of attempting the build-up of American economic strength which lies at the base of stability, progress and peace.

This reliance upon superficial measures with its ignorance, or ignoring, of stark realities is uncomfortably like the attitude of fabled King Canute ordering the tide to recede, or like the seashore cottager sweeping away the encroaching waters with a broom. The inrushing tide is the tremendous pull of mobilization upon the resources of the Western world. Policies which obscure fundamental forces by treating symptoms and by hiding behind catchwords, are as futile as the incantation and the broom.

The price of our national strength is recognition that direct measures, such as price and wage controls, can be effective only as strong over-all fiscal, credit and monetary policies are adopted. When by such means we take the full dimension of our probable tasks against our resources, and adjust our viewpoints and actions accordingly, the specific controls imposed by necessities of defense can be fewer, more selective and more enforceable. The strategy and tactics of a trained boxer can be substituted for the blind and furious slugging of an amateur.

American national production and employment have less margin, or slack, today than at the outbreak of the last war. However, despite the leeway for enhanced production in 1939-1941, hardly more than half of Federal expenditures were met by taxes during World War II. The general tightness of our production and employment picture in 1951 argues convincingly for a far higher ratio of taxation in any future war. The tremendous fiscal deficits and the corresponding piling-up of national debt, much of it readily convertible into current consumer purchasing power, make direct controls more onerous and less enforceable. This situation has not been improved by deliberate Federal spending in excess of revenues during all but four of the last 21 fiscal years.

The present price and wage stabilization program is doomed unless honest account is taken of the great strain upon American productive capacity which the next two or three years of rearmament, manpower mobilization and aid to our allies will involve. At least for this transitional period, sacrifices must be made in living standards, or in any case in the normal expectations of improvements in these standards. In these sacrifices all groups of the population must share. Otherwise direct controls, such as price rollbacks and limiting price and wage formulae, will prove as pernicious as unworkable; while most of them would be unnecessary if adequate indirect and general controls were utilized to help make the garment of essential national expenditure fit the cloth of our resources and current productivity.

Five Major Lines of Policy

Facing up to present issues calls for five major lines of policy which the people should understand and insistently support despite the persistent baleful work of pressure groups. Only then will Washington act with the necessary despatch:

First comes the importance of balancing the Federal budget, and of keeping it balanced except in the exigencies of total war. The moderate surplus in the year just ended, due to slowness in getting the mobilization program under way, can give us no complacency. The present fiscal year bids fair to repeat the too familiar pattern of living beyond our national means. In case of war we cannot hope to "get by"—as we did from 1941 to 1945—by borrowing about half of the outlays. Meantime, from surplus of revenue over expenditure, our Federal, state, and local government debt ought to be gradually pared down to more manageable proportions from the nearly $2,000 owed on this score by every man, woman and child in the United States (on the average), a figure almost seven times that of 1929.

Secondly, taxes imposed to balance budgets and provide a surplus should be of such character as to discourage inflation, rather than increase the gaps between demand and production. Sound fiscal policy, Federally imposed, now calls for general retail taxes, graded in favor of common necessities and harmonized with the competing demands of state and local sales taxes. Such taxes would bring home to people the costs of government, provide new billions of desperately needed revenue, and moderate the demand for non-necessities in keeping with the needed release of materials and labor for defense purposes. So-called "excess profits" taxation, no longer based upon "excess" alone but cutting into "normal" or peacetime earnings margins, encourages avoidance by wasteful expenditure and puts a penalty upon efficiency. Taxation of corporations and of higher income brackets is now reaching levels discouraging investment and production, and approaching a possible point of declining yield.

Thirdly, the vicious practice must be reversed of converting Federal debt into bank reserves, backing for currency, and consumer purchasing power. The process of "monetizing" debt (modern technique of "printing press money") is illustrated in the fact that for the American monetary system as a whole, United States Government securities represent close to 60% of earning assets and half the total assets behind the nation's money. There is but one answer to this constant dilution of the dollar. It lies in gradual retirement of the debt, and in inducing individuals, directly and indirectly through such institutional investors as savings banks and insurance companies, to practice the old-fashioned virtues of thrift and to put some of their savings into the long-term holding of "governments."

Fourthly, all factors in the national production effort should understand that any gains in real income and in living standards during these critical years should come from increasing productivity and lowering costs. Without this, what one group gains is wrested from others, and the political and economic strength of our country is impaired. Or, what is equally likely, increases in money income, unaccompanied by increases in physical productivity, prove illusory because of the shrinking purchasing power of the dollars in which they are paid.

Which brings us to a **fifth** imperative of these times—an honest and dependable money through which to effect exchanges and store values. The dropping of our historic gold convertible standard in 1933 opened the way for chronic government deficits, skyrocketing Federal debt, conversion of these debts into circulating currency, soaring prices and costs, and the dangerous illusions involved in looking at national wealth and income through the distorting mirror of a depreciating money rather than in terms of economic realities.

Here are a few illustrations of how we fool ourselves in taking the shadows cast by cheapened money for the substance of goods and services which lie behind these shadows. Take the example of "liquid assets" of Americans, including bank deposits, currency, savings and loan shares, life insurance reserves, and United States Government securities. Despite formidable growth in dollar terms, these have really declined in actual purchasing power on a per capita basis by some 25% since 1945, after deducting the load of rising consumer debt. Expressed in 1939 dollars, over 90 billions, or about 40% of liquid assets claimed by individuals in our country in 1949, had been eaten away in the postwar inflation, leaving less in purchasing power of accumulated savings in that year than in 1945.

Earnings of Business Exaggerated

As for the vaunted earnings of business, ever the "pay dirt" for new government revenues, let us bear in mind that we tend to exaggerate the actual earnings of business corporations, because of the inclusion of fortuitous inventory profits and the inadequacy of depreciation allowances charged to expenses in times of rising material and construction costs. So, as well, we fancy ourselves rich in dividends, whose total purchasing power, in goods and services, nevertheless rose little if any in the 20 years from 1930 to 1950, despite the great rise in capitalization, the substantial increment in business activity, and the encouraging gains made by labor; while as a source of personal income for the people of the United States, dividends fell from about 7% of their total income in 1929-1930 to little more than half that proportion in 1949-1950.

Restoration of a fully functioning gold standard by the United States, with its completely free convertibility of money into the precious metal, would provide an anchorage for our currency, and furnish a tail by which to control the erratic kite of prices and costs.

As abandonment of gold nearly two decades ago heralded the breakdown of fiscal, credit and monetary disciplines essential to economic health, so its return on a full-fledged basis as our fundamental medium of exchange and measure of value, would accompany, strengthen, and be strengthened by a new realism and courage in harnessing the enormous potential of American private enterprise to the demands of these times.

*Excerpts from an address by Dr. Robinson before the Kiwanis Club, Salt Lake City, Utah, July 26, 1951.

Kuhn, Loeb Arranges Private Placement

General American Transportation Corp. announced today (Aug. 2) that it has negotiated through Kuhn, Loeb & Co., the sale of $10,017,000 equipment trust certificates, series 48, to a small group of institutions. Of the total, $5,040,000 principal amount was delivered on March 1, 1951, and the balance of $4,977,000 principal amount on Aug. 1, 1951. The certificates will mature serially in quarterly instalments to and including March 1, 1971. Maturities to and including March 1, 1959, bear dividends at the rate of 2⅝%, the balance at a rate of 3⅛%.

The equipment covered by the trust consists of 1,184 new tank cars and 49 new hopper cars.

A Free Trade Zone in Philippines

By FRANCISCO ORTIGAS, JR.
Immediate Past President, Manila Lions Club

Prominent Philippine citizen discusses proposal for creating a free trade zone in the Philippines in international trade channels and existing banking and other facilities in Manila for aiding foreign trade transactions. Gives text of proposed Philippine law establishing a free port.

"Manila's Ambition to Become Distribution Center for Orient," by Robert H. Wylie, Port Manager, Board of State Harbor Commissioners for San Francisco Harbor, which was published in the "Daily Commercial News," Volume 143, No. 26, on Aug. 6, 1948, gave an admonition that some very careful analysis of all the factors involved in establishing a free port will have to be made before any action in this direction should be initiated. The ensuing discussion will therefore be an attempt to present those factors that may bear directly or indirectly on the economic feasibility and desirability of a zone in the Philippines.

Francisco Ortigas, Jr.

Geographical Position of the Philippines

The Philippines is strategically located at the door of Southeast Asia. It is situated along the trade lanes of modern ocean shipping in this part of the world. It could easily form the hub of commerce.

This was demonstrated after the reopening of the Port of Manila in 1945. The Port was primarily the logistical springboard for the operations of United States and Allied Forces against Japan. After V-J Day it continued to be the shipping point for men and material moving for the occupation of the Japanese islands and of Korea. Even upon the resumption of commercial operation in 1946, it continued to function as a distributing center until 1949 or thereabouts.

Amount and Character of Philippine Trade

The years 1949 and 1950 are herein taken as representative periods inasmuch as it is during those years that governmental control of imports and exchange began, leading to the present economic situation in this country. The previous years could not be taken inasmuch as it may be claimed that those are years of abnormal business conditions, being only some three years immediately subsequent to the cessation of hostilities.

The accompanying table was taken from statistics issued by the Bureau of Census and Statistics, Department of Commerce and Industry. It shows the amount of our foreign trade. The United States is still our primary source of imports and our best market for our exports and re-exports. Our foreign trade by country and our principal exports and imports for the years 1949 and 1950 are shown by statistics reproduced in the appendix. Of our total foreign trade in 1949, 78.01% thereof was American and 72.85% in 1950. Our imports from the United States comprised 80.78% of our total imports in 1949 and 73.33% in 1950. Our exports to that country were 71.83% of our total exports for 1949 and 72.33% for 1950; and of our total re-export trade of P.21,037,420 in 1949, we re-exported to the United States goods worth P.3,522,046, and in 1950, worth P.2,936,893 out of our total re-exports for said year in the amount of P.8,587,894. Japan comes next in our foreign trade, which is expected to increase in volume as a definite peace treaty is signed. Indonesia and the British East Indies are fast improving their trade with us. It should be noted that there has been a noticeable increase in trade with our Southeast Asian neighbors in 1950, as compared with 1949. China is excepted. The decline in trade for 1950 is due to its fail to the Communists and the consequent prohibition to trade with that country. All in all the entire picture is not bad. Trade with our neighbors may increase given more adequate facilities and some incentives in terms of trade privileges but without rending our revenue safeguards.

FOREIGN TRADE OF THE PHILIPPINES
(1950 Compared with 1949)

	1950 Value (Pesos)	1950 Percent	1949 Value (Pesos)	1949 Percent
Total Trade	1,377,763,798	100.00	1,649,087,912	100.00
Imports	712,359,034	51.70	1,137,387,208	68.97
Exports	665,404,764	48.30	511,700,704	31.03
Trade Balance:				
Unfavorable	46,954,270		625,686,504	

Banking Facilities

We have in this country, particularly in the City of Manila, excellent banking facilities. Big foreign banks with world-wide facilities such as the Bank of America, National City Bank of New York, e c., are doing business in the Philippines. They could provide adequate banking service to the traders in the Zone.

Import and Exchange Controls

Aside from the high protective tariffs we have set up coupled with our stringent customs laws and regulations, restrictions on import and foreign exchange have considerably diminished our international commerce. For the past years since the imposition of the controls, shipping tonnage in the Islands has been on the decline. This is due to the fact that many commercial firms have closed. American goods which, under the agreement between the United States and the Philippines can enter free of duty into the Philippines, are as much actually placed in the same restrictions as those commodities coming from other countries. The effect is naturally a substantial decrease in our foreign trade as the great bulk of it is American. Unless some means are devised to attract foreign traders, there is little chance of developing a profitable foreign trade.

Bonded Warehouses

Bonded warehouses may be public or private. Maximum rates chargeable are fixed by the collector of the port. The rules and regulations governing entry, storage, and disposition of merchandise deposited therein are as complicated and onerous as those governing bonded warehouses found in the United States. A local importer is as much bound to post a bond in double the amount of the duties determined by the collector as an importer in the United States is; and he is as much entitled only to keep his merchandise in the warehouse for a period of two years upon sufficient reasons as a merchant in the United States is entitled for a like period; otherwise, if not withdrawn at the completion of the prescribed period, his merchandise shall be sold at auction by the collector. Duties based upon the weight of merchandise deposited in any public or private bonded warehouse shall be levied and collected upon the weight thereof at the time of its entry into the warehouse. (Article XIII—Warehousing of merchandise. Section 1302 to 1314, Revised Administrative Code of 1917.)

Attitude of the Public

Revival of discussion on the need of a free trade zone was begun by the Manila Lions Club. Prominent men in business and in the government took active interest in the idea. No less a figure than the Secretary of Finance voiced the opinion that its establishment in this country would mean additional revenue coming from tonnage dues as increase in foreign shipping tonnage is expected from pier charges due to discharge of bigger volume of cargo and from arrastre service as the government receives a certain percentage of the gross receipts from the services. Mr. John Arellano, considered one of our leading architects, predicted that if a free zone is established in Manila it could be made the trading and supply center for all products of the East and a warehousing center for world trade.

To certain questions put forth by the writer, through the assistance of the Chamber of Commerce of the Philippines, one member gave an interesting reply:

"Referring to your Circular No. 208 dated Feb. 6 in reference to the subject, we wish to express our opinion that we would be favorably inclined toward the establishment of a Foreign Trade Zone in the Philippines.

"Our reasons for this feeling would be the fact that such a Zone would give additional income to the government and would enable many import concerns to undertake the handling of commodities which they could handle without large investment of capital and at the same time, supply the needs of this country in case a demand arises for the items which are being re-exported.

"We, ourselves, would be intersted in the re-exportation of shell which we would obtain from Austraila and Macassar. Also, we understand there is a possibility of obtaining good quantities of Pearl Shell in Siam.

"There are many advantages in having a free zone for foreign trade established in this country and it would mean greater business and may even have other advantages which would make it attractive for many steamships to call at Manila that would otherwise not do so."

The Manila Junior Chamber of Commerce and the Association of Warehousemen endorsed favorably the establishment of a foreign-trade zone in Manila. These two organizations gave three primary requisites for the institution of a free zone in the Philippines:

(1) The zone must be located at the point where the ships dock.

(2) The zone must be so close to the point of discharge of cargo from ships as to eliminate the problem and cost of transportation into the free zone.

(3) The zone must be started as a very small operation in order to assure its financial possibility and success.

It is heartening to note that unlike the warehouse interests in the United States, the Association of Warehousemen in Manila is committed to the establishment of a zone in Manila. This organization together with the Jaycee has submitted a proposal containing a workable plan of a zone in the Port of Manila.

Arguments for a Free Zone in the Philippines

The following have been listed as the specific advantages that may accrue to the Philippines if a foreign-trade zone is established in the Islands:

(1) It will afford relief to unemployment as more men will be put to work for the zone will become busy as a hive although much of the goods handled therein is not all intended for Philippine consumption.

(2) It is ideal for the importation of commodities that come under quota regulations especially at a time when many Far Eastern countries are limiting their imports as a measure to conserve exchange. If the current quota is used up, it may be stored in the zone until a new quota is opened. The time limit for storage in the zone is unlimited, and importers may remove samples by making an informal entry and paying duty on single units or small lots.

(3) It will make the Philippines the nerve center of the Far Eastern trade. Consequently, more foreign importers and exporters will maintain offices here resulting in additional employment and demand for business spaces.

(4) The foreign-trade zones enable the trader to buy in economical quantities, store at the zone indefinitely, withdraw lots at his convenience, and have time to adjust classification and quotas.

(5) Goods may enter and be re-exported from the zone without customs interference, thus further enhancing the Philippine position in the Far Eastern trade.

(6) Manipulations are allowed resulting in incalculable benefits to trade as well as to the ultimate consumers. For example:

A shipper from China with a shipload of mandarin oranges steers his vessel alongside a free zone's wharf in Manila. The oranges are unloaded and stored in a warehouse. The shipper can leave those oranges in the warehouse as long as he wishes without the customs requirements or paying duties. The shipper has, therefore, to condition his oranges for the market. They are stored, cleaned, bad ones removed, and then repacked. Then the shipper may take them either overseas or to buyers in the Philippines, provided that in case of the latter, he pays the corresponding customs duties on good oranges at the time they are removed into the territory.

(7) Manufacturing and assembly plants might be installed within its confine so that traders could bring in materials for processing, or parts for assembling free of duties, and manufacture goods and assemble parts, including those made in our country of Philippine material, at less cost than those imported as a whole from foreign factories. We would be able to put into our export market a competitive product made of foreign and Philippine materials combined.

An example of manufacturing would be this: An importer brings essential oils and essences — the Philippines providing the alcohol and other local products. In the zone's manufacturing plants, the importer can turn them into liqueurs, tonics, or colognes for transshipment at lower cost of production and, therefore, greater profits. A Filipino businessman actually believed that bags may be

Continued on page 28

From Washington Ahead of the News

By CARLISLE BARGERON

You may expect shortly a leftist propaganda broadside against the Federal Power Commission, hitherto one of the leftists' darlings; one of its key agencies. Indeed, the first barrage has already been fired by three nationally syndicated columnists who might be expected to do just this. But the worst is to come.

Carlisle Bargeron

What has happened is that this regulatory agency, or its majority membership, has decided to be just that, an honest regulatory agency and not the tool of the Public Power crowd headed up by Secretary of the Interior Oscar Chapman, to harass and gradually beat down the efforts of private power companies to survive.

The astonishing change, after 20 years of pure New Dealism, became apparent a few weeks ago when the Commission, by an amazing 4 to 1 vote, refused in the so-called Phillips Petroleum case to take jurisdiction over natural gas at its source. Natural gas has long been regulated by the Commission from the time it enters the pipe lines of interstate commerce until it reaches the distributor in the states, whereupon the state regulatory commissions enter upon the scene.

You may remember that several months ago the multi-millionaire oil man Senator Kerr of Oklahoma, introduced and succeeded in passing a bill through Congress to clarify the existing law to the extent that it was made definte that the Commission couldn't go beyond this and regulate the producer any more than the government can reach in and regulate the food a farmer produces. The bill raised an awful uproar among the lefitists. Their columnists, fed stuff by the members of the Commission, kept up a steady chant that here was a test of Truman's liberalism. The Kerr bill, it was claimed opened up the door for the natural gas people to gouge the American people. It is doubtful if there has ever been more pure, unadulterated bunk.

What was involved was a pure seeking of power on the part of Oscar Chapman and the Public Power crowd. But the propaganda was too much for Truman. Mayors and State officials had come to Washington at the behest of the propaganda to "save" the fuel users of their jurisdictions. Sometimes, when I think of the noble services which such politicians render us, us fuel users, meat eaters, etc., I just get down and pray they will be preserved —in brine.

So Truman came to the rescue of the common people and vetoed the bill and at the same time kicked one of his closest friends, Senator Kerr, in the face. He must have spoken on the side to the Senator who had so handsomely contributed to his 1948 campaign because the Senator never expressed hurt. Indeed, when MacArthur returned and gave Truman hell and all the Democratic Senators and Members of the House sat nervously on their hands, Kerr arose unblushingly and unafraid to the defense of the President.

Now, after Federal Power Commissioners had fed the propaganda to the columnists about the natural gas producers wanting to gouge the consumers and the Kerr bill is vetoed, the Commission turns around and decides it is not for it to take jurisdiction over these producers after all.

The leftist columnists are so flabbergasted they don't know whether to say Truman is glad, because of his friend Kerr, over the outcome, or that the President's "friends" on the Commission have double crossed him. I think the answer lies largely in Commissioner Harrison P. Wimberly, a small-town but successful newspaper publisher in Oklahoma. Since his membership on the Commission, and it means nothing to him as a job, he has been trying to get it out of ideological politics and make it the regulatory agency it is supposed to be. Of the same view, apparently, is the former Chairman, Nelson Lee Smith. Quite important is the seeming conversion of former Senator Wallgren, whose radicalism made such a mark on his Senate colleagues that they wouldn't vote to confirm him for the post of Chairmanship of the National Security Resources Board. It looks as though he has at last grown up. And amazingly enough, Commissioner Draper, hitherto considered a leftist, voted with the majority in the Phillips Petroleum case, leaving only Commissioner Buchanan in the minority. Buchanan is lonesome without his old buddy Leland Olds, who by way of staying on the government payroll, is making water surveys for the President. It is too much to expect the Commission has definitely left the leftists' ranks but the signs are hopeful. In the meantime, you can expect some awful smearing from the leftist propagandists, about the decent members having turned against the common people. As I said, there has already been a lot.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Arthur T. MacDonald has become affiliated with Paine, Webber, Jackson & Curtis, 50 North Garfield Avenue. He was previously with Bateman, Eichler & Co.

Joins Arnold, Cassidy

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lawrence Pleener has become affiliated with Arnold, Cassidy & Company, 448 South Hill Street. Mr. Pleener was previously with Samuel B. Franklin & Co.

What About the FHA?

By MELCHIOR PALYI

Dr. Palyi, in pointing out the rapid growth of consumer and home mortgage credit, holds there is no need for Federal credit agencies. Says FHA carries a risk of more than $14 billion, against which assets are hardly more than $375 million. Warns of further inflationary lending and "guarantees."

It happened in May, 1951, and it should be remembered as a rare celestial phenomenon: that a money-disbursing branch of the government went into liquidation. I mean, of course, the Home Owners' Loan Corporation which has sold its mortgage portfolio of several billions of dollars to private interests and voluntarily closed its own doors. That was the logical thing to do; there is no place in a boom for a government institution, the sole purpose of which was to provide credit for distressed home owners during a severe crisis. That is how depression-born institutions should fold up—if economic logic would prevail.

Dr. Melchior Palyi

It certainly does not, as shown by the case of the Reconstruction Finance Corporation. Why must we have a corruption-riddled RFC when there are ample loanable funds in the banks, insurance companies, etc., and when the capital market is able to absorb huge amounts of corporate bonds and stocks? A storm of indignation about the incredible waste in that favor-dispensing institution could not wipe it off the map.

No Need for Government Mortgage Financing

What, then, about the remaining depression-born public institutions to finance, insure or guarantee dwelling construction? Is there really a need for a Federal National Mortgage Association to provide a multi-billion secondary market for VA guaranteed and other mortgages? And what, especially, about the FHA. Its operations expanded more and more as recovery progressed, reaching an all-time high in the boom year of 1950. The total loss FHA suffered in the course of 16 years amounts to a negligible 0.02% of the estimated $25 billion it has insured, covering a good third of all new housing. It is the world's greatest single insurance business, our FHA, 100% government owned, and it is a profitable one, too, thanks to the ½% it charges as insurance premium. Bureaucracy earning good profits—an exceptional case. But there is more at stake.

In the first place, the apparent profit is no profit at all, and it is very unsound to consider it as such. In fact, FHA carries a risk volume of around $14 billion (VA's additional mortgage commitments amount to about half as much) and has a bare $375 million in accumulated assets to cover it. It operates on a shoestring; an insurance company doing so would lose its license at once. But FHA can do so, relying on the solvency of Uncle Sam, or rather on that innocent bystander, the American taxpayer, who would have to pay if anything goes wrong. In other words, everything is "rosey" as long as we live in an inflationary boom. But what if a depression should occur some day?

Another consideration is more significant. The purpose of the depression-born FHA was threefold: (1) to start frightened capital to move out of its hiding by the offer of Federal guarantee; (2) to promote sound standards of mortgage lending by the rule of repayment in monthly installments; and (3) to provide home builders with that alleged cure-all for economic troubles—with Cheap Money. The objectives have been amply accomplished, and this is not the place for discussing the past. The question is whether mortgage insurance is still necessary or even desirable. If it is, couldn't the financial community take care of it without leaning on Federal crutches? Surely, there should be agreement on one point: that wherever an economic function can be rationally fulfilled by business itself, government subsidies, open and concealed, should be kept out.

Dangerous Increase in Home Mortgaging

Whether or not the mortgage debt structure developed under this protective umbrella is a sound one, will be shown later—when the inflation is over. In the meantime, home mortgages have skyrocketed from $18 billion in 1939 to $38 billion at the beginning of 1950, and probably are over $45 billion at present. This is about 20% of the annual consumer income, roughly the same proportion as in the late 1920s, the aftermath of which still is in our memory. Of course, ratios are not always conclusive, and the sequel need not be the same. But it is good to bear in mind that, contrary to the 1920s, our postwar construction of fantastic dimensions proceeds under ever rising building costs. And it is at least doubtful whether the bureaucratic management of mortgage insurance still serves as a vehicle for rational credit control.

It should be remembered, too, that the short-term consumer debt also has risen to 10% of the national income. In other words, as consumers this nation is in debt to the tune of 30% of its yearly income, and that burden is by no means proportionately distributed among the income earners. Add to it that every one of us has to pledge a good part of his earnings for Federal and local taxes which are a multiple of what they used to be. We are "mortgaging" our future up to the hilt, while the assets we acquire are growing more and more costly.

Lastly, it is questionable whether we should continue the policy of artificial interest rates, which the backing by Uncle Sam's own credit provides, an inflationary policy in the face of so many other inflation hazards under which we labor. To mention one only, and in the real estate field, too: the Treasury has undertaken to guarantee the housing bonds of local authorities; the first batch of $160 million has just appeared on the market.

In short, what we need is a reorganization of the FHA putting it on businesslike foundations which would take the government out of the insurance business, relieve the overloaded taxpayer's future commitment, and at the same time guarantee a more effective method of credit control than we possess today. The problems touched upon call for further elaboration.

Knowing the Stock Market

By W. J. B. SMITH*

Partner, Reynolds & Co., Members of the N. Y. S. E.

Lancaster, Pa., representative of prominent brokerage concern, after outlining functions of stock brokers, mentions opportunities for acquiring stake in American industry.

Some people have an idea there is something mysterious about the brokerage business. There's nothing complicated about buying or selling stocks or bonds. It is as easy as making a phone call. As a matter of fact, that's the way most of our customers handle their business with us—by phone.

W. J. B. Smith

A broker, like a banker, sells a financial service. Also, like the banker, the broker will often give advice if asked. But that is not his real business. His real business is simply to provide the machinery for converting cash into securities, and vice versa.

What can you expect a broker to do for you? Even if you have a relatively small amount to invest, you can expect the average broker to:

(1) Treat you courteously.

Spend 15 to 20 minutes of his time helping you clarify your thinking on whether you want to invest primarily for income, safety or capital growth. (You can't do all three at once.)

(2) Suggest half a dozen stocks or bonds that he thinks will most likely serve your purpose.

(3) Make for you whatever purchase or sale you decide on at the standard commission rate.

You should not expect any broker to:

(4) Help you decide whether or not you should invest at all. You should make that decision before you go in.

(5) Tell you whether the market is going to go up or down. No one knows, not even the broker.

Opportunities to Have a Stake in American Industry

There are some 15,000,000 stockholders who are the real owners of great companies like American Telephone, General Motors, Standard Oil of New Jersey—and let's take a look at things locally! I don't know how many stockholders the wonderful Armstrong Cork has, but show me a better managed or more progressive organization. And where did the money come from to build up this fine business? From you, the public, the stockholders, and the able management by retaining a portion of the company's earnings. The company has done mighty well by the stockholders, too. The stock sold at 39⅝ at one time in 1950, as low as 46½ in 1951. It has sold as high as 59¼ in 1951. The company paid $3.75 per share dividend in 1950. Had one bought the stock, say at 47, during 1950, he would have earned 8% on his money. In these days of finding a way to make your dollars earn more, to take care of the increased cost of being alive, here's one solution right under our noses! Do you remember Russell Conwell's book, "Acres of Diamonds"?

Did I say Acres of Diamonds? Ever hear of the Hamilton Watch Company? Finest watch in the world—a grand organization—and a fine stock. Sells for $14 a share. Dividend of $1 per share plus 15 cents extra in 1950—another 8% income. Think that one over, too.

Raybestos - Manhattan. Over 1,000 different products. Old, well-established company. Book value $49.02 per share. Sells for $38 a share. Has already paid $2.50 per share in dividends so far in 1951. Probably a total of $3.50 for the year. That's 9%, brother.

You can buy Pennsylvania Power and Light stock for $27 per share, receive $1.60 per year dividend—that's a 6% return. Here's a good way to make the company help pay your electric bills.

And I do like Radio Corporation of America, too. What a future in electronics and television! Sells for $20, paid $1.50 per share in 1950 and could pay more. Stock has splendid possibilities for appreciation.

And take a good look at our local bank stocks. They are all fine investments. You should be a stockholder of your own bank where you do business. That will bring you closer to your bank and its management and give you part ownership in something quite worthwhile.

Throw in the waste-basket that glowing literature you all get from the high-pressure Canadian "gyps" and look around the old home town. And watch out for the long-distance boilermaker telephone calls letting you in on the "ground floor." They're fakes.

We should all have adequate life insurance (on ourselves), a savings account, government bonds. If you are fortunate enough to have anything left, invest it wisely and make it earn money for you.

A Program for Individual Investment

I should like to say a few words about the advisability of starting a program of security purchases as soon as possible. The first 25 years of a person's life usually consists of growing up and obtaining an education; the next 35 to 40 years is the period of productivity. It is during this period that most accumulating must be done so that as 60 or 65 looms on the horizon, you may begin to take it a little easier and enjoy some of those things that you have looked forward to and planned for during your busy active years. Here's what I told the ladies at our Women's Course:

From 20 to 30, all a girl needs is good looks.

From 30 to 40, she needs Charm.

From 40 to 50, she needs Personality.

But over 50, she needs CASH.

If you have funds invested in securities which are bringing you in an income, you will have much more freedom and happiness. You will have removed some of the causes of worry, and they say worry kills more men than bullets do. In starting this program of investing, time is the most important factor. The sooner it starts, the easier it is and the bigger it grows. You may say, "Yes, but times are uncertain today." But when has that not been true? You have undoubtedly heard excerpts from great men of the past lamenting that the world has gone to the dogs and that there is no hope for anything. But it has continued to go right ahead. Sure we have had inflation, and we are now in the midst of it, but the depreciation of the purchasing power of the dollar has increased the desirability of owning sound common stocks, and the sooner one starts a program of investing, the easier and larger the savings become. You would be surprised how surplus funds and dividends reinvested continue to grow and grow. Compounding is a great growth factor. Supposing at the age of 65 you would like to have $50,000, and who wouldn't? If you had started saving $298 a year at the age of 20, and this money was compounded at 5%, when you reach 65 you would have that $50,000. If you waited until you were 30, you would have to save $735 per year to achieve the same goal. It is the continued and persistent investment of small amounts of money and the reinvestment of the income which builds up over a period of years. Idle money over and above a small reserve is a waste, for it is a loss of earning power. $10,000 left idle is a loss of $1.37 per day at 5%. Dollars can do much or they can do little, but invested dollars work 24 hours a day for you.

The rise in our standard of living has been made possible by those who put their dollars to work through investment. America has always gone forward. Over the last 34 years there have occurred two world wars and one in which we are now engaged. There have been periods of inflation and deflation, but in spite of all this, people who have invested regularly in the products of American industry which today are represented by sound common stocks have built for themselves a nest egg and a shield to hard times. It is up to you as individuals to make your start on an investment program, and the sooner one begins the easier it is.

The stock market today is for investors—there are no more 1929s—you can't buy on margin today without putting up 75%. No more selling short at less than the last price—SEC and other regulations give you plenty of protection. Beware of tips and strangers. Consult your banker or a reputable broker. If you buy intrinsic value—if you buy for investment and good dividends—don't fuss about the daily fluctuations of the stock market. Today there's more value for your dollar in the stock market than ever before.

I will conclude my talk with some Drew Pearson predictions. Please don't mark them down, for I value my Rotary membership most highly and don't want to lose it:

Business will be good for the remainder of 1951.

Earnings will be almost as good as 1950, in spite of higher taxes.

Dividends will continue very attractive.

And, finally, I will definitely predict that the stock market will—fluctuate.

*From a talk by Mr. Smith before the Lancaster, Pa., Rotary Club, Lancaster, Pa., July 18, 1951.

Dealer-Broker Investment Recommendations and Literature

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

Appreciation Possibilities—List of 30 securities which appear to hold greatest appreciation possibilities—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Common Stock Investments—Booklet on 161 leading issues, discussing 21 industrial groups as to outlook and prospects and including an up-to-date constructive suggested investment policy—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Equipment Trust Certificates—Semi-annual appraisal—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa. Also available is a semi-annual appraisal of **City of Philadelphia Bonds.**

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.

The Griffith Letter—Investment and business commentary—$100 per year—B. Barret Griffith and Company, Inc., Colorado Springs, Colo.

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

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.

Office Equipment Industry—Analysis—Goodbody & Co., 115 Broadway, New York 6, 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.

Pacific Northwest Industries—Survey—Seattle-First National Bank, Second Avenue and Columbia Street, Seattle 4, Wash.

Planning for Profits in the Stock Market plus five weeks of complete Investors Research Service—$1.00 on special offer expiring Sept. 1, 1951—ask for Report No. C-63—Investors Research Company, Santa Barbara, Calif.

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

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Anaconda Copper Mining Co.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Atlas Plywood Corp.—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Atlantic Coast Line Railroad Company—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin on **Northern Pacific Railway Company** and a **Railroad Bond** Exchange suggestion.

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

Best's Digest of Insurance Stocks—Through a special arrangemen the 1951 edition, which sells for $10.09 per copy, can be obtained through Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y., for $8.09; a special price for a "bulk" order—

Continued on page 34

Dreyfus Co. Opens Newly Decorated Brokerage Office

Dreyfus & Co., members of the New York Stock Exchange, have formally opened their newly decorated glass and walnut modern offices on the second floor at 50 Broadway, New York City. The interior design, done by Maria Bergson, whose clients include Time, Inc., Container Corp., and Parker Pen Co., was planned to give surroundings that are both dignified and comfortable, provide a scientifically functional working area, and offer a cheerful, friendly atmosphere for the firm and its customers.

