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EDITORIAL

As We See It

Perhaps more than some of the other instances in the long list of "scandals" coming to light in recent years, the shocking breaches of honor now revealed to have been taking place in the United States Military Academy at West Point have given deep concern to thoughtful people throughout the land. What appears to be a definite possibility that the practices with which a very substantial number of cadets have been charged may have been much more widespread over a much longer period than is indicated in official action thus far taken certainly does nothing to ease the minds of intelligent people.

But this matter, unfortunate and even shameful though it be in its own right, is seriously disturbing chiefly because it comes as the latest in a long list of symptoms of an apparent degeneration in the moral fibre of the people generally. There are, of course, those who would quote the Latin proverb "*tempora mutantur, nos et mutamur in illis*" (times change and we change with them) and let the matter rest at that. Indeed we are often rather sickened by something fairly akin to this attitude applied to many current ideas and practices, some of them involving more than trivialities. The common retort that we can not turn the hands of the clock back is often at bottom little but an attempt to excuse basically wrong or fundamentally unwise policies or practices by saying that they are in keeping with the times.

About a good many things this sort of reasoning is well enough, but when fundamental canons of behavior are concerned upon which our civilization itself has been erected the situation is wholly different. If there is to be no code of honor, no

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The World Crisis—Challenge To Our Way of Life

By BENJAMIN E. YOUNG*
General Vice-President, National Bank of Detroit

Detroit banker, in discussing the moral and political crisis in the world today, points out its impact on our traditional way of life. Says U. S. has been forced into world leadership and, though free enterprise system is threatened by inroads of socialism, moral and political deterioration, people should unite for its preservation. Attacks Keynesian "Compensatory Economy" and "Managed Money." Says through issue of unredeemable currency, we have resorted to a modern version of coin-clipping.

My effort shall be to examine the grave problem of the nation's moral crisis with the hope of promoting the serious and worthwhile discussion warranted by its far-reaching implications. The deep human import of the questions our nation is called upon to face requires that we study them with the utmost care and counsel together in the hope that we may reach the right answers.

Ben E. Young

In this connection Dante said, a long time ago:

"The hottest places in Hell are reserved for those who, in a period of moral crisis, maintain their neutrality."

Before proceeding to the points at issue, I should like to make one other general observation. This has to do with the responsibilities, as contrasted with the privileges, of citizenship in our great country.

Many men and women, all too many, of your acquaintance and mine, consider today that participation in the political activities which go on around them is for some reason beneath their dignity. Others have become so immersed in the day-to-day duties

Continued on page 28

*An address by Mr. Young before the Summer Institute for Social Progress, Wellesley, Mass., July 12, 1951.

Investing Under a Rearmament Economy

By PHILIP J. FITZGERALD*
Partner, Dean Witter & Co., San Francisco, Calif.
Members, New York Stock Exchange

After pointing out contradictory precedents in behavior of stock prices during war and postwar periods, Mr. FitzGerald analyzes present stock market situation. Finds, in comparison with increased production, higher national income, and general level of business, stock prices are not inflated. Looks for possible cutback in scope of rearmament or its spread over much longer period that may bring some recession in business, and lists stocks of industries that offer extra values at this time.

In considering the problem of rearmament it must be recognized that while the program was sparked by the outbreak of war in Korea that conflict is only a minor incident in our global rearmament objectives, which compare in scope to the total efforts we made in World Wars I and II.

Philip J. FitzGerald

Contradictory Precedents

Having fought and won the two greatest wars in the past generation, it might seem reasonable to expect that the investment problems of the current rearmament should be well understood and their reactions upon the stock market pretty well indicated by the precedents set during the course of those two great conflicts. However convenient this line of reasoning may be, the record shows that the actions of the stock market were almost diametrically opposed during the

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*An address by Mr. FitzGerald at the 10th Stanford Business Conference, Graduate School of Business, Stanford University, Palo Alto, Calif., July 25, 1951.

GOING TO NSTA CONVENTION?—This year's Annual Convention of the National Security Traders Association, Inc., will be held at Coronado Beach, Calif., from Sept. 30 to Oct. 4. For further details see "NSTA Notes" on page 8.

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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

HUBERT F. ATWATER
Gammack & Co., New York City
Members, New York Stock Exchange

Erie R. R. Gen. Mtge. 4½s, 2015

Today one's favorite investment is often found in that species of "fur-bearing animal" unfortunately damned by the classification of "an income bond."


Hubert F. Atwater

So far as I can recall, the Income or Contingent interest bond appeared first in the reorganization of the Sante Fe in 1895-96. The theory proved to be sound, and since the adoption of Section 77 of the Bankruptcy Act practically precluded the right of foreclosure to mortgage bond holders, it was not unnatural for the reorganization procedures under the Act as amended to adopt the use of bonds bearing contingent interest with limited accumulations as well as preferred stocks with limited accumulation or none.

A notable example of a well-secured junior lien convertible bond with contingent interest is found in Erie RR. general mortgage 4½s, 2015.

Unlike its prototype, the Adjustment 4s of the Santa Fe, which can pay interest only if earned, Erie 4½s may receive their full interest at the discretion of the board and unpaid interest, if any, may accumulate to 13½% at any one time.

Interest has been paid regularly at 4½% annually on each April 1 since issuance and for that matter $5 per share has been paid regularly on the series A preferred stock. Dividends were first declared on the common stock in July, 1942, and at least $1 per share has been paid thereon in every year; the payments in 1950 totaled $1.75.

With the activity and advancing market in Erie common that has marked the closing weeks of July, it will pay us to examine the position of the General Mortgage 4½s which are now selling at the low point of the year.

First compare the capital structure of Erie at three important dates in the recent past:

	Erie Failed Dec., 1937	Erie Reorganized Dec., 1941	Erie Prosperous Dec., 1950
Fixed interest debt	$242,595,700	$113,346,500	$117,447,000
Contingent interest debt	--------	52,642,425	47,537,750
Notes	--------	14,000,000	1,000,000
Due R.F.C.	20,183,000	--------	--------
Equipments	21,350,000	21,350,000	38,758,333
Due to others	2,180,125	--------	--------
Total debt	$286,308,825	$201,338,925	$203,743,083

When the Erie entered bankruptcy it had annual fixed charges including rentals of $14,551,610, a sum which it had been able to earn in good years in the period before 1938.

Today the total charges for interest and rentals are less than one-half that sum and at the close of 1950 on an annual basis were:

Interest on mortgage bonds	$3,904,442
Interest on collateral notes	34,461
Interest on equipment obligations	384,758
Rentals of leased road and equipment	351,907
Interest on unfunded debt	117,128
Amortization of debt discount	57,713
Total fixed charges	$5,150,409
Contingent interest	2,113,090
Total fixed and contingent charges	$7,263,499

The amount of net income available for the payment of fixed and contingent interest in the years 1942 through 1950 has averaged $17,500,000 and in no year less than $11½ million.

Total charges today are about $2 million less than at the time of reorganization, a saving accomplished through refunding at lower cost and debt retirement.

The outstanding debt, other than equipment obligations, matures in moderate amounts over a long period. This year $500,000 was paid March 15 and an equal amount will mature March 15, 1952. In 1953 an issue of $1,375,000 2% bonds mature and no other maturities occur until 1964.

The General Mortgage 4½% bonds at 72 afford a current yield of about 6.20% while protected by ample earnings, a charge ahead of all taxes on income and by an equity in common and preferred stocks having a market value of $72,000,000.

With the exception of Chicago and Erie 5s which are noncallable, no underlying bond of the Erie bears a greater interest rate than 3¼%.

The low point in the Dow Jones railroad stock average for this year occurred on June 29 at 72.39. In less than a month the average has risen to above 80 and as usual we see more impressive gains in the stocks than in the junior bonds.

It is hoped that the I.C.C. will grant a rise in freight rates in the next few weeks and based on past experience it will probably favor the Eastern trunk lines. For every dollar added to the amount available for dividends, the anticipated increase will add two dollars to the amount available for interest.

Erie General Mortgage 4½s are selling near this year's low and 10 points below the 1951 high. Interest is amply covered and the bonds are traded on an "and interest" basis. It is one of the group of so-called Income Bonds that has suffered a sharp decline and is entitled to a generous recovery.

Erie may not be favored with any oil strike near its line but there are almost certain signs that "gold" will accrue to the purchaser of its General Mortgage Bonds at current levels.

HERBERT E. GREENE
Resident Manager, Coburn & Middlebrook, New York City

Kingwood Oil Company

In recent years there has been a definite trend towards investments in certain common stocks of corporations which have been popularly termed **Growth Companies**. No portfolio is considered well balanced without the inclusion of the shares of one or more of these so-called growth situations. Realizing the protection provided against the depreciation of the purchasing power of the dollar, many open-end mutual funds have placed the major portion of their funds in this type of security, to say nothing of those individuals in the higher tax brackets who are almost compelled to pursue the same policy. An outstanding security falling into this category, and one which should not be overlooked, is the capital stock of the Kingwood Oil Company, a progressive oil producer with established and profitable production and substantial undeveloped acreage.


Herbert E. Greene

Although this company was organized in 1914, no important progress was made until the controlling interest of Kingwood was acquired in the early 1940s by James F. Breiul. At that time he also held a 60% interest in the Frontier Refining Corporation of Buffalo. In February, 1950, Mr. Breiul sold the refining company to the Ashland Oil and Refining Company for approximately $7,000,000. He immediately took over the management of the Kingwood company, becoming its President on March 1, 1950, while Asa Lee, who had been with the company for over 30 years, assumed chairmanship of the Board.

Mr. Breiul found the company in excellent financial condition, with about $1,000,000 for net working capital and approximately 600,000 barrels per annum of oil production, together with drilling tools to carry out its own drilling operations and lease such facilities when not employed in company operations.

This date, March 1, 1950, marks an important point in the affairs of Kingwood. Operating economics were effected through centralization of management and lifting costs of oil were reduced over 14%. It was found that it was cheaper to engage contractors to do the company's drilling instead of moving tools several hundred miles with high transportation costs, so the drilling tools were sold, releasing capital for other uses.

The company acquired substan-

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Chemicals—For Growth Earnings and Net Profits

By IRA U. COBLEIGH

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

Current comment on the expanding popularity of chemical shares.

The word chemistry is derived from a Greek word meaning "pouring"; and whether you talk about laboratory research, production or finance, "pouring" is still an almost perfect word to describe the mid-century chemical industry in the United States. In, or for war or peace, this dynamic example of American enterprise dazzles us with its leadership in the expansion of our way of life; in the development of our engines of destruction, and in the golden financial conversion of growth into net. It's a pouring torrent of science.

Ira U. Cobleigh

Even after years of research, and powerful entry into hundreds of new products, the chemical industry's number-one customer is still the fertilizer trade. Here the demand for more food to nourish an ever expanding world population, and the gnawing needs of depleted soils clamor for potash, nitrogen and phosphorous; and create fabulous tonnage sales for International Minerals, American Agricultural, Davison Chemical, Tennessee Corporation, and Virginia Carolina Chemical. But even these five farmer favorites have, by research, entered new chemical fields that may importantly augment their earnings from the soil.

The second largest chemical buyer is now the fiber producer. Probably somewhere near 10% of the industry output now goes to turn out the threads you may find in hosiery, suits and dresses; draperies, carpets, upholstery, and the substratas of style in one form or another. Just listen to these magic names: rayon, nylon, vicara, orlon, dacron, dynel and fortisan. Why it sounds as though they'd renamed and renumbered the Three Musketeers. And they all started out from a chemical laboratory.

Further down on the chemical client list, come pulp and paper, needing vast quantities of sulphur; varnishes and paints and plastics. Then too with political disturbances rife in Asia, we've gone back to production of synthetic rubber placing a new squeeze on our suppliers of alcohol and benzene. And of course the expanded chemical needs of iron and steel are always with us, not to mention a thousand other uses and products.

By and large the chemical industry has shown in the last decade, such fantastic growth that common stock purchase in almost any phase, or any single company would have been most rewarding to Joe Investor. In 1941 du Pont net sales were $480 million against almost $1,300 million for 1950; and the stock split 4-for-1 in June, 1949. Dow Chemical had $46 million net sales in 1941 against $220 million in 1950. It split 4-for-1 in 1947. These two, the top and bottom of the so-called Big Six (the middle four are Union Carbide, Allied Chemical, American Cyanamid, and Monsanto) illustrate handsomely the reasons for investor preference in this industry. They suggest an answer to those doubting Thomases who just can't understand why, today, anybody would buy American Cyanamid yielding 3.2% on its indicated cash dividend, or Rohm and Haas yielding a lowly 1%. Well there are reasons —and good ones—stock dividends, valuable subscription rights and a market action favorable to those who would like to pay their income tax, via the capital gains route.

If the recent history of the chemicals has been so glamorous, however, maybe the party is over. Maybe chemicals have completed their expansion phase, and are all ready to flatten out earnings-wise like their elder brethren, the rails or tobaccos. Well you'll have a hard time making that argument stick. For it's axiomatic, in a market economy, that new investment will seek out the most profitable fields, the maximum earning opportunity for capital. Then take a look at this. Last year the chemical industry spent $1,220 million on plant expansion; this year it's whirling along at an annual rate of $1,600 million. No other manufacturing industry will spend that much in 1951. So we're not ready to place the chemical industry in the rocking chair and adrenalin league just yet.

You see the main reason for all this dough for plant expansion is that we're short on a lot of basic chemicals like sulphur, soda ash, and chlorine; and we have a terrific demand for a lot of new ones like acrylontrile and paraxylene for synthetic fibers (produced as a by-product of oil or natural gas) and allethrin for insecticides, developed by Union Carbide. And please don't look down on insecticides as a minor item. They will gross nearly $100 million in 1951. The bug may be little, but the spray is big business!