Jack J. Dreyfus, Jr.

Designed with the board room as the focal point, the overall plan of the offices was blue-printed only after considerable research on the amount and flow of traffic in a brokerage firm. The set-up now represents the most direct circulation and access to those departments whose work relate to one another with conflicting relationships cut to the minimum.

Color has been used extensively and a special study was made of the lighting.

Willard T. Grimm Forms Own Firm

CHICAGO, Ill. — Willard T. Grimm, a general partner of Kidder, Peabody & Co., has withdrawn from that firm effective July 31 and formed his own company, W. T. Grimm & Co., 231 South La Salle St., Chicago. The new company will conduct a general securities business and specialize in private placement loans, mergers, sale of companies and similar special financial transactions.

Willard T. Grimm

Mr. Grimm opened the Chicago office of Kidder, Peabody in 1937 and served as its manager until he became a general partner in the firm. He was graduated in 1924 from Northwestern University's School of Commerce and shortly thereafter became associated with the First Boston Corporation. He subsequently served in the latter's Chicago, St. Louis and St. Paul-Minneapolis offices until he joined Kidder, Peabody.

Mr. Grimm was one of the first investment bankers in the middlewest to specialize in the development of private placement business. He is a former member of the Executive Committee of the Central Status Group of the Investment Bankers Association, and is a director of Roberts Dairy Company, Omaha, and Chefford Master Manufacturing Co., Fairfield, Ill.

British Price Trends Still Upward

By PAUL EINZIG

Commenting on recent lull in British buying spree, Dr. Einzig contends, assuming rearmament must continue, sellers' market will again gain upper hand and stocks of goods available for consumers are likely to decline. Looks for decline in British gold reserve, due to deterioration in balance of payments.

LONDON, Eng.—For the first time since the war experts are unable to make up their mind whether there is a sellers' market or a buyers' market. There was very little room for any doubt until recently. Ever since the beginning of the Korean conflict prices have been soaring, and supplies in many lines were either becoming short or were expected to become short in the near future. The public was buying in anticipation of future requirements and "intermediate stocks" of wholesalers and retailers were also increasing as far as this was possible.

Dr. Paul Einzig

During recent weeks, however, retailers reported distinct slackening of consumers' demand in many lines. The prospects of peace in the Far East gave rise to doubt about the likelihood of further price increases, and most people are inclined to abstain from covering future requirements until they can see which way the situation will develop. Even purchases for current requirements show signs of declining, partly because many people have covered their requirements in advance and partly because the purchasing power of many consumers has not kept pace with the sharp rise in prices.

The strong demand for certain lines of goods continues unabated owing to fears that, as a result of raw material shortages, they might become unobtainable. On the other hand, retailers find it increasingly difficult to sell their supplies of other categories, and are now even inclined to grant price reductions. Unfortunately this tendency is largely confined to luxuries and semi-luxuries. As far as primary and even secondary necessities are concerned the trend of prices remains upward, which means that the cost of living continues to increase.

There is a great deal of dis-saving going on, which accounts for the demand for necessities in spite of the reduction of consumers' purchasing power through the rise in prices. Week after week the amount of withdrawals of small savings exceeds that of new saving. This tendency is likely to become accentuated during the August-September holiday season. At the same time the inflationary trend receives reinforcement through the increase of bank advances and deposits. The authorities are doing their best to discourage the granting of consumer credits. But even if the additional credits are granted to producers the increased volume of money soon reaches the consumers in the form of additional wages, salaries or other earnings.

Nevertheless, many consumers are inclined to play for safety. While a few months ago merchants were able to sell almost anything they happened to stock, during recent weeks consumers' demand has tended to become more selective. It seems that buyers' market and sellers' market are running concurrently in different branches of trade.

Assuming that rearmament must continue there can be no doubt that in the long run the sellers' market will gain the upper hand. Even though large orders have been placed for rearmament requirements the actual extent to which productive capacity has been diverted from civilian to military purposes is relatively moderate. Within a few months the production of civilian goods is bound to be cut. At the same time rearmament is bound to add to the inflationary buying pressure. The combined effect of these two factors will be the strengthening of the sellers' market. Conceivably it will remain selective to some extent. Owing to the effect of rising prices on consumers' purchasing power and the uncertainty of the outlook, many consumers will remain reluctant to resume the purchase of luxuries. At the same time the supplies of luxuries will also fall, owing to the diversion of productive capacity to rearmament and to the production of goods for exports and of necessities. The supply of scarce materials will have to be used for approved purposes. The radio industry, for instance, will be fully occupied by the execution of rearmament orders, so that the stream of supply of radio and television sets is expected to dry up. Thus, in spite of a decline in demand, the stocks available for consumers are likely to decline.

The Government will intensify its efforts to induce manufacturers to produce for export rather than for the domestic market. The sudden deterioration of the balance of payment has come as a shock, and there is much less complacency than there has been of late. It may be considered certain that the amount of the gold reserve will decline during the third quarter of this year. If so, it will make it easier for the Treasury to resist pressure in favour of additional expenditure, and also to resist pressure to authorize dollars and other hard currencies for the import of luxuries or secondary necessities. Another period of austerity is likely to begin. Civilian consumption will be curtailed somehow, whether through allowing prices to rise without corresponding increases of wages or through allowing supplies to run down. Should the latter alternative materialise the sellers' market would continue in spite of any curtailment of purchasing power that the Government may achieve.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Annual Spring Outing of the Security Traders Association of Los Angeles held at Lake Arrowhead June 22, 23 and 24 was another huge success according to all reports.

Sixty-eight members and guests attended the three-day affair at one of the most beautiful spots in America. Among those from out of town was Jimmy Jacques of First Southwest Co., in Dallas, and a contingent from San Francisco including Charles Harkins and Walt Vicino of Blyth & Co., Jack Quinn of Stone & Youngberg, Jack Sullivan of First California Co., Earl Thomas of Dean Witter & Co. and Frank White of National Quotation Bureau.

N. B. VanArsdale of Blyth & Co., Roy Warnes of Shearson Hammill & Co., and Harold Frankel of Fairman & Co. did a fine job on arrangements. President Bob Diehl of Paine, Webber, Jackson & Curtis, on behalf of the Association proudly refers to a letter from the management of the famous Arrowhead resort which stated that in their many years of Alberts Hotel operation, the L. A. Traders is the best regarded guest group by the entire staff from manager to bus boy and was rated top priority at all times.

Dickover Appointed By San Francisco Analysts

SAN FRANCISCO, Calif.—Stanley R. Dickover, partner of Elworthy & Co., and a member of the Listing Committee of the San Francisco Stock Exchange, has been appointed to the Board of Governors of the Security Analysts of San Francisco to fill the unexpired term of Carl Rasmussen, it was announced by John R. Beckett, President of the Society.

Mr. Beckett also announced the admission of the following new members:

Admitted to Regular Membership—David S. Tucker, McAndrew & Co., Inc.

Admitted to Associated Membership — W. L. Andrews, Vice President & Treasurer Transamerica Corporation; James Kennedy, McKinsey & Co.

Joins King Merritt Staff

BENICIA, Calif. — Stanley C. Marshall is with King Merritt & Co.

Joins First Cleveland

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robert L. Boone, Jr. is now connected with The First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange.

E. B. Randolph Opens

Edward B. Randolph is engaging in a securities business from offices at 60 East 78th Street, New York City. He was formerly with Fahnestock & Co., Zuckerman, Smith & Co. and Jacquin, Bliss & Co.

Shelby Cullom Davis Brch.

PLANT CITY, Fla. — Shelby Cullom Davis & Co., members of the New York Stock Exchange, have opened a branch office in Plant City. Associated with the new office is Mrs. Ruth M. Fielding.

Pennsylvania Brevities

HARRISBURG—With the signing of the Kephart bill by Governor Fine on July 18, the Delaware River Port Authority became a reality. Governor Driscoll of New Jersey had previously signed a companion measure.

The legislation empowers the Authority to construct new bridges or tunnels between the two states south of the Bucks County (Penna.) line, to develop freight and passenger traffic in the port and to assume jurisdiction of a high-speed transit line to be built within a 35-mile radius of Camden in South Jersey.

Increased powers of the Authority to develop and improve port facilities extend to Philadelphia and Delaware counties in Pennsylvania and to Camden, Burlington, Atlantic, Cape May, Cumberland, Gloucester, Ocean and Salem counties in New Jersey.

The Port Authority supersedes the Delaware River Joint Commission which has formerly operated the Philadelphia-Camden Bridge.

* * *

Pittsburgh Preens

In possible rebuttal to extensive current publicity accorded the Philadelphia metropolitan area as becoming a new center for the production of steel, the Mellon National Bank of Pittsburgh reminds industry not to overlook its home city's many advantages.

The bank points out that the annual value of Pittsburgh's manufactured products exceeds that of each of 37 states.

Within the Pittsburgh metropolitan area are 2,228 manufacturing plants producing more than 6,500 products ranging from glass eyes to giant turbines and rolling mills. It has great diversification within the metals field, producing over 68 different types of metal products.

Pittsburgh is the home of the world's largest manufacturers of aluminum, steel, air brakes, plate and window glass, plumbing fixtures, tinplate, tube and pipe, rolling mill machinery and home of the second largest electrical equipment company. The city's special advantages include ready accessibility to markets and raw materials, and specialized labor skills.

In a recent report to the Board of Allegheny County Commissioners, Thomas C. Wurts, manager of the Bureau of Smoke Control, lauds steps taken by steel, coal, railroads and other industries in abating conditions that, for many years, besmirched the community with the sooty sobriquet, the "Smoky City."

The report specifically cites remedial measures taken by U. S. Steel Co., National Tube Co., Pittsburgh Coke & Chemical Co., Jones & Laughlin Steel Corp., Pittsburgh Consolidation Coal Co., Universal Atlas Cement Co., South Pittsburgh Water Co. and 10 railroads operating in Allegheny County.

* * *

Please Pass the Pipe

Four associations of regional oil producers have submitted information to the Petroleum Administration for Defense in Washington setting forth the industry's requirements for steel pipe to be used in drilling the 2,630 new wells needed to assure area refineries a sufficient supply of crude this year.

Production of Pennsylvania grade crude oil now averages about 51,000 barrels daily. Oil men believe the drilling rate should be stepped up 21% over the 1950 rate. It is suggested that one to two tons of steel could be saved on each new well drilled in the Bradford-Allegheny area if adequate supplies of the newer light-weight casing and tubing would be made available.

* * *

Zippers Up!

Although provision for Federal and State income taxes rose from $704,739 in the first six months of 1950 to $4,055,404 for the comparable 1951 period, Talon, Inc., Meadville, Penna., the world's largest manufacturer of slide fasteners, reports net income equal to $2.26 per common share for the current half-year. This compares with earnings of $1.00 per share for the first-half of 1950. In the same period, total income increased from $1,882,673 to $6,665,759. Dividend of $417,617 from Lightning Fastener Co., Ltd., a Canadian subsidiary, is included.

* * *

P. E.'s Giant Turbine

Philadelphia Electric Co. has announced that the largest turbine generator in the world, weighing 1,500,000 pounds and consuming its own weight in steam every hour, has been ordered from the Westinghouse Electric Corp. for installation in its new Cromby generating station near Phoenixville, Penna.

The generator will have a capacity of 200,000 kilowatts and will bring total plant capacity to 350,000 kw. The Cromby plant, representing an investment of about $45 million, is scheduled for completion in 1954.

* * *

Autocar Gets $(?) Order

The Autocar Co. of Ardmore, Penna., has received a government contract for an "X" number of its standard heavy-duty 10-ton chassis. Production on the new contract will start "shortly" and be completed "subsequently." The value of the order is not disclosed. However, Edward F. Coogan, President of Autocar, and Col. William K. Ghormley, Deputy Chief of the Philadelphia Ordnance District, cautiously admit it to be "multi-million." It is less reticently reported that the work will not require retooling.

* * *

Penna. Water & Power Co.

Stockholders of Pennsylvania Water & Power Co. have approved two amendments to the corporation's charter designed to facilitate carrying out a $25 million expansion program. The proposed additions to property include a new 66,000 volt substation at Holtwood, Penna., a 66,000-kw. generating station at the same locality and a 32-mile 230,000 volt transmission line between Safe Harbor and Hummelstown, Penna.

The corporate amendments provide greater flexibility in fixing the dividend rate and redemption value of 78,000 shares of preferred stock, presently authorized but unissued, and withdraws from common stockholders any preemptive rights in respect to preferred shares issued in the future.

* * *

Penna. Power & Light Co.

For the 12 months ended June 30, 1951, Pennsylvania Power & Light Co. reports earnings of $2.37 per common share on 3,794,954 shares otustanding. This compares with $2.55 earned on 3,326,197 shares a year ago.

* * *

For Whom the Bell Tolls

In 1949, the Pennsylvania Public Utility Commission approved an $18,000,000-a-year rate increase for the Bell Telephone Co. of Pennsylvania. The Superior Court has now ordered a re-examination of conditions and circumstances under which the increase was granted, the holding of new hearings and the development of data which may result in a downward revision of rates now in effect. It appears doubtful that any refund will be involved.

The ruling was handed down as the result of a joint appeal made by the CIO Industrial Union Council and the City of Pittsburgh. The appellants argued that present rates are excessive in view of a report that the company made a 12% profit in 1950. Judge John C. Arnold, who wrote the opinion, said "The Commission's approval of the tariffs was in the nature of a prophecy and experience may now be substituted therefor and a determination made whether they have produced a dollar return above that allowed by the Commission."

The company has stated that appellants' figures were taken from a statement prepared for stockholders which did not include additional information necessary in a rate hearing.

* * *

For nine months ended June 30, American Pulley Co. reports common stock earnings of over $2 per share, compared with $1.30 in the same period a year ago. Shipments have increased about 80%.

* * *

Lukens Steel Co.

Sales and earnings of Lukens Steel Co. rose sharply in the nine months ended July 7, with net income equivalent to $10.66 per share, compared with $2.33 in the year ago period. Net sales increased to $54,160,808 from $32,320,697.

The company's patent infringement action against the American Locomotive Co. of Schenectady, involving rights to a special design for the frame of diesel locomotives, has been dismissed in Federal District Court.

* * *

Roberts & Mander Corp.

Judge Thomas J. Clary, U. S. District Court for Eastern Pennsylvania, has taken under advisement the petition of Charles A. Devlin, Charles C. James and Elmer M. Atkinson, receivers for Roberts & Mander Corp., for permission to sell the company's assets at public sale.

* * *

Robertshaw Fulton Controls Co., Greensburg, Penna., reports a backlog of approximately $20 million, as of June 30.

* * *

Philadelphia Company has asked the SEC for permission to pay off $1,500,000 of its $17,500,000 bank notes and to renew the $16,000,000 balance for one year. In addition, company said it would pay off another $1,500,000 by Dec. 31, this year. Philadelphia Company, together with its parent company, Standard Gas & Elec. Co., is in process of dissolution.

* * *

The six weeks' strike of Publicker Industries, Inc., workers was settled July 27. Wage increases of 12½ cents an hour plus fringe benefits of 1½ cents hourly were granted.

* * *

Philadelphia Suburban Transportation Co. and its wholly-owned subsidiary, Philadelphia & Western Railroad, have filed a schedule of fare increases with the Pennsylvania Public Utility Commission to become effective Aug. 16 unless deferred. The new rates would increase the cash fare from 12 cents to 15 cents per single-zone ride. The system serves the suburban area west of Philadelphia, connecting with the facilities of Philadelphia Transportation Co. at City Line.

* * *

United Gas Improvement Co.

As a result of voluntary exchanges for portfolio securities, outstanding shares of United Gas Improvement Co. have been reduced from 1,566,371 to 1,236,035. Ninety-one percent of the maximum number of shares exchangeable under the plan were tendered.

E. M. Schlaikjer Opens

NEWCASTLE, Wyo.—Erich M. Schlaikjer is engaging in a securities business from offices in the Hotel Berry.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Florence B. Watson is now connected with Waddell & Reed, Inc.

With Hay, Fales

Hay, Fales & Co., 71 Broadway, New York City, members of the New York Stock Exchange, announce that Derek H. T. Wang has become associated with the firm.

Thomas Euper With Dempsey-Tegeler Co.

Thomas J. Euper

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas J. Euper has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Euper was formerly Vice-President of Edgerton, Wykoff & Co.

Also associated with Dempsey-Tegeler & Co. is Kenneth R. Cutler, who was previously with William R. Staats Co.

Carl Apponyi With Holton, Hull & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Carl E. Apponyi has become associated with Holton, Hull & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was formerly with Douglass & Co. and prior thereto was Los Angeles manager for Blair & Co.

Caswell Personnel With Shillinglaw Co.

CHICAGO, Ill.—Percy A. Caswell announced the discontinuance of the securities business of Caswell & Co., effective Aug. 1, and the association of the firm's personnel with Shillinglaw, Bolger & Co., 120 South La Salle Street, John F. Bolger, President of Shillinglaw, Bolger, said the Caswell men joining his organization include Mr. Caswell, Benjamin M. Berman, Albert E. Farndall, Elmer W. Hammell and Alger L. Klein.

Nathan Greenhouse Has Joined Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Nathan Z. Greenhouse has become associated with Goodbody & Co., Penobscot Building. He was formerly with H. Hentz & Co. and prior thereto was an officer of Charles E. Bailey & Co.

Public Utility Securities

By OWEN ELY

Holding Company Securities—Part I

One by one, the utility holding companies are dropping out of the one-time lengthy list of "special situations." Thus **Central States Electric**, and its affiliates Blue Ridge and American Cities Power & Light, have now been pretty well cleared up, Central States being converted recently into an open-end trust. It is true, however, that the "stubs" for the old senior preferred stock still reflect a "special situation," since their value depends principally on the final decision (or possible compromise) in the so-called Harrison Williams litigation. The usual vast amount of testimony has been taken in the hearings, numerous briefs were filed, and the Federal Judge's decision will probably be forthcoming after the usual waiting period—to be followed by the usual appeals, etc. With the substantial amount at stake, including interest on claims (the total may range between $5 million and $100 million) there is plenty of scope for the analysts' imagination.

United Corp., with the recent completion of its exchange offer of Niagara Mohawk Power for its own stock, will emerge from the utility holding company class after it completes sale in the open market of its holdings of Columbia Gas and Niagara Mohawk Power in excess of 5% of the outstanding amounts, and also effects the sale of its substantial interest in South Jersey Gas, acquired in the breakup of Public Service Corp. of New Jersey. Most of the holdings of United Gas Improvement were recently converted into small percentage holdings of Philadelphia Electric and Consumers Power. After its release from SEC jurisdiction under the Holding Company Act, the company will assume the status of a managed investment trust, gradually diverting its funds into general market securities or "special situations." Only about 3% of the common stock was turned in in the recent exchange offer, attesting stockholders' confidence in President Hickey's management.

The stock is doubtless of special interest to many holders because of the so-called "tax-free" dividend payments. The company bought its original portfolio in the 1929 heydeys, when utility stocks were selling at fabulous prices, and it retains huge paper losses on its tax books. If these can be realized through security sales properly spread over a long period of years and assuming that the price level of utility stocks remains at current levels during that period, the resulting offsets to income would permit continuance of present dividend payments on a "tax-free" basis for some 30 years. In other words, such dividends would be considered a "return of capital" and would be used to mark down the original price cost on the taxpayers' books—so that when cost is fully written off, he would have to pay capital gain taxes (long-term) on the dividends. While it is improbable that "tax-free" dividend payments could be maintained as long as 30 years, or that the average stockholder could benefit throughout the whole period, nevertheless during the years of high taxes this factor is of considerable interest to those in high tax brackets. This fact doubtless explains the relatively low yield of the stock—about 4½% based on the 20-cent dividend. The market price moderately exceeds current breakup value.

Another stock which has attracted the interest of substantial individual taxpayers is Electric Bond and Share. Here the picture is somewhat more involved, but because of book losses on its big holdings in American & Foreign Power it is estimated that an annual $1 dividend rate could probably also be maintained on a "tax-free" basis for perhaps 30 years.

Electric Bond and Share, like United Corp., is not a "breakup" holding company. The management is desirous of retaining a four-way portfolio program—(1) the investment in United Gas Corp. (which the SEC and/or a Federal Court might eventually force the company to eliminate); (2) a controlling interest in American & Foreign Power, whose recap plan is now before the SEC; (3) full ownership of Ebasco Services, Inc., a large and increasingly diversified service organization; and (4) a "pool of capital" estimated at around $25 million, to be realized from the sale of miscellaneous utility holdings.

The breakup value of EBS is not of great significance if the company is allowed to retain all its present holdings, but will prove of interest if the company is forced to distribute United Gas, which would cut the market price of EBS roughly in half. It is impossible to make any very accurate breakup estimate, because this involves various assumptions regarding the recapitalization of Foreign Power, the market price of the new common stock of that company, and the potential price of Ebasco if some of that stock were placed on the market. Some recent estimates of the breakup value have been as high as 28½ as compared with the recent market price, around 23.

Some analysts estimate that, if Electric Bond & Share is permitted to retain United Gas and if American & Foreign Power is successfully reorganized, EBS could eventually pay annual "tax-free" dividends of $1.50 per share. If at that time it sold on a 4½% yield basis (as United Corp. is now selling) the indicated price would be 33.

Military Spending—A Leverage For Consumer Buying

By WILLIAM WITHERSPOON

Statistical and Research Department, Newhard, Cook & Co., Members, New York Stock Exchange

Market analyst points out contemplated heavy military expenditures acts as a lever upon our economy and guarantees prosperity as measured by dollar volume while it lasts. Says military spending exerts greater inflationary pressure than capital formation.

President Truman said that military spending must be approximately doubled during the next year. This was the keynote of his mid-year economic message and it sets the stage for our economy during the Presidential election year of 1952. It not only keynotes the economy for next year, it literally guarantees prosperity as measured by the dollar volume of business.

William Witherspoon

This proposal is politically expedient because, like the capital expenditures it acts as a lever upon our economy. This leverage factor is vested in the fact that labor is consumed and persons receive pay for the manufacture of goods which he or she as an individual cannot buy. That is to say, personal income will advance during this program of military expansion which in turn will create a growing demand for consumers' goods. In this way government spending and capital formation exert fundamentally the same influence upon our economy as a whole.

Military spending at the present time, although large, is not as great as in the peak years of World War II when a much larger portion of manufacturing capacity had to be shifted to military output. Furthermore, since that time the overall manufacturing capacity of this nation has been expanding very greatly. Hence, we can now have "guns and butter" at the same time, as the President pointed out in his economic message.

It is the size of our economy and its dual role of supplying the military and consumer segments that makes the administration policy politically expedient at the present time. If our economy were not as large as it is, so that the manufacture of materiel cut deep inroads into consumer output, we would not observe such a keen political desire to expand the production of guns at the expense of butter.

If the armament program of the government were not in its expanding stage we would probably even now be experiencing a rather vigorous rolling adjustment similar to and possibly of even greater magnitude than that experienced in 1949. Indeed, we have only to look at the textile industry, which is temporarily undergoing the rigors of the cyclical downturn, to be convinced that without the capital expenditure of industry (motivated chiefly by military requirements) and direct government spending we would see the entire economy taking a hitch in its belt.

Economists across the nation do not appear to be particularly worried about the outlook for business; even the Council of Economic Advisors has some good things to say for the health of business. Most of the opinions are, of course, subject to modification as based upon intervening developments; taxation, for example, is looked upon by many to have a debilitating effect. However, even here the outlook is not bleak, but its discussion would depart from the theme of this article.

From the inflationary point of view, military spending has more leverage than capital formation. The latter expands the productive capacity of our nation, while the former merely enlarges purchasing power without the expansion of capacity. This reasoning, of course, disregards plant expansion which may be government financed either directly, or indirectly through accelerated amortization under certificates of necessity, but government expenditures for those purposes are relatively small. The bulk of military spending is for arms or personnel and this, in turn, does not increase productive capacity, especially for consumers' items. Hence, purchasing power in this process is substantially expanded without the corollary expansion in consumer goods.

In magnitude, military spending will be greater than normal capital formation and therefore will exert a greater influence upon our economy. President Truman estimated that the cost of the United States defense program, now running at an annual rate of $35 billion, will increase to more than $50 billion by the end of 1951, and to nearly $65 billion by mid-1952. Compare this with the annual rate of $51.1 billion, being the total of new construction ($23.5 billion) and producers durable equipment ($27.6 billion) during the active first quarter of 1951. The size of military expenditure may, of course, be pared by Congress in the event of "peace" in Korea, but the repeated pronouncement from Washington is that defense spending will not be shrunken. It is upon this postulate that the CEA has issued its rather optimistic report.

Whether taxes are raised or money is borrowed, the spending of government funds for military purposes will bolster our overall economy—it will even act as a bellows upon a bright fire—to the extent that the 1952 Presidential campaign can be waged in an atmosphere of business prosperity. With this in prospect, we can then be sure that both the Administration and the Congress will act to flame the embers of economic prosperity. In fact, there is very little either can do to restrain the further expansion of our economy under present circumstances.

California Tungsten Stock Offered

Tellier & Co., is offering as a speculation 1,999,000 shares of California Tungsten Corporation common stock at a price of 15 cents per share.

Proceeds of the offering will be used by the company for the building and equipping of camp facilities, for the purchase of mining and transportation equipment and for working capital.

Chase & Briggs Formed

(Special to The Financial Chronicle)

ELYRIA, Ohio—Leon H. Chase and Russell A. Briggs have formed a partnership with offices at 45-47 East Avenue to engage in the securities business.

With State Bond & Mtg.

(Special to The Financial Chronicle)

NEW ULM, Minn. — Robert C. Christensen has joined the staff of State Bond & Mortgage Co., 26½ North Minnesota Street.

With Waddell & Reed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Emily K. Yeats has joined the staff of Waddell & Reed, Inc. of Kansas City.

Joins Looper & Co.

(Special to The Financial Chronicle)

JOPLIN, Mo.—William B. Board has become associated with Looper & Co., Joplin National Bank Building.

With Burke & MacDonald

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Homer M. Shelden has become connected with Burke & MacDonald, 17 East 10th Street.

Are Stock Prices Forming an Important Top?

By NICHOLAS MOLODOVSKY
White, Weld & Co.,
Members, New York Stock Exchange

Contending current widely used stock market averages do not reflect true picture of the general market, because they comprise only leading issues, Mr. Molodovsky constructs an indicator consisting of the ratio of an index of secondary stocks to an index of leading stocks. Contends during periods of important turning areas from a bull to a bear market, such index is useful in indicating withdrawal of effective buying demand. Presents charts to indicate effective demand for stocks has been declining, working against a rise.

Stock market levels, and changes in market trends, are measured by indexes or averages. Among them, the Dow-Jones averages are the most widely used. All such averages have one fault in common. They show in reality the price fluctuations of only a few leading stocks and not the true picture of the general market.

Nicholas Molodovsky

There are 1050 common stocks listed on the New York Stock Exchange; about 650 common stocks are traded on the New York Curb Exchange; and almost countless thousands of issues are traded Over-the-Counter and on the provincial exchanges. The Dow-Jones Industrial Average, on the other hand, comprises 30 leading issues only. It represents a small minority compared to the great mass of the secondary issues.

There exist statistical ways by which it is possible to measure that part of the effective demand in the market which is not represented by the averages. One of such methods consists in comparing the relative action of secondary stocks to that of the leading stocks. Such an index would consist of the ratio of an index of secondary stocks to an index of leading stocks.

The functioning of such an index is based on the simple economic truth that, in periods of business improvement, weaker companies improve relatively more than the stronger companies. Conversely, in periods of deterioration of business, the weaker companies begin to suffer sooner and continue to suffer more than the well established companies. These conditions of relative improvement or deterioration are reflected in changes in the demand for the stocks of these secondary companies. And this, in turn, brings about rises or declines in our index.

For this reason, an index of relative demand for secondary and leading stocks, such as above described, can show what is happening in the general market behind the superficial facade of the averages. During periods of important turning areas from a bull market to a bear market such an index can render useful service by detecting the withdrawal of effective demand in the general market and the resulting formation of an air pocket beneath the trend. The market then falls of its own weight into the vacuum so created as soon as there is a halt in the buying of the leading stocks. It then becomes apparent that the strength of these stocks had given a false impression of solidity to a market whose heart has been in fact already eaten away.

The accompanying charts illustrate the action of an index of effective demand at the time of the formation of the two most important market tops of the recent past—those of 1937 and 1946. Each of them was followed by an extremely drastic fall of stock prices. One of these charts shows also the action of such an index since the beginning of the current year.

It will be observed that while the charts illustrating the years 1937 and 1946 are complete, that is, embody the entire 12 months, the chart picturing the 1951 market stops with the last full week of July. This affords an interesting comparison of the type used in "BEFORE" and "AFTER" advertising. By covering the sections extending beyond the month of July on the two charts showing the turning areas of 1937 and 1946, we can confront the action of the first seven months with developments recorded on the 1951 chart.

In 1937, when the averages staged a sharp rally in July, which rally continued into August, almost completely recovering the entire ground lost from the March top, the index of effective demand refused to follow the action of the leading stocks. It thus revealed the internal weakness of the market.

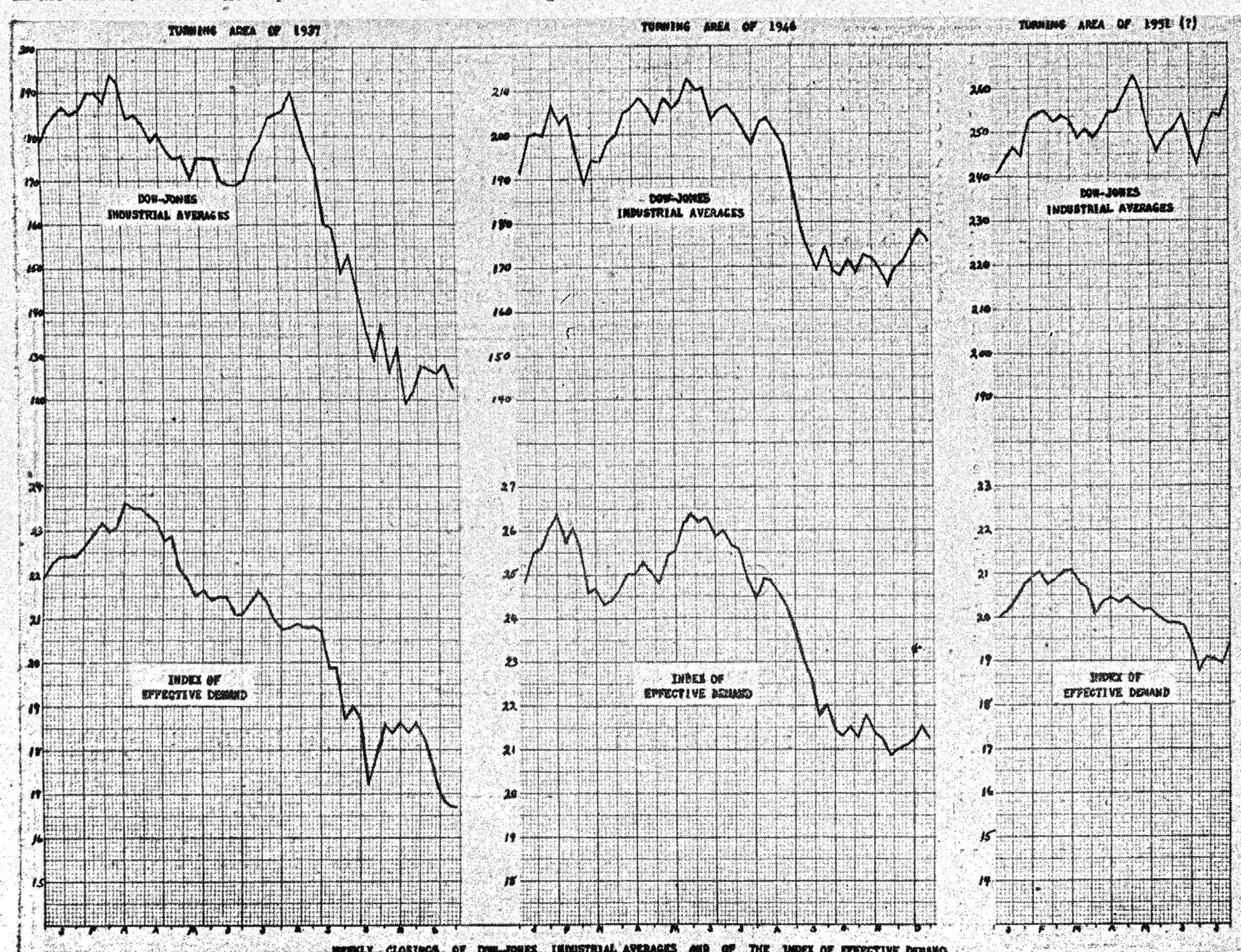
A similar situation developed in 1946. The index of effective demand established a double top in February and in May, while the averages rose by the end of May well above their February high. Again the index denied the validity of this rise of the averages. By the end of July, our index had declined practically all the way to its February low. It broke this low shortly thereafter, while the averages were still hovering in the general area of the top.

In some respects, the picture of 1951 looks, so far, even worse than either in 1937 or 1946. The index of effective demand has been declining consistently for several months, working against the rises of the averages. Its latest small recovery is weak and is comparable to the weak rally of this index in the summer of 1937.

The question may be raised as to the continued validity in the present of relationships that seemed valid in the past. Some well-known new factors have brought about, during the latest bull market, considerably more concentrated buying of "blue chips."

Could this recent development have changed the probable outcome of the discrepancies existing in the demand for the different types of stocks? Could the strength of the leaders pull the secondary issues up and even light a bonfire of general speculative celebration?

Perhaps, on the other hand, the recent changes in demand merely served to aggravate the significance of the existing distortion. The evidence presented by the chart suggests that already this distortion has acquired considerable cumulative momentum. It appears doubtful that the persistent relative weakness of the secondary stocks can be resolved without a general liquidating movement in the stock market. This writer fears that once again "new era" hopes will have to yield to sterner realities.



WEEKLY CLOSINGS OF DOW-JONES INDUSTRIAL AVERAGES AND OF THE INDEX OF EFFECTIVE DEMAND

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

CARTHAGE, Mo. — James L. Morgan is with King Merritt & Co., Inc.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Carl V. Hansen, Jr. is now affiliated with Waddell & Reed, Inc., 408 Olive Street.

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.

George I. Griffin Is Now With Reynolds

RALEIGH, N. C. — George I. Griffin has become associated with Reynolds & Company. Mr. Griffin who has recently been associated with Kirchofer & Arnold Associates, Inc., in the past conducted his own investment business in Raleigh.

Edward T. Spiker With Ames, Emerich & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Edward T. Spiker has become associated with Ames, Emerich & Co., Inc., 105 South La Salle Street, members of Midwest Stock Exchange. Mr. Spiker was formerly with Wheelock & Cummins and prior thereto was for many years with E. W. Thomas & Company.

Minneapolis Assoc. Add

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — James M. Roche has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

With Blair, Rollins

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Jacob H. Shoemaker is now with Blair, Rollins & Co. Incorporated, Penobscot Building. He was previously with Waddell & Reed, Inc.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Robert J. Cunningham has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 710 North Water Street.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.— Joseph W. Davis, Jr. has become associated with A. M. Kidder & Co., 400 Beach Drive, North.

With W. H. Heagerty Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Derwin B. Smith has become associated with W. H. Heagerty & Co., Florida Theatre Building.

Urges Labor Unions' Pension Funds Invest In Common Stocks

Paul D. Jackson, of Harbor Carriers Association, tells International Longshoremen's Association they should follow policies of insurance companies and mutual investment fund companies.

Addressing a session of the Convention of the International Longshoremen's Association in New York City on July 24, Paul D. Jackson, an official of the Harbor Carriers Association, who is going with the Wage Stabilization Board, advised labor unions to widen the investment of their welfare and pension funds and follow the example of insurance companies and mutual funds by acquiring corporation stocks and bonds. He also urged the unions to consolidate their local funds so as to reduce management costs.

"The current trend throughout the nation, particularly in these days of inflation, heavy taxes and wage freezes, is to direct principal attention to the development of security for the worker and the betterment of fringe benefits and working conditions, an important approach being that of insurance from the vicissitudes of life caused by old age, death, ill health, and the like," Mr. Jackson noted, adding:

"Many of your locals have now in effect welfare and pension funds. A great deal of expert attention has been directed and much money expended toward the drafting of these welfare and pension agreements and toward their administration. The cost of placing these plans in effect and administering them, particularly where there are many separate and oftentimes small funds covering small groups, is very substantial. A large number of people are finding new fields of employment in the drafting, interpretation and administration of these many plans. Unfortunately, the more separate groups there are and the more plans, the greater the money expended on these administration matters which does not directly benefit the membership. It seems clear to me that someday soon an equal amount of attention has got to be paid, particularly by international unions having wide-flung locals and memberships, to the consolidation of administration of all plans in which the international has a direct interest. Until now the urge has been to get a plan adopted and place it into effect, with costs of administration being a secondary factor of consideration.

"As time goes on however the costs of individual administration will undoubtedly mount.

"Another and equally important matter has been given little attention by the labor movement up to now, and that is this—as these union welfare and pension funds build up in size all over the country, and undoubtedly they will reach into the billions of dollars before long, how are they to be controlled and invested? One answer of course has been via the insurance plan. Another has been bank administration with restrictions on investment to government bonds only. But these solutions, even if desirable, can cover only a portion of the tremendous potential involved in the union welfare and pension fund plans.

"If any criticism were to be directed against existing programs, it would probably be that the investing of these welfare and pension funds has not been as functional, as income-producing and as intelligent as fund investment elsewhere. When you examine the policies of insurance companies, private trustees and the mutual investment fund companies, it is apparent that rather than relying solely on bank deposits and government bonds, a broad, diversified program including selected corporate bonds, preferred and common stocks could substantially increase the returns on welfare and pension funds without sacrificing due protection of principal. And with inflation ever with us, expanding pension fund income should surely be a definite union objection.

"Even further, if one legitimate goal of trade unionism may be said to include a larger stake in America and a larger voice in management, in what better way can that be served than by stock purchase and ownership in those corporations where union membership derives a larger participation, possibly through a directorship, in business decisions.

"We are all workers and we all sink or swim with the American democratic system of private enterprise. If the workers through their unions deem it inadvisable to invest their funds in industrial bonds and securities, why should anyone else deem it advisable?"

Thomas L. Parkes With Boettcher and Company

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Thomas L. Parkes has become associated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. Mr. Parkes was formerly with Newman & Co. of Colorado Springs and in the past was an officer of Thomas H. Temple Co. of Nashville, Tenn.

J. R. Manley Co. Formed

DALLAS, Tex.—J. R. Manley has formed J. R. Manley & Co. with offices at 2221 Fort Worth Avenue to engage in the securities business.

Edward Jones Resumes

JACKSON, Miss. — Edward Jones has resumed the municipal bond business under the name of Edward Jones and Company, with offices at 450 Lexington Avenue.

Buxton L. Lawton With Goodbody in Atlanta

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Buxton L. Layton has become associated with Goodbody & Co., 45 Forsyth Street, N. W. Mr. Layton was formerly Atlanta manager for Dobbs & Co. and in the past was with Courts & Co.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Stanley E. Wolfe has become affiliated with Waddell & Reed, Inc.

Joseph A. Hofmann

Joseph Anthony Hofmann, of Harris, Upham & Co., New York City, passed away July 29 at the age of 57.

With Baron G. Helbig

Charles F. Herb has joined Baron G. Helbig & Co., 60 Broad Street, New York City, specializing in mutual funds.

Business Man's Bookshelf

Operating Results of Limited Price Variety Chains in 1950—Esther M. Love—Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass.—paper—$2.00.

Planning for Profits in the Stock Market plus five weeks of complete Investors Research Service—$1.00 on special offer expiring Sept. 1, 1951—ask for Report No. C-63—Investors Research Company, Santa Barbara, Calif.

The Griffith Letter—Investment and business commentary—$100 per year—B. Barret Griffith and Company, Inc., Colorado Springs, Colo.

Joins Waddell & Reed

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Russell Geiger has joined the staff of Waddell & Reed, Inc.

Mutual Funds

By ROBERT R. RICH

W. EMLEN ROOSEVELT has been elected to the newly created post of Vice-Chairman of the board of directors of Investors Management Company, one of the oldest organizations specializing in mutual fund management, it was announced by George E. Roosevelt, Chairman. The management company, which was established in 1924, supervises the investments of Fundamental Investors, Inc., and Investors Management Fund, Inc., mutual investment funds with assets in excess of $110 million.

W. Emlen Roosevelt

W. Emlen Roosevelt, after graduation from Andover and from Princeton University, became a partner in the 155-year-old firm of Roosevelt & Son. He is the nephew of George E. Roosevelt and represented the sixth generation of "Oyster Bay" Roosevelts to be identified with the firm. He withdrew to enter the U. S. Army in 1941 as a private and was discharged with the rank of Lieutenant Colonel. He is President of The National State Bank of Elizabeth, N. J., and a director of Broadway Improvement Co., Elizabethtown Consolidated Gas Co., and Plainfield Union Water Co.

BUDGET PLANS for investment in the shares of mutual funds on convenient monthly or quarterly payment schedules are opening a market hitherto untapped by the nation's security dealers, A. J. Wilkins, Vice-President of Wellington Fund, states.

Such plans, according to Mr. Wilkins, are making mutual fund shareholders of people who previously were directing their savings into other channels.

The Wellington Fund executive cited the experience of his own Fund to make his point. He said that a check with security dealers revealed that some of those who are purchasing Wellington Fund shares on a quarterly or monthly budget plan never had contact with a security dealer before nor had ever owned common stocks before.

Mr. Wilkins reported that both initial deposits and monthly and quarterly payments by purchasers of Wellington Fund shares on a budget basis are averaging considerably in excess of the minimum.

"Under the Wellington Plan initial deposits are averaging $535; monthly deposits $110; and quarterly deposits $300—in each case more than double minimum requirements," he said.

"The success of these plans," he added, "points up the fact that there is a large group of people in this country who can and will buy securities on a budget basis. I do not think the day is far off when budgeted buying of mutual fund shares will become as standard a practice in American family life as the purchase of insurance or the opening of a saving fund."

Wellington Fund has just completed a revision of its folder, "Facts and Figures from Wellington Fund." The revised folder, now being distributed to dealers, contains a new chart showing the results of an investment of $10,000 in Wellington Fund at offering price for the 10½-year period from Jan. 1, 1941 to June 30, 1951. The investment diversification and list of investments of the Fund as of June 30, 1951, also are given in the folder.

DELAWARE FUND of Philadelphia recorded an 18% increase in net assets in the first half of 1951, according to its semi-annual report, made public Friday, July 27, 1951. The increase amounted to $1,353,391 and boosted net assets to $8,865,710 on June 30, last, as compared with $7,512,319, at the start of the year.

W. Linton Nelson, President, reported to shareholders that the Fund is holding to its policy of full investment in common stocks and convertible prior securities. He recalled that this policy was adopted at the outbreak of the Korean War in anticipation of the economic effects of rearmament and has been adhered to ever since.

"We believed then," he said, "that such a policy would earn us the greatest income and give us the best chance of future capital profits. It will be continued," he advised shareholders, "until we see more evidence than we have to date that our national will to rearm has been changed."

The report showed that the Fund's resources on June 30, last, were invested 91.81% in common stocks; 6.93% in preferred stocks; and 1.26% in cash receivables and other assets.

AFFILIATED FUND reports net assets per share of $4.68 on June 30, 1951, compared with net asset value of $4.30 per share on Oct. 31, 1950, the end of its last fiscal year.

ONE OF THE MAJOR problems facing an investor today is the protection of the purchasing power of his invested dollars, according to a booklet prepared for distribution by Axe Securities Corporation. It is quite obvious, the booklet states, that the so-called "safe and sound" places for money are safe only to the extent that they pay back "a" dollar plus interest. The important question, however, according to the booklet, is "what will the dollar you get back buy in comparison to the one saved?"

Comparisons of the purchasing power of dollars on Jan. 1, 1941 and Jan. 1, 1951, are brought out by figures on investments of various types held during that period. Cash, for instance, is represented as declining in purchasing power from $1,000 to $565; a savings account with interest compounded at 2%, from $1,000 to $689; high-grade bonds to yield 2.9% from $1,000 to $753; a savings and loan account with interest compounded at 3% semi-annually from $1,000 to $761.

Wide diversification is a major factor in investment safety, as Axe Securities Corporation points out, and one of the best ways to obtain diversification is through the purchase of shares in a mutual fund. An investment of $1,000 in shares of Axe-Houghton Fund A, Inc., the booklet says, would have purchased 173 shares on Jan. 1, 1941. If all dividends had been reinvested at net asset value, this would have increased on Jan. 1, 1951, to 324.765 shares worth $3,176.20. Thus the $1,000 invested in 1941 would have increased in purchasing power to $1,795 in 1951.

MASSACHUSETTS LIFE Fund reports total net assets of $13,416,324 on June 30, 1951, equal to $107.82 per unit on 124,429 outstanding units. This compares with total net assets of $12,425,708 on June 30 of last year, equal to $105.55 per unit on 117.718 units then outstanding.

During the first six months of 1951 total net assets increased from $12,854,614 on Dec. 31, 1950, which amounted to $108.30 on 118,691 units. The net asset figure on June 30 of this year is after dividends totaling $2 per unit for the six months, compared with $1.90 for the first half of 1950.

The Fund is operated as part of a novel type of investment program combining the principles of a trust fund and a mutual investment trust. The plan provides separate trusts for each individual investor, with the Massachusetts Hospital Life Insurance Co. as trustee. The Fund is the investment medium for such trusts.

As of June 30, the portion of the Fund's assets represented by equities was 52.44%, with 47.56% in protective-type securities. Of the protective-type portion, 2.26% of the total fund was in cash and receivables, 16.96% was in U. S. Government obligations and 28.34% in other bonds, loans and preferred stocks.

Of the equity portion, public utility equities were 14.46% of the total Fund; industrials were 30.55%; bank, finance and insurance stocks 5.20% and railroads 2.23%.

NEW ENGLAND FUND'S defensive position was strengthened further in the first six months of 1951, in line with the more conservative policy initiated by the Trustees before the Korean outbreak. On June 30, 1951, cash and short-term Treasury obligations comprised 30.65% of total assets. Including high-grade corporate bonds and preferred stocks, the total defensive position was 39% compared with 20% 15 months earlier, the last quarter-end before Korea.

The Trustees have also increased the stability of the common stock portfolio by reducing holdings of several industrial corporations including, for perhaps the first time in NEF history, oil holdings which were cut back by the sale of some of the major companies' shares at substantial gains. Proceeds were reinvested in operating public utilities principally in the Southern states and in other companies whose common stocks are believed to be more defensive under present conditions.

These portfolio changes resulted in realized capital gains for the year to date of $231,351, equivalent to 97c per share.

The growth in total net assets to $4,196,000 from $3,800,000 at the end of 1950 was due principally to new capital invested in the Fund's shares. The number of shares outstanding on June 30, 1951, was 238,213, compared with 200,815 on June 30, 1950, when net assets totaled $3,230,000. The per-share asset value was $17.62, compared with $17.53 at the 1950 year-end and $16.09 a year earlier. Adding back the $1.00 per share paid from realized gains in 1950, this was a 15.7% gain for the year.

THE $11.88 PER share asset value of National Investors Corp. shares—the first mutual investment company to adopt the policy of investing in "growth stocks"—showed a 10% gain in the first six months of 1951, during which period the general level of common stock prices made little progress. The 28.8% gain in National Investors' asset value in the last 12 months (adding back the 50 cents per share payment from realized profits in December, 1950) compared with a relatively minor rise in general market levels.

Total net assets increased to $24,581,227 on June 30, 1951, from $22,312,783 on Jan. 1, and from $19,210,790 a year ago. Dividends declared in the first six months of 1951 totaled 20 cents per share, compared with 18 cents in the same 1950 period.

New issues added to National Investors' portfolio during the second quarter were Atlantic City Electric, Emhart Manufacturing and Scott Paper. Holdings of Southern Co., Time Inc. and Wisconsin Electric Power were eliminated. On June 30, 1951, the largest holdings of individual issues were: 28,000 shares Minnesota Mining, 17,800 shares Minneapolis-Honeywell, 18,500 shares Celanese and 24,400 shares Mathieson Chemical.

A GAIN OF 164% in total net assets is reported by Mutual Accumulating Fund (M.A.F.) in the year ended June 30, 1951. At that date total net assets were $513,001, against $194,117 one year previously.

M.A.F. was initiated Dec. 30, 1949, by Vancouver principals, to provide investors with a medium for building their capital through the growth potential of a diversified ownership in 50 Canadian industrial stocks. All dividend income is put back to work monthly as received through purchase of additional shares in the same list of companies. Benefits accrue by way of appreciation in value of M.A.F. shares rather than through cash dividends.

As M.A.F. is not a company, the net income received is taxable only in the hands of the investor according to his individual beneficial participation. M.A.F. income qualifies for the special 10% tax credit under the Canadian Taxation Act. The Toronto General Trusts Corporation is trustee and the manager is Mutual Funds Management Corp. Ltd.

FIDELITY FUND reported net assets of $51,825,606 on June 30. Among other holdings of the Fund are 52,000 shares of Tri-Continental common and 3,500 shares of Tri-Continental 6% cum. preferred.

"WAR OR PEACE—Balanced Investing is Prudent Investing" is the title of Putnam Fund's latest sales literature. Sub-headings alone are indicative of the selling value of this excellent pamphlet—"Rule No. 1 for Prudent Investors," "A recent example," "A tested method," "A practical answer," "A compete investment program," "It adds up to this."

Copies are available without obligation from The Putnam Fund, 50 State Street, Boston 9, Mass.

INVESTMENT TRUST of Boston is providing, in its Accumulative Investment Program, for the reinvestment of all dividends by present shareholders. The dealer receives the full commission on all cash dividends reinvested.

TOTAL NET assets of United Funds amounted to $60,603,933.89 as of July 23, 1951.

WILLIAM A. PARKER, President of Incorporated Investors, points out in the report to stockholders for the quarter ended June 30, 1951, that during the 12 months intervening between the outbreak of hostilities in Korea and the discussions looking to a cease-fire, the net asset value per share of Incorporated Investors has increased from $23.45 to $29.43. The total net assets of the fund have increased during this period from $76,740,936 to $99,166,154.

THE JOHNSTON Mutual Fund reports net assets of $1,068,282.46 as of June 30, 1951, a 57% increase over net assets of $678,630.04 a year earlier.

The net asset value of the Fund's shares on June 30, 1951, was $28.80 per share, compared to $25.70 per share on June 30, 1950.

The portfolio of the Fund at mid-year shows 64% invested in common stocks with the principal investments in oils, machinery, retail trade and utilities.

OUTSTANDING SHARES of Pioneer Fund crossed the 100,000 mark for the first time in the Fund's history.

CENTURY SHARES Trust has announced the appointment of Vinton C. Johnson and William H. Davies to the board of trustees.

Stockholder Preferences

By JOHN C. CLENDENIN*

Associate Professor of Finance,
University of California, Los Angeles
Research Consultant, Los Angeles Stock Exchange

Summing up the results of a recent survey conducted by Los Angeles Stock Exchange, Prof. Clendenin finds individual stockholder prefers common stock in from $10 to $50 price ranges, likes to receive "rights," and favors listed over unlisted securities. Reports strong preference for 100 share lots, but says small stockholders believe in diversification.

The typical individual stockholder prefers common stocks in the $10 to $50 price range, wants a "normal" ratio of dividends to earnings, likes to receive rights to subscribe to new stock, and favors listed over unlisted markets. These are the choices voted by 1,375 common stockholders who answered a recent Los Angeles Stock Exchange questionnaire.

John C. Clendenin

The Exchange sent its inquiry—twelve questions relating to the stockholders' own investment policies and investment preferences — to 5,800 individual stockholders, the names being chosen at random from the lists of eight cooperating corporations, two brokerage houses, and one finance trade association. The total "votes" received on six of the questions are shown in the accompanying table.

What Price Stock Splits?

Perhaps the most earnestly debated question at many directors' meetings these days is the question "to split or not to split," and, if so, whether to split two for one, three for one, or in some other ratio. The objectives are, of course, to please the present stockholders, to attract new ones (whose coming may bid the stock up to a higher price level), to stabilize market prices by providing media for more bids and offers, and to place the new stock in a price range which will make additional stock sales easier when needed. The information needed includes (a) the specific price which stockholders would find most attractive, and (b) the price range within which most prospective stockholders are willing to buy.

The Los Angeles survey tackled this stock split problem in Questions I and II (see table), by asking the stockholders (I) to pick the per share price which they consider most suitable for their needs and (II) to indicate the lowest and the highest prices which they would ordinarily consider suitable for themselves. The answers to Question I clearly show that the most popular level is between $20 and $35, that the whole range between $10 and $50 has numerous adherents, but that prices below $10 and above $50 are not so well received. The answers to Question II show, however, that a considerable number of stockholders do not ordinarily choose stocks priced below $20 per share; it might therefore be best not to split to a level below $20. On the high side of the market, the responses to Question II indicate that some prospective stockholders begin to hesitate at paying over $35 per share for any stock, and that very important numbers of stock buyers demur at prices over $50. The most attractive price range must therefore be between $20 and $50, or possibly between $20 and $35 or $40. At these prices practically no stockholder who buys stocks priced between $140 and $5 (the price range covered by the stocks in the survey sample) feels himself excluded, and the market is therefore as broad as it can be made by a split or similar pricing device.

But are there not many people who prefer very high-priced or very low-priced stocks, and is it not desirable to have a certain number of high-priced and low-priced issues to attract them? And is it not desirable to keep high-quality stocks high, and low-quality ones low in price? And shouldn't dignified industries such as banking have high-priced stocks? To all of these questions the stockholders seem to say "No." Reference to Question I in the table indicates that relatively few stockholders place their first choice in stock prices below $10 per share or above $50, and we have already noted that practically all stockholders will accept stocks in the $20 to $40 range. The first choices of small and large stockholders are not radically different; the small holders stress $10, $20, and $35 per share, while the larger ones favor $20, $35, and $50.

With respect to quality and industry, we are able to report that the stockholders of an important bank and a great oil company, whose high-quality shares have recently sold in the $100 area, in each case centered about $35 as their ideal share price; while the holders of two lesser-quality stocks in the $5 to $10 price range elected $20 as their first choice. Thus it would appear that the holders of high-quality or dignified-industry stocks do not ask that their share prices be kept much above the average, nor do people who hold relatively low-priced shares insist on buying only low-priced shares. On this evidence, the $20 to $40 range is broad enough for practically all stock financing except the very low-priced type.

However, there are certain other factors to consider. First, about 29% of all stockholders and about 25% of the smaller stockholders covered in this survey indicated a strong preference for 100-share lots. This preference will no doubt conflict with the desire for $20 to $40 stocks in many cases, for we have evidence that small stockholders believe strongly in diversification; and we therefore expect that stocks below the $20 figure will often be chosen in order to obtain 100-share lots of $500 to $1,900 total value. Second, we know that price preferences are not necessarily a dominant factor to stockholders, for we have already observed cases in which their stated preferences do not agree with the prices of certain stocks which they hold. In fact, many of our returned questionnaires qualified the price preferences with such comments as "There are certain exceptions," or "This may depend on the case," and about one-fourth deny having a price preference at all. Third, we are aware that a substantial portion of the demand for common stocks comes from institutions, which are not included in our survey, but which may be presumed to look with favor upon high-priced stocks of good quality. Finally, we concede that many answers which we received from special groups such as holders of high-priced stocks or bank stocks or utility stocks are from people who may own other stocks of very different nature, and who may answer us with these other stocks in mind. We have no evidence to suggest this—indeed, we have evidence to the contrary—but some possibility of confusion exists.

Because of these extra factors, we are disposed to believe that medium-quality stocks may be priced down to the $10 level, and that institutional-grade stocks may go up to $50 or $60, without losing much breadth of demand. But in general, we have faith in the answers our stockholders have given us. Every one of our stockholder groups, including holders of high-quality and medium-quality stocks, high-priced and low-priced stocks, listed and unlisted stocks, and locally-held and nationally-held stocks, gave us similar, or consistent answers. And we have noticed the quick response of market purchases in many familiar issues when they have been split into or near our suggested price ranges. We think that these things add up to a reasonable suggestion on corporate policy.

Dividend Preferences

Examination of stockholder attitudes toward dividends brings out three noteworthy observations: (1) stockholders favor a "normal" or middle-of-the-road ratio of dividends to earnings, which will plow back enough earnings to finance useful growth but will also allow generous dividends; (2) stockholders understand and sympathize with business financial needs, and in general trust and respect their managements on these points; and (3) there is not much difference on these points between large and small stockholders or between the industries and companies which this survey covered.

Our stockholders' top-heavy vote in favor of a "normal" 40% to 80% payout of earnings is somewhat surprising, in view of the pressure for higher dividends which usually appears at stockholder meetings, and of the well-known fact that a dividend increase usually stimulates demand for a stock. Fortunately, our two dividend questions (III and IV in the table) elicited a deluge of marginal notes explaining the answers sent us. From these we infer that the typical stockholder believes that his company will need to retain 20 to 60% of its earnings to maintain its growth and strength. Many of the notes mention both growth and working capital, and a gratifying number say that they respect their managements' guidance on such matters—but many also make it clear that they would forego dividends only for *profitable* expansion and *needed* working capital. Purposeless dividend conservatism is not sought.

In our opinion, the stockholders' ideas of sound corporate policy dominate this vote. On the whole they are intelligent ideas, and it seems to us that corporate managements will do well to explain dividend policy and reinvestment needs clearly in their reports to stockholders. Most stockholders will understand and sympathize. Second, it is clear that eagerness to obtain dividends varies greatly among stockholders. Some are insistent upon generous dividends, others would suggest distributing as much as the company can conveniently spare, while about one-sixth—chiefly those who are most conscious of personal income taxes—are agreeable to a very low payout. Small stockholders are a little more eager for dividends than large holders, but the difference is not great. We deduce that stock buyers who emphasize dividends select chiefly the stocks which pay generously, while those who do not insist on high pay-

Continued on page 27

*This article covers only part of the results of a questionnaire sent out to stockholders. Additional data can be obtained upon request from the Los Angeles Stock Exchange.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The first operating statements of the stock fire and casualty insurance companies released for the six months ended June 30, while not favorable in comparison with those of last year, are about in line with previous expectations.

Among those companies which have reported underwriting results so far, the general trends have been toward increased premium volume, higher losses and expenses and lower underwriting profits.

Premium volume has reflected increased insurance coverages necessitated by the inflation which has taken place in property values. Also, the high rate of industrial activity and construction have increased insurable values.

The larger losses, which are substantially higher in most cases, arise from a number of factors. The experience on automobile coverages in both the fire and casualty companies has been particularly unsatisfactory. Also, late claims from the windstorms of last fall had an unfavorable affect upon underwriting results. In most cases straight fire lines continued to be reasonably profitable. Expenses were also somewhat higher and a number of companies reported statutory underwriting losses.

Investment results are the one bright spot in the statements. The larger volume of funds invested and higher dividends enabled some companies to show a gain of over 10% in investment income.

With lower underwriting earnings the Federal income tax liability in spite of higher rates was considerably reduced. Net income, however, was considerably below that of the same period a year ago.

The two principal companies of the America Fire Group, Continental Insurance and Fidelity-Phenix, in their reports illustrate some of the foregoing factors. The figures are only for the parent companies and no consideration is given to the results of subsidiary companies.

	—Continental— 1951	1950	—Fidelity-Phenix— 1951	1950
Underwriting	$	$	$	$
Premiums written	34,413,443	31,367,390	28,117,323	26,183,168
Increase in unearned premium reserve	2,791,213	319,880	2,005,842	481,116
Premiums earned	31,622,230	31,047,510	26,111,481	25,702,051
Losses incurred	17,440,845	14,838,034	15,027,179	12,192,949
Expenses incurred	13,872,368	12,932,153	11,235,051	10,633,777
Underwriting gain — loss*	309,017	3,277,323	150,749*	2,875,325
Investment				
Interest, dividends and rents	4,013,715	3,743,645	3,166,433	2,902,846
Expenses	82,202	75,721	58,113	59,772
Net invest. inc.	3,931,513	3,667,924	3,108,320	2,843,074
Net inc. before taxes	4,240,530	6,945,247	2,957,571	5,718,399
Federal income tax	438,822	1,755,464	89,767	1,445,985
Net income	3,801,708	5,189,783	2,867,804	4,272,414

*Denotes loss.

When the figures are adjusted for the increase in the unearned premium reserve, as is the usual method of computing net income by analysts and statisticians, the per share comparison with a year ago is not so unfavorable as the statutory underwriting figures would indicate.

The principal reasons for this difference are the lower Federal income taxes which have resulted from the lower statutory earnings from underwriting, the increased volume of business handled, and the fact that dividend income is 85% exempt from income taxes.

	Earnings Per Share Continental 1951	1950	Fidelity-Phenix 1951	1950
	$	$	$	$
Statutory underwriting profit	.12	1.31	—.07	1.44
Equity on inc. in unearned premiums	.45	.05	.40	.10
Adjusted underwriting profit	.57	1.36	.33	1.54
Investment income	1.57	1.47	1.55	1.42
Net income before taxes	2.14	2.83	1.88	2.96
Federal income taxes	.18	.70	.04	.72
Net income	1.96	2.13	1.84	2.24

Other major companies will be issuing their operating statements during the next month. It is expected that their experience will, in general, reflect the same trends as the foregoing.

Continued from first page

The Stock Market Is Basically Strong

prices well above the mid-year lows.

Investment Funds Seeking Outlets

Current developments in the economy are creating a situation in which investment outlets are being curtailed while funds available for investment continue to accumulate. In the months ahead, pressure of idle money seems more likely to dominate financial markets than pressure of inflationary demand for resources.

The large industrial expansion program cannot be depended upon to absorb a greatly increased volume of outside funds. It may be recalled that in a similar business readjustment in 1949, corporation finances and dividends were improved in the face of a substantial decline in reported profits.

In the present instance, corporations in the aggregate will be able to carry out their expansion programs — even assuming that those programs are not cut back in the readjustment—without the need for increased borrowing or larger new securities issues. The alternative is to accumulate cash less rapidly. This does not mean that they will have to draw down existing cash balances, but merely stop building up balances as rapidly as they did last year. This alternative may not be considered a desirable one, since many want to improve their liquid positions, but it will be the choice if the terms on which new funds can be obtained are unattractive. The chances are that total borrowing and new issues in 1951 will be no larger than in 1950.

Other demands for funds are more definitely on the downgrade. Consumers' instalment debt is bound to decline with reduced sales of durable goods, even though terms are slightly relaxed. For similar reasons, residential mortgage volume will tend downward with the trend of building activity. During the last four years, the increase in real estate mortgages has been a primary outlet for the funds of such organizations as savings and loan associations, mutual savings banks, and life insurance companies. With demands for funds reduced, they will have to find other outlets for the savings entrusted to them.

Government borrowing is also likely to be very limited. There will be little, if any, deficit this year even if scheduled increases in military programs are achieved, because receipts are increasing very rapidly with rising incomes, and the new taxes under discussion in Congress will cover most if not all of the expenditures not provided for by existing taxes.

At the same time, individual savings have sharply increased. In the second quarter, personal income continued to advance, but consumer purchases dropped back, with the result that personal saving advanced to a new postwar high, close to a $20 billion annual rate. Later in the year, higher taxes will cut into savings, but rising incomes and further curtailment of supplies of durable goods will keep the rate of saving high. During 1951, in short, there will probable be a substantial increase in savings with no corresponding increase in borrowing.

Bond prices have recently dropped, in line with changed policy on interest rates, but this must be considered entirely a matter of policy rather than business or financial conditions; and policy now seems likely to turn back toward maintaining low interest rates. The Treasury requires stability of bond prices to carry through its refinancing successfully, and the volume of that refinancing is large enough to have an important influence on policy. The passing of inflationary pressure also removes the best contrary argument of the Federal Reserve, namely, that higher interest rates are needed as a means of restricting credit expansion. All this suggests that the rise in interest rates which took place with so much fanfare during the early part of the year is probably at an end.

Since no "normal" relation between bond prices and stock prices has existed for some time, the decline in bond prices in no way foreshadows a decline in the stock market. Moreover, the margin of stock yields over bond yields is extremely high—about 6½% as compared with less than 3% on high-grade bonds — and provides a continued incentive for the shift toward stocks.

Groups Making the Market

As a way of analyzing what is likely to happen to the stock market, it may be desirable to consider the positions of some major groups making that market. Among the most important of these are the institutional investors, such as universities, trust funds, insurance companies, savings banks, and that newest important form of institutionalized savings, labor's pension funds. During the past year or two, many investors of this kind have departed somewhat from a policy of 20 years' standing and have been moving in a limited way into stocks. In the stock market they operate, of course, on the most conservative basis possible, usually limiting their purchases to high-grade investment issues.

That they have shifted into stocks at all requires explanation. The move may be explained in part by the dissipation of depression fears at a time when dividend yields were substantially higher than bond yields. More importantly, it seems to derive from inflation fears; for many financial people have developed a firm bias to the effect that inflation is a permanent part of our economy. Being convinced of this, they are faced with the question of how they can maintain their equity as the value of the dollar declines.

There seem to be two possibilities. The first is to get interest rates up, so that higher income will re-establish the value of capital in a shorter time; and this clearly has been part of the effort, as rising interest rates indicate. The second is to move out of bonds and other fixed-price securities into stocks, real estate, or other assets whose prices could go up with commodity prices.

Although the inflation is at least temporarily checked, the flow of funds from these institutional sources into stocks will probably continue. The public will be turning over to them an even larger volume of savings, and with funds piling up in the face of diminished outlets, stocks will almost have to be taken if available funds are to be efficiently used. High yields have much attraction for investment funds and are well protected by earnings.

The second group of investors to be considered may be referred to as the general public. In the aggregate, they, too, have substantial funds to invest. Their war bonds, for example, are beginning to mature in volume. They, too, kept out of the market for many years, and only last year began to swing away from their long-standing fear of speculation. So far, they have had only a taste of speculative gains, and have not yet swung over to general market participation. In fact, they are again temporarily standing aloof, keeping the market "thin."

Both inflation and deflation tend to keep "the public" out. Both tend to create states of uncertainty and insecurity which restrain investment action. In the period ahead, with commodity prices relatively stable and production turning more definitely upward, conditions will be most favorable for a continuation of the postwar swing in speculative psychology. In all probability, greater numbers will "jump in" as soon as the market gives signs of resuming the rise.

The third group making the market may be described as the "professional" speculators. In contrast to the institutional investors, who generally play the conservative line, often with the help of formula plans, this group seeks the greatest advantage by getting in on any move early and playing it to as near the end as possible.

The uncertainties of recent years have tended to make them jittery. Their action is erratic, but effective when markets are thin and business trends hang in the balance. They seem more likely to accentuate the swings of the market than to determine basic trends. There is no reason to think they won't joint in pushing a new movement ahead.

Today, peace jitters give the market a temporary setback. Perhaps the next setback will come as the result of a new war scare. All the basic factors in the economy continue to point toward higher levels.