Another significant chemical advance is the increased importance of phosphorus. For years this item in the form of fertilizer sank or swam, depending on the prosperity of the farmer. Now, with synthetic detergents all the

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Silver Marks Time

By HERBERT M. BRATTER

Noting cessation in attacks of silver users on the Silver Purchase Act, Mr. Bratter reviews silver metal situation, and concludes, so long as vast U. S. silver stock continues to be held chiefly as security for outstanding paper money and the mints supply market for domestic silver production at favorable price, Mexico, the leading producer, is in position to stabilize world silver market. Sees no sign of move to repeal Silver Purchase Act.

Herbert M. Bratter

Silver is never a politically dead issue in Washington. The market for the metal is too much dependent on existing silver purchase statutes, policies of the Treasury, regulations of the Office of Price Stabilization, and actions by the governments of other countries such as Mexico and Cuba. In the Capitol the watchdogs over silver never close their eyes entirely, and let out soft growls every now and then, just to warn off intruders. Despite occasional criticism from silver users, no movement for repeal of the silver laws is in evidence. The two antagonists—the users and the sellers—seem willing to accommodate themselves to the status quo, with perhaps minor adjustment in OPS regulations.

The OPS ceiling is what determines today where most of the domestic newly-mined silver is sold: whether to the assured market at the mints at a guaranteed price of 90.5c a fine ounce, or elsewhere. Some industrial interests would be satisfied if the OPS ceiling on domestic silver were raised just a little higher above the floor which domestic silver is guaranteed by the 1946 law. If the price ceiling determines where much of the new silver goes, it indirectly influences the supply available to industry.

Industry and Domestic Silver Price

Industrial users of silver would like to see a change in the OPS ceiling price, which since Jan. 26, 1951, has been frozen at 90.41c per ounce 0.999 fine—the equivalent of 90.5c per fine ounce. Since the visible supply of foreign silver is insufficient to meet prospective industrial demand in this country, silver users must bid for domestic newly-mined or any surplus Treasury silver which may be available.

The supply of free Treasury silver, as noted elsewhere in this article, is limited. The Treasury has established a selling price of 91c per fine ounce for such silver and the metal is available at that price in New York. Since most of the domestic newly-mined silver which comes to the Treasury comes to it in the West and is not tendered to the Philadelphia Mint, there is some question as to how long the Treasury will continue willing to offer silver in the East at the 91c price. Moreover, processors claim that the OPS ceiling bars them from buying Treasury silver at 91c an ounce because the regulation requires the processors to absorb for their own account anything they pay for silver in excess of 90.41c an ounce 0.999 fine. Since the processors customarily charge only for fabrication, they would lose money on silver bought from the Treasury.

Normally, only about one-fourth of the domestic mine production is refined in the East. Because of freight costs, silver refined in the West is tendered to the mints at Denver and San Francisco. Silver refined in the East is normally tendered to the Philadelphia Mint. All such silver brings 90.5c per fine ounce under the 1946 law. Since silver is refined in the New York area it might appear more advantageous to offer it in the New York market, rather than send it to Philadelphia. But it is stated that certain additional costs of selling on the open market still tip the balance in favor of the Philadelphia Mint. Only a small amount of domestic silver, therefore, is being offered on the New York market.

Foreseeing an imminent shortage of industrial silver, spokesmen for the users for months have urged the OPS to raise the ceiling slightly by an amount sufficient to enable consumers to absorb the freight and other costs involved in sending Western-refined silver to the East as well as Eastern-refined silver to the New York market. Whereas at present 70% of all newly-mined silver acquired by the Treasury is monetized and only 30% goes into the "free" account, the suggested change in the OPS ceiling price will enable users to acquire the entire domestic output, it is argued.

Supply-Demand Situation

According to New York sources the consumption of silver by American industry in 1951 is likely to exceed or at least equal the 120 million ounce rate of 1950. Foreign stocks available for sale here are limited, and the Western Hemisphere exclusive of the USA produced last year only 93 million ounces. Mexico, having announced a large-scale coinage program, may be a buyer. Also that country has been seeking coinage orders from abroad and recently sold 17 million ounces of silver to Saudi Arabia. If American users continue restricted as to the price they may pay, they may find themselves unable to compete with world demand for the available supply, it is stated by those who want the OPS ceiling raised.

U. S. Treasury Sales

The Treasury is at present empowered to sell silver by the Act of July 31, 1946, which is an extension with modifications of the Act of July 12, 1943. With certain provisos, the 1946 act authorizes the Treasury to sell or lease for manufacturing uses any silver held or owned by the United States at not less than 90.5c. an ounce. This law provides a floor but no ceiling at all. Note that the Treasury is authorized, but not directed to sell silver. One of the provisos is that enough silver must be held in Treasury possession or control to secure all outstanding silver certificates. It is also noteworthy that the Treasury, quite apart from the 1946 law, has the power to call in silver certificates and convert the standard silver dollars so released into bullion, which it then could sell. By selling silver in substantial amounts the Treasury could hold down or even depress the price of the metal; and under certain circumstances, by refraining from selling it could contribute toward an increase in the price. The Treasury's powers to sell sil-

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The State of Trade and Industry

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Business Failures

There was a fractional rise in overall industrial production the past week, which continued to be slightly in excess of last year's level, and it can be attributed mainly to a step-up in military output since that time.

The employment situation reflects a moderate drop in new applications for unemployment insurance as well as the total number of claims outstanding in the latest recorded week.

Employment hit a new high in mid-July and unemployment dropped to a postwar low for the month, according to the United States Department of Commerce. It reported that 62,526,000 persons had civilian jobs in the week ended July 14, about 700,000 above a month earlier and 1,300,000 above July, 1950. Unemployment dropped to 1,856,000 from 1,980,000 in June.

Record high output of steel entered its sixth month last week. In spite of hot weather, vacations, and other seasonal influences that normally affect summer production, as well as sporadic labor trouble, more than 2 million tons of steel have poured from the nation's furnaces weekly for 22 consecutive weeks.

This week's output is scheduled to increase the above record to 23 successive weeks with the mills pouring out a total of 2,021,000 tons of steel ingots and castings.

In the steel industry, confusion attending allocation of steel under the Controlled Materials Plan will not be quickly erased, says "Steel," the weekly magazine of metalworking the current week. Time is too short to do much, if anything, about September over-allotments, especially on an individual company basis, it adds. So it looks like the mills and their customers holding unhonored CMP tickets will simply have to worry their way out of the current distribution tangle.

Whether any radical corrective measures will be taken for the fourth quarter is uncertain. Government control authorities, it notes, think the "bugs" in CMP will work themselves out as time passes. Further, they now feel the situation is not as much out-of-hand as had been feared a week or so ago.

At any rate, states this trade weekly, with sentiment mixed as regards the efficacy of CMP in solving the distribution problem, there is little chance the system will be abandoned or radically changed. Fourth-quarter allotments, just announced, will be much the same as for the current three months. Balance between supply and demand will not be achieved, but the margin of error will be smaller than in the current quarter. Total allotment of 24,058,520 net tons of finished steel will exceed indicated supply of 21,336,000 tons by 1,551,505 tons after allowing for an adjustment reserve of 1,171,015 tons. However, experience shows claimant agencies' actual take in a specified period usually falls below stated requirements. This is especially true of the military. The resulting anticipated unspecified tonnage along with the new adjustment reserve, it is thought, should provide an adequate insurance margin against serious unbalance. Further, indicated supply for fourth quarter is some 500,000 net tons greater than in third quarter. Consequently, over-allotments are believed unlikely to exceed 10% compared with 15% in the current quarter.

Automotive output last week was less severely affected by labor trouble than at any time since June, according to "Ward's Automotive Reports." Labor disputes, which had plagued Chrysler Corp. repeatedly for a month, subsided, giving the corporation a 4,000-unit output gain, the "Agency" said. However, labor troubles idled Studebaker one day and Hudson all week.

Another factor affecting last week's operations was a 10,000-unit decline by General Motors resulting from its previously announced plan to suspend operations of its Michigan plants for six working days, "Ward's" stated. Chevrolet's branch assembly plants began their suspension this week, the "Agency" added.

Packard remained down for the second week because of materials shortages, but resumed output Monday, according to "Ward's."

Production schedules for August call for 430,000 cars and 122,000 truck completions, it added, compared with 382,407 cars and 113,322 trucks built in U. S. plants in July.

Steel Output Drops Slightly This Week

Earnings of steel companies are lagging far off the all-time record pace of capacity, production and sales, according to "The Iron Age," national metalworking weekly, in its current summary

Continued on page 26

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ISRAEL: What Chance for Solvency?

By A. WILFRED MAY

Observer notes obstacles arising from severe shortage economy, military expenditure, and huge-scale immigration. Based on analysis of balance-of-payments structure, concludes "solvency" over short-term depends on American co-religionists' subscriptions to National bond drive and philanthropic funds; and over long-term on adequate returns from present capital investments, and on peace.

(First of a series of articles on Israel's fiscal, economic, and political situation; relevant to the interests of the investor of individual and industrial foreign capital.)

TEL-AVIV, ISRAEL—In weighing the prospects for Israel's "solvency" over the short and long terms, we must first recognize her unique basic obstacles; second, analyze her current international trade balance; third, estimate the balance-of-payments potentialities; and fourth, take stock of the internal economic situation.

A. Wilfred May

The basic difficulties confronting the zealous steersmen of this economic ship are threefold: shortage and underdevelopment of natural resources and raw materials; unavoidable expenditure for military defense; and self-imposed commitments for continuing huge-scale immigration.

The Huge Impact of Immigration

The task, which would be severe enough in the building-up of any new independent economy, is immeasurably accentuated by the humanitarianly motivated, unanimously endorsed policy of permitting unrestricted and permanent entry of displaced foreigners. This in-gathering reached the huge total of 128,000 persons during the first six months of this year, and is now proceeding at a steady rate of 25,000 each month.

The cost to the country of resettling each individual is estimated to be approximately $2,500, making a total cost of $1½ billion for the 600,000 admitted since the establishment of the State. This intensifies the squeeze on the home economy in many ways—in the consumption of raw materials ($320 million in hard currency was spent for a population of 1,250,000 at the beginning of the year, which was stretched to cover 1,380,000 individuals at the end of the year); in accentuating the housing emergency (48,000 dwelling units now being programmed for the next four years); etc.—all accentuated further by the low productivity at least temporarily displayed by the displaced person.

The Concentration on Capital Investment

It is recognized as the keynote of Israel's basic national policy that the successful building-up of the economy depends crucially on the securing of substantial capital investment, and on productivity therefrom sufficient to overcome the present large gap in the trade deficit within a reasonable time. Thus, the successful development of the country's potash potentialities and of its overall agricultural production will reduce the trade deficit both by increasing exports and by decreasing imports of such products.

The currently-publicized prospect of oil discovery as the eventual saving element is generally decried here—and reliance thereon relegated as irresponsible.

The extent to which *austerity* is now practised to further future productivity is indicated by the curtailment of incoming goods entering the country for consumption purposes, to one-third of total imports—seemingly a maximum squeeze.

The Defense Factor

Another drain on the sparse foreign exchange supply — unavoidable and seemingly chronic in the light of the continuing nearby Arabic assassinations — arises from military needs. Although the amount of the military budget is kept secret, it probably ranges between £30 million and £40 million, of which from £3 to £4 millions involve the use of the treasured foreign exchange.

Certain is it that the two factors of immigration and the military have been the major contributors to the nation's 1950 trade deficit of £89.4 million, made up of imports of £102.6 million versus exports of only £13.2 million (in 1949, there was a deficit of £77.4 million from imports of £87.9 million versus £10.5 million exports).

Balance of Payments "Solvency"

The trade balance position assuredly is vitally important. A favorable balance would help in various ways, such as in providing the basis for the securing of new credits abroad and the extension of existing loans at their maturity; permitting stabilization of the currency at a realistically devalued rate, leading to foreign exchange convertibility, and helping secure desperately needed foreign capital investment.

But for short-run solvency, we must examine the balance-of-payments situation — in the case of Israel thoroughly unique in international finance.

For the calendar year 1950, the balance-of-payments was struck as follows, in millions of dollars:

1950 Balance-of-Payments

OUT-PAYMENTS—	
For commodities	260
For shipping	30
For travel and debt service	30
Total	320
RECEIPTS—	
Commodity exports	37
Shipping & traveling (inv.)	6
Sterling releases	42
Non-currency imports	52
Other capital imports, incl. short-term credits	61
Private remittances	14
Miscellaneous	9
From Export-Import Bank	45
From Jewish National Fund	54
	320

For 1951, estimates based on extensive discussions with government officials, industrialists and economists, indicate the position to be approximately as follows:

Estimated Balance-of-Payments, 1951

(In million of dollars)

OUT-PAYMENTS—	
Commodity imports	340
Shipping and tourism	45
Debt service	40
	425
RECEIPTS—	
Commodity exports	60
Shipping and tourism	9
Sterling releases	8
Non-currency imports	65
Short-term credits, private remittances, etc.	90
U. S. Grant-in-Aid (?)	23
Export-Import Bank	40
Charitable funds	70
Bond issue	60
	425

The sterling balances represent a non-recurring credit item, since they terminate completely next February.

The credit from the Export-Import Bank totals $135 million of which a maximum of $100 million was authorized in 1949 and $35 million in 1950. Having already received $64 million in 1949 and 1950, there is $71 million more to come; of which the $40 million as specified in our table will come in 1951, and the remaining $31 million in 1952. Repayments to Ex-Imp on account of maturities of principal and interest, due as follows, do not constitute a serious item, being small in proportion to the country's total liability obligations.

Repayment Obligations to Export-Import Bank

	Principal (million)	Interest (million)
1952	$3.5	$2.7
1953	8	4.5
1954–63	11.3	4.2 downward

The important conclusion from the foregoing picture of the balance-of-payments position, is that clearly solvency over the shorter term will depend squarely on the generosity of American co-religionists, through liberal subscriptions to the new bond issue, plus maintenance of their liberal donations to the philanthropic funds (United Jewish Appeal).

It must be realized that these sources are particularly and additionally important in providing dollars at the conversion rate of $2.80, leaving the Israeli Government free to expend most of the proceeds in the inflated number of corresponding local currency.

Over the long-term, Israel's coming-through will depend on the fruition of capital investment, the world price level, and peace.

To the American buyer of bonds, incidentally, it must be concluded that his investment is in essence truly entrepreneurial and worthy of equity return; but with compensation yielding merely that of a high grade investment obligation.

The Internal Economy

Internally, the shortage situation understandably brings about a position of the government's strong efforts to sit on the lid of rising prices.

The budgetary situation is that the current budget of ordinary expenditures was exactly in balance in 1949-50 (at £43 million), and showed a surplus during the first six months of fiscal 1950-51 (£68.5 versus £63.5). Besides there is a so-called "Development Budget," which, outside the Current Budget, extends aid for housing, public works, transport and communications, and industry. The funds are provided by Export-Import Bank credits together with internal government loans.

Besides these there is the military budget, whose exact total is undisclosed, but £12½ million of which is known to be contained in the Current Budget, and the balance, thought to be £20 million, is financed by loans.

The country's internal funded debt is only about £25 million; the big element of inflation lying in the floating debt consisting of Treasury Bills, Land Bills (floated against the development of land and used to finance the development budget) and in the money in circulation (increased necessarily following the population growth).

Recent increases in currency in circulation and in demand deposits are shown in the following table.

	Currency in Circulation	Demand Deposits
	(In millions of £)	
Jan. 1950	50	104
June 1950	57	120
Jan. 1951	75	132
June 1951	86	146

Our conclusion regarding the internal situation is that through continuation and extension of present policies and controls, it can be kept in reasonable check—with eventual curtailment of immigration as an "ace in the hole." But in any event, it is the international payments elements, depicted above, which are crucial to the nation's "solvency" and preservation of her credit in stable currencies.

Paul S. Bowden With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Paul S. Bowden has become associated with Francis I. du Pont & Co., 1010 Euclid Avenue. Mr. Bowden was formerly in the municipal department of L. W. Simon & Co. and prior thereto was with Otis & Co.

With Hamilton Managem'nt

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Orville L. Oakes has joined the staff of Hamilton Management Corporation, Boston Building.

With Willard T. Grimm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Burnette A. Backhaus has joined the staff of W. T. Grimm & Co., 231 South La Salle Street.

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The Home Financing Business In Partially Mobilized Economy

By WALTER J. L. RAY*

President, United States Savings and Loan League

Executive of leading home financing association reviews activities of various home mortgage agencies and reveals that despite government participation in the business, private concerns still furnish bulk of home financing. Says home ownership is flourishing and home financing has become easier and less expensive. Looks for some decline in housing construction due to credit restrictions and diversion of materials to defense needs, but holds this development has curbed an extreme building boom. Sees long-term housing outlook promising.

In consideration of our subject, it would be well for us first to give thought to the background of the various types of lenders who are making available the total funds for the financing of American homes, new and existing. Of these lenders, the most important single group is the savings and loan business with which I have been associated most of my business career. Like many other businesses, the savings and loan business has grown and flourished because the United States is a place where the typical man—please note, I did not say "common" man—can work as hard or as little as he pleases, can save his money, and open a business or buy a home. Because this opportunity did not exist in nearly all European countries, it was only natural that out of the vast immigration waves flowing into this country in the last half of the 19th century, there should spring up in many localities small group organizations where neighbors pooled their savings to provide home financing credit for other thrifty and prudent families in their communities. Most of these small community groups were called "Building and Loan" associations. Their aims and purposes were simple; first, to stimulate thrift and personal savings; and, second, to finance private home ownership.

Walter J. L. Ray

*An address by Mr. Ray at the Stanford University Business Conference, Palo Alto, Cal., July 26, 1951.

In 1940, before the start of World War II, the resources of the Savings and Loan business totaled approximately $6 billion. Today they approximate $18 billion—nearly a three-fold growth in just over a decade. As a result, our institutions are the dominant participants in the home financing field, doing more than a third of all the financing for the purchase of American homes, new and existing. On new residential construction, we finance about one-fourth of all that is built.

While the savings and loan business is the principal factor in home financing, there are a number of other important components. About 21% of all home financing last year was done through commercial banks, although not all commercial banks make mortgage loans. The mutual savings banks, which are largely concentrated in the East, constitute another important home financing bloc, and advanced in 1950 about 7% of all mortgage credit. Still another segment of the home financing structure is composed of the life insurance companies, which advanced about 10% of all home credit. Our institutions last year made 31% of all the mortgage loans under $20,000. The rest of the home financing credit is advanced through independent mortgage companies and individuals. It is interesting to note that individuals, on their own, do about 17% of all home lending, although this practice is far more common in the smaller towns and cities than in the large metropolitan centers.

Savings and loan associations have their assets invested predominantly in home mortgage loans while home mortgage lending is a relatively minor phase of the investment program of other types of lending institutions. Our savings and loan associations at the end of last year had roughly 82% of their assets invested in home loans as compared to 5% in commercial banks; 8% in life insurance companies; and 18% in the mutual savings banks. This, of course, reflects the fundamental purposes of each type of institution. Our savings and loan associations were organized only to afford a savings service and to finance debt-free home ownership, while the other types of institutions have a more broadly defined scope of operation.

Home Ownershhp Is Flourishing

This division of participation in the American home finance is a major reason why home ownership is flourishing in the United States today as it has never been before. We have, in fact, become a nation of home owners. To recite a few figures, there were just under 10 million American home-owning families in 1900, or about 36% of all urban families. In 1945 there were 15 million home-owning families, and by early 1951—thanks mostly to our postwar housing boom—there were an estimated 20 million families owning homes or roughly about 54% of all our nonfarm families.

As a result, for the first time in our history, a clear majority of our families own their homes. This is a fact of far-reaching social and political significance. With home owners outnumbering tenants—something which has never happened in any other great industrial nation—we appear assured of a firmer basis for political stability than we have heretofore possessed. Because of their stake in a sound and solvent America, home owners will resist any wild, abrupt and extreme changes in our democratic type of government. The likely impact of this vast army of homeowners upon our local, state, and national governments in the years ahead should give heart to all of those who believe in the utter rightness of the American way of free competition and a free economy. It has been one of the goals of the United States Savings and Loan League to have 75% of our families home owners.

It is a matter of no little significance also that the surge of home ownership has penetrated to all income classes in America, despite the cynical claims of our leftist brothers who contend this cannot be done. The most dramatic and convincing proof of this development was offered in the 1947 statistics of the Bureau of the Census, which showed that 43% of all families with incomes under $3,000 owned their homes.

However, although the progress of private home ownership has been impressive in recent years, it is but a promise of what lies ahead. Because of my faith in a free and dynamic American economy, I am confident that the next several decades will see advances in housing and home ownership so swift and compelling that all that has gone before will seem small by comparison. Surely no horizons of our expanding American economy appear brighter than housing.

The golden key to progress in home ownership has been a strong, active and resilient system of home finance. Of all types of financing procedures, few have been modernized and improved to the same extent. None of these improvements has been more important than the replacement of the short-term "straight" loan with its expensive and periodic refinancing charges by the monthly repayment loan, amortized over a substantial number of years. Under this arrangement, the borrower may, if you please, pay off his mortgage like rent each month. No device has proved so successful in meeting the "mass" requirements for home ownership, and I should like to point out that the savings association business did the job of pioneering for this type of mortgage financing, which is now standard practice for nearly all lenders.

So far as the actual mortgage itself is concerned, progress is being made every day towards making a more effective and convenient instrument for the benefit of the home owner. Many institutions today include a variety of provisions in the mortgage contract unheard of only a few years ago, in that the borrower may secure an additional advance for the repair or modernization of his home, pay up his loan as rapidly as he wishes without penalty charges, and pay his real estate taxes month by month. If a borrower is wise, he will seek out an institution that renders these services.

Improvement in Home Financing

At a time when higher prices and higher costs are everyday occurrences, it should be heartening to the home buyer that the cost of financing his home today is generally lower than it was for his father a generation ago. The cost of home financing is the only cost involved in housing that is less than it was in the past; 25 to 30 years ago, mortgage interest costs typically ranged from 7 to 10%; today they average out at about 5%, which represents to the family with a $10,000, 20-year mortgage a savings of about $4,200. Still another advancement has been made in mortgage terms. Not long ago, as some of you will recall, a mortgage usually matured in one to five years, with expensive fees involved in its renewal. Now terms have been extended sharply, in many cases up to 20 and even 25 years. In addition, we have found it possible to increase steadily the percentage of the loan to appraised value as our appraisal methods have become more scientific and accurate.

At this point, I want to emphasize the fact that the past decade has seen the United States strengthen its hold on the title of "best-housed nation in the world." Houses built today are, by and large, far better constructed for wear and comfort than those of yesteryear. There is a far higher degree of "livability" in the new 1951 house, which means that homes are being designed, built and equipped with an ever-broadening consideration of the wants and conveniences of the home buyer.

Our fantastic postwar home building boom has given us a larger inventory of "almost new" houses than we have ever had before, probably three to four times as large as a comparable inventory before World War II. Recent statistics of the Bureau of the Census show that 14% of our population are living in houses that were built between 1945 and 1950. In other words, one person in every seven is now living in a new house or apartment.

The remarkable strides in housing production have been made possible by the introduction of semi-mass production methods of home building. We have seen, in recent years, the development of "merchant" or "operative" builders—many of them here in California—who have huge organizations, and are able to build hundreds and thousands of homes each year. Of great significance, also, has been the development of a number of successful prefabricated house manufacturers who are turning out houses on an assembly line basis.

Role of Government in Home Finance

Before moving on to the immediate situation and the prospects for the future in building and home financing, I would like to take a few minutes and review the role of the government in both these areas. I want to do this because, (1) the government's role has become more and more pronounced in recent years; and, (2) it is impossible to make any projections for the future without taking into account what government may think or do. The ground was broken for extensive government entry into the home financing business back in 1933 with the enactment of the Home Owners Loan Corporation Act, whose purpose was to have the government, with direct financial assistance, help revive a nationwide breakdown in the home mortgage system due to the depression.

The second major step into home financing by the government was taken in 1934 with the establishment of the Federal Housing Administration, whose function, by providing a system of government insurance against losses on home mortgages, was to give the home building industry an occasional "lift" and thus avoid a repetition of the treacherous cycle of "peaks and valleys" in home building.

The third major step into home financing by the Federal Government came with passage of the GI Bill of Rights in 1944, one section of which provided for the GI home loan program, wherein liberal private loans would be made to returning veterans with the Veterans Administration empowered to guarantee part of the loan and thus encourage lenders to make larger loans to veterans than to non-veterans. More than 2,500,000 GI loans have been made, and only a fraction of 1% of these have turned out to be poor loans. During the first year of its operation, our institutions made 80% of all the GI loans issued.

To sum up the government entry into home financing, we find the HOLC was successively followed by the FHA and GI programs. Beyond a shade of doubt, the most important consequence of this succession of government-aided programs has been the establishmnt of a national pattern for mortgage interest rates and loan terms.

Lest anyone be misled, the regulations governing the rate and loan term structure of the FHA and VA programs are most stringent. For example, a little more than a year ago, the FHA, without any advance notice, suddenly reduced the interest rate on its mortgages from 4½ to 4¼%.

As a result of the government-aided programs during the last two decades there are today three active and competitive lending programs—the FHA, the VA (or GI loan program) and the "conventional" loan program which has no form of government assistance or guarantee. Under the "conventional" program, the lending institution carries all of the risk.

I wish now to show the relative importance of each of the three lending programs. I will begin by showing by what type mortgage loan the houses built in 1950 were financed. Fifteen and one-half percent of the roughly 1,150,000 private, non-farm dwelling units started in 1950 were financed with a GI loan. There were a few more, or 16½% of the total, financed with an FHA loan and all of the balance were financed with a "conventional" loan or required no mortgage financing at all. You can see that even in new construction, where FHA and GI financing have been most popular, these government programs have

Continued on page 24

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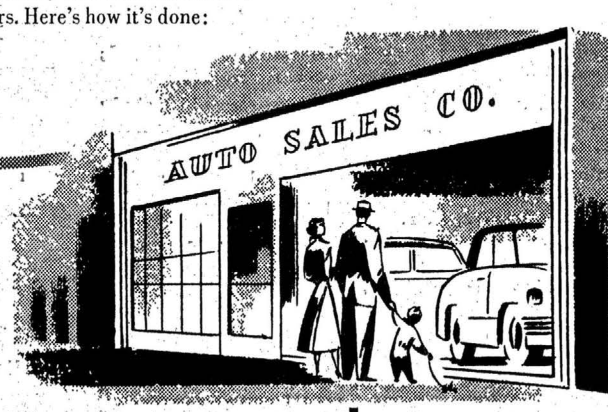

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HIGHLIGHTS FOR THE FIRST SIX MONTHS

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 1951	June 30, 1950
Cash and Marketable Securities	$ 54.431,374	$ 48,022,036
Receivables:		
Motor Lien	$321,618,509	$242,732,964
Commercial Loans	21,685,380	14,492,575
Small Loans	20,951,522	11,781,652
Chattel Lien and Other Receivables	6,566,927	7,490,654
	$370,822,338	$276,497,845
Less: Reserve for Losses	7,998,568	5,665,445
Total Receivables, Less Reserve	$362,823,770	$270,832,400
Other Assets	3,025,940	2,474,992
TOTAL	$420,281,084	$321,329,428

LIABILITIES

	June 30, 1951	June 30, 1950
Notes Payable, Short-Term	$244,553,000	$189,181,800
Accounts Payable, Accruals and Reserves	19,765,300	14,396,633
Unearned Finance Discounts and Insurance Premiums	32,160,231	29,879,825
Long-Term Notes	40,000,000	20,000,000
Subordinated Long-Term Notes	22,500,000	22,500,000
Preferred Stock	9,800,000	
Common Stock	10,418,240	10,418,240
Surplus	41,084,313	34,952,930
TOTAL	$420.281.084	$321,329,428

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Six Months Ended June 30, 1951	Six Months Ended June 30, 1950
Discount, Interest, Premiums and Other Income	$ 30,246,761	$ 22,818,526
Operating Expenses	19,105,365	14,568,041
Net Income before Income Taxes	$ 11,141,396	$ 8,250,485
Provision for Consolidated Federal Taxes on Income	5,680,000	3,205,000
Net Income	$ 5,461,396	$ 5,045,485
Consolidated Net Earnings Per Share of Common Stock After Payment of Preferred Dividends	$5.04	$4.84

South Bend, Indiana, August 2, 1951

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Dealer-Broker Investment Recommendations and Literature

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

Farm Equipment Companies—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

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

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

Investment Facts About Common Stocks and Cash Dividends—New York Stock Exchange, New York 5, N. Y.