Raymond N. Parker Co. Formed in Indianapolis

INDIANAPOLIS, Ind. — Raymond N. Parker will form Raymond N. Parker & Co. with offices at 8 East Market Street, to engage in the securities business. Mr. Parker was Vice-President and Manager of the Trading Department for N. Leonard Cohen & Co.

W. C. Langley to Admit Constantine to Firm

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit John Constantine to partnership as of August 9. Mr. Constantine has been with the firm for many years.

Rayvis Co. Change

MIAMI, Fla. — Announcement has been made that Joseph A. Rayvis, formerly President, is no longer associated with J. A. Rayvis Company, Inc., 550 Briekell Avenue. Estelle Alexander is the new President of the firm, which specializes in mutual funds but also does a general securities business.

Now Davies & Co.

SAN FRANCISCO, Calif.—Arthur R. Mejia and Palmer C. Macauley retired from partnership in Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges, on July 31, and effective Aug. 1 the firm's name was changed to Davies & Co.

Sindoni & Co. Opens

ATLANTIC CITY, N. J.—Sindoni & Company is engaging in the securities business from offices at 62 South South Carolina Avenue.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John E. Bowles and Russell F. Schomp were elected Assistant Secretaries of the **Chemical Bank & Trust Co. of New York** on July 27, it was announced by Harold H. Helm, President. Mr. Bowles has been associated with Chemical Bank since 1948. He is a graduate of Yale University and was a Lieutenant in the U. S. Navy during World War II. Mr. Schomp has been associated with Chemical Bank since 1935. He has studied at New York University, Columbia University and American Institute of Banking, and during World War II he served in the U. S. Air Force.

* * *

Henry C. Brunie, President of **Empire Trust Co., of New York,** has announced the election of Jack Francis Dougherty to Vice-President in the bank's Oil and Natural Gas Department. Mr. Dougherty was previously Vice-President of De Golyer & McNaughton, Dallas, Texas, for which firm he acted as Senior Geologist, Petroleum and Natural Gas Engineer; and from 1942 to 1945 was associated with the Phillips Petroleum Co. at Amarillo, Tex. Born in Durango, Colo., Mr. Dougherty was educated at the California Institute of Technology, Pasadena, where he received his Bachelor and Master of Science degrees in Geological Sciences. Mr. Dougherty holds memberships in the American Association of Petroleum Geologists, the American Institute of Mining and Metallurgical Engineers and a Fellowship at the California Institute in Geological Research.

* * *

Horace C. Flanigan, Chairman of the Board of **Manufacturers Trust Co., of New York,** has announced the appointment of Ben Feit and William B. Lewis, Jr. as Assistant Vice-Presidents. Both were formerly Assistant Secretaries at the bank's Fifth Avenue at Forty-third Street Office. Mr. Feit has been with the bank since 1929, with the exception of the years between 1945 and 1949. Mr. Lewis, an alumnus of Dartmouth College, has been with Manufacturers Trust since 1933.

On July 31 the Woodside Office of Manufacturers Trust Co. celebrated its 25th anniversary. The office was originally opened on July 31, 1926 as the Woodside National Bank. In 1937 the name was changed to the Standard National Bank and in 1942 that bank was merged with Manufacturers Trust. Today, Manufacturers Trust has more than 100 offices throughout Greater New York, and the Woodside office is one of 14 of those offices located in the Borough of Queens.

* * *

A comparison of slow-moving ferry lines, 30 years ago, with the free-flowing trans-Hudson crossings today; the four Port Authority airports; helicopter landing service on the Port Authority Building; the world's largest bus terminal, with pictures of the daily bus travelers shown at the terminal and the radar installation at Fort Wadsworth, Staten Island, are among the five display case exhibits presented at the offices of the **East River Savings Bank** at 26 Cortlandt Street, **New York**, for the month of August. The bank also announces an exhibition of finger and tactile paintings by Helen McRae and her students from Aug. 1-Aug. 31 at its Rockefeller Center office, 50th Street and Rockefeller Plaza. A demonstration of this brushless painting will be given daily, Monday through Friday from 12 to 2 p.m.

* * *

Besides increasing its capital from $200,000 to $500,000, the **Seaford National Bank of Seaford, Nassau County, N. Y.,** changed its title as of July 9 to the **Fort Neck National Bank of Seaford.** Of the increase $50,000 represented a stock dividend, while the sale of $250,000 of new stock completed the action toward giving the bank a $500,000 capital.

* * *

Auburn Trust Co. of Auburn, N. Y., received approval from the New York State Banking Department on July 24 of a certificate of increase of capital stock from $500,000, consisting of 20,000 shares of the par value of $25 each, to $600,000, consisting of 24,000 shares of the par value of $25 each.

* * *

William R. K. Mitchell, President of **Provident Trust Co. of Philadelphia,** has announced the appointment of William R. Cosby and Horace G. Moeller as Assistant Vice-Presidents, and the appointment of George C. Denniston as Trust Officer. Mr. Cosby, who started his banking career with the National City Bank of New York, entered the employ of the Provident in 1945, and was appointed Assistant Treasurer in 1946. Mr. Moeller, who has been associated with the bank since 1929, was appointed Assistant Treasurer in 1948. Mr. Denniston, a member of the Philadelphia bar, gave up his private law practice to join the staff of the Provident in 1946, and was appointed Assistant Trust Officer the following year. All three officers served in the armed forces during World War II.

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The Hamilton National Bank of Washington, D. C., now (as of July 11) has a capital of $2,000,000, increased from $1,750,000 as a result of the sale of $250,000 of new stock.

* * *

The new $6,000,000 capital of the **Manufacturers Trust Co. of Detroit, Mich.,** increased from $5,000,000 as a result of a stock dividend of $1,000,000, became effective as of June 27. Details of the plans to enlarge the capital appeared in these columns June 21, page 2579.

* * *

The increase of $1,000,000 in the capital of the **First National Bank and Trust Co. of Tulsa, Okla.,** raising it from $3,000,000 to $4,000,000, became effective on June 26. The capital increase, as was noted in our issue of June 28, page 2686, was brought about by the sale of $1,000,000 of new stock. Rights were offered to the shareholders of record June 5 to subscribe at $40 per share to an issue of 50,000 shares of common stock, par $20.

* * *

UTAH FIRST NATIONAL BANK OF SALT LAKE CITY, UTAH

	June 30, '51	Oct. 4, '50
Total resources	$84,974,238	$77,762,398
Deposits	81,722,072	74,740,570
Cash and due from banks	21,699,063	18,569,893
U. S. Govt. security holdings	50,834,255	48,415,561
Loans and discts.	11,628,138	8,123,675
Undiv. profits and reserves	1,502,166	1,030,218

* * *

The Citizens National Trust & Savings Bank of Riverside, Cal., has increased its capital from $1,500,000 to $2,500,000. $500,000 of the increase came about through a stock dividend of that amount, while the sale of $500,000 of new stock completed the arrangements for enlarging the capital, as of July 19.

* * *

The United States National Bank of Portland, Ore., has been given the national award of the American Association for State and Local History made annually to the business organization doing the most to promote interest in its regional history.

The selection was made at the Association's annual conference held at the University of Delaware in June. The Oregon Historical Caravan, which is being sponsored as a public service by the United States National during its 60th anniversary, was considered by the Association as the outstanding historical project of the year. Nominations were made by historical groups in all sections of the United States and Canada. According to United States National Bank officials, the caravan will visit every section of Oregon during the year.

* * *

R. G. Dyson and J. Rodway have been appointed Assistant General Managers of **Barclays Bank (Dominion, Colonial and Overseas).**

Hamlin & Lunt Open Branch in New York

Hamlin & Lunt, a prominent security dealer in Buffalo, has announced the opening of an office at 2 Wall Street, in New York City. Hamlin & Lunt are members of the New York Stock Exchange and associate members of the New York Curb Exchange. In addition to the headquarters office in Buffalo, offices are located in Rochester and Norwich, New York.


George G. Schuster

The new office in New York City will be under the direction of George G. Schuster, who prior to this association was with Kidder, Peabody & Co. since the beginning of 1943. For a number of years he was manager of the Statistical Department of Kidder, Peabody and more recently has been a member of the staff of the Buying Department. Prior to his affiliation with Kidder, Peabody, all of his business life since graduation from Columbia University in 1931 had been with General American Investors, Inc., a general management type of investment trust.

Mr. Schuster is on the Board of Directors of Kennametal, Inc. of Latrobe, Pa. and Jet, Inc. of Philadelphia, Pa., and he is Treasurer and Director of The Robert T. Pollock Corporation of New York. He is a member of the Broad Street Club and University Club of New York City.

John Bair Joins Stanley Pelz & Co.

John Bair, formerly with Blair, Rollins & Co., Inc., is now associated with Stanley Pelz & Co., Inc., 40 Exchange Place, New York City.

With Founders Mutual

DENVER, Colo.—Frank H. McCullough, Wichita, Kansas; Frank H. Johnson, Emporia, Kansas, and Clarence W. Glassen, Phillipsburg, Kansas, have joined the staff of Founders Mutual Depositor Corp., First National Bank Building.

The Making of Wills

By ROGER W. BABSON

Everyone should make a will. I seriously mean this. Too many people have died unexpectedly, especially in connection with automobile accidents. Statistics show that more Americans have been killed by automobiles the past year than have been killed in Korea. You may live a long life, but you may die next week. The important thing is not to die without a will, whatever your age. Let me give you seven reasons for this:


Roger W. Babson

Appoint Your Own Executor

Reason 1. To be sure of a friendly executor and to avoid having some judge appoint some friend of his as an executor, with whom you might not be satisfied, you can appoint your own executor by making a will. I have appointed a Trust Company.

Reason 2. If you die without a will and the court is obliged to disburse your estate it may run up a lot of costs, including the necessity for a bond. These costs can be eliminated largely by making a will and appointing your own executor. You can provide that the executor may give your beneficiaries property or securities at a fair value instead of cash, under certain circumstances.

Reason 3. By making a will you can give your executor certain other discretionary powers, like deciding what property to sell, and the power to do other things which a court appointee would not do. You can directly will certain articles of furniture, clothing, etc., to definite people and do the things that you want to do as you would want to do them without the fear of litigation.

Reason 4. If a court should liquidate your estate it may sell property hurriedly or during a depression. By making a will you can give your executor time and enable him to use his judgment and consult other people. This privilege may save your estate thousands of dollars.

Consider Leaving Money in Trust

Reason 5. By making a will, you can arrange to leave money in trust so that your widow or husband may have the full income during his or her lifetime and then have it go to the children or other people. You also may wish to distribute your property among your children in UNequal proportion, as one may be disabled or handicapped. To do this you must make a will.

Reason 6. If the estate goes to a court-appointed executor it may take two years or more in being settled and your wife and family may have nothing on which to live during this period. By making a will you can authorize your executor to pay your wife a certain amount each month pending settlement of your estate, or to give her more money if an unexpected illness, or other unexpected troubles should come. You always can make changes at any time by proper codicils.

Reason 7. I hope you will have some church or charities, as well as friends, to whom you wish to make a gift. This can be done only by executing a will. Really, all of us should remember some church in our wills. The only hope of this old world is religion and the church holds the key and is the doorway thereto. All this nation has — democracy, education and hospitals—we owe to the church. Let us uphold the ladder by which we have climbed.

Consult A Good Lawyer

Dont' try to make your own will to save $50; but go to a good lawyer. Make a list of the gifts you desire to make and whom you want as executor and give this material to your lawyer, who should be a resident of your state. Then he will put it in legal shape. He will explain to you that three witnesses must see you sign and that these witnesses better be people who are *not* mentioned in the will. There also are some other technicalities which your lawyer will explain to you. The laws of different states differ. Have his clerk make three typewritten carbons of the finished will.

After you sign the original copy at the lawyer's office, you'd better let your suggested executor read it so as to ask you questions if anything is not clear. Then leave it with your bank and get a receipt therefor. You can put a carbon copy in your safe deposit box for future reference by yourself; also you can give a carbon copy to your lawyer and to your executor if you wish.

Even if you now have only very little money, you should make a will. It is the best possible investment for you.

Even With Reduced Profits, There's Still a Good Year Ahead!

By HARRY A. BULLIS*

Chairman of the Board, General Mills, Inc.

Asserting, despite stress of war preparations and obnoxious economic controls, the economic picture is not bad, prominent industrial executive looks for coming year to be good, but without as much boom or as much profit as last year.

When we think of the economic picture today, we should begin by considering how far we have gone already and in what direction. Are we actually in as bad a state as people seem to think when they ask, "Isn't this country in a mess"?

Harry A. Bullis

We are still the strongest nation in the world with the highest standard of living ever achieved by any people. I will agree that we are being saddled with too many controls and that there has been too much hacking away at our system. But I believe that fundamentally we are still all right. The thing to keep in mind after all is that we are fighting not only to preserve our economy and our social way of life, but we are fighting **to survive as human beings.** In this atomic age, any progress made towards any of those goals is real progress, and something which should give us hope.

I hear the question asked, and the fear expressed, is inflation going higher? Are we headed for disaster in the months ahead? I wish I could answer with certainty but I cannot. However, it is possible to observe trends and estimate prospects for the months ahead.

First, we will all have to admit that there will be inflationary pressures in the future. The government will spend more for war production. Tax receipts may fall temporarily. But the deflationary forces of large inventories, credit controls, new and heavier taxes, and the desire of consumers to save more and spend less following the buying sprees of the last thirteen months, should counteract any inflation that might result from heavier government spending. All of these factors should add up to some assurance that there will not be any serious threat of inflation ahead.

Again fundamentally, the American economy is strong and vigorous. In 1950 our gross national product was 7% greater than in 1949. On a per worker basis, the increase was 5.6%. That is splendid progress—twice the average increase in productivity of the past years.

One thing we will perhaps all agree on is that wage increases have barged ahead of this increase in productivity. I am hopeful that management and labor by cooperating will correct that situation.

Now what about price and wage controls? Frankly, I do not think we need **direct controls** on prices and wages. I think that we are just kidding ourselves when we say that direct controls will work when the underlying factors are not right.

Direct controls are not really controls. They are merely a timing mechanism for wage and price increases. They never actually decrease prices or wages either at once or in the long run. That can only be done by the economic forces that operate in a given situation.

One of the big underlying factors that works against direct controls at this time is the lack of an all-out war emergency and the failure of natural restraint and voluntary sacrifices that we find only in periods of all-out war. Until and unless we have this voluntary restraint, and as long as there is greater spending power and less goods to spend it on, inflation will be a threat.

When the trouble started in Korea 13 months ago, some people demanded controls clear across the board. They asked for complete control of wages and prices. I took a different stand, recommending instead **indirect and general controls.**

Actually, the indirect controls have worked well. They have consisted mainly in the withdrawal of Federal Reserve support of government bonds at par, and in the moderate credit restrictions embodied in regulations X and W. The effect of these controls has been reinforced by heavier taxes and—during the past three months—by increased savings of individuals.

These **indirect and general controls** brought an end to the price inflation that marked the first seven months of the trouble in Korea. In the past few months, the increase in the cost of living has been slight and wholesale prices have actually declined.

While the coming year will probably not bring American business either as much boom or so much profit as last year, it should be a good year. I believe that the United States of America will meet the full needs of building defense for ourselves and for our Allies and at the same time improve our standard of living. In this progress toward a more secure and better world, we in General Mills believe that our company will prosper greatly.

*A statement of Mr. Bullis at the Annual Report Luncheon of General Mills, Inc., New York City, July 27, 1951.

Record Bldg. Activity

Another construction record was smashed when contracts awarded in the 37 states east of the Rockies for the first six months of 1951 reached an all-time high of $8,808,109,000 it was stated by F. W. Dodge Corp., construction news and marketing specialists.

The new record figure for six months was 29% greater than the nearest comparative total of $6,854,148,000 set during the first half of 1950.

This was despite a drop in June of 45% from May's all-time monthly record total of contracts awarded. The June figure was $1,408,932,000 compared with the monthly record-smashing May total of over $2.5 billion. The June, 1951 total was still high enough to be 5% ahead of the total for June a year ago, according to Dodge.

Residential Class Shows Squeeze

The first six months of the current year showed all categories, nonresidential, residential and public and private works and utilities, percentagewise out in front of 1950, but residential classifications began to show earmarks of defense-limited construction.

In the residential group for six months, hotel buildings were down 36% compared with the first half of 1950; dormitories were off 4%. However, one-family owner-occupy dwellings at $804 million were less than 1% behind last year's $805 million, and one-family sale-or-rent buildings at $1.630 billion were almost neck and neck with last year's $1.631 billion.

New apartment buildings were up 5% for the six-month period over the corresponding period of 1950 and two-family dwellings registered a 14% gain over the comparative 1950 total.

The residential total for six months 1951 was $3,323,727,000 or 2% more than the corresponding 1950 figure.

Non-Residential Awards Up Sharply

With new manufacturing buildings leading the way with awards for six months this year of over $2 billion, which was 306% ahead of the comparative 1950 figure, the nonresidential group registered a 77% increase for six months 1951 over 1950. The total was $4 billion plus, compared with $2 billion plus last year.

Individual classifications for six months showed commercial building up 5% over corresponding figures for 1950; educational awards were up 19%; public buildings up 14%; religious buildings up 11%. Hospital building awards were down 4% and social buildings were down 51%.

Public and private works and utilities for six months totaled $1,417,737,000 or 10% more than the corresponding figure for 1950.

In June, nonresidential awards were $553,280,000 or 66% less than May, but 25% more than June, last year. Residential contracts at $545,152,000 were 18% less than May and 13% behind June, 1950. Public and private works and utilities at $310,500,000 were 12% more than May and 14% greater than June a year ago.

Bond Club of Cleveland To Broaden Scope

CLEVELAND, Ohio — Guy W. Prosser, of Merrill Lynch, Pierce, Fenner & Beane, President of the Bond Club of Cleveland, has announced that the club is considering plans to enroll young men from the investment field as members. The proposed new members of the Club, which has a limited invitational membership of 200, would be subject to the approval of the board of governors. According to Mr. Prosser opening the membership to younger men would serve to inject new idea, and inaugurating discussions by members and industrialists would be helpful to the younger men.

Guy W. Prosser

John J. O'Brien to Admit New Partners

CHICAGO, Ill.—John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges, will admit Russell M. Chandler and R. Edward Garn to partnership on Aug. 13. Mr. Chandler has been with the firm for some time. Mr. Garn was with Wayne Hummer & Co.

Sutro & Co. Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John G. Jordan has been added to the staff of Sutro & Co., 210 West Seventh Street.

Sound Money Is U. S. No. 1 Need

Orval W. Adams, of Salt Lake City, says nation has become a deficit alcholic, and voters should be taught sound money in only answer to our dilemma.

Speaking at a meeting of the Kiwanis Club in Salt Lake City, Utah, on July 26, Orval W. Adams, Executive Vice-President of the Utah First National Bank, denounced "government by spigot" and termed re-establishment of gold redeemable currency as the No. 1 obligation of nation.

Orval W. Adams

"To insure the American dollar from becoming a postwar, cold war, garrison state, pressure group, New Deal, Fair Deal, Social Security casualty, is Obligation Number One in this Land of America," Mr. Adams stated.

"The currency printing press in the Treasury must be demolished, and gold redeemability reestablished. The pipeline from the Treasury into the pockets of the voters must be wrecked.

"History records that government by spigot has always failed. The spigot is a one-way gadget that the unscrupulous politicians can turn on, but never off. There are those without a knowledge of history who advocate the compensatory theory. Under the compensatory theory the government steps in with the taxpayers' money at a time of depression, then steps out when the depression is over. But, there is no record of a 'step-out' in all history. The 'step-in' has always resulted in a malignant growth on the body politic. In other words, monetization of the Federal debt and the corruption of the electorate.

"Only the American voter, aroused and educated, can save what's left. For the past 18 years, we have indulged in the vicious practice of deficit spending, which spending is now out of control. Here is the evidence of the tragic result:

"In 1950, there were 83 million owners of life insurance and the total life insurance in force in legal reserve companies was about 228 billion dollars at the close of 1950. In terms of 1940 dollars, the amount of drop is $100 billion in purchasing power, reducing the $228 billion protection to $128 billion. These figures represent an average coverage today of only $1,542 for each of the 83 million U. S. policyholders, whereas 10 years ago, with 65 million policyholders, the average coverage was $1,777.

"It can almost be said that the nation has become a deficit alcoholic. The voters have been deluded, deceived, bought, and sold down the river. Fundamental economic education for the voters on sound money is the only answer to our dilemma."

Warns of an Unbalanced Budgetary Situation

August issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York, says practical means of applying pay-as-you-go principle has not yet been found, since taxing of mass consumer income and slashing of appropriations are politically unpopular and may not be resorted to.

In its editorial comment, under the heading, "Inflation by Default," "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York warns that because of fiscal dodging the nation seems to be in danger of drifting into an unbalanced budgetary situation.

"Anti-inflationary measures," says the editorial, "are disagreeable and unpopular. There is a strong temptation to seek excuses for avoiding or postponing them. The tax and appropriation bills now before Congress are being considered in an atmosphere of relaxed inflationary tension. Prices reached a peak late in March and for more than 3 months have been slowly declining. Prospects favor a cease-fire in Korea. The Federal Treasury has ended its fiscal year with a surplus of $3.5 billion instead of the $2.7-billion deficit forecast by the President in January.

"Will these developments be made excuses for skimping the painful tax increases or the difficult cuts in nonessential spending, or both, that are needed to keep rearmament on a pay-as-we-go basis? If they are, it will not be for want of clear warnings of what lies ahead."

Continuing, "the Guaranty Survey remarks:

"Treasury officials have pleaded eloquently for a balanced budget, but in their program the balance is to be achieved exclusively by means of higher taxes. Nowhere in their testimony before Congressional committees or in their other public statements is there so much as a mention of the possibility of seeking a balance by reducing expenditures. 'We are going to spend so much,' they say in effect, 'and it is up to the people to supply the money.'

"Why must all the flexibility be on one side? The financial needs of the government are an important consideration, no doubt; but is the taxpaying capacity of the economy less so?

"In Congress there is no such taboo on discussions of expenditure. Individual members have spoken freely and forcefully for large-scale economy. So far, however, the actual achievements in this direction by Congress as a body have not been impressive, although some reductions have been made in appropriations for the fiscal year 1952, mainly in the Independent Offices bill. The principal 1952 appropriations still to be considered are those for the Department of Defense and for foreign aid. These, while the largest of all, are also among the most difficult to cut, since expenditures for these purposes tend to be regarded as essential to the nation's security, despite the evidence produced by the Hoover commission and other to show that great waste and inefficiency can exist in these as well as other government activities. Unless it is found possible to make substantial cuts in proposed expenditures for these purposes, or unless further consideration is given to appropriation bills on which tentative decisions have already been reached, it appears that the reductions brought about by Congressional action will not be large enough to have much effect on the need for additional revenue.

The Fiscal Dilemma

"As matters stand now, the nation seems to be in danger of drifting into an unbalanced budgetary position. The pay-as-we-go principle is generally accepted, but a practicable means of applying it has not yet been found. The Administration, after declaring that the government 'must practice rigid economy' in its nondefense activities, has submitted a budget calling for the largest nondefense spending in the country's history, challenging Congress either to reduce the spending or increase the revenue enough to meet it.

"Congress seems unwilling to accept either side of the challenge. The taxation of corporations and of large personal incomes is probably close to, if it has not already reached and passed, the point of diminishing returns. The only visible alternative on the revenue side—the taxation of mass consumer income or expenditure—is politically unpopular. Almost equally unpopular is the slashing of appropriations. So far, the courage to substitute sound economics for smart politics has not been mustered. The result is a situation threatening to produce what may be described as 'inflation by default.'

The Economic Answer

"It is possible that revenue from existing tax rates may continue to exceed expectations, and that the government may find it impossible or unnecessary to spend money as fast as it has planned. But to rely on such possibilities to close a prospective $10-billion budgetary gap would be to hold out a welcoming hand to further currency depreciation. Intelligent fiscal policy must be based on defensible estimates, not optimistic hopes.

"From the economic point of view, it would not be difficult to balance the budget by a combination of reductions in nonessential Federal expenditures and taxes on mass consumer income or, preferably, consumer spending. Even cuts in the military budget could be made with far less menace to the nation's security than is involved in the fiscal tight-rope walking that is now going on. The difficulties in the way of a safe, common-sense solution to the budgetary problem are political, not economic. When the search for politically comfortable solutions has failed, it is to be hoped that both taxes and appropriations will be re-examined in the light of economic realities. Paying as we go is a wise and courageous principle, but it takes wise and courageous measures to put it into practice."

Ed. Scheider Heads NYU Alumni Group

Edward J. Scheider, investment advisor for the firm of Clark, Dodge & Co., New York City, has been elected President of the Alumni Association at New York University's Graduate School of Business Administration.

A member of the class of 1941, Mr. Scheider served as a Sergeant in the Army during World War II.

Bioren & Co. Open New York Office

The firm of Bioren & Co., members of the New York and Philadelphia-Baltimore Stock Exchanges, announces opening of a New York office at 120 Broadway under the management of Christopher E. Dunn, who was formerly associated with the New York Stock Exchange.

Joins Ames, Emerich

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Samuel W. Bodman is now connected with Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Midwest Stock Exchange.

Corporate Working Capital at New Peak

The net working capital of U. S. corporations reached a new record level of $77.8 billion at the end of March, 1951, according to the latest quarterly estimates made public by the Securities and Exchange Commission. This was $2.0 billion higher than the total at the end of 1950, largely reflecting expansion of inventories and receivables in excess of increases in payables, taxes, and other current liabilities.

In addition to the $2.0 billion increase in working capital of corporations in the first quarter of 1951, corporations invested about $4.6 billion in plant and equipment during the quarter. To finance this $6.6 billion expansion, corporations secured $1.6 billion, or about one-quarter, from external sources. Long-term borrowing amounted to about $1.2 billion, while net new stock issues added $400 million. Internal sources—depreciation accruals and undistributed profits — provided the remaining $5.0 billion for corporate capital expansion in the first quarter.

Corporate liquidity, as measured by the ratio of cash and U. S. Government securities to current liabilities, continued the decline begun a year ago. At the end of March, 1951, corporate holdings of $46.6 billion of cash and U. S. Government securities amounted to 60% of current liabilities, as compared with 63% at the end of 1950, and 73% at the end of March, 1950.

Manufacturing companies accounted for about three-quarters of the increase in working capital shown for all corporations in the first quarter of 1951, in large part due to increased inventories and receivables. Increases were also shown by electric and gas utilities and communication companies, while railroads showed a small decrease. Trade companies showed little change in working capital.

Corporate inventories in the first quarter increased $3.8 billion to a level of $55.7 billion, which was $10.8 billion more than the amount carried a year previously. A $5 billion increase was recorded in the fourth quarter of 1950.

Notes and accounts receivable increased $1.0 billion in the first quarter to a total of $51.0 billion. Cash and bank deposits declined $800 million to a level of $26.2 billion, while U. S. Government security holdings increased about $600 million to total $20.4 billion at the end of the quarter. Other current assets at the end of quarter amounted to $1.9 billion, $200 million more than at the end of 1950.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — George E. Cartwright and Clyde F. Chelf are now with King Merritt & Co.

Securities Salesman's Corner

By JOHN DUTTON

Answer, Please

(Article 3)

At the end of 1949 there were eighty million life insurance policy holders in the United States. On the average, each of these owned more than two policies. In the ten years since the start of World War II in Europe, U. S. families have nearly doubled the amount of life insurance owned—from $111.7 billion at the end of 1939 to $214.4 billion at the end of 1949.

Contrasted to the eighty million life insurance owners there are an estimated six million people who own corporate securities in this country. This adds up to 13 people who own life insurance investments for every one who owns stocks. Why is it that life insurance is universally accepted by most people as good property and securities are not so accepted? Is it such a superior investment? Why is it after almost two decades of Federal supervision of the investment securities business under the Securities Acts, that more people do not have confidence in stocks as an investment? If, as claimed by spokesmen for the Securities and Exchange Commission and for the National Association of Securities Dealers, people have more confidence in securities today, because of the rigid regulations which they have placed upon the securities business—*where are the customers?*

Manpower

At the end of the year 1949 there were 190,800 agency managers and agents engaged in selling life insurance in this country. How many people are engaged in selling securities? Are there twenty thousand, thirty, or forty thousand? I doubt if there are more. But you know how many people are employed in your town selling stocks—you are also aware of the vastly greater number who are selling insurance.

Why do more people go into the life insurance business as salesmen than those who enter the securities business? Doesn't it take manpower to sell ideas, personal service, and such things as investments and life insurance? Who is it after all, that does what selling there is today in the securities business? I don't mean the order takers who sell the institutions high grade corporate bonds. I am not referring to those who sit at desks and wait for orders for seasoned, listed stocks to come in to them. Who sells the new issues and raises the capital and venture money for industry—the little that is being raised? It is the commission salesman for the medium sized and smaller retail firms throughout the country. It has always been these men who have carried the load and they are the ones who have the most discouragement, the hardest job, make the longest trips, do the door bell ringing, and enjoy the least cooperation from everyone except possibly their own immediate employers. What do you think would happen if the retail securities business of this country could send out 190,000 full time, trained salesmen to sell stocks to the American people as the life insurance business does? Do you think there would be only six million stockholders in America five or ten years from now, or would we double or triple this figure?

What If Life Insurance Agents Had an SEC?

Did you ever stop to think what would happen if your life insurance agent had to place a prospectus of the policy in front of you when he came to see you to sell life insurance? The first thing you would see, written in bold type that overshadowed everything else would be words like these: "The first year's premium on this policy is $1,000. The insurance company has about $800 in expenses. If you want your money back the first year, all you will receive is $200. The agent receives a commission of $350 the first year and $35 a year thereafter for the next nine years." Then on the next page it would say, "The principal deposited with this company has no opportunity of growing in value except at the rate of 2½% compounded, after the costs of insuring your life are deducted. Besides, there is no guarantee that the dollars you are paying in to the company which issues this policy will not someday depreciate in their buying power. The dividends are not guaranteed, in fact they may be discontinued altogether, and all representations to the contrary that are made by anyone should be disregarded by the purchaser; and if reported to the Commission charged with regulating the sale and offering of this policy, it will bring about prosecution based upon violation of Act so and so, and so on."

What if life insurance salesmen had to sit down with you and go over a masterpiece like that everytime they tried to sell you life insurance? But isn't this what you are supposed to do when you sell a "new issue" of securities?

(Neither the foregoing, nor the following, is intended as criticism of the sales and advertising methods used by the life insurance industry, but only to illustrate how the rule of common sense and propriety operates in the merchandising of life insurance, whereas in the securities business sales initiative and creative imagination is restricted by unbending law.)

And Advertising

Do you remember the life insurance advertisements which portray a happy and contented couple, with possibly a small yacht at anchor in the background, with a cozy cottage and dock behind it, while underneath the caption reads, "make your old age security sure, retire and live happily the rest of your days on $100 a month." Eventually the $100 a month got a little too thin for the romance boys who write the life insurance ads and they upped it to $200 a month. The luxurious way people can live on life insurance annuities of $200 a month surely is wonderful.

But seriously, are people expected to be unable to think for themselves? Are they so lacking in common sense that they are not expected to take some of these claims with a grain of salt? Is it necessary for the life insurance companies to put an insulting clause at the bottom of these ads, such as is compulsory in the sale of Mutual Fund shares, or other securities, that goes, **"There is a sales charge to the investor included in the offering price of this investment. For details and other material see the prospectus"?** People are not so dumb, are they, as to believe that the life insurance companies can operate without a sales charge? But they are supposed to be so when it pertains to an investment in stocks. If not, why put in such a clause in any advertisement? Why cast aspersions against those who sell stock, by making this wholly unnecessary and suspicion-creating clause a part of financial advertising?

And when it comes to using a little persuasion to stretch the truth a bit, how about that sign you now see in post offices and banks throughout the country, that is currently singing the virtues of an investment in E bonds. Some happy copywriter at the U. S. Treasury probably thought that one up—at least it passed the O. K. of whom-so-ever it is that puts out the Treasury's advertising. It goes, "Your Bonds Are Now Better Than Ever." That's a good one, isn't it? They are **Better Than Ever** says the ad. You think that one out for yourself. What if some security dealer offered an issue of bonds of a private corporation, that because of circumstances found it expedient to offer an extended maturity to those bondholders who wished to avail themselves of it, and they advertised, "Your Bonds Are Better Than Ever"? Where do you think that firm would be asked to come for a private investigation? No prospectus, no explanation, no mention of the increased debt of the issuer, of the unbalanced state of the corporation's finances; that outgo had exceeded income for seventeen out of the past nineteen years, no mention of the highest expenses in history and more to come—just the ad, "Your Bonds Are Better Than Ever"! You take if from here.

No one desires to condone misrepresentation, either implied or specific, in selling or in advertising—especially those who have studied the real problems of the securities business for these many years. But can't you see just a few of the reasons why so many more people own fixed income securities, savings accounts, life insurance, than there are who own securities? Isn't it possible that unless, and until, the investment business is allowed to use practical, sound, and progressive merchandising methods, **which are accepted practice in every other industry**, that the sales of securities will remain far behind these other forms of investment?

J. L. Budington Joins Coburn & Middlebrook

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Justin L. Budington has become associated with Coburn & Middlebrook, Inc. Mr. Budington for many years has been in the investment business under the name of J. L. Budington & Co.

Railroad Securities

Chicago & North Western

While railroad stocks as a whole have been acting somewhat better during the past week or so, the periodic rallies have in general not carried through and this group is still lagging behind the industrial section of the list. Real sustained strength has developed only in those situations where some special news or development has caught the public fancy. Thus, for some time Northern Pacific common has been an outstanding performer, reflecting widespread hopes that substantial earnings will accrue from oil operations on its extensive land holdings. Similarly, Nickel Plate common pushed forward smartly late last week on news that the ICC examiners had recommended that the stock split be approved. As pointed out a week ago in this column, however, actual splitting of the stock is probably at least a couple of months off.