Leaders vs. Laggards—Market opportunities suggested by study of price trends—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

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

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.

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

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

* * *

Air Reduction—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

American Communications Corporation—Bulletin—Empire National Corp., 37 Wall Street, New York 5, N. Y.

American Express Co.—Memorandum—Charles A. Taggart & Co., 1500 Walnut Street, Philadelphia 2, Pa.

Associated Development & Research—Comments in "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. In the same issue will be comments on **Crowell-Collier, Jacob Ruppert** and **Talon, Inc.**

Atlas Plywood—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

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

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

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

Cooper Tire & Rubber Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Doeskin Products, Inc. — Memorandum — Dempsey-Tegeler & Co., 209 South La Salle Street, Chicago 4, Ill.

General Public Service Corp.—Analysis—Spiegelberg, Feuer & Co., 30 Broad Street, New York 4, N. Y.

Goebel Brewing Co.—Memorandum—Hemphill, Noyes, Graham, Parsons & Co., 15 Broad Street, New York 5, N. Y. Also available is a memorandum on **Richfield Oil Corp.**

Graham Paige—Circular—James J. Leff & Co., Inc., 50 Broad Street, New York 4, N. Y.

Kuhlman Electric Co.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 4, N. Y.

McIntyre Porcupine Mines, Ltd.—Study—Suttro Bros. & Co., 120 Broadway, New York 5, N. Y.

Milliron's Inc.—Summary and analysis—Holton, Hull & Co., 210 Seventh Street, Los Angeles 14, Calif.

Purolator Products, Inc.—Data—Chas. A. Day & Co., Inc., 199 Washington Street, Boston 8, Mass.

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

St. Regis Paper Company—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Struthers Wells Corporation—Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Texas Illinois Natural Gas Pipeline Company—Analysis—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Texas & Pacific Railway Company—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

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

Our next "HIGHLIGHTS" will include interesting comments on

Associated Dev. & Research **Talon, Inc.**
Crowell-Collier **Jacob Ruppert**

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold their fall outing Friday, Sept. 7, at the New York Athletic Club, Travers Island, New York. Sports scheduled for the day are golf, tennis, horseshoes and softball.

The subscription fee is $8.50.

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association, Inc., will open the 18th annual convention at Hotel Del Coronado, Coronado Beach, Calif. on Sunday evening, Sept. 30 and continue until Thursday, Oct. 4.

Located across the bay from San Diego, the Del Coronado offers everything for a successful convention. Ocean swimming or use of a salt water pool, championship tennis courts and a putting course are among things available on the hotel grounds. Provision has been made for golfers at two courses and arrangements can be made for those interested in deep sea fishing.

While the convention program has not been completed, it will feature a golf tournament and a trip to Mexico. Aside from the regular business sessions, the municipal and corporate forums will present outstanding speakers who have been invited to address our meetings. The complete convention program will be released in late August or early September.

American plan rates at the Hotel Del Coronado, which includes breakfast, luncheon and dinner, will be $26 per day for two in a twin or double bedroom and $18 per day for a single room.

Mild weather may be expected during the day and cool evenings. Sport clothes and medium weight apparel are suggested for day wear and light wraps for evening. All convention functions will be informal.

Registration and hotel reservation forms should be sent to M. A. Cayne, Cayne & Co., Cleveland, NSTA Secretary, together with a covering check for the registration fee. Hotel reservations cannot be confirmed without the required form and payment.

AD LIBBING

Your National Advertising Committee is proud to report that as of Aug 6 our gross advertising was over $11,200. This early return proves that many of our members have demonstrated their support to our Committee.

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Let's show our appreciation to those who actively assist, and greet with enthusiasm the "Chronicle" solicitors, Messrs. Beck, Murphy, Reilly and Gray, who for many years have been responsible for the success we have enjoyed with our Convention issue of the "Commercial & Financial Chronicle."

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K. I. M.

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NSTA Advertising Committee
Pershing & Co.
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Reynolds Announces Changes in Penn.

Reynolds & Co., members of the New York Stock Exchange, announce that Robert Morris Snyder has been appointed manager of the firm's Pottsville, Pa., office, Schuylkill Trust Building. John E. Pepper has become associated with the firm in its Philadelphia office, 1528 Walnut Street.

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(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Charles L. Madden is now affiliated with Waddell & Reed, Inc., Met. Bank Building.

With State Bond & Mtge.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—David A. Ekberg is with State Bond & Mortgage Co., 26½ North Minnesota 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. 20, 1951 (Omaha, Neb.)
Nebraska - Iowa Investment Bankers Annual Frolic at Omaha Country Club. Cocktail party September 19 at Blackstone Hotel, Omaha.

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.

Halsey, Stuart Group Offers Utility Bonds

A banking syndicate headed by Halsey, Stuart & Co. Inc., on Aug. 8 publicly offered $15,000,000 Michigan Consolidated Gas Co. first mortgage bonds, 3½% series, due 1976, at 102% and accrued interest, to yield about 3.38%. The group was awarded the issue at competitive sale on Aug. 7.

These bonds may be redeemed, all or in part, on 30 days' notice at prices ranging from 105% to 100%, plus accrued interest; also through the sinking fund, beginning Feb. 1, 1955, at prices ranging from 101.83% to 100%, plus accrued interest.

The net proceeds from the sale of the bonds will be used to provide funds for expansion of facilities and reimburse the company's treasury for expenditures made for this purpose.

Two With Keizer

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William V. Barnstone and Cyril Wyche, Jr. are now affiliated with Keizer & Co., 19 Congress Street. Mr. Barnstone was previously with J. Arthur Warner & Co., Inc.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert A. Thom has become associated with White, Weld & Co., 111 Devonshire Street. He was previously with Investment Research Corp.

With E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Theodore R. Callichy is now with Edward E. Mathews Co., 53 State Street.

Joins Renyx Field

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank J. Tibert has become associated with Renyx, Field & Company, Inc. He was formerly with Edward E. Mathews Co.

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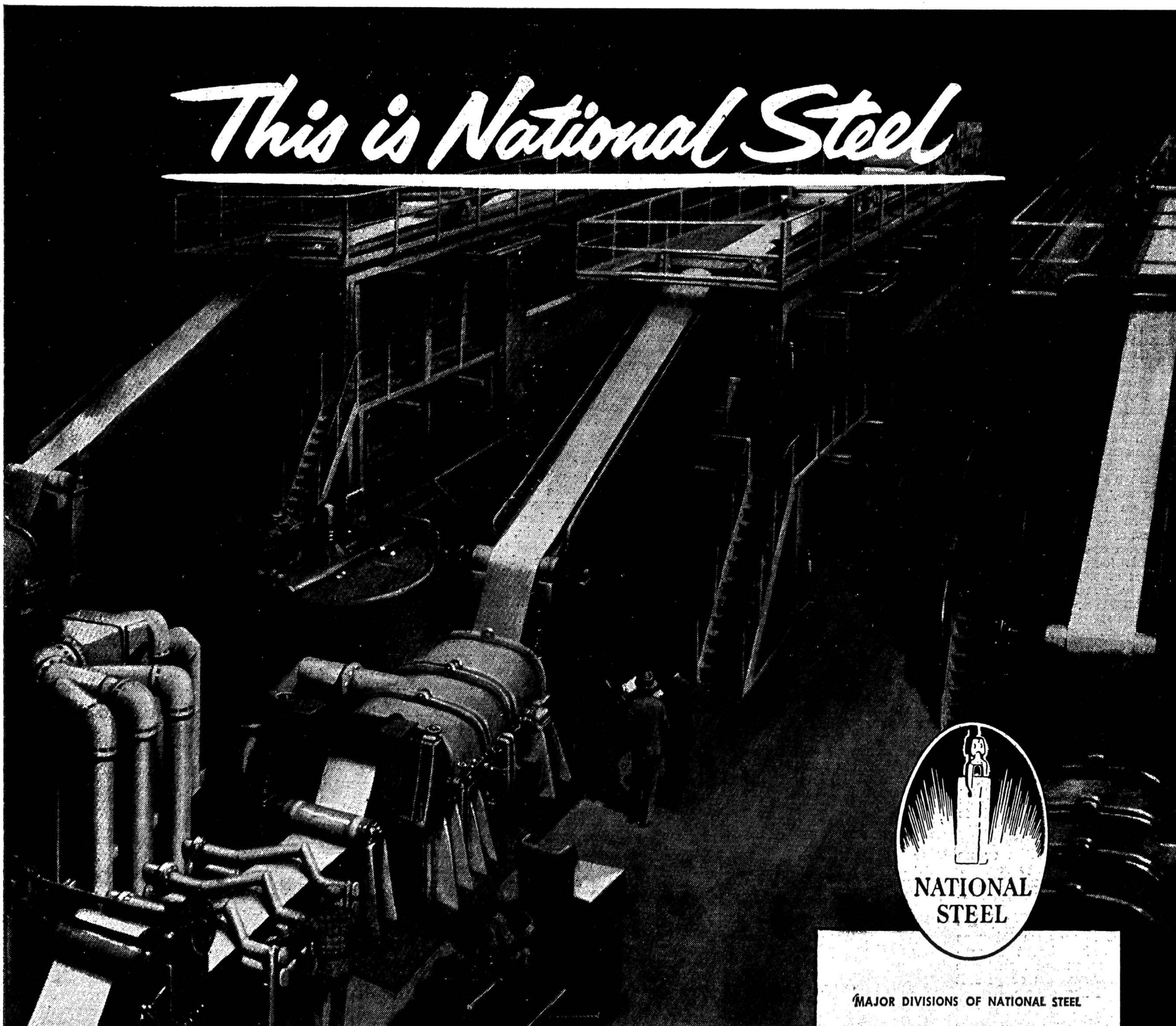

Men and mills of Weirton Steel Company are an important part of National Steel's productive might

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STRAN-STEEL DIVISION. Unit of Great Lakes Steel Corporation. Plants at Ecorse, Michigan, and Terre Haute, Indiana. Exclusive manufacturer of world-famed Quonset buildings and Stran-Steel nailable framing.

HANNA IRON ORE COMPANY, Cleveland, Ohio. Produces ore from extensive holdings in Great Lakes region. National Steel is also participating in the development of new Labrador-Quebec iron ore fields.

THE HANNA FURNACE CORPORATION. Blast furnace division located in Buffalo, New York.

NATIONAL MINES CORPORATION. Coal mines and properties in Pennsylvania, West Virginia and Kentucky. Supplies high grade metallurgical coal for National's tremendous needs.

NATIONAL STEEL PRODUCTS COMPANY, Houston, Texas. Recently erected warehouse, built by the Stran-Steel Division, covers 208,425 square feet. Provides facilities for distribution of steel products throughout Southwest.

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Perspective for Investors

By DONALD G. FERGUSON
Conservative Investors Survey, Cambridge, Mass.

Investment counsellor reviews problems in preparing an investment program. Stresses proper shaping of program to each individual's needs and circumstances, and describes problems of achieving a proper balance in an investment fund. Discusses factors in selection of securities and principles of diversification and liquidity. Concludes investor can delegate judgment to others in selecting investments, but he cannot shift his own responsibility.

When the first Neanderthal man invented a way to hunt the aurochs and let his brethren in on the secret, he became an expert. Being human, or near enough human to have vanities, he also became an authoritarian, frowning on any suggestion that his method might be dangerous or that there might be a better way to carry on the hunt. In fact, the rest of the tribe must accept his idea without thinking about it at all. This reconstruction is, of course, projection into the unknown past, which is much easier and safer than making projections into the future. At any rate, experts within the history of man have been laying down the law to their audience and assiduously discouraging any sort of critical thought by anyone else.

Donald G. Ferguson

Investment advisers are by no means immune to the habit of advancing their ideas as gospel never to be questioned. They are prone to fall into the way of instructing rather than suggesting. This practice is hazardous for the advice-takers; first, because it is their savings, not the advisers', at stake; and second, because the advisers often have little or no information about their readers' economic circumstances and none about their readers' general outlook on life. Both of these latter two factors are important, because there is no such thing as all-purpose investment recommendations any more than there are ideal investments or perfect people to tell about them.

Investment advice, like any other service in the modern economy, is competitive, and clients have to be obtained through advertising. People having small or large amounts to invest have a wide choice of advice offered for sale, ranging from implied promises to make clients rich by virtue of devices for forecasting stock-market movements to scare mongering that would send the timorous ones scurrying into the cellar to bury what cash they could scrape together. This demonstrable diversity in advice leads manifestly to the conclusion that much of the advice must be wrong and therefore must be carefully weighed by the investors themselves. It also suggests that the middle-ground way is the most radical one and points to the conservative investor as the most probable survivor in the process of natural selection.

The conservative investor is not quite so vague a concept as "the gentle reader," because the members of this class have a certain definite attitude in common. They treat their funds in a systematic rather than in a casual manner. They pursue as consistent a policy as their circumstances permit. They try to see their investment program as a whole and in suitable relation to its objectives. These limitations still allow considerable latitude in the selection of investments, and this latitude should be used in accordance with the individual's requirements. The security list of a conservative investor may in some cases contain speculative issues, but these are included as a calculated risk with offsetting safeguards not found in the operations of the casual indulger in "flyers."

Cooperative Enterprise

Investment advice has to be a cooperative affair. Qualified investment advisers are familiar with sound investment practice. They keep abreast of developments in finance, trade, and industry. They are aware of money-credit conditions and are practiced in interpreting the significance of price trends. They can assist in framing a sound investment program and can help to keep it in operation and still be only partially effective in guiding their clients in the management of their economic affairs. The cooperation of investors is needed to consider recommendations in the light of their own circumstances and according to their own judgment.

Shaping the Program

The conservative investor cannot pick his program ready-made off the rack. It not only has to be carefully custom-made, but it also must have frequent alterations, and he must take an active interest in all fittings. It should conform to the current style as well as to the individual's contours. Its character should harmonize with the character of its possessor.

An investment program is shaped over the years, and its mature character shows whether it has just grown like Topsy or is the result of careful nurture. Few persons are fortunate enough to be able to contribute substantially and consistently to building up a savings fund during their productive years. Emergencies sometimes make demands on funds that may set back a program of accumulation by several years. Such cases test the character of the fund, and misfortune will fall more lightly on those planned to take care of special contingencies. When windfalls instead of adversity come to investors, the problem of how much to put aside and how much to treat as "velvet" has to be solved, but in such cases the situation is a pleasant one and can be judged by individual preference for adventure or security.

Temperament

The judgment of investments through the view of adventure or of security can be weighed in the light of the investor's age, earnings prospect, and other tangible and readily discernible circumstances and still lead a faulty approach to a program if his attitude of mind is ignored. Here, the investor has to get to work on an objective appraisal of himself.

Some people worry so much over day-to-day fluctuations in stock prices that holdings of any but stable preferred stock issues are unsuitable for them. Others take a sentimental attitude toward their pet investment holdings and will cling fondly to an issue over years of continued disappointment as a mother will to her profligate son. It is not generally realized how many individuals are temperamentally incapable of saving any part of their incomes except in the form of regularly appearing claims, such as life insurance premiums, bills for partial-payment stock-purchase plans, and similar devices that entail extra charges that nevertheless are worthwhile in such cases.

Some investors worry as much over low yields that do not provide adequate incomes as others do over fluctuations in security prices. The temptation here is to dilute the strength of the investment fund with more and more high-yield issues that can be obtained on such a basis solely because the probability of continued returns on a generous basis is not too bright. In these cases, the investor has to strive for an objective attitude. It is so easy to believe what has a pleasant sound and reject the counsel that demands sacrifice as the price of prudence. The struggle is the investor's alone.

Whenever an investor fails to make what the sociologist might term a normal adjustment to his investment problems, that is, if they are a source of worry to him, he may consider whether his temperament can be disciplined to fit an investment plan constructed on tested principles or whether the usual investment plan for his economic circumstances must be modified to suit the investor's temperament. Here, again, his judgment must be the final one; since, as in every phase of the investment problem, it is vital to have the owner himself give it his attention, to **think** about it.

The Conservative Investor

The term "conservative investor" is no longer a monopoly of the person who buys nothing more speculative than triple A bonds. If the Conservative Investors Club were so limited, few people who depend on returns from securities for income could afford to belong. The concept of the conservative investor changes with the years. At the beginning of this century, a widow's fund entirely invested in railroad common stocks was called conservative. Midway in the century such a fund is justly termed speculative. The earlier appraisal proved to be wrong, but it does not follow that today's opinion is equally at fault in the opposite direction.

In reality, as much attention must be given to achieving proper balance in an investment fund as is exerted in analysis and selection of the component securities. When an estate is appraised for inheritance-tax purposes, the value of all the assets—cash, bank accounts, insurance, securities, real estate, and chattels, exclusive of debt—is taken into consideration. The standard of value usually prescribed is the amount that can be realized at normal market prices. The smaller amount realized from a forced sale is not considered a satisfactory basis for appraisal. The tax-appraisal standard may be considered reasonable as applied to building an investment fund, with the qualification that the investor must keep constantly in mind the possibility that heavy emergency calls may be made on his fund and that he must provide reasonable safeguards against the serious losses suffered when forced-sale prices must be accepted.

Once the investor has a comprehensive picture in his mind of what assets he has to build on, he is in a position to think about the amount and type of assets he needs, wants, and has a reasonable chance of obtaining. The major outline of his plan can then be conceived. The details can be filled in with the help of others, but the main design is the investor's responsibility.

Building a Fund

The task of building a rational investment fund is usually a remodelling job, in actual fact, because the investor already has some kinds of assets before he starts to buy securities, even if they consist of no more than the equity he holds in his home, some cash value of his insurance policies, and a savings account. These will continue to be part of his fund as it grows, and they are considered part of the fund's structure.

The basic analysis needed to assure the adoption of a properly integrated investment plan is the examination of the investor's present and probable future circumstances regarding earnings and family needs. These determine the amount and type of insurance he should have and can buy. Here is decided the discipline that he will aim to impose over his spending habits to allow the accumulation of the fund through the savings margin. This must be a "moving analysis" as individual circumstances and general economic conditions are altered, but on this rests the main outline of the rational investment plan. The principles involved in overhauling a fund already established are the same as those employed for building a new one, but in this case an accumulation of sentimental attachments for existing holdings has to be scrutinized critically.

Balance

Balance in an investment fund does not, and indeed cannot, imply a rigid composition in the proportions held in specific types of securities. It does mean an arrangement of assets of kinds designed to fulfill the individual's requirements under normal circumstances and also to provide for emergencies. Where possible, provision for emergencies must be given priority over other considerations; for, without such provision, the whole plan may be wrecked before it has developed.

The emergency fund can be held in the form of savings bank deposits, savings and loan accounts, Government bonds, and, as a last resort, as loan value of life insurance policies. To these may be added corporate bonds of sufficiently high grade to guarantee a permanent market firm enough to obviate the need to take more than a minor loss from the purchase price at any time. Checking account deposits in excess of those usually needed to meet current expenses are eligible for inclusion in this part of the fund, but this form of holding brings no income and in many cases is an invitation to extravagance.

The portion of an investment fund to provide for a definite objective like the education of children or for old-age retirement is usually accumulated and held in the form of fixed obligations, such as annuities, savings deposits, and bonds, but even the conservative investor need not consider this an inflexible rule. There are many instances where special funds would never have been accumulated unless the incentive had the additional impetus of the imaginative appeal inherent in purchases having some speculative elements.

By easy oversimplification, a fund may be called balanced if it is composed of a stated proportion of bonds and a complementary proportion of stocks. Balance requires a much more considered judgment than this. In order to achieve it rightfully, due regard must be paid to the investor's resources of all kinds, including all his worldly possessions and his mental endowments as well.

Securities

For practical purposes, the portion of an investor's assets held in the form of a list of securities is composed of his bond and stock holdings. For many, perhaps the majority of people, this is the core of the investment program. From this list is derived the bulk of the individual's income aside from his salary or business income. Its value can be more easily appraised than other items of wealth because its returns are expressed in dollars, and its sale value can usually be ascertained without difficulty. When the fund is small, the portion held as securities can be analyzed with little difficulty and without much time-consuming effort. The problem becomes more difficult as its value becomes greater, because progressive taxes make necessary the acquisition of a much more varied list of holdings.

Securities are defined as evidences of debt, or bonds, and evidences of ownership in property, or stocks. The distinction between these two investment categories is important but may be overemphasized, inasmuch as a sound stock may be more valuable to an investor than is a less well protected bond. A property is valuable only in its capacity for earning, and the worth of its "evidences" of preferred claims shrinks with declining earnings, even though at a more moderate rate. Therefore, the conservative investor cannot assume that the value of his bonds (with the general exception of Government issues) will remain immutably fixed while the common-stock portion of the list suffers a decline in quoted value.

Bonds

The supply of bonds, that is, obligations with stated interest rate and maturity, has undergone a drastic change during the past two decades. This change has been especially harmful to the average conservative investor requiring a reasonable income from his fund. The pressure exerted by the Federal Government to keep interest rates low enough to service its huge debt on a 2% basis has been the major factor in reducing interest rates generally on all obligations. The downward trend of interest rates has been halted, and a slightly firmer trend has developed, but no more than a very moderate recovery can be anticipated in the readily foreseeable future.

A quarter of a century ago, the conservative investor's list contained a solid section of well-protected, better-grade corporate bonds yielding 5 or 5½% return. This was a valuable feature of his list and represented what might be termed the substantial middle class of the bond market. This has been wiped out as effectively as if the destruction had been planned, which of course is the case, as corporations quite properly refunded their debt at the lower interest rates obtainable. In spite of the recent fractional increase in basic interest rates, issues of comparable standing are available on a 2½ to 3% basis.

Another factor in changing the character of the bond market is the result of the institutionalization of a large sector of the people's savings. This is a favorable development in itself, since it means that more persons are adopting more adequate life insurance programs than there were in the past. On the other hand, the insurance companies have sometimes found it difficult to obtain the mortgage type of security they need in which to invest funds to serve as reserves to meet their liabilities.

The result of these influences has deprived the individual investor of a chance to reinforce his security list with fixed obligations without making a substantial sacrifice in income. The investor with a small fund can advantageously hold Government savings bonds in his security list, and the wealthy investor can hold tax-exempt, well-protected municipal bonds in an integrated portfolio, but the bond section of the average medium-sized security list has been main-

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Population Trends and Investment

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

Dr. Spengler, in concluding his population analysis, discusses the economic and social effects of changes in the age composition, particularly the significant tendency of increasing numbers of older persons. Contends larger proportion of old people need not diminish output per capita, if business, labor, and political leadership is intelligent and our economy is run skillfully. Sees need of keeping older people employed and notes effect of increasing marriages on housing and consumer demands. Analyzes pension systems and says solution of pension problem is in keeping-up retirement age.

III

Changes in Age Composition, Together With Their Effects

One of the most significant population changes taking place is the increase in the relative number of older persons and decrease in the relative number of younger persons in the American population. The change is signified by the fact that the median age of population, about 30.1 in 1950 as compared with 29 in 1940, has risen by 50% since the time of the Civil War; it may rise to 37-38 by the year 2000. The ratio, persons 60 and over, children 0-14, which is a rough index of the course of ageing, rose from 0.2 in 1900 to 0.45 in 1950 and may be 0.55 or better by 1960. The causes of this change are three-fold: (1) the decline in the birth rate, though reversed somewhat in the course of the past decade, has reduced the relative number of persons in the younger age bracket. This is the most important factor up to now. (2) The decline in immigration is second in importance. (3) The crude death rate has fallen over a third in the past four decades. But since this decline has been the result both of a great decrease in infant and child mortality and of sharp decreases in the age-specific death rates in the middle and the old-age brackets, and has added to the number of old and young, it has yet greatly modified the age structure. The upshot has been a marked increase in the expectation of life at birth and also at higher ages.

Joseph J. Spengler

For example, the expectation of life at birth in the original registration states rose from 49.2 years about 1900 to 67.2 in 1948. The expectation of life at age 45 rose from 24.8 years in 1900 to 28 in 1948; and the expectation at age 65 from 11.9 in 1900 to 13.4 in 1948. It is expected that in the 1950s a year will be added to expectation at age 65 and about two years to expectation at age 45. In the future the prolongation of life will become the factor which affects the age structure most.

The great improvement produced in the expectation of life up to now has been due largely to the great reduction in the incidence of death among infants, children, and those in early adulthood. The improvement has been the result less of improvement in medicine than of improvement in environment and of the elimination of sources of infection. The virtual elimination of diseases like typhoid, of course, has contributed indirectly to the prolongation of life; for these diseases tend to impair vital organs and often make the recovered victim of the disease much less resistant to other troubles.

Further improvements in longevity will come about because of improvements in medicine, surgery, control of infection, and so on. They will thus no longer be the result, as they were so largely in the past, of a continuing improvement in the physical environment as such. In 1948, the expectation of life among white males was 65.5 at birth and 22.4 at age 50. Let us now, with the Metropolitan Life Insurance Co., suppose that various diseases ceased to be causes of death. How much would life expectancy be prolonged?

	Years Added to Life Expectancy —at— Age 0	Age 50
Disease—		
Cardio-vascular-renal	9.8	10.0
Cancer	1.8	1.7
Accidents	1.8	0.5
Tuberculosis	0.5	0.3
Diabetes	0.2	0.3
All five	14.1 plus	12.8
Resulting expectation of life	79.6	35.2

How many aged will there be in the United States, on the basis of mortality estimates which already have proved somewhat too high? We shall have at least the following numbers aged 65 and over:

1940	9,000,000
1960	14,000,000
1980	19,000,000
2000	22,000,000

I shall not attempt estimates of those in the younger age groups, since these are not yet born, and since our fundamental concern is with the increase in the relative number of older persons.

Effects of Changes in Age Composition

Let us now examine the effects of changes in age composition on the economy:

(1) *Upon Conditions Affecting Per Capita Output*—The movement of per capita output depends upon many things, one of which is the age composition of the population. A population may be divided into those who are productive and those who are unproductive. If one uses as the criteria of productiveness certain age limits, we may classify those under 15 or under 18 and those aged 65 and over as unproductive. This is only a rough classification, especially for those aged beyond 65, since a considerable number of these still remain in the labor force. For example, in 1950, 31% of those aged 14-19 were reported in the labor force and 23% of those aged 65 and over. The corresponding figures for the male population were 25% and 42%. But to get back to the matter of per capita productivity. It may be said that the level of per capita productivity will be lower than it otherwise would have been if the ratio of productive persons, measured by the number of productive age, to the total population declines.