Except for these isolated instances there has been little doing. If we are going to see an appreciably better rail market in the fall months it is obvious that a broader speculative interest must be generated. If, or when, such speculative interest is generated, and carries through more aggressively than it has in recent months, many rail analysts consider it likely that Chicago & North Western will, percentage-wise, give a very good account of itself.

Chicago & North Western is one of the most highly leveraged stocks in the rail group. The road went through a drastic reorganization a few years ago and emerged with a sharply reduced capital structure. As of the end of last year senior capitalization, including the $5 preferred taken at $100 a share, was close to $270 million. The common stock is outstanding in the amount of 815,544 shares. Even if taken at $100 a share this junior equity accounts for only 23% of the total capitalization. Each dollar of gross revenues, taken at last year's level, is equivalent to more than $231 per share of common stock. Obviously, then, even a very narrow fluctuation in either gross revenues or operating expenses will result in a sharp drop or increase in share earnings.

The leverage is not only in the capitalization. There is also considerable leverage in the road's operations. The road is traditionally a high cost producer. It does a substantial passenger business, which is normally conducted at a loss, and it carries a large proportion of short haul traffic on which the terminal costs are inordinately burdensome. Naturally neither of these weaknesses was, or could be, corrected merely by a capital readjustment. As a result of these heavy expenses, the road is even more truly a feast or famine property than are the railroads as a whole.

Reflecting this leverage, share earnings fluctuate widely from year to year. Pro forma earnings jumped from $6.28 a share in 1941 to $25.88 in 1942 which marked the war time peak. Earnings stayed at high levels throughout the war period but sank rapidly thereafter—to $1.94 in 1947. There was some recovery in 1948 but in the following year the road did not even cover its preferred dividend requirements. Last year the earnings amounted to $2.50 a common share, before sinking and other reserve funds. Starting from such a low base the percentage improvement under favorable conditions can be particularly wide.

Seasonally the first half of the year is always poor for North Western—generally large deficits are sustained in that period, with all of the earnings coming in the second half. In the current year the company has been able to cut the deficit sharply. For the five months through May the net loss was reduced by approximately $2.2 million, to $1,788,000. Prospects for the seasonally good second half appear quite favorable at this time and earnings for the full year should be the best for any year since the end of World War II. Optimists on the stock point out also that the management is traditionally quite liberal with dividends when the earnings are there.

Frederick Vogell With Gilbert J. Postley Co.

Frederick W. Vogell

Frederick W. Vogell has become associated with Gilbert J. Postley & Co., 29 Broadway, New York City, where he will specialize in public utility bonds. Mr. Vogell was formerly head of Vogell & Co., Inc.

N.A.S.D. Issues Over-Counter Handbk.

WASHINGTON, D. C.—National Association of Securites Dealers, Inc., announces publication of a handbook dealing with ethics, customs, trading practices and professional language of the over-the-counter securities market. NASD is the self-regulating organization of the securities business. The Association says the trade has not heretofore had a reference book of the kind just published.

Major chapers cover "trading ethics" and the "quoting of markets," and the book also includes a glossary of trading terms, expressions and symbols used in the business.

The handbook was prepared by the Unlisted Trading Committee of the Association of which Jesse A. Sanders, Dallas, is Chairman. Other members are Paul Devlin and Carl Stolle, New York, and Harry L. Nelson, Chicago. B. Winthrop Pizzini, New York, was one of the specialists in the field who contributed to the preparation of the handbook.

Security Traders Association of Los Angeles

Annual Party at Lake Arrowhead

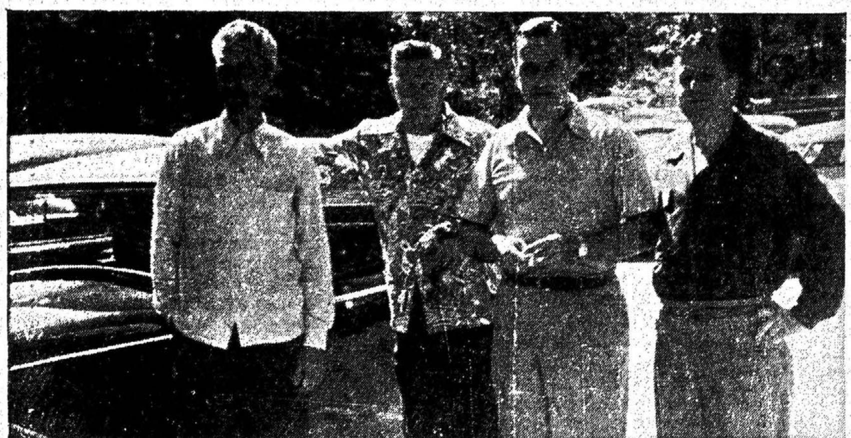
Jim Schneider, *Marache Sims & Co.*; Ted Carlsen, *Geyer & Co.*; Homer Wessendorf, *William R. Staats Co.*; Pat Sheedy, *Edgerton, Wykoff & Co.*

Bob Diehl, *Paine, Webber, Jackson & Curtis*; Bob Green, *Pledger & Co.*; Roy Warnes, *Shearson, Hammill & Co.*; Bert O'Neil, *Merrill Lynch, Pierce, Fenner & Beane*; Dick Manwaring, *First California Co.*

George Earnest, *Fewel & Co.*; Bob Cass Jr., *Dempsey-Tegeler & Co.*; Bob Henderson, *Daniel Reeves & Co.*

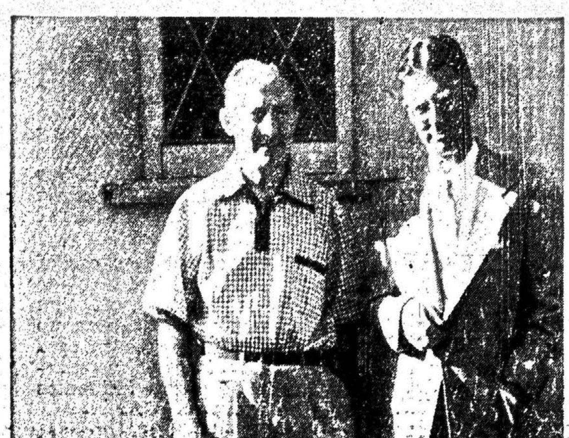
Jack Alexander, *Pacific Co. of Calif.*; Tom Euper, *Dempsey-Tegeler & Co.*

Bill Zimmerman, *Bingham, Walter & Hurry*; Scott Stout, *Morgan & Co.*



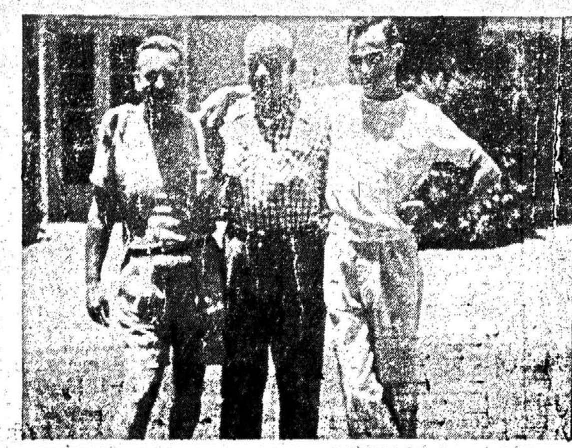
Tim Spillane, *J. A. Hogle & Co.*; Bud Tuttle, *Gross, Rogers & Co.*; A. S. McOmber, *Revel Miller & Co.*; Forest Shipley, *Marache Sims & Co.*

Tony Kraft, *Oscar F. Kraft & Co.*; Mike Kraft, *Oscar F. Kraft & Co.*; Bud Dorroh, *William R. Staats Co.*



Leo Babich, *Hill Richards & Co.*; Roy Warnes, *Shearson, Hammill & Co.*

Pierce Garrett, *Dempsey-Tegeler & Co.*; Paul Aschkar, *Dempsey-Tegeler & Co.*; Howard Caldwell, *Dempsey-Tegeler & Co.*; Jim Jacques, *First Southwest Company*, Dallas



Bill Walker, *Conrad, Bruce & Co.*; Bill Wright, *Lester & Co.*; Graham Young, *Weeden & Co.*

Canadian Securities

By WILLIAM J. McKAY

Last week we covered the story of the recent rapid expansion of the Canadian paper and pulp industry. Along with this development and of no less importance to the Dominion's future economic development is the substantial growth of Canada's hydro-electric power. According to the current monthly "Review" of the Bank of Nova Scotia, "it would be difficult to name a country to which the rise of hydro-electric power as a source of energy has been of greater economic significance than it has to Canada. Hydro-electric power has been of particular importance to this country because of the lack of coal deposits near industrialized urban centers and close to most of the great pulpwood and mineral resources which, along with wheat, were to be Canada's major contribution to the world's rapidly growing needs for raw materials in the twentieth centry. Canada is a land of lakes and rivers, and falls and rapids which offer excellent sites for the development of hydro-electric power are found in almost every part of the country except the prairie areas of the Western provinces. Decade by decade during this century installed electric capacity has expanded, supporting and reflecting industrial development."

Canada, despite its vast undeveloped resources, is surpassed in production of electricity from water power only by the United States. Because of the sparseness of her population in vast areas Canada, on a *per capita* basis, has a hydro-electric output exceeded only by that of Norway. This is because Canada's industrial use of electric power is particularly heavy. Though international comparisons are not available for the postwar period, even in 1937, when Canada's industrial status was much lower than it is at present, more electric energy was used for industrial purposes in this country than in such highly-industrialized and populous countries as Japan, Britain and France, or any other European country except Germany and Russia. Indeed, only the United States, which alone accounted for about a quarter of the world's industrial use of electricity, Germany which used about a sixth, and Russia were higher on the list than Canada.

An important factor in this connection is that Canada has the advantage of having unusually widely-distributed water-power resources in contrast to her other resources of fuel and energy, notably coal and oil, which are concentrated in the eastern and western parts of the country. The Great Lakes-St. Lawrence River system, and the fast-flowing rivers and numerous lakes have thus been of great importance to the development of the mid-continent area of Canada. These have provided power which has established Ontario and Quebec as the principal manufacturing areas and which has been essential to the development of the pulp and paper and mining industries. The far-western mountains and rivers provide plentiful power resources for British Columbia — another major forest and mineral area—and limited ones for Alberta. All three Prairie Provinces also have quite substantial reserves of undeveloped power in their northern parts, but the plains areas lack hydro-electric resources. The rivers of the older Maritime Provinces have afforded possibilities for smaller power developments, and the power resources of Newfoundland and Labrador, though not yet fully evaluated, are known to be large. Newfoundland's have already played a major part in the growth of the pulp and paper industry in that province.

The war created a demand for additional power resources in Canada and, despite the addition of 2,000,000 horsepower to the hydro-electric capacity in this period, there was still serious shortages in some sections for industrial use. All this led to an expansion of power production facilities in the postwar years.

By this spring some 750,000 horsepower had been brought into operation, over two-thirds of it at the big Des Joachims plant on the Ottawa River. Meanwhile, as it became obvious that the original program would be inadequate to keep pace with the rapidly growing industrial needs of southern Ontario, the expansion program was enlarged by a further 1.4 million horsepower. Some 600,000 horsepower is to come from Niagara, following the conclusion about a year ago of a treaty with the United States for a further diversion of water. The rest will come from steam plants at Toronto and Windsor. Thus by 1954, Ontario's installed power capacity is expected to be about double what it was at the end of the war. Steps are also being taken to help relieve the heavily loaded southern Ontario system by linking it up with plants in northern Ontario, thus making it possible to draw on them during peak periods.

In other parts of Canada, on a similar scale, new hydro-electric facilities are being built in the effort to meet a steeply rising demand—a demand fed by the needs of new pulp and paper, mining and metallurgical developments, by the great activity in the heavy industries, by the rapidly increasing use of electricity in manufacturing generally and by a mounting commercial and domestic use of power associated with higher living standards and an expanding population. Last year consumption of electric energy in Canada was roughly one-quarter greater than at the wartime peak in 1943 and about three-quarters larger than in 1939.

Defense needs for aluminum have led to one of the most colorful undertakings in Canadian hydro-electric history—the huge development to provide power for the refinery now getting under way at Kitimat, south of Prince Rupert, in British Columbia. Plans call for the drilling of large tunnels for a distance of 10 miles, to carry water from the eastern side of the mountains to turbines on the western side 2,500 feet lower. By damming a river system which now flows eastward into the Fraser, sufficient water could be backed up to develop 1.6 million horsepower, and present plans call for a cavern excavation sufficient for an underground power-house with an output of 800,000 horsepower. Thus, when the first section of this large project comes into operation, British Columbia's hydro-electric capacity would be over 2 million horsepower—not far from two and one-half times as large as it was at the end of the war.

Despite these huge developments, it is estimated by the Bank of Nova Scotia that only a fraction—perhaps 25%—of Canada's vast hydro-electric potential has so far been developed; it is officially estimated that the water-power resources known and evaluated at present would support an installed capacity of 55 million horsepower. Many of the large undeveloped sites are, however, in remote areas from which power cannot be economically transmitted to where it is most needed. Thus, some sections of the country, notably southern Ontario, can apprehend the day approaching when, with no new large hydro-electric sites to develop, they must resort to fuel-produced power. The large reserves of power in northern areas seem likely, however, to facilitate the development of mineral discoveries. Moreover, high-voltage transmission may in time make many of these northern power resources more accessible to Canada's industrial areas.

Bennett, Thomas With Distributors Group

Distributors Group, Inc. has announced that Thomas H. Bennett and Claude G. Thomas are now associated with them in the wholesale distribution of Group Securities, Inc.

Mr. Bennett, a graduate of Middlebury College, was a Lieutenant in the Navy during the war, after which he was associated with the Bankers Trust Company. Since 1948 he has been in the retail securities business, planning financial programs for clients in the metropolitan area by combining the sale of mutual funds and life insurance.

Mr. Bennett will make his headquarters in New York, servicing dealers in the City and State of New York.

Mr. Thomas, a graduate of the University of Richmond, also served in the Navy during the war. He was associated with J. C. Wheat & Co., investment dealers of Richmond, for a year-and-a-half and since the first of this year has had his own investment firm in Richmond, specializing in mutual funds.

Mr. Thomas will make his headquarters in Richmond, serving the dealers in Virginia and adjoining states.

With Davis, Skaggs

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Thomas R. Jenkins is now with Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

Elmer W. Judge Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Elmer W. Judge is engaging in the securities business from offices at 949 Fillmore Street.

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control measures, particularly Regulation W, be relaxed or abandoned.

In these remarks I wish to examine the demands that are likely to be made on the economy during the next two years and to indicate the policies that should be pursued in order to keep the economy both efficient and stable. The objectives of efficiency and stability are to a certain extent in conflict and the country must accept some inflation in order to get the maximum efficiency or sacrifice some efficiency in order to get the maximum stability. In these remarks I wish particularly to discuss (1) whether the peak rate of defense expenditures now being planned for the fiscal year 1952-53 is too high; (2) whether a continuation of tight credit controls is needed; (3) whether a continuation of price and wage controls is desirable; and (4) what should be done about taxes. I wish to conclude these remarks by examining some of the probable lasting effects of the defense program on the economy. As a foundation for discussing these various matters, I wish to analyze briefly the recent lull in business and also to explain why the objectives of economic efficiency and economic stability are to a limited extent in conflict.

II

The present lull in business has been surprising and encouraging—though I think that it is easy to derive too much encouragement from it. As a matter of fact, it has been quite an incomplete lull, affecting prices, inventory policies, and retail trade but showing little or no effects on production, employment, or personal income. The lull is evidenced (1) by the fact that the level of wholesale prices has shown little change since February and has even declined by a small amount since March; (2) by the sharp drop in the index of future prices which is now substantially below February; (3) by the drop of about 20% since February in the price index of 28 sensitive commodities; (4) by the drop in the physical volume of retail sales during April, May and June below the corresponding periods of last year; and (5) by large rise in inventories, which increased during the second quarter at the annual rate of $14.2 billion. It is important to note, however, (1) that the gross national product (expressed in constant dollars) rose nearly 3% between the first quarter of 1951 and the second—a very rapid rate; (2) that industrial production has continued to rise about as fast as previously, the unadjusted index increasing from 219 in March to 223 in June; (3) that civilian employment was 1.8 million larger in June than in March; (4) that unemployment dropped by 167,000 between March and June; (5) that business expenditures on plant and equipment have risen substantially and in the third quarter of the year will be about 35% above the third quarter of last year; (6) that the consumers' price index was higher in June than in March; (7) that the hourly earnings of workers have continued to increase; (8) that personal incomes rose from an annual rate of $244.1 billion during the first quarter of 1951 to an annual rate of $250 billion during the second quarter; and (9) that, while inventories grew rapidly, unspent purchasing power in the hands of consumers also grew rapidly.

The behavior of consumers during the last three or four months is particularly interesting and important, and it strongly suggests that well-accepted assumptions about the behavior of consumers need to be revised. It has generally been assumed that the expectation of higher prices will cause a considerable amount of buying in anticipation of higher prices. Recent experience suggests that other influences upon consumer behavior are more important than expectations concerning future prices. The current survey of consumer finances shows that nearly 7 out of 10 consumers expect prices to rise during the coming year. And yet, despite the continued rise in personal incomes, consumers in April, May and June bought a smaller physical volume of goods than a year ago. In fact, personal saving during the second quarter of 1951 was at the annual rate of nearly $20 billion, or 8.9% of income after taxes. This was about double the rate of the second quarter of 1950 or the first quarter of 1951. The heavy buying during last summer and in December and January is only part of the explanation for the high rate of saving during the second quarter of 1951.

The principal explanation seems to be that the expectation of a rise in prices is more general than the expectation of a rise in money incomes. Only 39% of consumers expect a rise in their incomes this coming year, whereas 67% expect a rise in prices. Furthermore, although the changes in incomes and in ownership of liquid assets by consumers indicate that there has been a considerable improvement in the economic condition of consumers during the last year, the proportion who consider themselves worse off has risen, the proportion who consider themselves better off has not changed, and the proportion who consider themselves no better and no worse off has dropped. Finally, about half of all consumers believe this to be a bad time to buy durable consumer goods because prices are too high. This opinion is held in face of the belief that prices will not fall. About one-third of all consumers think this is a good time to buy durable goods because prices are likely to go higher and shortages are likely to develop. From these facts about consumer attitudes and consumer behavior the following generalizations are warranted:

(1) Rising prices are likely to create pessimistic expectations concerning the purchasing power of future incomes, especially among employees.

(2) These pessimistic expectations are more likely to cause most consumers to conserve resources than to purchase in anticipation of higher prices.

(3) High prices encourage many consumers to conserve resources by using goods longer, and this influence on buying practices is about as strong as expectations of higher prices.

(4) At the present time, one of the principal inflation controls is the belief of most people that their incomes will not keep up with prices. If this pessimism concerning future incomes were removed, inflationary influences would be strengthened.

(5) At the present time, the belief of a large proportion of consumers that prices are too high is an important restraint on buying

and, therefore, a protection against inflation.

Can these observations be reconciled with the large-scale buying by consumers last summer and during last December and January? I believe so. The buying of last summer occurred before prices had risen to levels that consumers consider unreasonable. Furthermore, the buying of last summer and last winter was probably more influenced by fears of shortages than by fears of higher prices—though each fear existed. Nevertheless, fears of shortages probably influence consumer buying more than do fears of higher prices. Finally, the buying of last summer and last winter was done by the limited part of the population that is most sensitive to price prospects and shortage prospects. Now that this part of the population has done its buying, the markets are dominated by the buyers who are most influenced by uncertainties over the purchasing power of their future incomes and by the belief that prices are too high.

The general conclusion of this analysis of consumer behavior is that rising personal incomes during the next year may not be as strong an inflationary threat as seemed likely several months ago —provided consumers continue to be worried about the purchasing power of their future incomes and continue to regard most prices as too high. Personal incomes will undoubtedly rise by a considerable amount during the next year, but consumers are likely to save at a high rate—particularly adding to their holdings of cash and bank deposits.

III

To what extent are the objectives of economic efficiency and stability in conflict? Extreme inflation is bad for efficiency because money is depreciating so rapidly in value that no one can afford to make careful plans for spending it. On the other hand, complete stability of the price level in a time of rapid shift of production is both inequitable and less conducive to efficiency than a moderate rise in the price level. A large shift in production (from making civilian goods to making defense goods, for example) requires that some prices rise relative to others. The prices of commodities that are needed in much greater quantities (metals, for example) need to rise relative to prices in general; the wages of labor in certain places or industries where many more men are suddenly needed must rise relative to wages in other places and industries. In order to keep the **general** level of prices unchanged, it would be necessary to offset the rises in some prices with a drop in other prices. But in the modern economy, some costs, such as wage rates and many overhead items, are relatively fixed. Consequently, firms experiencing a drop in their prices would suffer losses and an impairment of working capital. Some would not be able to continue in existence and the community would suffer the loss of efficient going concerns. This would obviously be bad for efficiency. If the shifts in production were brought about by a rise in some prices and no change in other prices, the general price level would rise and the country would experience moderate inflation, but the shift in production would be less likely to force going concerns out of business.

IV

Is the rate of defense expenditures now being planned for a year hence too high? This is an annual rate, as I have said, of $65 billion. The Council of Economic Advisers states that although "detailed programs have not been worked out for the period beyond June 30, 1952 . . . it is now contemplated that the rate of expenditures will be even higher in the fiscal year 1953." Last winter the staff of the Joint Committee on the Economic Report estimated military expenditures in the second quarter of 1952 at about $59 billion.[1] Hence the figure used by the Director of Defense Mobilization is about 10% higher than the estimates of the staff of the Joint Committee on the Economic Report last winter.

The country has been given no explanation as to how the figure of $65 billion was reached or why the planned rate of defense expenditure is not greater or smaller. The country is apparently expected to accept this figure with no questions asked. This is not a procedure appropriate to a democratic community. I have a strong suspicion that the figure is unnecessarily high.

There is no doubt that the economy about a year hence can produce defense goods at the annual rate of $65 billion without an appreciable cut in output for personal consumption and perhaps with no cut at all. It is true that an output of defense goods of $65 billion a year would be about $30 billion greater than the present rate of output, and that the rise that can be expected in the total output of the economy in the next year is in the neighborhood of $15 billion to $20 billion a year. This rise will depend upon how rapidly the labor force expands, weekly hours of work increase, and output per manhour grows. The quantity of goods now used to increase industrial plant, equipment, and inventories, however, is abnormally high and, after another year, can probably be cut by at least $10 billion to $15 billion a year. Hence a rise of $30 billion in goods used for defense could be achieved without a significant drop in the total volume of goods available for consumption. The growth of population, of course, would tend to bring about a small fall in per capita consumption.

A military budget of $65 billion or more for the fiscal year 1952-53, however, would raise fiscal problems of considerable difficulty, particularly if the budget is financed solely by tax revenue. It would mean a total Federal budget of about $85 billion—$15 billion more than estimated cash expenditures in the fiscal year 1951-52. The cash budget of the present fiscal year can be balanced without new taxes, provided moderate economies, saving $2 billion to $3 billion a year are made, or it can be balanced by new taxes yielding $2 billion to $3 billion a year. The rise in the output of the country increases the yield of taxes, but a cash budget of $85 billion in 1952-53 could not be balanced without the imposition of new taxes yielding roughly $15 billion a year. In theory such taxes might be imposed without doing harm to the economy. So long as the selection of taxes is governed by political considerations, I do not believe that taxes to yield $15 billion additional revenue can be imposed without the risk of serious injury to the economy. Consequently, I do not believe that the country should authorize expenditures of $65 billion a year on defense without convincing evidence that this is needed. Furthermore, if expenditures of $65 billion on defense are found to be necessary, a substantial part of the increase in the budget (and perhaps all of the increase) should be met by non-inflationary borrowing rather than by new taxes.

Doubts as to the necessity of raising defense expenditures to a peak of $65 billion during the fiscal year 1952-53 are aroused by the time schedule of the defense program. If the additional defense goods are urgently necessary, why should the country wait until late in 1952 or early in 1953 to obtain them? Why should not civilian production have been cut back this last year and why should it not be cut back now in order that the country may have urgently needed goods earlier? Must goods that can wait until 1953 to be produced be turned out at that time at the rate of $65 billion a year? Perhaps our intelligence services have information concerning the rate of Russian preparations that justify the $65 billion figure for 1952-53 and that also justify delaying this rate of defense production until that time. But, as I have pointed out, no one on the part of the government has attempted to explain to the country where the $65 billion figure came from or why it should not be larger or smaller.

When one examines all the facts, it looks as if a figure had been selected which would prevent any significant increase in output for consumption and would not compel a significant cut in this output. In other words, it looks as if the military had simply decided to ask for all of the increase in output that can be gained during the next two years by technological progress, increase in the volume of employment, and reduction in the capital expenditures of private industry. That may be a good political basis for computing the size of the defense program but it is not a good economic basis. Everyone agrees that power to produce defense goods is more important than a large flow of goods that will soon be obsolete. If defense production in 1952-53 were less than $65 billion (say about $55 billion) and if this output were kept up for two or three years, the armed services in several years would have more modern and better equipment than if there were a production peak in 1952-53.

Many politicians are afraid that any questioning of defense expenditures will be regarded as unpatriotic. Hence the best way to examine the difficult and important question of the best timing of defense expenditures is through a non-partisan committee of private citizens which would operate through a staff and through public hearings. I suspect that such a committee would conclude that defense outlays in 1952-53, including foreign aid and atomic energy, ought to fall considerably short of $65 billion. But such a committee might reach the conclusion that the output of most defense goods ought to be accelerated.

V

What should be done about the program of controlling inflation? It is plain that a defense budget of $65 billion, or even $55 billion, in 1952-53 will create strong upward pressure on prices. There will be little or no increase in the supply of consumer goods in the face of a $30 billion increase in the output of defense goods. Even if the output of defense goods does not rise by more than $20 billion a year (a defense budget of $55 billion instead of $65 billion), the rise in the output of consumer goods will be small. Personal incomes, however, will rise by $15 billion to $20 billion a year after taxes at present tax rates. The precise rise in personal incomes will depend upon how large is the increase in the size of the labor force, in hours per week, and in rates of pay. With the supply of consumer goods changing little and with personal incomes rising by a substantial amount, the problem of inflation will be important for some time to come. What should be done about credit policy, price and wage controls, and government fiscal policy?

(1) *Credit Policy*—Tight credit policies should be maintained, and individuals and corporations should be encouraged to reduce their indebtedness. Tight credit policies will be particularly important during the next year, while the increase in defense output will exceed the rise in the national product. Certainly a period when demand tends to exceed the capacity of industry is no time for the banks to be expanding the money supply, and yet the banks will be doing just that if their loans and investments expand. It is particularly desirable that the controls of consumer credit not be relaxed, for this is no time for individuals to be spending more than their income. Some people argue that restraints on consumer credit are unfair to persons with small incomes. There is no reason, however, why **some** persons of small income should be permitted to bid up the prices that govern their own cost of living and the cost of living of everyone else, including other recipients of small incomes. And yet that is what they would tend to do, if permitted to buy goods with borrowed money.

(2) *Price and Wage Controls*—Price and wage controls should be kept as long as the danger of inflation is great, but should be reformed. The principal reform needed in the program of price control is that it be made more equitable as between different classes of producers—farmers, industrial corporations, wholesalers, retailers, and employees. Unfortunately, the actual amount of improvement in the methods of price control that Congress will permit or that the Economic Stabilization Agency will consent to make may be quite small, but the need for drastic reforms is great. There is little hope that the Farm Bloc will permit price controls to have much effect on the price of food. The law does not permit price ceilings that are below "parity" prices, and parity is so outrageously defined that most farm products sell below parity even in the midst of boom. Hence the prices of most foods and other farm products will depend upon the size of crops and the willingness of consumers to save. The principal effect of price controls, therefore, will be upon the prices of non-farm products and wages.

I have said that the most important reform needed in the program of price control is that it be made more equitable as between different classes of producers. This need is strikingly illustrated by the very different policies the Economic Stabilization Agency is adopting toward wages and prices. The present policies of the Agency permit wages to advance with the cost of living after a lag of three months. That statement requires some qualification, since most increases of more than 10% over the level of Jan. 15, 1950, require approval by the Wage Stabilization Board, but the statement is essentially true. Quite different is the Agency's policy toward the selling prices of manufacturers, wholesalers and retailers. The Agency proposes to supersede present interim ceiling prices with ceiling prices set on an industry or commodity basis. Sellers would be required as a general rule to absorb increases in costs until the profits of the industry drop to 85% of their industry's three best years during the period 1946-49 inclusive. Profits are to be computed before Federal income and excess profits taxes and after adjustment for normal depreciation only, but with adjustment for changes in net worth.

There are important specific objections to the above method of determining the extent to which non-agricultural sellers will be required to absorb increases in costs. In the first place, the consumers' price index is now about 16% higher than in the period 1946-49. Business owners should not be required to compute the basis for absorbing costs in two kinds of dollars—the depreciated dollar of 1951 and the more valuable dollars of 1946-49. The method of computing the basis for absorbing costs used by the Economic Stabilization Agency imposes a special 16% tax on business owners. This injustice is partly compensated by the fact that the base period selected for determining the extent to which non-agricultural sellers must absorb costs, namely 1946-49, is one in which most corporations overstated their profits. Through the prevalent practice of counting an increase in the cost of replacing inventories as a profit, corporations overstated their profits by about $9.0 billion (an average of $2.25 billion a year) during the period 1946-49. In the second place, the method of computing the extent to which non-agricultural sellers must absorb costs uses profits before taxes on corporate income, not after taxes. Between 1946-49 and the present time, the tax liability of corporations has been enormously increased. The method of using profits before taxes as basis for determining the extent that cost increases must be absorbed would impose a large and severe additional tax on the 6 million or 7 million stockholders in corporations—a tax that no other members of the community pay. This special penalty upon the persons who have invested in American corporations is both unfair and unwise.

These specific objections to the method for computing the amount of cost absorption by non-agricultural rule for owners of non-agricultural businesses. A large measure of price control policy. The most serious objection is that the government has one rule for employees and farmers and another rule for owners of non-agricultural businesses. A large measure of protection against rising costs is given to farmers because parity prices rise as the prices paid for goods by farmers rise. Employees are given almost complete protection against increases in the cost of living. But non-agricultural business concerns are expected to absorb substantial increases in costs before being granted higher ceiling prices.

It would be a mistake, of course, to permit business concerns to pass on **all** increases in costs. That would greatly weaken the incentives of managements to be efficient. But the government should endeavor to treat the 6 million or 7 million stockholders in American corporations and the several million owners of unincorporated enterprises outside of agriculture in accordance with the same basic rules that govern its treatment of farmers and employees. If business concerns were permitted to pass on 75% of increases incurred in their labor and material costs after the initial ceiling prices have been set by the Office of Price Stabilization, managements would have a strong incentive to resist further increases in costs and to improve methods of production, and the owners of non-agricultural businesses would be given a large measure of protection against having to assume the burden of protecting the entire community against higher prices. A 75% pass through of labor and material costs would also weaken the tendency of price controls to produce distortions in the price structure.

Potentially the most useful part of the price-wage control program is the control of wages. The reason is that the crux of the problem of inflation is the tendency

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[1] 82nd Congress 1st Session. Joint Committee Print, "The Economic and Political Hazards of an Inflationary Defense Economy," pp. 55, 57, and 58. The actual estimate of the staff was military expenditures at an annual rate of $44.6 billion. To this should be added the staff's estimate of $7.5 billion for foreign military and economic aid and about $1.3 billion for atomic energy. The staff made its estimates in terms of prices 5% above June 1950. Another 5 % should be added to adjust the estimates to present prices.

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for personal incomes to outrun the supply of consumer goods. About two-thirds of personal incomes represents wage and salary payments. During the next year, the principal cause for the growth in personal incomes will be wage increases. Many of these increases will not be affected by the wage controls, since they will not exceed the advances allowable under the present rules of the Board —they will go to persons who have not received wage increases during the last year. But there is need to reduce greatly the number of cases in which the Board finds some reason for allowing increases in excess of those permitted without its special approval. The essential difficulty is that employers consent to advances which exceed the maximum that may be granted without the Board's approval, and then the employer and the union join in asking the Board to permit the increase. No public board will be very effective in denying increases that employers have granted.

In order that the Wage Board may be an effective restraint on wages, employers must be unwilling to grant wage increases that require approval of the Board. This means that most of the wage cases that come before the Board should be dispute cases—cases in which the union is asking for wage advances that the employer refuses. This requires that wage increases shall cost the employers something—that employers, as I have suggested, shall be permitted to translate into higher prices only part of the advances in the wages of their employees. Furthermore, it would be desirable, as a usual but not invariable practice, to permit no retroactivity in wage increases allowed as exceptions to the general rules of the Board. Finally, since the survey of consumer finances indicates that uncertainty concerning the purchasing power of future incomes is one of the principal restraints upon the demand for goods, the Board should be careful to avoid too definite policies and should keep workers somewhat uncertain as to the extent that various types of wage adjustments will be permitted.

(3) *Government Fiscal Policy*—The government should avoid reducing the large cash balance that it has accumulated during the last year. If the government spends the money that it has accumulated or uses it to reduce its debt (except debt held by the Reserve Banks), it will undo the anti-inflationary effect of building up the surplus.

What should be done about taxes? I have pointed out that the cash budget in this coming fiscal year can be balanced either by economies of about $2 billion or $3 billion or by a tax increase of the same amount. Cash expenditures are estimated at about $69 billion and cash receipts at about $66 billion to $67 billion. If the tax increases become effective only on Oct. 1 or next January, they would need to be at a higher rate than $3 billion a year.