It has been asserted that the ageing of the population will cause a decline in the level of per capita output. This could happen, given certain population movements, but it need not happen, at least not in a significant degree. I made a study several years ago in which I took account of both variations in employment with age of worker and variations in the productivity of employed workers classified on the basis of age. I then applied the indices I worked out to the changes in age composition forecast by the Bureau of the Census. (Remember that these forecasts are off so far as total population of the future is concerned, and that they are slightly off on age composition, but not sufficiently off to impair my findings, since the changes in the movement of the population will not greatly affect the relevant portion of the age pyramid.) These are the results I got for output per capita:

1940	100
1960	101
1980	106
2000	107

I shall not argue that the prospective changes in the age composition of the population will increase output per capita, but merely that it is unlikely that they will diminish output per capita so long as our business and labor and political leadership is intelligent and our economy is run skillfully.

The argument must be made contingent, for it makes no difference how productive a man is, if he is denied employment because he is beyond a certain age, and this seems to be happening increasingly. There are a number of reasons for this. First, it was reported a year ago in the "United States News," and this report is in line with others that have been made, that the pension schemes being introduced by industry are making employers hesitant to hire workers near the pension age, or, more generally, workers who are 40 years of age or older and have lost or given up a previous job. This report is partly borne out by the 1950 census returns, since unemployment among those over 55, just over 5%, exceeds by less than two points the unemployment reported among those aged under 55; and much the same relationship was found among males. It appears to be true, however, that the kind of pension plans that are being introduced will operate to displace older workers and to keep displaced older workers in the ranks of the unemployed; and this tendency will be accentuated in so far as the plans are not such as to permit a worker to carry his pension rights with him. In my opinion, one of the most weighty social obligations of the insurance companies, as well as of others similarly engaged, is the devising of private pension plans that do not operate to increase the probability of unemployment among older workers. If they do not do this, it would be better for the government to do the job. The evils of early retirement can be observed in French employments in which the relative number of pensionees is very high. This factor depresses French incomes and will probably accentuate the forces making for inflation.

A second factor is the trade union attitude. So long as there is full employment as at present there will not be much pressure from the unions for early retirement. (I disregard a proposal made by the United Mine Workers that pensions become applicable upon voluntary retirement, even of the able-bodied, at the age of 60.) If, however, there is unemployment, some of the trade unions perhaps are likely to ask for early retirement with the idea of making labor scarce and thereby improving the bargaining position of the crafts or industrial groups in question. Of this we had some evidence in the 1930s. The unions will assume that the displaced older worker can be supported out of his industry pension rights and such old-age benefits as he has accumulated in his Federal social security account. If action of this sort is taken, it will serve to reduce appreciably the size of the national income. If 15 years from now workers retire at the age of 60, the national income will be about one-tenth below what it would be if they continued to retire at about the ages ruling in the early 1940s.

A third factor is the social security provision. It should not be permitted to put a disability upon those who wish to continue working. In fact, every effort should be made to have this system put a premium upon working.

It has been proposed that employers who employ older workers be subsidized, this recommendation sometimes being based upon the not-too-sound assumption that older workers are always less productive than younger workers. If a subsidy is employed, then the cost should be borne by a special equalizing tax upon the industry with the returns earmarked for this purpose. It should not be a charge against the general revenue. A differential wage system would help. So would a punitive tax, though this is a last resort type of measure.

The important point we must keep in mind is that the science of gerontology and geriatrics, or the treatment of older persons, is just in its infancy. We may look forward to a time when people will be about as effective in their 60s, and perhaps their 70s, as they were earlier in life, since greater responsibility and experience in many occupations offsets diminution in reaction time, etc. Every effort should be made to keep people employed until they are at least 70 years of age. The American, unlike some other breeds of men, is born to work. His social standing, his status, depends in considerable degree upon his occupation and its practice. If this is denied him, an important reason for living is removed, and his mental and physical condition is affected accordingly. It is extremely important, therefore, in a society with the values we have in this country, that the working capacity of the older worker be prolonged and enlarged by geriatrics, and that industry in turn give this worker the opportunity to exercise his occupation.

(2) *Upon Provision for the Support of the Aged, With Especial Emphasis Upon Public and Private Financial Aspects of the Pension Problem*—I have already indicated that the worker should be kept employed as long as possible, until the age of 70 if circumstances permit. If this is done, the pension problem will not be so serious.

Let us suppose, however, that a great many workers are discharged before they have reached the age of 65 or 70. What will be the effects? For one thing, the

Continued on page 20

*This is the last of three lectures by Prof. Spengler delivered before the 1951 Life Officers Investment Seminar at Beloit College, Beloit, Wis., June 18 and 19, 1951. The previous two lectures have already appeared in "The Chronicle" of July 19 and July 26.

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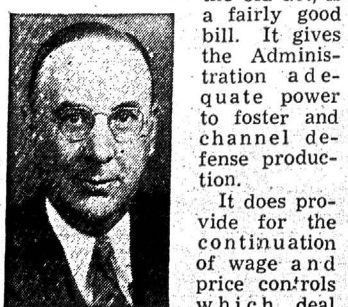
New Economic Controls Act— A Fairly Good Bill

By EMERSON P. SCHMIDT*

Economic Research Director, Chamber of Commerce of U. S.

Dr. Schmidt contends recently enacted Economic Controls Act gives Administration adequate power to foster and channel defense production. Deplores President's statement law provides for higher profits to business.

The new economic controls bill signed by the President on July 31, just in time to prevent the lapse of the 30-day extension of the old act, is a fairly good bill. It gives the Administration adequate power to foster and channel defense production.



Dr. E. P. Schmidt

It does provide for the continuation of wage and price controls which deal with the symptoms and the results of inflation, but not the causes. It is unfortunate that in signing the bill the President took occasion again to try to intensify and foster the class struggle.

He said: "We cannot ask the working people of this country to reduce their standard of living just to pay for the higher profits this act provides for business."

Profits Not Protected

The act does not provide any business with higher profits. It does reduce the possibilities of government bureaus putting business in an impossible straitjacket and it should encourage more production.

There is some reason to believe that existing controls have already reduced production. From June 1950 to January of this year the Federal Reserve index of physical production jumped from 195 to 221, but since January, when these controls were put into effect, the index has remained almost stationary.

The businessman is production-minded; he makes his income by turnover, yet he has been frustrated by heaping controls upon controls.

Business Position Distorted

Unfortunately, government news releases and some newspaper, radio and television comment have during the hearings put those who oppose price controls in the position of appearing to want higher prices, while those who want the power to regiment every businessman and control every business transaction from Washington, are made to appear as the only ones to favor lower prices.

This is a serious distortion of motivations, and every effort should be made by businessmen and their spokesmen to show clearly that opposition to such direct controls as price controls does not mean a desire for higher prices but rather a desire for giving freedom to enterprises and to free production from unnecessary frustrations and diversionary tactics.

Congressional committees listened to hundreds of witnesses. They labored hard and long to develop this legislation. Inevitably, it represents compromise and no one is wholly satisfied with the final result. That was to be expected.

Credit Curbs Needed

The bill does relax consumer credit controls and in this one respect it is inflationary. This is an undesirable Congressional intervention in central banking policy. This makes it all the more important that the Federal Reserve banks now exercise their maximum powers to restrain credit expansion and to continue to free the government bond market from artificial support at unrealistic levels. It means that the Voluntary Credit Restraint Program will also have to carry a heavier load.

If we can balance the budget and pay-as-we-go, and if there is no further credit creation, both of which restore the people's confidence in the government's determination to maintain the value of the dollar, and thereby encourage savings, there can be no substantial further inflation.

Economic Truth

That is a bit of economics which many in the Administration have not yet learned, but it is a fundamental economic truth and all individuals who really want to fight inflation should get on this bandwagon.

Then wage and price controls will be seen to be unnecessary and the deepening of the class struggle, so dear to the hearts of the Marxians, will be avoided.

*Reprinted from "Business Action," a weekly report from the Chamber of Commerce of the United States, Aug. 4, 1951.

Joseph J. Lann Secs. Formed in New York

Announcement is made of the formation of Joseph J. Lann Securities, Inc., with offices at 37 Wall Street, New York City, to continue the business formerly conducted by Joseph J. Lann as sole proprietor.

McGuire, Cornhoff With Hawkins & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William H. Cornhoff and Donald E. McGuire have become associated with Hawkins & Co., Leader Building, members of the Midwest Stock Exchange. Both were formerly with Otis & Co.

Paul C. Rudolph Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert L. Arnett, William S. George and Lee F. Janisen have been added to the staff of Paul C. Rudolph & Company, 127 Montgomery Street.

With First Securities Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Robert W. Brown has become associated with First Securities Co. of Kansas, Inc., Insurance Exchange Building. He was previously with McDonald, Evans & Co. and A. H. Bennett & Co.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Woodrow W. Hill and True Hale are with King Merritt & Co., Inc., of New York.

Joins Stoetzer, Faulkner

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Matthew P. Marcus has been added to the staff of Stoetzer, Faulkner & Co., Penobscot Building, members of the Detroit Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

There ought to be a more searching analysis of the Eisenhower for President movement than it is likely to get. Already its critics are being showered with smear propaganda for even raising their voices. Opponents in the Republican ranks are being depicted as meeting in closed, smoke-filled rooms and plotting ways and means of ruining the General's reputation. That there has been some serious getting together of Republican heads to discuss the situation, I happen to know and this is certainly as it should be. But the fact that such meetings and such discussions are being represented as sinister plottings is significant of what is to come. I am reasonably certain that within a few months it will be, in the propaganda overtones, unpatriotic and un-American to be opposed to the General.

Carlisle Bargeron

Because of this and because of the many other angles to this Eisenhower for President movement the American people had better stop, look and listen. In the first place, there is danger in the attitude of the General himself. There is the danger of destroying the two party system which has long been one of, if not the main bulwark of our constitutional freedoms.

From the General's "managers" we learn that he would like to have the nomination on both the Republican and Democratic tickets. He would like this in order to have "unity." No longer would there be any party bickering, just a nation united behind one strong man. This sort of thinking should give a key to the General's mind. At the very least, it shows a lack of understanding of our political system. It should be unnecessary to point out that there was "unity" in Germany under Hitler; that there is "unity" in Russia today under Stalin. For that matter, with the tremendous political machine which the New Deal or Fair Deal has built up in the past 20 years, we have come dangerously close to "unity" in this country. The nomination of Eisenhower on both tickets would definitely establish it. What is more, it would be established under the rule of the military.

It is fantastic but nevertheless a fact that one frequently hears serious discussions in Washington political circles of the possibility that after the Republicans have nominated Eisenhower, should that be the case, the Democrats, meeting in their national convention, a couple of weeks later, would do the same thing. This talk even has it that Truman, having been kicked all around the lot in public opinion, might make some sort of a grand gesture in this direction by way of getting a niche in history, or a better one than he now seems destined for. Such a gesture would certainly be of magnificent proportions. It would not necessarily be unselfishness on Truman's part, either, the argument runs, because he undoubtedly does not relish running against the General.

To my mind, it would be utterly impossible to work out any such arrangement as this but I have seen some strange things happen in national politics in the past 20 years. I can't see the political leaders throughout the country, the State leaders, the Big City leaders, of either party, going for any such proposition. To these fellows politics is a business; it is their livelihood. Their concern is whether the man in the White House will recognize them as the leaders. It means nothing to them if their party nominee wins if they are not to retain their places in the scheme of things. Not even on a high patriotic plane are they going to do anything to cut their own throats, which is just what they would be doing in nominating Eisenhower on both tickets. To see these leaders stepping around gingerly at their own party conventions to keep from being caught with a loser gives you an understanding of the hazards of their trade. This being true then, I can't for the life of me see the Democratic State and local leaders, coming along after the Republican State and local leaders have in convention embraced the General, and embracing him, too. Would, for example, the Democratic leader or leaders of Oklahoma, graciously bow out of the picture in favor of the Republican leader or leaders there?

However, the story does not end there, as you learn in the Washington salons over the cocktails and canapes. You are told that the old crop of political leaders are dying off, or are being pressed in practically every community by younger men demanding recognition. These younger men are not so wedded to partisanship; they have a "broader" and more "liberal" outlook than their elders. They are not set in their ways. Above all, they are adventurous and seekers of a new way of doing things. It is not wholly inconceivable that enough of this type among the Democrats, by being assured that Eisenhower wasn't really a Republican and they would be recognized as the leaders in their particular communities, could be weaned over to the proposition of a joint Eisenhower movement. Wendell Wilkie had an amalgamation of the "better elements" of both parties in mind in his campaign of 1940 but his playing ball with certain Democratic leaders caused disaffection among Republican leaders. However, the situation is admittedly more ripe for something of this sort now.

There is the further fact that a Truman renunciation and endorsement of Eisenhower as the candidate of both parties on the eve of the Democratic convention would demoralize that assemblage and make most anything possible. And what makes the story still more intriguing is the fact that among the professional politicians, Eisenhower seemingly has more friends, more intimates, among the Democrats, even among Truman's cronies, than he does among the Republican professionals.

Yet there is this flaw. The propaganda may dress Eisenhower up in holy and untouchable clothes, but it won't fall on the convention delegates in Chicago with the same impact as it would in Philadelphia. The work will have to be done before convention time.

Alfred S. Creighton Joins Prescott & Co.

A. S. Creighton

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, O.—Alfred S. Creighton has become associated with Prescott & Co., Spitzer Building. Mr. Creighton in the past was manager of the trading department for Collin, Norton & Co.

W. T. Grimm & Co. Opens in Chicago

CHICAGO, Ill. — Willard T. Grimm, formerly a general partner of Kidder, Peabody & Co., announces the formation of W. T. Grimm & Co., 231 South La Salle Street, to conduct a general securities business and to specialize in private placement loans, mergers, sale of companies and similar special financial transactions.

Gottron, Russell Adds Six to Staff

CLEVELAND, Ohio — Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange, announce that Florence C. Bland, T. Howard Bolger, W. J. Bushea, L. Warren Foster, J. E. Paisley, and Warren G. Steffen are now associated with their firm. Mrs. Bland, Mr. Foster, Mr. Paisley and Mr. Steffen were previously with Otis & Co.

Chas. Lundfelt With McCormick & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles E. Lundfelt has become associated with McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Lundfelt was formerly Chicago manager for Wm. E. Pollock & Co., Inc. and prior thereto was with C. J. Devine & Co.

With Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Francis J. Mitchell has become connected with Samuel B. Franklin & Company, 215 West Seventh Street. He was previously with Dean Witter & Co.

Smith, Hague Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Kurt Wheelock is now associated with Smith, Hague & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges. He was formerly with Watling, Lerchen & Co.

With Newhard, Cook

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — James S. McCoutrney, Jr., has become associated with Newhard, Cook & Co., Fourth & Olive, members of the New York and Midwest Stock Exchanges. He was previously with Merrill Lynch, Pierce, Fenner & Beane and McCourtney-Breckenridge & Co.

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From Scarcity to Abundance in Farm Products

By EDITH J. HIRSCH

Foreseeing a situation of plentitude in agricultural products, Mrs. Hirsch examines conditions and prospects of various crops in current year. Predicts all-time peak of cattle herds next year and large supply of hogs, as well as poultry, indicating lower prices ahead. Says sugar crops are much larger than prewar. Looks for tight wool market, despite increased production. Calls U. S. "food provider of the world."

Our agricultural situation is in the midst of changing from the relative **tightness of last year to abundance again.** Already prices of most grains would be way down, were it not for the prop of the Government Support Program. Even so, the situation of plentitude ahead is expressed in the lower prices of most agricultural products and more strongly so on the more distant futures quotations.

Mrs. Edith J. Hirsch

Last year's tightness in food and fibers was due to a small cotton crop, to the fast pace of the increase of cattle herds and most of all to the demand for increasing stocks on all levels — from manufacturer to consumer — in this country and abroad. After the Korean War had started, a large anticipatory demand rushed into markets of only normal supplies, and so, for a while, it looked as if there were shortages. Actually, after a year had passed, the stocks of nearly all farm products except cotton were nearly as large as last year, which proves that the supply was ample in spite of some stockpiling.

U. S. Farm Production to Reach an All-Time Peak

This year, for the first time, **our agricultural production will rise beyond the height attained during the war years.** Between 1940 and 1944 agricultural production rose by about one-third—in spite of a smaller farm labor force. This unheardof increase was due to a fuller use of acreage, idle machinery, underutilized manpower; to the increased use of fertilizer and new machinery; to the decrease of horses and mules; to the improvement of seeds, and to progress in animal breeding and feeding. However, after this one-third increase in production had been achieved, there came a standstill. Production could not be increased further; the progress made in the war years had been too fast and a time of consolidation was needed. In 1951, for the first time, we expect a rise. Due to high prices, the acreage under cultivation has been increased and the use of fertilizer is gaining. The weather has been favorable so far, too, except in the southwestern Wheat Belt.

Sufficient Grains and Cotton

This year we will have **plenty of wheat,** no matter how large exports will be. The crop will be somewhere around 1,040 and 1,070 million bushels. Of this, 700-720 million bushels will be needed domestically. Exports are not expected to reach 350 million bushels, though they did so in the 1950/51 crop year. The Canadian wheat crop promises to be excellent contrary to last year; wheat will be exported from behind the iron curtain; and most countries increased their stocks over last year and can afford to wait and see whether wheat prices will come down once the Canadian crop is known. Thus, on July 1, 1952, we will probably have added to the July 1, 1951, carryover of 395 million bushels.

Our **feed grain crops,** if the weather stays fair from now on, will be large enough even for our increased animal numbers. The **corn crop** may turn out near the July 1 government estimate of 3,300 million bushels. In view of large oats and grain sorghum supplies and possible imports of frosted wheat from Canada, this would be just what will be needed in the crop year beginning Oct. 1, 1951. It would, however, not leave anything to add to the reserve. The carry-over of corn next Oct. 1 will be higher than expected only a few months ago, probably somewhere between 750 and 775 million bushels or only about 100 million bushels less than last year and the third highest on record. Nevertheless, in view of our large animal holdings, this carry-over is smaller than could be wished, as it still makes us too dependent on each year's crop.

In spite of smaller corn acreages, our corn crops are now much higher than before the war —about 3.2-3.3 billion bushels instead of 2.4 billion bushels. This increase is due primarily to the introduction of hybrid corn, secondly, to the use of more fertilizer and machinery, etc. If we wish to maintain our livestock at present levels, we will want still higher average crops. Further progress in the yield per acre seems ahead, if the price incentive remains strong. Use of fertilizer can still be increased and research to further improve the corn strains is going on constantly.

Our **cotton crop,** unhampered by last year's unfortunate acreage restrictions, promises to be one of the largest on record. There is talk of 16-18 million bales against not quite 10 million bales last year whereas our own consumption will probably not exceed 10 million bales and exports 5-5½ million bales. Consequently, the domestic price of cotton, which until a few weeks ago, stayed close to the ceiling price, and could hardly be contained there in January and February, is now way down to near the government support price. There is already talk of whether it will be possible to keep the price at that level, once the crop is in, and there is clamor for an increase of the support price from 90 to 100% of parity. Cotton production abroad will show a gain too, due to the price incentive. In the meantime, prices for foreign cotton, which were much higher than our ceiling prices, have come down too. The world cotton crop is estimated at 35-36 million bales as against 27½ million last year.

Fats and Oils Probably in Oversupply

The large cotton crop means that we will have ample supplies of **cottonseed oil.** It was the relatively small production of that oil which last year pushed up all prices of fats and oils. Besides the cottonseed oil, there will be a near record supply of **soybean oil;** the second largest output of **lard** and a large **tallow** and **grease** production. In the year beginning Oct. 1 our total fats and oils production will exceed 13 billion pounds as against 12.3 billion this year and 8.2 billion in the year beginning Oct. 1, 1939. This outlook, coupled with a very slow demand for fats and oils abroad, has brought down prices to about 60% of their January levels in spite of the expected government price support for cottonseed and soybeans. Stocks of fats and oils in factories and warehouses next Oct. 1 will be larger than last year. Unfortunately, there is little hope that fat and oil exports will be as large as last year's. Cottonseed oil production in other countries has increased too; so has the lard output; Manchuria has stepped up its soybean exports and the Philippines are increasing their copra exports.

An All-Time Peak of Cattle Herds Ahead

Most important, **our animal numbers have been increasing steadily** and are now at a record. The 1951 pig crop, which will come to market from the middle of September on, is the second highest, only exceeded in the year 1943, and at that time pork production proved too large even for the increased wartime demand. (Hog slaughtering now is seasonally low, though 8-10% higher than last year. Prices are below possible ceiling but at the year's peak, as usual at this time of the year; they undoubtedly will come down in September.)

Ever since 1948 we have been **increasing our beef cattle herds.**

This, so far, did not show up in increased beef production. On the contrary, animals are being held back for breeding purposes and calves that would normally have been slaughtered early, are being raised to maturity. Thus beef, and especially veal production has been smaller all through last year and so far this year than would be normal for such a size of herd. We expect the number of cattle during this year to gain by more than even last year's large increase of 4 million animals. In fact, it looks very much as if on Jan. 1, 1952 we will have 90-91 million head of cattle, 5-6 million more than at the high-point of Jan. 1, 1945. Nearly all of the increase will be in beef cattle.

Next Year Will Probably Bring The Peak in Cattle Numbers

Beef cattle (all cattle except dairy cows) numbers, in millions, rose from 40.8 in 1938 to 43.4 in 1940, to 57.8 in 1945, dropping to 53.1 in 1948, then rose to 55.7 in 1950, 59.6 in 1951 and the indicated level of 65.4 for 1952. Only if the corn crop should considerably exceed 3.3 billion bushels, and only if pastures should again be in excellent shape, could a further increase of herds in 1952 be imagined. Much will also depend on whether farmers expect more inflation and what their profit and loss decisions are. The slowdown in the rate of increase of pig crops, among other things, points towards a peak of cattle herds next year.

The rise in beef cattle numbers must of course be judged in the light of our increased population (from nearly 132 million in 1940 to around 156 million next year) and of the rise in disposable income (what is left after paying taxes).

If we take the 1940 relationship as a basis and adjust the beef cattle numbers for changes in disposable income (valued in constant dollars) per capita of the human population, then we find that the record herds of 1945 were only 93.3% of normal, the large herds of 1950 were only 87.2% of normal, those of 1951, 87.8% of normal, and the indicated peak for 1952 would be only somewhat better — 88.8% of normal. That disposable income is important for beef consumption is evident from studies of the Bureau of Agricultural Economics, which show that there is a rather stable relationship between the retail value of meat consumed and disposable income.

Nevertheless, the above ratio of beef cattle numbers to disposable income per capita is only a crude measure of the significance of beef cattle numbers. The number of these animals and beef production does not move parallel, year by year. This is so even if we consider the time lag which exists between the time the animal is born and the time it is brought to market. Incidentally, this time lag has been shortened much over the last decade. Due to improved feeding methods it now takes only two years to bring a steer to the desired slaughter weight, whereas formerly it took 3-4 years. This makes it possible for the feedlot operator to move out his cattle faster and thus increase the beef poundage.

Vital for the production of beef is whether herds are being increased or diminished. Thus, while beef and veal production rose to an all-time peak of 12 billion pounds in 1947, the same year saw a reduction of beef cattle herds by 2 million heads. On the other hand, beef and veal production in 1943 saw a small decline while the number of beef cattle rose by 3.6 million head.

Another very important factor affecting the output of high-quality meat is the number of cattle held for grain feeding on the feedlots.

Seen in the light of population growth and disposable income the coming increase of cattle herds seems ample, but not too large, though it would be burdensome in times of depression.

Even if cattle numbers remain at a plateau in 1952 as they did in 1944 and 1945, and not start to decline, slaughtering will be considerably larger than so far this year; **much larger if the decline should start.** Already in the fall, probably in October, more cattle will come to the slaughterhouses than last year. This in connection with the very high numbers of hogs that will be slaughtered in the fall and winter and the record number of chickens and poultry indicates **lower prices ahead.** It is for this reason that we are not worried about the scrapping of the second and third rollbacks on cattle, though we would have liked to see the quotas for animals stay on a while.

Dairy Products

A decrease in beef prices would do more than anything else to stabilize the cost of living and to end the fear of inflation.

Our poultry numbers are high enough to guarantee sufficient **eggs** over the next year. As to **milk,** there is no surplus as the 1949-50 oversupply has been taken care of by a larger consumption of milk in fluid form due to increased purchasing power. Milk production will probably not gain significantly, because nearly the

Continued on page 32

This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.

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Donald D. Leeds

Donald D. Leeds, partner in Bartow Leeds & Co. of New York City, passed away at the age of 46 of injuries received in a traffic accident.

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Mutual Funds

By ROBERT R. RICH

THE SNOWDEN "Prudent Man" Bill was reported to be gaining support in the Pennsylvania State House as the result of a recent amendment which would limit unlisted investment companies permissable for trustee investment to those open-end investment companies without senior capital or bank loans.

The amendment did much to allay the doubts of legislators in the House who were determined to resist what they feared might be a revival of the old-fashioned "investment trust" of the '30s.

When the House legislators discovered in the leaders of the mutual funds industry a corresponding prudence, caution and concern for the long-term welfare of shareholders that the legislators themselves felt, some of the opposition to inclusion of open-end investment companies in the "Prudent Man" bill disappeared.

Both the Berger and Snowden "Prudent Man" bills are slated for final readings in the House on Monday or Tuesday of next week, after which, if they are passed by the House, they will be presented for the Governor's signature, together with an opinion from the Attorney General. The two "Prudent Man" bills are identical, except that the Snowden Bill specifically permits trustees to invest in mutual fund shares.

The Snowden Bill passed second reading in the House Tuesday, July 31, and third reading, as amended, on Wednesday, Aug. 1. Because of the amendment, it was necessary for the bill to be reprinted for a "fourth" or final passage calendar reading the early part of next week.

WELLINGTON FUND recorded a $17,000,000 increase in net assets in the first half of 1951, according to its semi-annual report transmitted today to its 68,000 shareholders by Walter L. Morgan, President.

The report listed net assets on June 30, last, at $171,482,853, or $19.11 a share on the 8,971,480 shares outstanding. This compares with net assets of $154,486,613, or $19.03 a share on Dec. 31, 1950, when 8,120,162 shares were outstanding.

During the half year Wellington Fund realized securities profits of $3,806,172 to leave an unrealized appreciation of investments of $8,364,891 on June 30, last.

The report called attention to the "considerable adjustment" in common stock investments, made since the first of the year. Holdings in industries with a favorable long-term outlook were increased. These included the chemical, container, drug, merchandise, office equipment, paper, automobile and auto accessory groups.

Early in the year the Fund reduced its investments in some of the more volatile industries including aviation, nonferrous metal, railroad, rail equipment and steel. Reductions also were made in some of the more stable groups such as tobacco, utility, and telephone stocks, which, according to the report, appear to have less long-term appreciation possibilities than investments in growth industries.

After these adjustments the Fund on June 30 had 62% of its net assets in commons; 19% in investment bonds and preferreds; 17% in U. S. Governments and cash; and 2% in appreciation bonds and preferreds. On Dec. 31, 1950, 61.1% was in commons; 16.9% in investment bonds and preferreds, 20.6% in U. S. Governments and cash, and 1.4% in appreciation bonds and preferreds.