But what about the gap between personal incomes and the supply of consumer goods? Are not tax increases needed to narrow or eliminate this gap, even if they are not needed to balance the cash budget? And what about the fiscal year 1952-53? If defense expenditures run as high as $65 billion in that fiscal year, very large increases in revenues will be needed to balance the budget. Indeed, large increases will be needed even if defense expenditures in 1952-53 do not rise above $55 billion. Furthermore, whatever tax increases are needed for the fiscal year 1952-53 had better be enacted in the present session of Congress.

Let us consider separately the problem of the gap between personal incomes and the supply of consumer goods in the next 12 months and the problem of the prospective deficit in the budget in the fiscal year 1952-53. Tax increases may be helpful in reducing or eliminating the gap between personal incomes and the supply of consumer goods, but whether they are or not depends upon the kind of taxes that are imposed. An increase in the corporate income tax or the excess profits tax is obviously of no help because such changes have little or no effect upon the size of consumer incomes. Sales taxes reduce the gap by raising prices, not by reducing personal incomes after taxes. All that can be said in favor of a more or less general sales tax as an anti-inflationary device is that the price increases it produces have less spiral effect than most price advances because the additional income caused by these price increases goes to the government in the form of tax revenues, not to private individuals. The kind of tax that is adapted to reducing the difference between personal incomes and the supply of consumer goods is the personal income tax.

The present income tax is already steeply progressive. A married with no dependents and an income of $10,000 a year after deductions (such as charitable contributions) but before exemptions now pays to the government 26 cents out of every additional dollar of income. If his income after deductions is $25,000 a year, he pays to the government 38 cents out of every additional dollar of income; and if his income is $34,000, 50 cents out of every additional dollar. Certainly no increase should be made in the taxes on that part of income which is already being taxed at a rate of 50% or more. Nevertheless, a large increase in the yield of the income tax is possible provided Congress is willing to tax that part of income which now pays no tax or to raise the taxes on that part of income that pays only moderate taxes. More than half of all personal incomes now escape taxation because of either exemptions or deductions. Furthermore, there is a large volume of income, going to persons with incomes of $10,000 a year or less, that is taxed at low or moderate rates. About 69% of all personal income before taxes goes to persons with incomes of $7,500 a year, or less. These facts indicate that the yield of the personal income tax can be enormously increased.

The best way to raise the yield of the personal income tax would be to reduce exemptions and to increase rates on the first $10,000 of income. Congress, however, is reluctant to make such changes in the income tax. The inclination of Congress is to increase by a uniform percentage the tax on all personal incomes regardless of size.

The bill recently passed by the House provides for an additional uniform tax of 12½% upon present personal income tax payments. Since the present income tax is steeply progressive, a uniform percentage addition to present tax payments takes an increasing proportion of the amount now left after taxes to the recipients of the larger income. Consider, for example, the cases of the man who now pays a tax of 20 cents on an additional dollar of income and of the man who pays a tax of 50 cents on any additional dollar of income. The House bill would increase the tax on each additional dollar of income by 2½ cents in the case of the first man and 6¼ cents in the case of the second man. A progressive encroachment on the amount of income left after the present highly progressive income tax rates is both unfair and unwise. Such a high "take" by the government out of the additional dollars earned might easily weaken the incentive of many income earners to raise their productivity and their incomes. The persons most affected would be the best-paid and most efficient persons in the community. It would be plainly undesirable, from the standpoint of all members of the community, to risk weakening the incentives for efficiency among these persons who have already shown the greatest ability and efficiency.

The Committee for Economic Development has proposed that the yield of the income tax be increased by a uniform tax of 4% or 5% on incomes after present taxes. This would be less desirable than reducing exemptions and raising rates on the first $10,000 of income, but it might be an acceptable compromise between such a change and the provisions of the present House bill. Unless such a compromise is acceptable to Congress, no increase in the present income tax rates should be made. It would be preferable to finance the deficit of the fiscal year 1951-52 by non-inflationary borrowing than to raise the already stiff marginal rates on incomes in the higher brackets—especially above the point where the government takes more than half of the additional earnings of a married man.

What about the budget for the year 1952-53, which may be about $16 billion larger than the budget for the present fiscal year and is certain to be at least $10 billion above the present budget? The high expenditure rates of the fiscal year 1952-53 are not likely to be necessary for more than a year or two. The best way to finance this bulge in expenditures is a combination of temporary reductions in exemptions, a temporary increase in rates on the first $10,000 of income, and non-inflationary borrowing. But it would be preferable to meet all of the bulge through non-inflationary borrowing than by some kinds of tax increases. As I have pointed out, there is danger that further increases in the high marginal income tax rates would weaken incentives among the very parts of the economy where ability is greatest and where incentives, therefore, count most. Increases in the already high corporate income tax are undesirable, despite the fact that in the long run the corporate income tax in the main gets passed on to customers and employees and does not fall solely on the owners of the corporation. At all times, however, a tax on corporate income means that any increase in costs due to inefficiency or bad management is partly paid for by the government. A tax of 47% on corporate income, such as the present one, means that an increase of a dollar in expenses costs the corporation only 53 cents. It is not prudent for the government to raise large quantities of money in ways that are so likely to weaken the efforts of managements to keep costs to a minimum.

Some people may suggest that bad taxes would not be particularly serious because they will be needed for only a year or two at the time of the peak in defense expenditures and can then be repealed. Unfortunately, one cannot be sure that, when the need for revenue diminishes, Congress will concentrate its cuts on the bad taxes. And, as I have pointed out, the very fact that part of the need for revenue is temporary means that borrowing is an appropriate way of meeting the need.

The high rate of saving in the second quarter of this year indicates that individuals can probably be persuaded to continue to save at a high rate. Consequently, it is encouraging news that the Treasury plans to start a bond-selling campaign shortly after Labor Day. Such a campaign is long overdue. But the government should offer would-be savers a definitely more attractive security than the present E bonds. That the present securities are not satisfactory is indicated by sales of E bonds in April and May of 1951. During the second quarter of 1951, personal saving was unusually high and was, in fact, twice as high relative to personal incomes as in the second quarter of 1950. Nevertheless, sales of E bonds, which were $612 million in April and May, 1950, were only $501 million in April and May, 1951. Furthermore, in every month during the past year, the redemptions of E bonds have exceeded the sales. In the ten months following the outbreak of the Korean War, the redemptions of E bonds exceeded the new sales by nearly $900 million.

The philosophy with which the Treasury approaches the problems of selling bonds seems to me to be in need of modification. The Treasury, of course, wishes to encourage saving but it also wishes to borrow at the lowest possible rate of interest. One is naturally glad to see representatives of government striving to keep government expenses to a minimum, but the Treasury shows too much concern about interest rates and not enough concern about encouraging saving. In the fight against inflation, however, it is more important to induce a high rate of saving than it is to keep the interest bill of the government as low as possible. The anti-inflationary effects of a high rate of saving will save the taxpayers more than a low rate of interest will save. I realize that a security that is too attractive raises problems just as does a security that is not attractive enough. There is a tendency to buy the highly attractive security out of capital rather than out of income. Nevertheless, the record of the last year shows that the present E bonds are not sufficiently attractive. Hence the Treasury needs to stimulate saving by offering lenders considerably better terms than those represented by the present E bonds.

If taxes are not raised at all above present levels and defense expenditures (including foreign aid and atomic energy) rise to $65 billion during the fiscal year 1952-53, the national debt two years hence will be less than $20 billion above the present level. This rate of borrowing would leave the debt smaller in relation to the national output than it was before the Korean War started in June 1950. If taxes were raised sufficiently to balance the cash budget in the present fiscal year, the rise in the national debt in the next two years would be less than $10 billion and the debt would be **considerably** less in relation to the national income than it was a year ago.

VI

Will not the huge expenditures on defense weaken the economy and reduce its ability to resist Communism? Many people sincerely believe that the strength of America is being undermined and that the United States is taking on more than it should. In the year 1951, the outlays of the United States on defense will be more than four times as large as the outlays of all of our European allies.

There are some ways in which the defense program is strengthening the American economy and other ways in which it is weakening the economy. The gains come from the rapid increase in physical productive capacity. This is expanding far more rapidly than it would have done in the absence of the defense program. During the first half of 1951, the output of industrial plant and equipment was at record-breaking levels—around 22% in physical volume above the first half of 1950. By the middle of 1953, the steel capacity of the country will be raised from a present level of 108 million tons of ingots a year to 118 million, and the aluminum capacity of the country will be raised to double the amount at the beginning of the Korean War; by the end of 1953, electric generating capacity will be raised nearly 40% above the capacity at the end of 1950. The ability of the country to produce many chemicals and alloys will be greatly increased. There will be a rapid growth of a new industry —the wool-substitute industry. Technological progress is also being accelerated—though probably at the expense of pure science—and the training of technologists is being encouraged. Much of the increase in productive capacity and of the advance in technology would have occurred even in the absence of the defense program but not all of it. It is plain that the defense program is accelerating the expansion of productive capacity and the advance of industry. Hence it is laying the foundation for an eventual rise in the standard of living.

The economy is being weakened, I believe, by some of the changes that have been made in taxes, and it may be still further weakened by the wrong kind of changes in taxes. I have indicated some of the weaknesses in the tax system. The personal income tax takes too large a share of any additional earnings of the people of greatest ability and the tax on corporate income and the excess profits tax cause the Federal government to pay a dangerously large part of the cost of managerial inefficiencies. Both of these weaknesses in the tax system have been aggravated by the defense program.

Fortunately America has the kind of economic institutions that function pretty well even in the face of bad public policies. That is one of the great virtues of a competitive economy that has a large number of centers of decision-making. Consequently, the American economy continues to do quite well in spite of a tax system that levies heavy taxes of the wrong kind and in the wrong places. The defense program, however, would greatly strengthen the economy if it were to cause the American people to take stock of their tax system and to undertake to reform it thoroughly so as to minimize the danger that will discourage efficiency among the ablest workers or weaken the efforts of managements to keep down costs. If the defense program were both to accelerate the growth of productive capacity and to induce reform of the tax system, it would make an enormous contribution toward strengthening America not only as a military power but also as an economic power.

With Bohmer Reinhart

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Elmer E. Cook has become associated with Bohmer-Reinhart & Co., Traction Building. He was formerly with the Central Trust Co. and prior thereto was with Dominick & Dominick.

Continued from page 2

The Security I Like Best

manufacturing industries. And in an industry where training new workers is very costly this has saved millions of dollars. Moreover, since 1929 the company's profit margin before taxes has averaged about 20%."

"Oh, don't bother us," said the Duchess who had come in a little earlier. "I never could abide figures."

"I'm not finished with figures just yet," Alice replied testily. "The stock is selling at only about 11 times estimated 1951 earnings. Over the past two decades, the average price-earnings ratio has been almost 22 times at the high of the year and almost 15 times at the low. In only 3 of the past 22 years have the shares been available at less than 11 times earnings."

"Write that down," said the King to the jury, for by this time a great crowd had assembled and Alice found herself in a Court of Justice.

"Call the first witness," said the King. In came the Hatter, who quickly declared that Eastman Kodak couldn't be the best security because it had recently acted so poorly.

Next came the Dormouse, who said that he was looking for a security which would make him rich very quickly, and that he was positive Eastman Kodak would not do this.

The White Knight then produced evidence that Eastman Kodak had an excellent record but for that very reason was useless to him because it presented no challenge.

"That proves it," snapped the King; "this can't possibly be the best security."

Alice began to weep softly, "I didn't say there was nothing better, I said there was nothing quite like it."

"Off with her head," cried the Queen.

Alice began to protest but suddenly every one had disappeared and all she could hear was the White Rabbit puttering off to his appointment mumbling over and over again, "Eastman Kodak, Eastman Kodak, Eastman Kodak. . . ."

SIDNEY R. WINTERS
Partner, Abraham & Co., Members, New York Stock Exchange
New York City

Socony Vacuum Oil

There are two generally accepted methods used in appraising the position of oil company shares. One is a comparison of price to earnings on a cash flow basis. The other is a comparison of price to estimated values of assets, with particular emphasis on oil and gas reserves in the ground.

Sidney R. Winters

In my opinion, Socony Vacuum Oil stands up well under either consideration. Last year the company reported net income of $128,216,000. This figure included subsidiary foreign income only to the extent received, which was around $6 million less than actual earnings. It also included income from other companies in an amount $15 million less than actual earnings. For the purposes of analysis, therefore, we might accept a figure of around $149 million as being more representative of last year's earnings. Charges for depletion, abandonments, and amortization of intangible development costs and leases exceeded $40 million, so "cash flow" earnings might be taken at around $190 million. This would be equal to approximately $6 per share on the 31,801,880 shares of common stock outstanding. Reported earnings were equal to $4.03 per share.

Reported earnings thus far this year are running well ahead of last year. For the first six months the company reports profits equal to $2.39 per share versus $1.41 in the like 1950 period. Barring some unusual and unforeseen development, it would appear that full year reported profits and "cash flow" earnings should show a good improvement over the 1950 figures. Recent prices of around 33 appear to be a reasonable appraisal of such results.

As regards asset valuation, the following might be said. First let us treat with the "non-producing" properties; that is refineries, pipe lines, tankers, etc., everything but the oil and gas wells. These properties at the year end were carried on the books at some $448 million. Since it is well known that such properties could not be reproduced under present conditions for anything near that amount, and as the company has always followed a sound depreciation policy, we will accept the book figure. Investments in foreign subsidiaries, and other foreign and domestic companies were carried at some $266 million. In view of the fact that these investments earned around $59 million last year, and Socony actually received income totalling $38 million from these sources, we believe the carrying value, which is equal to 4.5 times the earnings and 7 times the actual income, to be an acceptable figure for valuation purposes. Working capital, less provision for all debts, totaled some $141 million. Adding the foregoing, we get a total property valuation of $855 million, still excluding the producing oil and gas properties.

Now as regards the producing properties, the company at the close of 1950 estimated its domestic crude oil reserves at a gross figure of 1,491,000,000 barrels, which probably represents net reserves of around 1.3 billion barrels. Reading the company's reports, it is quite obvious that the reported reserves are a very conservative figure. New developments are not included in reserves until the acreage is fully proven and developed. The company holds extensive acreage in which the presence of oil has been established, but which has not yet been taken into reserves. Nevertheless, for the purposes of our asset valuation, we will take the reported reserves only, at the generally accepted conservative in-the-ground value of 80 cents per barrel for good grades of crude oil. This would produce a value of around $1,040 million for the oil in the ground.

The company also reports natural gas reserves of 7 billion m.c.f. It likewise states that there are additional gas reserves not yet completely checked, which will be added to reserves when so checked. An idea as to the size of these unreported gas reserves may be had from the fact that the company states it will take several years to complete the check up. Again, however, we will use for our purposes only the reported reserves, at the generally accepted value of 3 cents per m.c.f. in the ground. On this basis the gas reserves would have a value of some $210 million. Combining this with the value of the oil reserves, we arrive at a minimum reserve value of $1,250 million.

From the foregoing one may conclude that Socony's reserves most conservatively stated, have a value of around $40 per share, while its other assets, including working capital, have a conservative value of $27 per share. Thus we arrive at a total conservative property valuation of $67 per share. Again, the recent market price of around 33 appears most reasonable in relation to such assets, particularly since the true value is probably far in excess of my estimate.

Customers' Brokers Announce Contests

Three contests have been announced by the Association of Customers' Brokers for its membership. The competitions are based on the best ideas for improving customer relations; the portfolio showing the greatest percentage of appreciation from July 31 through March 15, 1952; and a campaign for new members.

Judges for the contest for the best idea for handling accounts are: Frank J. Coyle, Vice-President, New York Stock Exchange; H. Vernon Lee, Jr., Director of Department of Admissions and Outside Supervision, New York Curb; Henry W. Putnam, Association Secretary of the Association of Stock Exchange Firms. Papers must be submitted by Dec. 5, 1951 and prize winners will be announced shortly thereafter.

The rules governing the contest for the specimen securities portfolio showing the greatest percentage of appreciation from July 31, 1951 through March 15, 1952 will call for the investment of $25,000, which is to be placed in not less than five issues priced at 10, or over. The funds may be held partly in cash, or entirely in cash. It is assumed that the suggested portfolio will be for a businessman. All entries must be submitted by 11 a.m. Aug. 7, 1951.

The third competition is for the most new members between Oct. 1 and Dec. 10, 1951. This competition is limited to those members who are not officers, life members or Executive Committee members.

Prizes will be gift certificates of $50, $25 and $15 in each instance.

The committee which designed the contest is composed of Daniel Davison, Chairman, Hayden, Stone & Co.; Milton Leeds, Pershing & Co.; and Thomas B. Meek, Francis I. du Pont & Co.

Merrill Lynch vs. De Coppett Doremus For Softball Champ.

Anthony J. Shields, of Harris, Upham & Co., President of the Wall Street Athletic Association, has announced that the Merrill Lynch, Pierce, Fenner & Beane softball team would engage De Coppett & Doremus' team in playoffs to determine the league championship.

The league is divided into two divisions, the Bulls and the Bears. Merrill Lynch, Pierce, Fenner & Beane is the champion of the Bull Division while De Coppett & Doremus is the winner of the honors in the Bear Division. These two teams met July 31, and will meet again this evening, Aug. 2, at Red Hook Stadium in Brooklyn. If a third game is necessary, the two clubs will meet next Tuesday, Aug. 7.

Frank Giordano will pitch for Merrill Lynch and John Squires will receive behind the plate. The opposing battery for De Coppett & Doremus will have Ken Roberts pitching and John Dixon catching.

The winning team will be the recipient of the Jules S. Bache trophy, symbolic of Wall Street softball supremacy.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The backing and filling phase seems to be in operation in the government market, because traders and dealers are inclined to take profits, and investors are not desirous of pushing quotations up in order to acquire securities. This appears to be a normal sequence of events for a market that is attempting to establish a broad base, from which further recoveries in prices could take place. Securities that overhang a market are not liquidated over night, but progress is being made along these lines. A more orderly and "cagey" letting out of Treasury issues by those that must sell them appears to be in the making, because it is believed the pressure of necessitous liquidation appears to have passed.

The thinness of the market, combined with greater professionalism, has taken some of the glamour away from it, which means price sags on limited activity. Both the longer eligibles and the restricted issues have given up part of their recent gains, as had been expected. On the other hand, the shorts and the last four partially-exempts came in for good buying, which means the market is not without some interesting features.

Investors Biding Their Time

The professionals seem to have taken over a bit more in the longer end of the government market, and are jockeying quotations about in attempts to get a following going again. Profit-taking has hit some of the taps and the eligible issues, and with the market for these obligations still thin, it did not require too much selling to take the edge off the rallies. This does not mean that investors have pulled out of the picture entirely, but it does indicate they are not inclined to chase prices up. The feeling appears to be that plenty of the higher income obligations will be available in the market for some time to come and there is no need to push quotations up in order to get them. A watchful waiting program has paid off in the past, and there are no reasons to feel this will not be successful in the future.

Based upon these ideas, that one does not need to be in a rush in making commitments in the higher income Treasuries, the feeling is developing that the market is at a "plateau" and might stay there for a time. Highs made in the recent rally it is believed could be approached again, or might even be pushed through, but not by enough to get greatly excited about. There is still liquidation that must be done by savings banks and life insurance companies, but this selling is evidently not going to be as pressing as it was in the past. Also these non-bank owners of government obligations have seen what prices can do on the upside, if some of the pressure is taken off them. As a result, it is indicated the disposal of Treasury obligations by life insurance companies and savings banks is going to be more orderly, and advantage will most likely be taken of periods of price betterment to let these securities out. By adopting a more "cagey" policy, there should be less of a loss to be taken on the obligations that have to be sold by these institutions.

These same non-bank holders of Treasury issues have recently been selling shorter governments, according to reports, instead of the higher income bonds to meet the needs of other commitments as they come up. This explains in some measure the better market action that has taken place in the longer maturities of the governments. This is a rather negative way to get help for prices of Treasury bonds, but it does nevertheless have an influence upon the market action and the trend.

Pension Funds Active

Pension funds, according to advices, have been on both ends of the government market, with rather sizable commitments being made in the shorter term issues, while not so large ones have been made in the higher income obligations. It is reported that positions have been taken in the near-term maturities with funds which would ordinarily be going into common stock. However, because of the uncertainties that are overhanging the equity market and the high level of prices, it has been decided to put a good-sized bundle of cash into short governments and await developments in the stock market.

The restricted issues, although giving up some of their gains, continue to attract attention—that is, the 1952 eligible ones. At the moment it seems as though the 1962/67s have regained some of their old favor, as have the June 2¼s of 1959/62. There is still a demand for the 1963/68s and this issue continues to hold favor with trust accounts and those that have public funds to invest. It is reported that a fairly sizable purchase has been made by one of the large pension funds of the December 2½s of 1967/72.

The last four maturities of the partially exempts have again stepped into the spotlight, with the demand seemingly rather widespread. These bonds continue to afford tax shelter to the institutions that can use them, and they are considered "riskless assets" as contrasted with State and municipal obligations and loans. The 1960/65s appear to be the leaders of the group, although any of the other three will not be turned down if available at the time.

Bradley Higbie Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Frank G. Spikerman has been added to the staff of Bradley Higbie & Co., Guardian Building, members of the Detroit Stock Exchange.

Barrett Herrick Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Russell O. Albrecht has been added to the staff of Barrett Herrick & Co., Inc., 418 Locust Street.

With King Merritt

(Special to The Financial Chronicle)

ST. CLOUD, Minn. — Elizabeth J. Jensen and Emma J. Jensen are now connected with King Merritt & Co., Inc., 1616 St. Germain Street.

Cline W. Warnock Opens

(Special to The Financial Chronicle)

BUCYRUS, Ohio — Cline W. Warnock is engaging in a securities business from offices at 123 North Poplar Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Having returned from the West Coast I find the big question kicking around board rooms is whether or not this is a bear market with a minor interruption or a bull market and ditto. You can get as many theories as there are "authorities." It just depends on who you go to.

* * *

One side will point to the recent action of the rails as having confirmed the old action of the industrials, disregarding the break of last month, and ergo! it's a bull market.

* * *

The other side will point to the violation of old resistance points and demonstrate that the subsequent rally was just technical and for their side it's ergo! a bear market.

* * *

It's half a dozen of one or six of another, to coin a cliche. It depends on what side you're on.

* * *

I now come to the point where I too should come forward with an idea about this bear-bull battle. Chief trouble is that I don't have any idea worth hollering about. There have been too many times when some stocks have gone up in a bear market and vice versa. To look at averages and come to a conclusion that is bullish when the stocks you are long of are going down is poor satisfaction. So it goes.

* * *

My chief objection to calling this either a bull or bear market lies in the fact that the chief ingredients are now in the hands of our foreign policy makers. When I left for the West Coast a peace was imminent in Korea. Now, a month later, it is just as "imminent." Doubts have arisen as to whether or not a peace will be declared.

There's no point in splitting hairs. If a genuine peace is obtained our national economy, today based almost entirely on cannons, will get hit in the head. If you can make anything out of the talks in Korea and their interpretations by our military and political leaders, you've got something. Me, I'm just gagging at the double talk.

* * *

So, because I'm dependent on unknown forces who in turn seem to be running around in rings, I prefer to deal with groups that are not dependent on either a continuation of a war or a cessation of hostilities. In my opinion the amusement stocks, picture and television issues, present the combination I'm temporarily seeking. I'm not going to be specific about stocks. The chances are you can find them as well as I, probably better.

* * *

In the meantime I feel that any dullness from here on is a prelude to a sharp advance later next fall. What will happen after that I'll leave to the boys who boast they can see a year ahead.

[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.]

Continued from first page

As We See It

sources for everybody's benefit. And because the welfare of the people has been our first concern, our business and industry have grown and expanded tremendously.

"That is our record. That is why we stand before the world as the strongest of the free nations. That is why we have the opportunity to lead mankind to peace."

Obviously, these are the words of a politician who is ever under the influence of belief that he must upon all occasions bolster his position with the great mass of voters of the country. The temptation to dismiss them as merely the stock in trade of the politician must, however, be vigorously resisted, and for compelling reasons. If it were not already and at once clear that such is the case, the President leaves no room for doubt when he began to draw subtle implications from what he says is the source of our present industrial power. Let the Chief Executive again speak for himself:

"There are a lot of people in this country, however, who are trying to shake our confidence in ourselves. They want us to see ourselves not as we really are, but as they see us through their own dark glasses of fear and lack of faith. They say we cannot do the job we have set out to do.

"Those people tell us we can't afford to build up our defenses because it will cost too much. They say we will go bankrupt if we carry out our program. They say we will ruin our economy.

"Of course, all these howls about bankruptcy are old stuff. We have heard them time and time again. Those who are saying we cannot afford our peace program and aid to our Allies abroad, are the very same ones who have been saying all along that we couldn't afford to do anything for the American people here at home.

"They said we couldn't afford Social Security and unemployment compensation. They said we couldn't afford aid to agriculture. They said we couldn't afford TVA, and the Grand Coulee Dam and rural electrification.

"They say, today, that we can't afford housing for low-income families and veterans and defense workers.

"They say we can't afford dams and reservoirs to produce electric power for defense and to prevent flood disasters. They say we can't afford the St. Lawrence Seaway to open the Great Lakes to the ocean shipping and to bring new iron ore to the steel mills in the Middle West. There never was a project in the history of the country more badly needed than the St. Lawrence Seaway.

"You all know what this sort of false economizing means. It means economic stagnation and depression and ruin. It means suffering and loss for thousands of families.

* * *

"But I say to you that people can trust their Government. This Government is working for the people in foreign affairs just as it has always worked for the people in domestic affairs. Our foreign policy and our defense effort are guided by one great purpose—to protect the welfare of the American people, now and in the future. That's what your Government has been doing here at home. That's what we are doing now in every move we make, not only at home, but all over the world."

Clearly, if one is to take the analysis presented in Detroit at face value, our present industrial strength is largely if not solely the outgrowth of the New Deal and the Fair Deal. Spokesmen for the Roosevelt and the Truman regimes have in the past repeatedly told us how previous Administrations, far from contributing to our economic might, had laid a great and needless burden upon our economic growth and development—indeed, as they have so often shouted, brought the country to the verge of bankruptcy.

The Record

But what of the record? The Roosevelt Administration took office in 1933. President Truman in Detroit spoke glowingly of the record of American industry during World War II, and well he might. But even at the height of that outpouring of war goods, the New Deal had been at the helm only a decade. It is hardly credible on the surface that it could in such a length of time even lay the foundations of such industrial power. The fact of the matter is that from the year of the New Deal inauguration to the last prewar year, 1939, the industrial capacity of the United States, so far as one may judge from available statistics, increased but little. In dollar value, the capital investment in manufacturing rose slightly from 1933 to 1939, but not nearly so much as prices. In the latter year, it was still far below the level of 1929.

Steel capacity was only slightly higher in 1939 than it had been in 1933, and production was far behind 1929. About the same sort of picture is obtained in other fields where data are available in a form rendering such comparisons feasible. Certain recovery from the low point of 1933 is found in production, but for the most part output still lagged well behind 1929. Such information as can be brought together about industrial capacity tells the same unimpressive story about developments during the half decade which intervened between the inauguration of President Roosevelt and the outbreak of World War II. That development of both production and capacity was enormously greater during the later 1920's is so obvious that there can scarcely be any argument on the point.

But it seems a little foolish to labor the point. The basic causes of our industrial might are in the main outline far too clear and unmistakable to permit of serious differences of view. That it is to be attributed in any degree at all to the fol-de-rol of the Roosevelt and Truman Administrations is a wholly untenable notion. If it so happened that large increases in capacity occurred during these years, it is obviously a result of world conditions, chiefly a World War in which we served, and had to serve, as the arsenal, if not of democracy, then at least of the forces fighting Fascism.

It would appear almost banal to say, Roosevelt and Truman to the contrary notwithstanding, that our industrial greatness is to be attributed first to very liberal stores of resources within our borders, and second to the fact that individuals were left free and indeed encouraged (during all but the most recent of the years of our history) to use their own energy and ingenuity in making use of these resources for the joint benefit of their countrymen and themselves. This they were left free to do just so long as their activities did not infringe upon the equal right of their neighbors to do likewise.

This combination attracted, stimulated and developed the Carnegies, the Rockefellers, the Fords, the du Ponts, the Harrimans, the Vanderbilts, and all the rest, whose energy and genius (despite human frailties) are largely responsible for our position in the industrial world today.

With Standard Investment

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Charles J. Rigdon has joined the staff of Standard Investment Co. of California, 87 South Lake Avenue.

Two With Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William B. Reeder, Jr., and Alex. Stump, Jr., have become connected with Paul C. Rudolph & Company, 127 Montgomery Street.

With Inv. Service Corp.

DENVER, Colo. — George A. Barker is now affiliated with Investment Service Corporation, 650 Seventeenth Street.

With R. F. Griggs

WATERBURY, Conn.—John E. Hitchcock is with R. F. Griggs & Company, 35 Leavenworth Street.

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Stockholder Preferences

ments at least do not discriminate against them. This pattern would account for the relative demand and price strength in high-payout stocks.

On the matter of regularity of dividend, Question IV finds stockholders almost evenly divided between preference for a regular rate and for a regular-plus-extras system. Stockholders in companies which had recently used the regular-plus-extras plan gave it a small majority. Large holders inclined toward a regular rate, small ones toward a regular-plus-extras. No consistent pattern appeared as respects price of stock, quality of stock, or industry. But we note that a suggested policy of irregular dividends at the company's convenience did not meet with favor. We suspect that this latter policy sounds like a suggestion that dividends be infrequent as well as irregular, hence is not acceptable.

Mention has been made of the fact that dozens of marginal notes on our questionnaires expressed sound understanding of business finance and a desire to cooperate with management judgments. But we should also mention that many bitter remarks about management bonus and stock purchase plans were also received. A good half of the bitter remarks objected to management bonuses when stockholders did not receive commensurate dividends or earnings, but implied approval of them when the owners of the business also fared well.

Rights Are Popular

Rights are popular with all classes of stockholders, large and small, in all kinds of corporations. A vary large majority approve them without even a limit on the subscription ratio, and most of the rest like them if the subscription ratio is modest. Here, again, we got many marginal notes, most of them on the theme that the right to buy new stock was a valuable privilege which legitimately belonged to the stockholders. We also got a considerable number of complaints from stockholders to the effect that new stock in recent months had been priced too near the market, making the rights of little value—a situation which they found distasteful.

We are not certain that the majority of stockholders understand the nature of subscription rights, and we doubt sincerely if they understand the marketing problems incident to their use by a corporation. In fact, stockholder understanding of rights appears rather imperfect; many comments suggest that the writers regard them as some sort of dividend. But understand them or not, stockholders like them.

Listed Markets Preferred

The last item in the table, Question VI, provides statistics on the kind of market stockholders prefer. An emphatic 67% of replying stockholders voted for a stock exchange market. Experienced securities men will not be surprised at the overwhelming preference for listed markets; stockholders are generally not aware of the usefulness of the dealer function in thin or small markets, and they seem often unsympathetic with the non-listing traditions of bank and insurance stocks. In the present survey, the bank stockholders expressed a 2.5 to 1 preference for a listed market (however, bank stocks were not mentioned to them, and most of them also hold other stocks), but as a whole our holders of unlisted stocks gave only a 1.4 to 1 preference for listing. But few stockholders expressed a preference for the over-the-counter market. If they did not vote definitely for a listed market, they broad-mindedly accepted either type so long as it was a good market. To a stock exchange man, this also is gratifying; the sophisticates who understand that the dealer market is at times indispensable have not made it an exclusive first choice, but have indicated that either type of market is acceptable in its proper place.

HOW THE STOCKHOLDERS VOTED*

I. In choosing common stocks from a list of equally "good buys"—i.e., which offer the same percentage dividend income and future prospects—which one of the following prices per share do you consider most suitable for yourself?

	Number Choosing
1. $1 per share	14
2. 5 per share	39
3. 10 per share	141
4. 20 per share	412
5. 35 per share	396
6. 50 per share	197
7. 75 per share	34
8. 100 per share	24
9. No difference	392

II. In choosing common stocks from a list of equally "good buys," what would be the *highest* and *lowest* prices per share which you would ordinarily consider suitable for yourself? Mark two—your usual upper and lower limits.

	(Lowest)	(Highest)
1. No lower limit	151	--
2. $1 per share	62	--
3. 5 per share	160	--
4. 10 per share	356	11
5. 20 per share	278	64
6. 35 per share	71	158
7. 50 per share	35	318
8. 75 per share	--	189
9. 100 per share	--	252
10. 200 per share	--	36
11. No upper limit	--	91
12. Have no opinion about either upper or lower limit	233	233

III. Which corporate dividend policy would you wish your company to follow, assuming that it is able to choose any one of these?

1. Pay out almost all profits in dividends, and finance business growth by selling more securities, as many leading companies do	66
2. Pay out 40% to 80% of profits in dividends, as most corporations do	971
3. Limit dividends to a small percentage of profits and use the balance for business growth or to pay debts, as many growing companies do	223
4. Have no definite preference	113

IV. Is regularity of dividend (time and amount) important to you?

1. Strongly prefer a regular quarterly rate	615
2. Suggest a modest regular rate plus extras whenever company profits justify them	609
3. Suggest each dividend be an amount suitable to the company's finances at the time, no fixed rate	139
4. Have no opinion	29

V. As a stockholder, do you like to receive "rights" (to subscribe at less than market price) when your companies sell additonal stock?

1. Yes, appreciate the opportunity	731
2. Yes, if the subscription doesn't call for more than 10% or 15% added investment	285
3. No, would prefer they'd raise money some other way	154
4. Have no definite preference	189

VI. Which kind of market do you like your stocks to have, assuming either to be feasible?

1. On a stock exchange, as most large industrials and utilties are	919
2. Bought and sold by dealers over-the-counter, as most bank, insurance, and small corporation stocks are	34
3. Either way, if reasonable market exists	389
4. Have no opinion	34

*Totals are not the same in all cases, for some replies did not answer all questions. On Question I about 15% of replies contained two answers, which were both tabulated.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Joseph C. O'Leary has been added to the staff of Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges. He was formerly with the Mississippi Valley Trust Co. for many years.

Joins Albert Theis

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Sidney W. Ring has joined the staff of Albert Theis & Sons, Inc., 314 North Fourth S reet, members of the Midwest Stock Exchange.

On Cooley Staff

(Special to The Financial Chronicle)

HARTFORD, Conn.— John K. Tull is with Cooley & Company, 100 Pearl Street, members of the New York Stock Exchange.

With First Boston Corp.

(Special to The Financial Chronicle)

HARTFORD, Conn. — Mildred Johnson is with First Boston Corp., 36 Pearl Street.

Two With G. H. Walker

(Special to The Financial Chronicle)

HARTFORD, Conn.—Warren W. Olmsted and Walter G. Rafferty are with G. H. Walker & Co., 111 Pearl Street.

Joins Geo. C. Lane Staff

(Special to The Financial Chronicle)

NEW HAVEN, Conn.—Lucian Cesca has joined the staff of George C. Lane & Co., Inc., 70 College Street.

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The State of Trade and Industry

delay and confusion in rounding out the supply picture for the closing months of the year.

A decline in industrial production in July was indicated which may be "somewhat more" than seasonal, according to the Federal Reserve Board. The board's index, based on the 1935-1939 average as 100, may drop to around 215 for this month from 222 in June, it added. The postwar high was 223 in May. The board attributed the decline to vacation shutdowns in non-durable goods industries and a further restricted volume of automobile assemblies.

Manufacturers' inventories continued to rise in June and at $39,600,000,000 at the end of the month, were $700,000,000 higher than at the close of May, the United States Department of Commerce's Office of Business Economics reported. Almost all the rise represented a larger volume of stocks on hand, it noted. It pointed out that most of the increase was in the durable goods industries, where the book value of inventories rose by $600,000,000.

The House on Monday, last, passed, 294 to 80, and sent to the White House an 11-month extension of the Administration's powers to control wages, prices, rents and credit. The economic control powers in force expired at midnight on Tuesday of the current week. The new measure would extend them, with one or two additions and many restrictions, through June 30, 1952. President Truman signed the bill on Tuesday evening, last.

Dipping 7% in June from the previous month's level, business failures numbered 699. This brought the total for the first half of 1951 to 4,253, slightly below the 4,964 recorded for the first six months of 1950. Casualties for the month were 4% below last year's June level, and 15% below the post-World War II peak of 1949, Dun's Failure Index reports.

Liabilities involved in June failures fell 3% to $22,800,000, but were 23% larger than those involved in last year's June failures. Casualties in all liability-size groups other than those of less than $5,000 diminished somewhat from the preceding month. Except for failures involving liabilities of $100,000 and over, all categories numbered fewer failures than a year ago.

All of the month's decline took place in construction, wholesaling and commercial service failures.

The Middle Atlantic and Pacific States were the only geographic regions numbering more failures than a year ago.

Steel Output Scheduled to Rise Slightly This Week

What you think of the Controlled Materials Plan so far depends pretty much on who you are, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. If you are a steel producer, you probably think Washington has gone too far with controls, the market is in a terrible tangle, and it will get worse. If you are a steel user, your opinion will vary from good to bad, depending on your size and the type of product you make. If you are a Washington official, your hand is frozen on the controls throttle which has been pushed to full-speed-ahead.

Most mills are booked through the fourth quarter to the limit of their required acceptance, this trade paper notes. In addition, CMP orders for the first quarter of 1952 are pouring in, and the early months of the year are filling up rapidly.

Steel salesmen, it adds, are being hit from every possible direction. Disappointed CMP ticket holders are hammering away with personal visits, telephone calls, wires and letters. All want to know why their allotment requests have been returned and they are criticizing steel sales people for not returning steel allotments more quickly. The reason is simple: So many CMP tickets were issued that if a customer guessed wrong on his first choice of mill he was out of luck—by the time his order was rejected it was too late for him to place it with another producer. One veteran steel sales executive told "The Iron Age" that "the CMP debacle is the worst thing that ever happened to the steel industry."

Some steel consumers who were unable to find a home for CMP orders may be forced to curtail production within 60 days, this trade magazine observes.

Some of the orders mills have been forced to reject are for important programs. One was from a manufacturer of parts for tanks; others were from railroad car builders.

Despite the rough sailing that CMP has encountered, it still has considerable support among steel users, "The Iron Age" notes. Generally, the small companies favor it more than the large ones. This is probably true because big firms feel more confident of winning their procurement battles in a free market. Also, very small users like the advantage they now have of certifying their own needs.

A surprising number of steel users are fairly well satisfied with what they are getting—even though their steel requests have been cut. This may indicate, this trade authority points out, that they had overstated their needs.

If the auto industry is brought under CMP, as is now generally expected, they will get little comfort from it. Steel people believe that CMP allotments won't be worth the paper they are written on, unless they receive special consideration, concludes "The Iron Age."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 101.5% of capacity for the week beginning July 30, 1951, or an increase of 0.1 of a point from a week ago.

The current week will be the 22nd in succession in which steel output has exceeded 2,000,000 tons.

This week's operating rate is equivalent to 2,029,000 tons of steel ingots and castings for the entire industry, compared to 101.4%, or 2,027,000 tons a week ago, and 100.8%, or 2,015,000 tons

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The State of Trade and Industry

a month ago. A year ago it stood at 99.5% of the old capacity and amounted to 1,919,600 tons.

Electric Output Rises to Highest Level Since Week Ended Feb. 3 Last

The amount of electric energy distributed by the electric light and power industry for the week ended July 28, 1951, was estimated at 7,005,261,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week was at its highest level since the week ended Feb. 3, 1951, when it stood at 7,099,385,000 kwh.

The current total was 30,687,000 kwh. above that of the previous week, 815,163,000 kwh., or 13.2% above the total output for the week ended July 29, 1950, and 1,486,776,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Advance Modestly in Latest Week

Loading of revenue freight for the week ended July 21, 1951, totaled 804,570 cars, according to the Association of American Railroads, representing an increase of 25,116 cars, or 3.2% above the preceding week.

The week's total represented a decrease of 25,506 cars, or 3.1% below the corresponding week in 1950, but an increase of 86,054 cars, or 12% above the comparable period of 1949.

Auto Output Drops Due to Shortages and Labor Troubles

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 131,462 units, compared with the previous week's total of 131,419 (revised) units, and 191,978 units in the like week of 1950.

Last week's output was held down by labor troubles and parts shortages.

For the United States alone, total output was 123,209 units, from last week's revised total of 123,356 units, and in the like week of last year 185,528. Canadian output in the week totaled 8,253 units compared with 8,063 units a week ago and 6,450 units in the corresponding 1950 week.

Total output for the current week was made up of 93,364 cars and 29,845 trucks built in the United States and a total of 5,763 cars and 2,490 trucks built in Canada. In the previous week, Canadian output totaled 5,661 cars and 2,402 trucks against 4,760 cars and 1,690 trucks in the like 1950 week.

Business Failures Move Sharply Upward

Commercial and industrial failures rose to 184 in the week ended July 26, from 133 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties exceeded the 130 and 168 which occurred in the comparable weeks of 1950 and 1949, but continued 37% below the prewar total of 291 in the similar week of 1939.

The increase took place largely among failures involving liabilities of $5,000 or more, which rose to 149 from 99, and exceeded the 125 occurring in this size group a year ago.

Food Price Index Makes First Advance in Eleven Weeks

The wholesale food price index, compiled by Dun & Bradstreet, Inc., rose slightly last week to halt the downward trend of the past few months. The index advanced to $6.90 on July 24, from the seven-month low of $6.88 the week before, marking the first gain since the week of May 8. The current figure shows a rise of 6.3% over the year-ago index of $6.49, and is 15.8% above the pre-Korea level of $5.96.

The Dun & Bradstreet wholesale food price 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 Sets Eight-Month Low Record

The downward course in the general commodity price level continued last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped to a new eight-month low, closing at 302.76 on July 24. This compared with 304.28 a week ago, and with 280.22 on the like date last year.

Grain futures, as a rule, worked moderately lower in less active trading on the Chicago Board of Trade the past week.

The decline was largely attributed to more seasonal weather conditions in growing areas.

Mill and elevator buying of wheat was rather small in volume and there was a lack of demand from both domestic and foreign processors which is usual during this period of heavy market receipts. Corn moved irregularly downward during most of the period, but developed a firmer tone at the close, aided by improved demand for the cash article and reports of spotty conditions over some parts of the belt. Export business in corn remained small. The carryover in corn at the end of this season, according to the Commodity Credit Corporation, was estimated at 665,000,000 bushels, compared with 860,000,000 at the end of last season.

Trading volume in grain futures last week on the Chicago Board of Trade dropped to a daily average of 34,500,000 bushels, from 40,000,000 the week before and 52,000,000 in the same week a year ago.

Flour business continued on a limited basis with bookings confined to moderate amounts for nearby delivery. Export flour buying remained in small volume. The cocoa market was more active with spot prices up about 1 cent a pound over a week ago. Buying was stimulated by the prospect of a tightening supply situation in the near future. Demand for refined sugar was slow with large users said to be working off recent heavy purchases.

Raw sugar was dull with prices easier at the close on the prospect of a truce in Korea.

Lard was somewhat firmer although trade volume was small and considerably below the level of a year ago. Live hog prices were slightly higher as the week closed. Cattle were somewhat easier, with Spring lambs holding steady.

The trend in cotton prices a week ago was again downward with the New York spot quotation closing at 38.90 cents a pound. This represented a drop of more than 7 cents in a little more than two weeks, and compared with 39.06 cents at this time a year ago.

The decline continued to be influenced by the overall favorable new crop outlook, lagging demand for cotton textiles, reports of some curtailment of operations by some Southern mills, and the resumption of Korean peace negotiations.

Sales in the 10 spot markets last week were reported at only 27,100 bales, compared with 40,300 the previous week, and 122,300 in the corresponding week last year. The Bureau of the Census reported June consumption of cotton at a daily average rate of 40,900 bales, comparing with 42,700 bales during May, and a daily rate of 34,400 bales in June, 1950.

Trade Volume Holds Steady for Week, But Was Slightly Under Like Period of 1950

There was no apparent change in consumer spending throughout the nation in the period ended on Wednesday of last week; the total dollar volume of retail sales, however, was slightly below the Korea-stimulated level of the similar period in 1950, states Dun & Bradstreet, Inc., in its current survey of trade.

The interest in apparel was heavy in some vicinities, while the consumers' market for some lines of durables was generally depressed.

The total dollar volume of apparel sold was slightly above the level for the similar 1950 week.

Edibles purchased by consumers rose very slightly in quantity during the week and overall dollar sales were somewhat above a year earlier. While the interest in canned goods continued steady in scattered sections, the demand for fresh fruits and vegetables increased seasonally.

Despite widespread clearance sales for furniture and appliances, there was a mild dip in the selling of house-furnishings the past week.

Total retail dollar sales were sharply below the level of last year in many areas.

Consumer interest rose moderately for some lines of housewares, particularly the less expensive ones. The demand for television sets and large appliances remained limited throughout much of the country. Drapery sales were about unchanged with the prior week.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 1% to 5% below a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and Pacific Coast 0 to —4; East —2 to —6; South and Northwest —1 to —5; Midwest +1 to —3; and Southwest —4 to —8.

With vacation periods and price and supply uncertainties combining to limit the demand of many retailers for goods, wholesale ordering declined slightly last week. Total dollar volume of orders was somewhat above the level for the comparable period a year ago. The number of buyers attending various wholesale centers was moderately below the levels of the previous week and of last year.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 21, 1951, decreased 22% from the like period of last year. A decline of 10% was recorded in the previous week from that of a year ago, and a decrease of 9% is shown for the four weeks ended July 21, 1951. For the year to date department store sales registered an advance of 7%.

Retail trade in New York the past week failed to reach the high volume of the like week in 1950, but sales were considered above average for the mid-summer season.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 21, 1951, declined 15% from the like period of last year. In the preceding week an increase of 2% (revised) was registered above the similar week of 1950. For the four weeks ended July 21, 1951, an increase of 2% was recorded above that of a year ago, and for the year to date, volume advanced 10% from the like period of last year.

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A Free Trade Zone in Philippines

manufactured from jute fibre imported into the zone. If done inside the area, much of the customs restrictions which are not conducive to the growth of this industry would be obviated.

In addition to the above specific advantages, those given by Mr. Charles J. Miller, elsewhere quoted herein, which are the natural and general values of foreign-trade zones, may be considered here with equal force. The world-wide publicity that would be given to this country by the zone may bring such greater benefits as may not now be foretold. It is said that this country is in need of that publicity.

Arguments Against Free Zones

The following are the objections to the institution of a foreign-trade zone in the Philippines:

(1) The free port is most effective in a city geographically well located for entreport or re-export trade; that is, natural intermediate transshipment points. Free zones are found in Europe and certain Asiatic cities where goods may ultimately be destined for one of many countries in the hinterland of the port. Manila is not a natural intermediate point for any large volume of such traffic.

(2) With the expansion of air transportation many inland cities will become ports of entry of merchandise.

(3) Heavy capital outlay is involved in establishing foreign trade zones (free ports) which has limited the effectiveness of free ports in Europe and in the United States. It is doubted whether the Philippines could afford to set aside the big amount entailed in building warehouses and other facilities for the free zone. Added to this fact is the none-too-rosy assurance that the "free zone" will have enough volume to make the investment profitable.

(4) Free zones or ports are a step toward free trade, but the Philippines is in urgent need for increased revenues. Foreign manufacturers with stocks more readily available to the domestic market could increase competition with domestic producers. The establishment of a free port in Manila would, therefore, jeopardize our industrialization plan.

(5) Because of the miscellaneous character of cargoes, ships would continue to discharge at the regular piers. Merchandise destined for the free zone would therefore have to bear the expenses of transfer, and there would be no advantage in having a free zone.

(6) The establishment of a free port would lead to smuggling, evasion of customs laws, open another door for violation of the immigration laws of the country and added expense for the maintenance of the "zone". The system of bonded warehouses and drawbacks now in vogue here make free zones unnecessary.

The Proposed Bill on Establishing a Free Zone in the Port of Manila

This bill is known as House Bill No. 1537. As its preamble states, the bill seeks to avoid shortage of essential goods by stockpiling of those goods in the zone without relaxing the import control and to make Manila the center of trade and business in the Orient. The bill has practically three provisions only. It lacks however, the completeness of the Celler Act of 1934 of the United States Congress.

The text of the bill follows:

"Section 1. There is hereby established within such area in the Port of Manila, as may be designated by the President of the Philippines, a free zone where articles, goods, wares or merchandise of any kind and class coming from any foreign country may be unloaded, stored, repacked and reshipped without customs formalities: *Provided, however*, That there shall be levied, collected and paid the corresponding import duties and other taxes on any such articles, goods or wares or merchandise as may be withdrawn from storage for sale and consumption in the Philippines.

"Section 2. Such free zone may be established and operated by the Government or any of its agencies or instrumentalities or by any person, association or corporation to which a contract for such purpose may be awarded after public bidding held therefor. Said contract shall entitle the grantee, for a period of twenty-five years, to erect, maintain, operate and keep such warehouses, docks and other harbor facilities and equipment as may be necessary to load and unload, unpack and repack, transport, store or otherwise handle articles, gods, wares or merchandise of all kinds and classes within the said free zone, and to charge, subject to the approval of the Secretary of Finance, fees for such services.

"In the event that the contract for the establishment and operation of the free zone is awarded to a private enterprise, the government may, nevertheless, in the interest of national walfare and defense and upon the payment of just compensation, take over and assume the operation of said free zone.

"Section 3. The Commissioner of Customs shall, with the approval of the Secretary of Finance, issue such rules and regulations as may be necessary to carry out the provisions of this Act."

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)	Aug. 5	101.5	101.4	100.8	99.5
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 5	2,029,000	2,027,000	2,015,000	1,919,600
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 21	6,165,700	6,171,200	6,192,050	5,485,950
Crude runs to stills—daily average (bbls.)	July 21	‡6,406,000	6,561,000	6,649,000	5,757,000
Gasoline output (bbls.)	July 21	21,363,000	21,985,000	22,107,000	19,754,000
Kerosene output (bbls.)	July 21	2,477,000	2,362,000	2,570,000	1,848,000
Distillate fuel oil output (bbls.)	July 21	8,721,000	8,695,000	8,806,000	7,166,000
Residual fuel oil output (bbls.)	July 25	8,963,000	9,033,000	9,295,000	8,056,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 21	122,104,000	124,157,000	127,736,000	108,915,000
Kerosene (bbls.) at	July 21	26,402,000	25,863,000	23,771,000	22,766,000
Distillate fuel oil (bbls.) at	July 21	74,696,000	72,306,000	62,969,000	59,434,000
Residual fuel oil (bbls.) at	July 21	44,146,000	43,239,000	40,647,000	42,424,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 21	804,570	779,454	832,942	830,076
Revenue freight received from connections (number of cars)	July 21	652,067	552,529	683,352	662,915
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 26	$251,875,000	$361,082,000	$316,705,000	$252,489,000
Private construction	July 26	114,995,000	128,380,000	154,348,000	120,259,000
Public construction	July 26	136,880,000	232,702,000	162,357,000	132,230,000
State and municipal	July 26	105,224,000	117,129,000	118,280,000	122,756,000
Federal	July 26	31,656,000	115,573,000	44,077,000	9,474,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 21	10,275,000	8,440,000	11,032,000	11,195,000
Pennsylvania anthracite (tons)	July 21	812,000	693,000	900,000	855,000
Beehive coke (tons)	July 21	149,700	*118,800	152,000	138,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	July 21	235	*238	265	303
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 28	7,005,261	6,974,574	6,897,800	6,190,098
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 26	184	133	188	160
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 24	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	July 24	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	July 24	$43.00	$43.00	$43.00	$36.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 25	24.200c	24.200c	24.200c	22.200c
Export refinery at	July 25	27.425c	27.425c	27.350c	22.425c
Straits tin (New York) at	July 25	106.000c	106.000c	106.000c	96.000c
Lead (New York) at	July 25	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	July 25	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	July 25	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 31	97.71	97.84	97.20	102.12
Average corporate	July 31	110.34	110.15	109.24	115.43
Aaa	July 31	114.66	114.66	113.31	120.43
Aa	July 31	114.08	113.70	112.37	119.00
A	July 31	109.42	109.24	108.16	114.85
Baa	July 31	103.97	103.80	103.47	108.16
Railroad Group	July 31	106.92	106.56	106.39	110.88
Public Utilities Group	July 31	110.34	110.15	108.34	116.61
Industrials Group	July 31	114.27	114.08	112.93	119.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 31	2.65	2.64	2.68	2.34
Average corporate	July 31	3.15	3.16	3.21	2.88
Aaa	July 31	2.92	2.92	2.99	2.63
Aa	July 31	2.95	2.97	3.04	2.70
A	July 31	3.20	3.21	3.27	2.91
Baa	July 31	3.51	3.52	3.54	3.27
Railroad Group	July 31	3.34	3.36	3.37	3.12
Public Utilities Group	July 31	3.15	3.16	3.26	2.82
Industrials Group	July 31	2.94	2.95	3.01	2.69
MOODY'S COMMODITY INDEX	July 31	465.0	467.5	486.1	450.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 21	176,346	189,525	173,687	227,940
Production (tons)	July 21	225,732	200,938	244,969	213,031
Percentage of activity	July 21	94	83	103	95
Unfilled orders (tons) at end of period	July 21	*589,330	638,852	572,952	501,212
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	July 27	148.1	148.1	150.2	125.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	July 14	25,428	25,832	27,418	43,206
Number of shares	July 14	710,236	712,560	781,195	1,255,795
Dollar value	July 14	$32,380,715	$30,988,450	$37,475,320	$54,157,514
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 14	21,044	19,021	23,438	36,140
Customers' short sales	July 14	404	426	228	411
Customers' other sales	July 14	21,448	18,595	23,210	35,729
Number of shares—Total sales	July 14	572,416	507,078	654,333	1,095,740
Customers' short sales	July 14	14,706	14,001	8,541	16,836
Customers' other sales	July 14	557,710	493,077	645,792	1,078,904
Dollar value	July 14	$23,680,128	$20,388,426	$28,161,326	$42,832,672
Round-lot sales by dealers—					
Number of shares—Total sales	July 14	137,030	106,520	173,030	279,460
Short sales	July 14	------	------	------	------
Other sales	July 14	137,030	106,520	173,030	279,460
Round-lot purchases by dealers—					
Number of shares	July 14	320,660	334,450	337,410	455,910
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR— 1926 = 100:					
All commodities	July 24	178.0	*178.7	180.8	164.6
Farm products	July 24	188.9	*191.5	197.5	177.2
Grains	July 24	177.0	180.0	174.5	175.0
Livestock	July 24	260.8	261.6	266.0	241.0
Foods	July 24	185.1	186.4	186.5	173.2
Meats	July 24	274.4	275.0	275.4	259.4
All commodities other than farm and foods	July 24	167.8	168.0	169.6	153.1
Textile products	July 24	175.5	176.5	178.3	146.0
Fuel and lighting materials	July 24	137.7	137.7	138.7	135.8
Metals and metal products	July 24	188.2	188.2	188.2	172.8
Building materials	July 24	224.2	224.2	225.3	209.2
Lumber	July 24	350.2	349.8	352.7	‡
Chemicals and allied products	July 24	138.2	139.1	139.2	120.2

*Revised. †Not available. ‡Includes 529,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of June:			
New England	$27,022,408	$28,257,188	$22,506,004
Middle Atlantic	88,833,880	94,492,653	140,734,615
South Atlantic	38,507,089	40,102,936	51,648,183
East Central	94,152,446	119,283,498	133,475,938
South Central	52,240,490	51,611,204	83,527,519
West Central	22,799,198	25,697,622	39,556,473
Mountain	9,395,993	13,227,984	15,949,526
Pacific	52,023,538	63,235,404	80,624,846
Total United States	$385,041,042	$435,908,489	$568,023,104
New York City	51,458,270	62,762,259	102,562,255
Outside of New York City	333,582,772	373,146,230	465,460,849
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of June:			
Manufacturing number	129	128	167
Wholesale number	66	84	67
Retail number	390	385	363
Construction number	71	94	61
Commercial service number	43	64	67
Total number	699	755	725
Manufacturing liabilities	$5,014,000	$5,497,000	$7,244,000
Wholesale liabilities	6,234,000	3,994,000	2,569,000
Retail liabilities	7,434,000	7,487,000	5,154,000
Construction liabilities	3,085,000	4,655,000	1,533,000
Commercial service liabilities	1,006,000	1,871,000	1,572,000
Total liabilities	$22,773,000	$23,504,000	$18,072,000
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES— 1935-1939 = 100—Adjusted as of May 15:			
All items	185.4	184.6	169.3
All foods	227.4	225.7	199.8
Cereals and bakery products	188.2	188.3	169.8
Meats	272.4	272.5	238.4
Dairy products	203.5	204.1	178.3
Eggs	198.4	191.2	143.7
Fruits and vegetables	221.6	214.8	202.2
Beverages	345.3	*343.5	299.1
Fats and oils	176.7	178.3	137.7
Sugar and sweets	185.4	185.9	174.4
Clothing	204.0	203.6	184.7
Rent	135.4	135.1	130.6
Fuel, electricity and refrigerators	143.6	144.0	138.8
Gas and electricity	97.3	96.9	96.9
Other fuels	202.4	205.0	187.6
Ice	156.0	154.4	146.8
House furnishings	212.6	211.8	185.0
Miscellaneous	165.0	164.6	155.1
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of June	818,714	832,612	841,868
In consuming establishments as of July 1	1,754,427	2,077,760	1,426,624
In public storage as of July 1	1,082,818	1,647,935	5,444,700
Linters—Consumed month of June	96,289	114,915	132,187
In consuming establishments as of July 1	212,947	249,220	236,596
In public storage as of July 1	75,400	104,528	166,150
Cotton spindles active as of July 1	20,910,000	20,516,000	20,216,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on June 30	25,136,000	23,133,000	23,779,000
Spinning spindles active on June 30	20,910,000	20,516,000	21,479,000
Active spindle hours (000's omitted) June	9,677,000	9,768,000	10,320,000
Active spindle hours per spindle in place June	514.3	533.3	461.0
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y.—1935-1939 AVERAGE = 100—Month of June:			
Sales (average monthly), unadjusted	259	243	*233
Sales (average daily), unadjusted	254	238	*229
Sales (average daily), seasonally adjusted	267	243	*241
Stocks, unadjusted	274	294	209
Stocks, seasonally adjusted	290	290	222
NEW YORK STOCK EXCHANGE—As of June 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debt balances	$1,276,527	$1,287,316	$1,255,660
Credit extended to customers	37,926	40,937	75,328
Cash on hand and in banks in U. S.	364,806	369,769	312,927
Total of customers' free credit balances	836,029	855,251	676,827
Market value of listed shares	97,920,279	100,119,991	80,651,507
Market value of listed bonds	97,817,684	99,938,357	124,632,841
Member borrowings on U. S. Govt. issues	56,187	58,812	115,752
Member borrowings on other collateral	691,228	715,332	846,413
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of May (000's omitted):			
Savings and loan associations	$470,350	$445,701	$461,474
Insurance companies	145,080	145,741	120,743
Bank and trust companies	296,915	280,411	293,452
Mutual savings banks	93,645	79,326	84,688
Individuals	215,545	209,854	199,900
Miscellaneous lending institutions	222,003	209,815	217,661
Total	$1,443,536	$1,370,848	$1,377,918
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) —Month of April:			
Net railway operating income	$70,594,571	$78,262,798	$62,160,875
Other income	16,911,739	19,847,411	18,461,126
Total income	87,506,310	98,110,209	80,622,001
Miscellaneous deductions from income	4,413,151	8,759,387	3,881,452
Income available for fixed charges	83,039,159	89,350,822	76,740,549
Income after fixed charges	47,770,633	54,224,555	42,048,816
Other deductions	3,085,679	3,038,023	3,127,369
Net income	44,684,954	51,186,532	38,921,447
Depreciation (way & structures & equip.)	36,963,597	36,475,529	35,033,571
Amortization of defense projects	3,661,613	4,405,236	1,366,965
Federal income taxes	39,824,763	28,249,174	26,676,139
Dividend appropriations:			
On common stock	6,021,951	22,577,275	4,639,339
On preferred stock	573,927	5,550,476	529,162
Ratio of income to fixed charges	2.25	2.54	2.21
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	------	$1,925,750
Net purchases	$3,494,700	$11,411,500	------
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of June 30	$255,251,203	$255,122,431	$257,376,855
General fund balances	7,356,578	5,782,277	5,517,087
Net debt	$247,894,625	$249,340,000	$251,859,768
Computed annual rate	2.270%	2.247%	2.200%

*Revised.

Securities Now in Registration

★ REVISIONS THIS WEEK
• INDICATES ADDITIONS

New Registrations and Filings

All American Casualty Co., Chicago, Ill.
July 26 filed 1,000,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—None. **Proceeds**—To increase capital and surplus.

Barr Rubber Products Co., Sandusky, O.
July 20 (letter of notification) 24,200 shares of common stock (no par). **Price** — $12 per share. **Underwriter**—Fulton, Reid & Co., Cleveland, O. **Proceeds**—For plant additions and machinery. **Office**—1531 First St., Sandusky, O.

Beatty & Ryan, Inc., Salt Lake City, Utah
July 23 (letter of notification) 10,800 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For examination of mining prospects. **Office**—523 Atlas Bldg., Salt Lake City, Utah.

Bowling Green Fund, Inc., N. Y.
July 31 filed 50,000 shares of common stock. **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

British Columbia (Province of), Canada (8/16)
July 27 filed $35,000,000 of debentures (in U. S. dollars and maturing as follows: $6,000,000 on Aug. 15, 1955; $1,500,000 on Aug. 15, 1956; $1,500,000 on Aug. 15, 1957; and $26,000,000 on Aug. 15, 1976). **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp. and A. E. Ames & Co., Inc. **Proceeds**—$26,300,000 to pay treasury bills, and $8,700,000 for construction program.

Chicago Magazine Corp., Chicago, Ill.
July 24 (letter of notification) 3,100 shares of common stock, of which 600 shares are to be sold to public and 2,500 shares issued to Maurice English, one of the proposed incorporators of the corporation. **Price**—At par ($2 per share). **Underwriter**—None. **Proceeds**—For organizational expenses. **Office**—231 So. La Salle Street, Chicago, Ill.

Dividend Shares, Inc., New York
July 27 filed 6,000,000 shares of capital stock (par 25 cents). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

Dole (James) Engineering Co., San Francisco
July 20 (letter of notification) 17,000 warrants to subscribe for a total of $2,833.33 face value of convertible 5% income notes due 1957, second series (convertible into common stock, par $1, at par at any time on and after Aug. 1, 1952). **Underwriter** — The Broy Co., San Francisco, Calif. **Proceeds**—To two selling stockholders. **Office**—58 Sutter St., San Francisco.

Eastern Life Insurance Co. of New York
July 24 (letter of notification) 8,553 shares of common stock (par $3.50) of which 7,053 shares are for account of company and 1,500 for selling stockholders. **Price**—$13 per share. **Underwriter**—None. **Proceeds**—To increase capital and surplus. **Office**—386 Fourth Avenue, New York 16, N. Y.

Edith Murray Mining Co., Murray, Idaho
July 18 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—For working capital for lead and zinc mining claims.

Financial Credit Corp., New York (8/3)
July 27 (letter of notification) $250,000 of Financial investment bonds. **Price**—At par (in units of $50, $250, $500 and $1,000 each). **Underwriter**—None. **Proceeds**—To pay obligations, for expansion and working capital. **Office**—60 East 42nd Street, New York 17, N. Y.

Fleming Co., Inc., Topeka, Kansas
July 27 filed 5,000 shares of 5% cumulative preferred stock (par $100) and 15,000 shares of common stock (par $25), of which 3,000 shares of common stock are to be offered for a period of 10 days to common stockholders, officers and employees and 2,000 shares of preferred and 6,000 shares are to be offered publicly together with any of the unsubscribed 3,000 common shares. The underwriters have an option to purchase the preferred at $100 per share and the common at $36 per share. **Price**—On exercise of rights, $36 per share for common, and to public at not exceeding $103 per share for the preferred and $37.50 per share for the common stock. **Underwriters**—Beecroft, Cole & Co., Inc.; The Columbian Securities Corp.; Seltsman-Hanni & Co., Inc. and Estes & Co., all of Topeka, Kan. **Proceeds**—For working capital.

Fox (Peter) Brewing Co., Chicago, Ill.
July 24 (letter of notification) 5,000 shares of common stock (par $1.25). **Price**—$7.75 per share. **Underwriter**—Thomson & McKinnon, Chicago, Ill. **Proceeds**—To Frank G. Fox, the selling stockholder. **Office**—2626 W. Monroe St., Chicago, Ill.

Fuller (D. B.) & Co., Inc., N. Y.
July 26 filed 120,000 shares of cumulative convertible preferred stock (par $15). **Price**—To be supplied by amendment. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—From sale of preferred stock, together with other funds, will be used to repay $2,000,000 outstanding 4% notes due March 16, 1954, and to redeem 36,799 shares of outstanding preferred stock at $5.50 per share. **Meeting**—Stockholders will vote Aug. 10 on financing program.

General Appliance Corp., Springfield, Mass.
July 24 (letter of notification) 45,000 shares of common stock (par 10 cents). **Price**—45 cents per share. **Underwriter**—None. **Proceeds**—To three selling stockholders. **Office**—15 Park St., Springfield, Mass.

Goldoil, Inc.
July 25 (letter of notification) 5,000 shares of capital stock (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For purchase, development and resale of oil lands and leases. **Address**—c/o Corporation Trust Co., 900 Market Street, Wilmington, Del.

Hamilton Funds, Inc., Denver, Colo.
July 25 filed $10,000,000 of Hamilton Fund Period Investment Certificates to provide monthly payment plan basis for purchase of H-DA series shares. **Price**—At par. **Underwriter** — Hamilton Management Corp., Denver, Colo. **Proceeds**—For investment.

Hartford Special Machinery Corp.
July 24 (letter of notification) 5,000 shares of common stock to be offered for subscription by present stockholders on a pro rata basis. **Price** — At par ($20 per share). **Underwriter**—None. **Proceeds**—For additional working capital. **Office**—287 Homestead Ave., Hartford, Conn.

Household Service, Inc., Clinton, N. Y.
July 26 (letter of notification) $25,000 of first mortgage bonds due May 1, 1965. **Price**—At par (in units of $100 each). **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y. **Proceeds**—To repay short-term loans and for working capital.

Knickerbocker Fund, Inc., New York
July 30 filed 1,000,000 shares of beneficial interest in the Fund. **Price**—At the market. **Underwriter**—None. **Proceeds**—For investment.

Los Angeles Drug Co. (Calif.)
July 23 filed $500,000 of 15-year 5% sinking fund debenutres dated Oct. 1, 1951 and due Oct. 1, 1966, and 40,000 shares of capital stock (no par), to be offered first to present stockholders (debentures to be offered are to be subject to prior issuance to shareholders in payment of a dividend in aggregate amount of $300,000). **Price**—Of debentures, at par (in denominations of $100 each) and of the stock, $10 per share. **Underwriter**—None. **Proceeds** — To increase working capital and to finance expanded merchandise inventory.

Lytton's, Henry C. Lytton & Co., Chicago, Ill.
July 24 (letter of notification) 3,000 shares of common stock (par $1). **Price**—$6.87 per share. **Underwriter**—Straus & Blosser, Chicago, Ill. **Proceeds**—To Martin S. Goldring, a director, who is the selling stockholder. **Office**—235 So. State St., Chicago, Ill.

McKinley Realty & Construction Co., Inc. (8/6)
July 26 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To purchase income producing real estate. **Office**—118 West 79th Street, New York, N. Y.

Miles Management, Inc., Wallace, Idaho
July 24 (letter of notification) 58,000 shares of common capital stock. **Price**—60 cents per share. **Underwriter**—Louis Payne, Spokane, Wash. **Proceeds** — To meet property payments, purchase contracts and other mining expenses. **Offices**—507 Bank Street, Wallace, Idaho, and 612 Chronicle Building, Spokane, Wash.

Mt. Sopris Petroleum Co., Glenwood Springs, Colo.
July 24 (letter of notification) 1,500 shares of common stock (no par), of which 200 shares will be offered in exchange for leases and legal fees and 300 shares will be offered to salesmen. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For test well on Colorado properties and other corporate purposes. **Office** — 715 So. Grand Ave., Glenwood Springs, Colo.

Mutual Telephone Co., Honolulu, Hawaii
July 27 filed 150,000 shares of common stock (no par) to be offered for subscription pro rata by common stockholders. **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—To pay outstanding bills and for construction program. **Offering**—Expected about middle of September.

National Distillers Products Corp., N. Y. (8/20-24)
July 31 filed 500,000 shares of cumulative preferred stock, series of 1951 (par $100—convertible prior to Sept. 1, 1961). **Price**—To be supplied by amendment. **Underwriters**—Glore, Forgan & Co. and Harriman Ripley & Co., Inc., both of New York. **Proceeds**—To repay bank loans and for general corporate purposes. **Offering**—Expected week of Aug. 20.

Nu-Form Batteries, Inc., Los Angeles, Calif.
July 25 (letter of notification) 10,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None, but Moral O. Bell, Elko, Nev., will sell portion of the stock and the remainder by officers and directors. **Proceeds**—To liquidate current operating obligations and to finance inventory. **Office**—8801 S. Crocker Street, Los Angeles, Calif.

Pacific Western Stores, Inc., Los Angeles, Calif. (8/13)
July 23 (letter of notification) 15,000 shares of 6% cumulative convertible preferred stock (par $10) and 30,000 shares of common stock (par 5 cents) to be sold in units of one share of preferred and two shares of common stock. **Price**—$10.10 per unit. **Underwriter**—White & Co., St. Louis, Mo., and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For acquisition of new outlets and working capital. **Office**—8666 West Pico Boulevard, Los Angeles, Calif. **Offering**—Expected week of Aug. 13.

Polymer Industries, Inc., Astoria, N. Y. (8/7)
July 30 (letter of notification) 10,000 shares of 6% cumulative preferred stock (par $5) and 20,000 shares of common stock (par one cent) to be offered in units of one share of preferred and two shares of common to preferred stockholders of record July 27 on the basis of two units for each five shares held; rights will expire on Sept. 1. **Price**—$5.02 per unit. **Underwriter**—None. **Proceeds**—For expansion program and working capital.

Potyneuf-Marsh Valley Canal Co., Ltd.
July 24 (letter of notification) $60,000 of bonds (in denominations of $500 each), all except $1,500 of which have been sold. **Underwriter**—None. **Proceeds**—To rehabilitate and repair reservoir, dam and canal system. **Address**—Counsel is located in Pocatello, Idaho.

Pratt-Hewitt Oil Corp., Corpus Christi, Tex.
July 23 (letter of notification) 13,600 shares of common stock (par $1). **Price**—62 cents per share. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, Corpus Christi, Tex. **Proceeds**—To John D. Hawn, a director, who is the selling stockholder. **Office**—520 Lawrence Street, Corpus Christi, Tex.

Safeway Stores, Inc.
July 24 (letter of notification) 2,000 shares of common stock (par $5), of which 500 shares are for the account of C. N. Sanders and 1,500 shares for the account of A. D. Kirkland. To be sold on the New York Stock Exchange. **Underwriter**—None.

Snoose Mining Co., Hailey, Idaho
July 19 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Underwriter**—E. W. McRoberts & Co., Twin Falls, Ida. **Proceeds**—For development of mine.

Southern California Edison Co.
July 30 filed $30,000,000 first and refunding mortgage bonds, series D, due 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly); Kuhn, Loeb & Co. **Proceeds**—For construction program. **Offering**—Expected this month.

Stroock (S.) & Co., Inc.
July 27 (letter of notification) not exceeding a number of common stock (no par) having an aggregate selling price of $15,000. **Price**—At the market (about $21.62½ per share). **Underwriter**—None. **Proceeds**—To selling stockholder.

Supervised Shares, Inc., Des Moines, Iowa
July 30 filed 300,000 shares of capital stock (par 25 cents). **Price**—At market. **Distributor**—T. C. Henderson & Co., Inc., Des Moines, Ia. **Proceeds**—For investment.

Theatre Owners Mutual Exchange, Inc.
July 25 (letter of notification) 1,000 shares of common stock. **Price**—At par ($100 per share), to be sold at rate of one share to each theatre owner. **Proceeds**—Partially for working capital. **Office** — 321-27 Law Building, Charlotte, N. C.

United Canadian Oil Corp., Washington, D. C.
July 31 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriters**—None. **Proceeds**—For exploration and drilling activities.

United States Gasket Co.
July 25 (letter of notification) $100,000 to $200,000 of 4% or 6% convertible preferred stock, or a mortgage loan of that amount. **Underwriter**—None. **Proceeds**—To erect new plants, and purchase equipment. **Office**—602 North 10th Street, Camden, N. J.

Victor Mining & Milling Corp., Reno, Nev.
July 23 (letter of notification) 40,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For improvement of mining claims. **Office**—139 N. Virginia St., Reno, Nev.

Westates Explorations, Inc., Las Vegas, Nev.
July 24 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For development of tungsten mineral property in Arizona. **Office**—504 So. 3rd St., Las Vegas, Nev.

Workers Finance Co. of North Bergen, N. J. (8/6)
July 26 (letter of notification) $150,000 of 6% cumulative preferred debentures due in 5, 10 or 20 years. **Price**—At par (in units of $100 each). **Underwriter**—None. **Proceeds**—To make loans. **Office**—770 Bergenline Ave., North Bergen, 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.

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.

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. (8/6)**
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.

★ **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 (20 units to be offered in exchange for $100,000 of short-term notes). **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 Streets, Evansville, Ind.

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.

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.

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.

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.

NEW ISSUE CALENDAR

August 3, 1951

Financial Credit Corp.	Bonds
Green River Steel Corp.	Debs. & Com.

August 6, 1951

Audio & Video Products Corp.	Debs. & Com.
McKinley Realty & Construction Co., Inc.	Com.
Northrop Aircraft, Inc.	Common
Workers Finance Co. of No. Bergen (N. J.)	Debs.

August 7, 1951

Michigan Consolidated Gas Co. 10:30 a.m. (EST)	Bonds
Polymer Industries, Inc.	Pfd. & Com.

August 8, 1951

Williams & Co., Inc.	Common

August 13, 1951

Pacific Western Stores, Inc.	Preferred

August 15, 1951

American Mucinum Inc., N. Y.	Class A

August 16, 1951

British Columbia (Province of), Canada	Bonds

August 20, 1951

National Distillers Products Corp.	Preferred

August 31, 1951

Southern Counties Gas Co. of California	Bonds

September 3, 1951

New England Gas & Electric Association	Bonds

September 11, 1951

Alabama Power Co.	Bonds

September 19, 1951

Utah Power & Light Co.	Common

October 9, 1951

Arkansas Power & Light Co.	Bonds

October 29, 1951

Utah Power & Light Co.	Bonds

★ **Checker Cab Manufacturing Co.**
June 28 filed 433,444 shares of common stock (par $1.25) being 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 additonal working capital. Statement effective July 25.

★ **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.

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.

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."

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.

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.

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.

★ **Green River Steel Corp. (8/3)**
June 5 filed $4,000,000 of 3½% debentures due 1961 and 400,000 shares of common stock (par 1 cent) to be offered in units of $1,000 of debentures and 100 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**—Expected Friday.

★ **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 Aug. 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.

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.

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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.

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.

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. Statement effective July 25.

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.

★ 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. Statement effective July 25.

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.

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. (8/6-9)
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**—Expected next week.

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 being 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

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 200,000 shares of common stock. **Price**—At Par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes. Statement effective June 26 through lapse of time; amendment necessary.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

Philadelphia 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.

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. **Offering** — Temporarily postponed.

★ Rochester Gas & Electric Corp.
July 13 (amendment) filed 175,000 shares of common stock (no par), being 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**—$31.50 per share. **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.

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. Statement effective July 23.

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.

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.

★ United States Plywood Corp., New York
July 20 filed 60,000 shares of convertible cumulative preferred stock, series B (par $100). **Price**—$102.50 per share and accrued dividends. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds**—For working capital. **Offering**—Expected after the close of the market today.

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.

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.

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.

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.

Prospective Offerings

★ Alabama Power Co. (9/11)
July 31 company applied to SEC for authority to sell $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.

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.

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.

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.

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.

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.

Delaware River Development Corp. (N. J.)
June 20 FPC decided to issue a one-year preliminary permit to the corporation for investigation of the proposed development of a hydroelectric project on the Delaware River in New Jersey, Pennsylvania and New York, estimated to cost $47,000,000. Early last year, it was announced that the proposed project would be financed through the issuance of $28,200,000 of bonds, $14,100,000 of preferred stock, $4,700,000 of convertible common stock and 100,000 shares of no par value common stock.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 oustanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

Derby Gas & Electric Corp.
July 16 corporation received SEC authority to issue and sell $900,000 of debentures to mature July 1, 1957 (to be placed privately with an institution) but reserved jurisdiction over the proposed issuance of approximately 12,500 additional shares of common stock (latter to be offered to public pursuant to a negotiated transaction). **Probable Underwriter**—Allen & Co., New York. **Proceeds**—To be applied toward 1951 construction program.

● **East Tennessee Natural Gas Co.**
July 17 company filed an amended application in connection with a proposal to extend its natural gas transmission system to several Tennessee communities and industrise at an estimated cost of approximately $5,200,000 to be financed by the issuance and sale of first mortgage pipe line bonds. Latter may be placed privately. Traditional underwriter: White, Weld & Co., New York.

Idaho Power Co.
July 23 company applied to FPC for authority to issue $15,000,000 of additional first mortgage bonds, due 1981. 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. **Offering**—Expected on and after Sept. 1.

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.

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.

● **Merck & Co., Inc.**
July 26, George W. Merck, Chairman, announced stockholders on Sept. 10 will vote on approving issuance and sale through rights to common stockholders of an issue of approximately $25,000,000 of new convertible second preferred stock. **Price**—To be supplied later. **Underwriters** — Goldman, Sachs & Co. and Lehman Brothers, both of New York. **Proceeds** — For capital investments and working capital.

● **New England Gas & Electric Ass'n (9/3-8)**
July 19 Association applied to the SEC for authority to issue and sell $6,115,000 of 20-year sinking fund collateral trust bonds, series C, due 1971. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. The last issue of bonds were placed privately through The First Boston Corp. **Proceeds** — To acquire additional common stock of certain subsidiaries who in turn would use the proceeds to repay bank loans incurred for new construction. **Offering**—Expected week of Sept. 3.

Niagara Mohawk Power Corp.
June 8, company applied to FPC for a license for a proposed new project estimated to cost $22,611,000. On Jan. 26, company had announced that it probably would sell late this year or early 1952 about $15,000,000 of additional common stock to finance part of its $150,000,000 construction program scheduled for 1951, 1952 and 1953. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.

● **Northwest Plastics, Inc., St. Paul, Minn.**
July 30, it was announced company expects to file shortly a letter of notification with the SEC covering $100,000 of 6% convertible sinking fund debentures and 12,000 shares of common stock (par $2.50). **Price** — Of stock, $8.75 per share. **Underwriters**—Irving J. Rice & Co., St. Paul, Minn., and M. H. Bishop & Co., Minneapolis, Minn.

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 & Co., Inc., White, Weld & Co. and Harris, Hall & Co., Inc. (jointly). (For registration of 541,464 shares of common stock, see a preceding column).

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,

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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.; Kidder, Peabody & Co.; Union Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers and A. C. Allyn & Co. (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co. and Equitable Securities Corp. (jointly). **Proceeds**—For expansion program.

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. **Proceeds**—For expansion program.

★ Schering Corp.

July 26 it was reported that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC this month and offered for sale probably late in September or early in October to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company formed by United States & International Securities Corp., Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

● Seaboard Air Line RR.

July 31 it was announced RFC will soon ask for sealed bids on the 102,273 shares of common stock (no par), 9,543 shares of preferred stock (par $100) and more than $5,000,000 bonds it now holds of this railroad.

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 Natural Gas Co.

July 31 it was announced company has filed an application with FPC for permission to construct additional facilities to cost an estimated $13,641,000, of which approximately $9,187,000 is expected to be spent in 1951.

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.

★ Tennessee Gas Transmission Co.

July 27, it was announced company soon expects to file a registration statement with the SEC covering a new issue of $45,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—For expansion program. **Offering**—Expected in September.

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 25 it was announced company plans to register with SEC on Aug. 6 an issue of $9,000,000 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 25 it was reported company plans to register with SEC on Aug. 6 an issue of 175,000 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.

● West Texas Utilities Co.

July 27 it was reported company plans to sell $7,000,000 of first mortgage bonds late this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); The First Boston Corp.; Kidder, Peabody & Co.; W. C. Langley & Co.; Union Securities Corp.; Equitable Securities Corp.; Harriman Ripley & Co.; Lehman Brothers; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For new construction.

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Dealer-Broker Investment Recommendations and Literature

Check should be sent attention of Mr. Robert Chaut of Geyer & Co. Available on request is the current issue of "Bank & Insurance Stock Digest," containing reports on **General Reinsurance Corp., Firemen's of Newark, Pacific Indemnity Company, National Shawmut Bank, Maryland Casualty Co., New Amsterdam Casualty, Northern Insurance Company,** and **Agricultural Insurance Company.**

Canadian Superior Oil of California, Ltd.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Cal. Also available are analyses of **International Cellucotton Products Co.** and **Rockwell Manufacturing Company.**

Caspers Tin Plate Co.—Memorandum—Ames, Emerich & Co., 105 South La Salle Street, Chicago 4, Ill.

Continental Air Lines Inc.—Memorandum—Republic Investment Co., 231 South La Salle Street, Chicago 4, Ill.

Crane Company—Bulletin in "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a list of **Railroad Bonds** and also of **Special Situations.**

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.**

Flying Tiger Line—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Official Films, Inc.**

General Electric Company—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

General Precision Equipment—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

General Precision Equipment Corp.—Current report—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is a memorandum on **Radio Corporation of America.**

Glove-Wernicke Co.—Westheimer & Company, 322 Walnut Street, Cincinnati 2, Ohio.

Graham Paige—Circular—James J. Leff & Co., Inc., 50 Broad Street, New York 4, N. Y.

Home Insurance Company—New analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Joy Manufacturing Company—New report—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

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

National Gas & Oil—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

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

Northwest Airlines, Inc.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

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

Seismograph Service Corp.—Card memorandum—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Sylvania Electric Products, Inc. — Memorandum — Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

Tennessee Products & Chemical Corp. — Analysis — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Tri-Continental Warrants — Analysis — Sartorius & Co., 39 Broadway, New York 6, N. Y.

United Carbon Company — Analysis — Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

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

Williston Basin Oil Wells—Bulletin—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Halsey, Stuart Offers Central Vt. P. S. Bonds

Halsey, Stuart & Co. Inc. is offering $2,000,000 Central Vermont Public Service Corp. first mortgage 3½% bonds, series G, maturing Aug. 1, 1981, at 102.346% and accrued interest. Award of the bonds was made last Tuesday on a bid of 101.27%.

Proceeds from the sale of these bonds will be applied to reduce short-term borrowings incurred for interim financing of the company's construction requirements, and the balance will be used for other corporate purposes, including construction requirements. Present plans of the company for the last eight months of 1951 and for 1952 call for the expenditure, based on present costs and assuming the availability of necessary materials and labor, of approximately 2,724,000 and $2,100,000, respectively.

Central Vermont Public Service Corp. is engaged in the generation and purchase of electric energy and its transmission, distribution and sale for light, power, heat and other purposes. The company serves about 46,100 customers in Middlebury, Randolph, Rutland, Springfield, Windsor, Bradford, Bennington, Brattleboro, St. Johnsbury and about 115 other towns and villages in Vermont. Territory served by the company in Vermont has an estimated population of 158,000.

Our Reporter's Report

With little or nothing else to do people whose primary interest centers in the flotation of new corporate securities were keeping a close eye on the Treasury market this week.

And they were not especially pleased with the wobbly tendencies noted in that direction. Rather there was a disposition to view the government market's action as suggesting it might be getting ready to test the old lows again.

Such interpretation of the Treasury list's behavior served to temper the optimism that had been generated by the recent encouraging trend in the corporate market where prices have recovered rather substantially from the lows touched back in the spring.

Top corporates have come back to levels where the average yield basis is around a 3.05% basis contrasted with an average of about 3.30% when prices were on the bottom. In extreme instances gilt-edge paper is close to a 3% basis.

And high-grade corporates, rated just under the top strata, have come up to price levels making for an average yield of around 3.35% as against 3.60% a few months ago.

Until the Treasury list began to show signs of renewed weariness there had been a disposition to regard the corporate market as working out a new and perhaps solid base. But now the tendency is to keep a "weather-eye" on the government list before arriving at any definite conclusions.

Municipals in Demand

As taxes trend higher and higher, people with sizable incomes appear to be finding securities carrying valuable exemptions more and more attractive.

At any rate the municipal market is displaying robust strength which must be a real relief to those who were caught with sizable inventories only a little while back when the tide was running out rather swiftly.

British Columbia Issue

The next substantial new offering ahead appears to be the Province of British Columbia's $35,000,000 of serial debentures put in registration with the SEC this week.

Already screened and approved by the Investment Bankers Credit Control Committee, this issue is expected to come to market around Aug. 14 and will be offered both in the United States and Canada.

New Issues Lining Up

Southern California Edison Co. has inaugurated steps looking toward the flotation of $30,000,000 in first and refunding bonds of 25-years maturity.

It has applied to the California Public Utilities Commission for necessary authority to sell the issue and is preparing a registration to be filed with the Securities and Exchange Commission.

Meanwhile Merck & Co. stockholders will vote Sept. 10, on a proposal to authorize $25,000,000 of new convertible second preferred stock to provide funds for general corporate purposes. Bankers already are preparing to underwrite this one, which will be handled by negotiation.

Also National Distillers contemplates issuance of $50,000,000 of cumulative convertible preferred stock (par $100) to provide for refinancing $17,000,000 of bank loans and allow for additional working capital. This too will be a negotiated deal.

Some Go Private

The tendency toward direct placement appears still to be running quite strong. The Monsanto Chemical Co. for example has just completed placement of $66,000,000 in 50-year, 3¾% income debentures at par to six institutional investors. Interest here is cumulative and payable annually only if earned.

Another large undertaking which went by the private route involved $30,000,000 of 10-year notes of the Beneficial Loan Corp. which was placed, through bankers, with insurance companies and pension funds. The notes bear interest at 3½%.

SITUATION WANTED

Desirous of applying approximately twelve years financial experience, to "Executive Trainee Position" in Securities Research, or Statistical department, of Member New York Stock Exchange. Age 31. Probable Selective Service Classification 4C or 5C. Not a member of Reserve. Salary open. Inquiries invited. Box R 726, Commercial & Financial Chronicle, 25 Park Place, New York 7, N. Y.

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

184TH COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on September 1, 1951, to stockholders of record at the close of business August 10, 1951. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

July 31, 1951

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 182
Common Dividend No. 172

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1951, and a dividend of 25¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1951, to holders of record September 4, 1951. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
Secretary

July 25, 1951

AMERICAN-Standard

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable September 1, 1951 to stockholders of record at the close of business on August 24, 1951.

A dividend of 25 cents per share on the Common Stock has been declared, payable September 24, 1951 to stockholders of record at the close of business on August 31, 1951.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

JOHN E. KING
Vice President and Treasurer

AMERICAN WOOLEN COMPANY
INCORPORATED

"THE GREATEST NAME IN WOOLENS".

AT the meeting of the Board of Directors of American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable September 14. 1951 to stockholders of record August 31, 1951.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable October 15, 1951 to stockholders of record October 1, 1951.

A dividend of $1.00 per share on the Common Stock, payable September 14, 1951 to stockholders of record August 31, 1951.

Transfer books will not be closed.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT,
Treasurer.

August 1, 1951.

DIVIDEND NOTICES

THE BYRNDUN CORPORATION

The Directors of the Byrndun Corporation at its meeting held on July 26th, 1951, declared a dividend of $1.50 per share on the Participating Preferred Stock, a dividend of $2.50 per share on the Class "A" Participating Stock, and a dividend of $3.50 per share on the Second Preferred Stock; also a dividend of Twenty-five cents (25c) per share on the Class "A" Participating Stock, Class "A" Common Stock and Common Stock; no dividend on fractional shares, all payable on August 15th, 1951 to stockholders of record at 3:00 P.M., August 8th, 1951.

H. G. FAHLBUSCH, *President*

July 26th, 1951.

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

• A regular quarterly dividend of seventy-five cents (75c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable September 10, 1951 to the holders of record at the close of business August 10, 1951.

W. J. ROSE, Secretary.

August 1 1951

Atlas Corporation
33 Pine Street, New York 5, N.Y.

Dividend No. 39
on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable September 21, 1951, to holders of record at the close of business on August 27, 1951 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, *Treasurer*

July 27, 1951.

ALUMINIUM LIMITED

DIVIDEND NOTICE

On July 24th, 1951, a quarterly dividend of Ninety Cents per share in U.S. currency was declared on the no par value Shares of this Company payable September 5th, 1951, to shareholders of record at the close of business August 6th, 1951.

Montreal J. A. DULLEA,
July 24th, 1951 *Secretary*

THE FLINTKOTE COMPANY

30 ROCKEFELLER PLAZA NEW YORK 20, N.Y.

A quarterly dividend of $1.00 per share has been declared on the **$4 Cumulative Preferred Stock** payable September 15, 1951 to stockholders of record at the close of business August 31, 1951.

A quarterly dividend of $.50 per share has been declared on the **Common Stock** payable September 10, 1951, to stockholders of record at the close of business August 27, 1951.

CLIFTON W. GREGG,
Vice-President and Treasurer

August 1, 1951

DIVIDEND NOTICES

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh Pennsylvania

July 27, 1951

Board of Directors has declared for quarter ending September 30, 1951, DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share on PREFERRED STOCK, payable October 20, 1951 to shareholders of record October 5, 1951. Also declared a DIVIDEND of FIFTY CENTS per share on the NO PAR COMMON STOCK, payable September 1, 1951 to shareholders of record August 10, 1951.

G. F. Cronmiller, Jr.
Vice President and Secretary

1st Bank Stock Corporation

55th Consecutive Dividend

• Directors of First Bank Stock Corporation, Minneapolis, Minnesota, on July 18, 1951, declared a quarterly dividend of 30c per share on outstanding capital stock, payable September 10, 1951, to stockholders of record at the close of business August 20, 1951.

E. O. JENKINS, *President*

Gerity

GERITY-MICHIGAN CORPORATION
Adrian, Michigan

Dividend Notice

Gerity-Michigan Corporation at its regular directors' meeting on July 25, 1951, declared a dividend of 10 cents per share on the capital stock of the corporation to stockholders of record August 15, 1951, payable August 31, 1951.

James Gerity, Jr.
President

July 25, 1951

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular dividends:
41¼ cents per share on its
5½% Preferred Stock ($30 par)
35⅝ cents per share on its
4¾% Preferred Stock ($30 par)
30 cents per share on its
Common Stock ($15 par)
all dividends payable September 1, 1951, to stockholders of record August 15, 1951.

EDWARD L. SHUTTS.
President.

July 30, 1951

Hooker Electrochemical Company

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on July 25, 1951 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable September 27, 1951 to stockholders of record as of the close of business September 4, 1951.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on July 25, 1951 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable August 30, 1951 to stockholders of record as of the close of business August 6, 1951.

ANSLEY WILCOX 2nd
Secretary

HOOKER CHEMICALS

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 25 cents per share on the Company's capital stock, payable September 15, 1951, to stockholders of record at the close of business August 27, 1951.

E. F. VANDERSTUCKEN, Jr.,
Assistant Secretary

Esso

The Board of Directors of the
STANDARD OIL COMPANY
(Incorporated in New Jersey)

has this day declared a cash dividend on the capital stock of $1.00 per share, on which $.75 per share was designated as regular and $.25 per share as extra, payable on September 13, 1951, to stockholders of record at the close of business, three o'clock P. M., on August 10, 1951.

A. C. MINTON, Secretary

July 31, 1951.

TECHNICAL OIL FIELD SERVICES

LANE-WELLS COMPANY

Dividend Notice

The Directors have declared a quarterly dividend of 30 cents and an extra dividend of 10 cents per share on the common stock payable September 15, 1951, to stockholders of record August 22, 1951.

WILLIAM A. MILLER
Secretary-Treasurer

LOWELL ADAMS FACTORS CORP.

LOWELL ADAMS FACTORS CORPORATION

Common Stock Dividend

The Board of Directors of Lowell Adams Factors Corporation has declared a dividend of five cents (5¢) consisting of a quarterly dividend of two and one-half cents (2½¢) per share and an extra dividend of two and one-half cents (2½¢) per share on the Common Stock of this Corporation, both payable September 28, 1951 to holders of such stock of record at the close of business August 7, 1951.

E. L. NORTH, *Ass't. Secretary*

NATIONAL CAN CORPORATION

DIVIDEND

The Board of Directors today declared a dividend of fifteen cents (15c) per share on the Common Stock of the Company, payable September 14, 1951, to stockholders of record at the close of business August 31, 1951.

C. L. THOMPSON
Chairman of the Board and President

July 26, 1951.

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND
66th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable Oct. 10, 1951 to stockholders of record Sept. 20, 1951.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 65 cents a share on $2.60 Convertible Preferred Stock, 33¾ cents a share on $1.35 Convertible Preferred Stock, and 33¾ cents a share on $1.35 Convertible Preferred Stock, Series B. All preferred dividends are payable Oct. 10, 1951 to stockholders of record Sept. 20, 1951.

A. E. WEIDMAN
July 19, 1951 *Treasurer*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—With a view to evaluating its outlook on the prospects for business and inflation, it may be taken for granted that by October or sooner, the President will announce that he has increased the defense build-up goals.

This was the subject which in his Mid-Year Economic Report last week he said was under consideration.

Furthermore, the decision to boost the military build-up is most likely to be ratified by Congress, for there is every prospect the higher target will be for a vastly expanded air power.

The background of the Mid-Year announcement is this: The military were not satisfied, in view of the large commitments which the U. S. has undertaken to stop Russia, with the volume of domestic military preparedness settled upon as the goals announced in the budget for the fiscal year 1952, as outlined in the Budget message of last January.

On the other hand, the military were "sold" on the Administration line that there must be a "balanced" economy, in other words, a build-up which would fall short of depriving the domestic economy of basic consumer necessities or result in rationing of consumer items.

However, the domestic economy has come through with far fewer shortages and strains than generally expected. Hence the target of military production can be boosted somewhat without risking an undue strain on domestic supplies.

* * *

That the build-up will be in the form of aircraft procurement and armament, is the thing which is really surprising.

Ever since Russia has been the chief crisis, the President has heretofore insisted upon the "balanced" military build-up. This has meant that the Air Forces should not be increased unless there were parallel or proportionate increases in the ground and sea forces. The President has aroused the ire of Congress by refusing to spend money appropriated for the Air Force, in order to maintain this position.

There is currently waging an undercover dispute of major proportions as to whether the Air Force target shall be raised to 150 groups from 95 groups. It is known that Naval and Army objectives could not be increased in proportion.

Mr. Truman, it is reported reliably, probably will make up his mind in favor of the Air Force expansion, if perhaps not all the way to 150 groups. There will be NO overall increase in the military manpower goal of 3.5 million persons in uniform. This will be increased only to accommodate increased personnel in the Air Force as aircraft are delivered—not for many, many months hence.

Meanwhile the drive will be poured on to get deliveries on ALL military items for the U. S. and foreign forces. Mr. Truman, it is said, will countenance no hold-up in deliveries for the purpose of stopping to improve later designs — that is to say, he will oppose any general trend of this character.

* * *

Time-wise, the program to boost the target for the Air Force to something up to 150 groups will not be presented as an actual legislative project until the 1952 session of Congress. The decision will be made in October or sooner. Congress next year will be asked to vote it. Meanwhile the application of pressures for deliveries under existing contracts will take care of the situation.

* * *

This decision, incidentally, will have some political effects salubrious to Mr. Truman's military build-up.

The Administration has dreaded the prospect that even after a few months of any uneasy truce in Korea, Congress would gradually begin to let down on the military build-up. The fear was probably justified.

If Mr. Truman had proposed to counter this trend, for bargaining purposes, with a general proposal to Congress that it boost the overall military target, Truman probably would have got but little distance.

On the other hand, the great majority of Congress is hot for the Big Air Force, with fleets of bombers that can de-stockpile U. S. atomic bombs on the Reds. It is altogether likely that if Truman capitulates to them they will enact the expanded program with glee, and the enthusiasm will to a large extent carry the domestic build-up, if perhaps not also foreign aid, pretty well along without damage.

* * *

The implication of this impending decision is that there is NO point where the military build-up will stop so long as the country and Congress can be persuaded to go along. The military feel that if Mr. Truman is to play to the population of the world what Super-Mouse of the movies does for the mice population, they are far, far short of the quantity of weapons they need.

Only as recently as Friday Manly Fleischmann, DPA Administrator, **in announcing fourth quarter materials allocations, restated the "party line" until Friday prevalent, that by the end of 1952 or early 1953, there would be enough materials for the domestic economy as well as enough to support a military build-up.**

This becomes obsolete as soon as the President announces the decision of which the Mid-Year Economic Report was the harbinger.

* * *

BUSINESS BUZZ

"—and because of a very slight imperfection I'll let you have it at a ten percent discount!"

Basic idea of Bulletin No. 6 of the National Voluntary Credit Restraint Committee is that institutions which make loans on which securities are collateral, shall treat both listed and unlisted securities alike for purposes of VCR.

VCR concerns itself, not with collateral and loan margins as such, but with the purpose for which loans are made. The idea of VCR is to discourage the making of loans for speculative or other anti-inflationary purposes, whether secured by gilt-edged securities or by cats and dogs.

Regulations T and U of the Federal Reserve Board, under the authority of the SEC Act, on the other hand, are concerned with margins and collateral. These regulations permit the making of loans for purchase and carrying of securities only to 25% of the value of the collateral. T and U apply, however, only to listed securities. There are no minimum margin requirements fixed by the Federal Reserve Board on the purchase and carrying of unlisted securities as such.

Bulletin No. 6 was issued because some institutions were interpreting earlier VCR Committee pronouncements as indicating that no matter how good, unlisted securities were to be frowned upon under the VCR program.

Now, loans for which securities are offered as collateral are supposed to be screened by lenders as to the purpose of the loan, regardless of whether the collateral consists of listed or unlisted securities.

So, for example, if a person were to put up securities as collateral, securities owned by the borrower outright, to finance a speculative transaction, VCR would discourage lenders from making this loan.

Presumably also loans for "purchase and carrying" securities, listed OR unlisted, would be scrutinized and perhaps denied IF the actual purpose were speculative and the loan was not primarily for purchase and carrying securities, in fact.

Bulletin No. 6 will have an indirect effect, however, to the extent lenders follow it closely, of moving toward requiring 75% margins for unlisted as well as listed securities. This is true, even though this is not its express purpose.

Direction No. 1 of Bulletin No. 6 for the guidance of borrowers notes that under Regulations U and T loans are presumed to be "for the purpose of purchasing and carrying listed securities," and added:

"It is recommended, therefore, that all loans on securities for purchasing or carrying UNLISTED securities be presumed to be for a proper purpose if the amount of the credit extended is no greater than permitted in the case of listed securities by Regulations U or T."

In other words, whenever any "purchase and carrying" loan application secured by less than 75% margin is offered in the case of an unlisted security, this VRC guidance is to raise a red flag and question the particular loan.

* * *

This Capital's foremost expert on the Dixiecrat movement, who foresaw its rise and importance back in 1948 while all the kept columnists were scoffing at it, reports after a tour of the "Deep South" that the movement is very much alive today. He is correspondent Edgar Poe of the New Orleans "Times-Picayune."

In Mr. Poe's opinion, if Eisenhower should get the GOP nomination he will sweep the South. While Senator Taft is probably more highly regarded as an individual than any other GOP Presidential aspirant, the fact that the Administration's press boys have succeeded in pinning the label, "Mr. Republican" upon the Senator, might militate against Taft in the South if he should get the nomination instead of Eisenhower.

Poe's observation that Eisenhower would sweep the South has a significant relevance, because electoral votes obtained there would tend to offset the inevitable trend to "stay home" among Republicans of the North who aren't too hot for both raising the standard of living of half the world and fighting the other half of the world at the same time.

Antagonism to Mr. Truman is much more widespread in the South today than many observers in the North realize, according to Mr. Poe. His most striking illustration of this was that in Mississippi there are eight candidates seeking the Democratic nomination for Governor next month. Not one of these eight is supporting Truman. All eight, on the contrary, repudiate Truman, promise to lead in having Mississippi "take a walk" if the national Democratic party again nominates Truman for President.

Although the primary to select Louisiana's Democratic nominee for Governor will not be held until next January, the politicking for this battle is now on. One candidate announces outright opposition to Truman. No aspirant in that state has come forward to defend the President.

(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.)