TOTAL NET assets of Nation-Wide Securities Company as of June 30 were at the highest level for the end of any fiscal period in the history of the company, according to the semi-annual report for the first six months of the year.

Net assets totaled $16,708,289 on June 30, equal to $14.57 a share on 1,146,521 outstanding shares. These compared with net assets of $14,507,852, or $13.98 a share on 1,037,742 outstanding shares, a year earlier.

The "deflationary phase" through which the nation's economy is currently passing "is likely to prove a temporary lull in the longer term inflationary trend," Hugh Bullock, President, noted in the report. The deflation, he said, stems from the heavy accumulation of inventories in the last six months of 1950 and concurrent tightening of credit conditions.

Although higher taxes and remaining price and credit controls should exert a downward pressure on corporate earnings, defense expenditures, on the other hand, "militate against the prospect of a serious economic slump for a considerable period ahead," Mr. Bullock said.

Against this background and in accordance with its basic investment objectives, this "balanced" fund increased holdings of cash, U. S. Government bonds and other high-grade bonds from 26% to 33% of total net assets between Dec. 31, 1950 and June 30, 1951. In the same period the proportion of common stocks was reduced from 48.2% to 44.5% of net assets and preferred stocks and lower grade bonds from 22% to 18.4%. On June 30, last, investments for stability represented 52.23% of total net assets and investments for appreciation represented 47.77%, compared with 47.32% and 52.68%, respectively, on Dec. 31, 1950.

During the first six months of 1951 Nation-Wide purchased common shares of a number of companies in which the fund had no common stock investment on Dec. 31, including 3,000 shares of Bigelow-Sanford Carpet; 4,000 Rock Island R. R.; 3,000 Iowa-Illinois Gas & Electric; 5,000 Marshall Field; 5,000 Moore-McCormack Lines; 4,000 Public Service of Indiana; 3,000 Standard Oil of Ohio; 3,000 Studebaker.

The fund's entire holdings of common stocks of a number of companies were eliminated during the half year, including 2,000 American Home Products; 2,200 American Natural Gas; 4,500 Central Illinois Public Service; 2,000 Electric Auto-Lite; 2,000 Flintkote; 4,000 General Portland Cement; 2,000 Mueller Brass; 2,800 National Cash Register; 2,000 Northern Natural Gas; 2,000 Ohio Oil 2,500 Parke, Davis; 2,200 Safeway Stores.

COMBINED NET assets of the ten Keystone Funds on June 30, 1951, were $206,686,300, compared to $198,489,100 a year ago, it is disclosed by the semi-annual reports of Keystone Funds B 1 and K 2, made public today.

Net assets of the Investment Bond Fund B 1 increased to $17,568,684 at the close of June, 1951, from $9,547,144 a year earlier. Net asset value per share amounted to $26.22 on 670,003 shares at the close of the first half of this year, compared with $26.98 for 353,798 shares on the corresponding date in 1950.

The Keystone Speculative Preferred Stock Fund K 2 reports net assets of $5,870,134 on June 30, 1951, equal to $25.79 per share on 227,597 outstanding shares. This represents a decline in net assets from the $8,322,742 on 382,830 shares a year ago, but an increase in value per share from the $21.74 recorded on that date.

DIVIDEND SHARES announced that total net assets on June 30, 1951, amounted to $92,087,858, equal to $1.76 a share on 52,348,953 outstanding shares. These compared with $77,743,380, or $1.57 a share on 49,653,714 shares, a year earlier.

Investments in common stocks constituted 81.52% of total net assets on June 30, 1951, and holdings of U. S. Governments and other high-grade bonds and cash comprised 18.48%, compared with 86.76% and 13.24%, respectively, on June 30, 1950.

The largest group holdings of common stocks were oil and gas shares, comprising 15.94% of total net assets; utilities, 13.41%; retail trade, 6.91%; railroads, 4.77%; and chemicals, 4.58%.

FRANCIS F. RANDOLPH, Chairman of the Board of Directors of Whitehall Fund, revealed a 51.8% growth in total assets for the last year—to $1,881,020 from $1,238,841. The increase was largely due to new capital invested in the shares of the Fund, the number outstanding having increased from 72,868 to 100,799 during the period.

The per share asset value of $18.66 on June 30, 1951, was 2.5% higher than at the beginning of the year; adding back the 43 cents per share paid out to shareholders from realized profits in December, 1950, the per share asset value was 12.3% higher than it was a year earlier.

Commenting on the investment position of this "balanced" open-end investment company, Mr. Randolph states that "net assets continued to be distributed roughly 50% in cash, bonds and preferred stocks and 50% in common stocks. However, some convertible bonds and preferred stocks were eliminated from the portfolio as they advanced in price and became subject to undue common stock risk.

As a result, the proportion of the portfolio subject to fluctuations in common stock prices was reduced to approximately 59% on June 30, 1951, from about 76% at the beginning of the year. Investments will continue to be made in convertible securities when they can be acquired on a basis consistent with the conservative nature of Whitehall Fund. During the half-year, bond and preferred stock prices in general suffered a relatively serious decline as a result of the changel level of interest rates. . . . The impact of this change on Whitehall Fund's assets was lessened to a considerable extent by the favorable record of the convertible securities, many of which benefited as the convertible feature became more valuable. . . ."

ASSETS of Selected American Shares rose to $21,125,596 at July 31, equal to $13.78 a share, compared with $19,502,492, or $12.77 a share a month earlier.

In July the company added two stocks to its holdings, 1,900 shares each of CIT and Seaboard Air

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Line. It increased its holding of Illinois Central to 3,700 shares from 2,500, of American Cyanamid to 3,800 from 3,500, and of Deere to 7,200 from 7,000. It reduced holdings of Boeing Airplane to 600 shares from 3,000, of International Harvester to 1,000 shares from 2,500, of Santa Fe Railroad to 1,000 shares from 2,000. Entire commitment in Eastern Air Lines (1,900 shares) was eliminated.

Selected American Shares on July 31 owned stocks of 104 companies. Largest holdings by industry were oil 15.9% of assets, chemical 9%, steel 8.5%, retail trade 8.1%, railroad 7%, electric utility and metal 5.3% each. Common stocks represented 90.1% of assets, preferreds 0.2%, U. S. Government securities and cash 9.7%.

KING MERRITT & Company, New York, has recently become actively associated in the distribution of Founders Mutual Fund in several areas of the country, with present emphasis in Minnesota, Pittsburgh area, Alabama, Mississippi and Missouri.

ON JUNE 30, 1951, net assets of Stock & Bond Group Shares of Institutional Shares, Ltd. amounted to $15.35 per share compared to $12.34 on June 30, 1950, being an increase of 24.4%. During the period, Stock & Bond Group Shares paid dividend distributions from ordinary net income and security profits of $1.25 per share.

On the same date, net assets of Aviation Group Shares of Institutional Shares, Ltd. amounted to $11.37 per share compared to $9.47 on June 30, 1950, being an increase of 20%. During the period, Aviation Group Shares paid dividend distributions from ordinary net income and security profits of $.625 per share.

TELEVISION - ELECTRONICS Fund established new record highs Aug. 6 in total net assets at $7,153,000, net assets per share at $13.14 and in shares outstanding at 544,194, Chester D. Tripp, President of the Fund, disclosed.

The Fund, concluding that a "strong defensive position is advisable" at the present time held 23.1% of its total net assets in cash and government securities at July 31, according to its quarterly report. This compared with 10.2% at Jan. 31, 1951, and 4.7% at July 31, 1950. "The holdings of cash and government securities will be used from time to time," Mr. Tripp told shareholders, "as conditions appear to warrant an increase in certain holdings now on the portfolio and the addition of securities not now owned when they appear to be attractive for long-term purchase."

Total net assets of the Fund were $6,970,733, or $12.86 per share at July 31, the end of the third fiscal quarter, compared with $5,180,306.92, or $10.88 per share, a year earlier.

"There appears to be no reason to change our opinion," stockholders were told, "that the decline or demand for 'telesets' has been largely seasonal and that a normal upswing will commence in the not too distant future. There is a large segment of the population still not enjoying television but which is within the range of reception. It is our belief that the improved programs which will be put on the air will be an important factor in inducing purchase by many of these families."

WALL STREET Investing Corporation, for the 6 months ended June 30, 1951 reported net assets of $2,741,528 with 223,128 shares outstanding compared with $2,346,167 and 191,506 shares at Dec. 31, 1950. Per share net was $12.29 compared with $12.25 at Dec. 31.

81.4% was invested in stocks, and 18.6% in cash and U. S. Government securities.

TELEVISION-ELECTRONICS FUND, INC.

11th Quarterly Dividend

The Directors have declared a dividend of 15 cents a share, from net investment income, payable July 28, 1951, to shareholders of record July 16, 1951.

Chester D. Tripp
President

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The Impact of Higher Taxation On Commercial Banks

By MORRIS A. SCHAPIRO*
President, M. A. Schapiro & Co., Inc., New York City

Pointing out, because of low rate of return on capital, taxing banks on same basis as other corporations is making bank shares unattractive to investors, and therefore banks are unable to obtain needed capital, Mr. Schapiro contends the new tax provisions penalize growth of needed commercial banking. Criticizes Excess Profits Tax provisions relating to banks.

Commercial banks are essential to our dynamic economy. They give efficient service at low cost to individuals, to business, and to government.

Morris A. Schapiro

As a result of the inflationary trend of our times, banks have experienced an unprecedented growth of deposit liabilities and risk assets. Thus, in 1950 loans of insured banks expanded $11.0 billion or nearly 22%. At the end of 1950 their total loans had reached $61.6 billion, an expansion of $31.2 billion or 102% in five years. These changes in the banking scene increase the importance of capital for all commercial banks.

These banks are subject to the same Federal income tax laws as other privately owned corporate enterprises. In banks, however, compared with other businesses, the rate of return on capital after taxes is low. Because of this low return, investors are not attracted to banking, and banks, therefore, are finding new capital difficult to obtain.

Federal taxation denies investors fair hire for the very money which enables commercial banks to operate as private enterprises. The withdrawal of existing capital is actually taking place, as evidenced by the increasing number of bank mergers throughout the country. Tax laws allow little incentive for shareholders to approve proposals for additional capital, now of increasing importance to banks serving an expanding economy.

The adverse effect of Federal taxation bears heaviest today on those banks in greatest need of capital. These are banks whose growth in loans and deposits has been greater than average. Country banks and city banks alike, they are the banks which have developed the broadest contact with the public, merchandising their services most effectively and generally providing a retail type of operation. "Brown derby banks," they serve individuals and small businesses as well as larger customers. Expanding business has placed them in this need of new capital, and their problems, therefore, are of concern to bank managements as well as government banking authorities.

Federal taxation blocks many large and small banks from access to new capital and seriously handicaps others. Nevertheless, State and Federal banking authorities, alert to the shrinking capital ratios resulting from the increased deposits and loans of today, are properly recommending additional capital for many banks. The problem centers in the same market place where prime bank shares of unquestioned asset value still continue to sell at discounts from book values. The dominant reason for "banks at a discount" has been, and is today, their low earning power.

Taxes Force the Discount

True, expanded business of the banks has increased their gross income. But salaries, wages, and related benefits are higher. There are pension costs. The total of interest paid, rents, supplies and other expenses are up. Exclusive of State and Federal income taxes, operating costs of all insured commercial banks in 1951 are expected to be 73% above 1945.

In competition for deposits and loans, banks have had little to say over the price of their services. Since 1945, they maintained their income by doing more business each year. Banks steadily increased their risk assets, but also reduced their liquidity. Most of the added income merely overcame the added costs.

Now with the full impact of Federal taxation, the rate of earnings on stockholders' money is unfairly low despite the expanded services and risk assets which the banks have had to assume. It is a case, as the Red Queen remarked to Alice, of "taking all the running you can do to keep in the same place." But from these low and hard-won earnings, one must deduct the losses which the future alone will disclose. When these are known, the extent to which banks are now living on their capital will then be told.

Banks have not been as successful as industry in passing on to their customers the rising costs which all have experienced. Under these circumstances, taxes force the discount on stockholders' money, thereby penalizing all stockholders.

New Capital Unprofitable

New financing can only be effected at or below these depressed quotations. To obtain additional capital, banks are compelled to accept less than fair value for their shares, and then the pro-rata rights to subscribe at these low prices are traded in pennies, if not quoted as worthless. Current and prospective earnings, not asset values, create this difficulty.

Recently, in the case of a nationally prominent bank where additional shares were offered to stockholders, the price was set at 70% of book value. To the extent that stockholders were unable or unwilling to take up their subscription rights, new partners were taken in through the sale of shares at a discount from book value. In addition to sacrificing part of their equity, the old shareholders found their earnings diluted.

To attract new stockholders, the cash dividend return or yield for these new partners was nearly 5%, whereas the rate received by old stockholders on their book value had been less than 4%. This was clearly a penalty, a general acknowledgment that bank earnings are too small. In other bank financings, old stockholders were penalized even further. Moreover, in many banks they will soon discover that Federal tax laws prevent this new capital from earning its dividend requirement and that they will, in effect, be making good the dividend on the newly issued shares.

Stockholders who approve proposals for capital increases do so believing that the future of their banks and the needs of the community are being served by this strengthening of capital. But the limitations of present Federal income and excess profits tax laws on earnings make these proposals unprofitable. They are only now becoming alerted to this costly situation. Government taxing authorities must recognize bank capital as worthy of its hire, if demands of the banking authorities for stronger capital structures are to be met. New financing to meet these demands will have to wait for favorable conditions.

Banks in Critical Impasse

Banks seek capital to keep pace with expanding business. The importance of this new capital is recognized. Bank capital functions in the public interest because it is a guaranty fund protecting the people's deposits against impairment. By making loans to individuals and business possible, bank capital keeps commerce free and flowing. Bank capital needs every encouragement and safeguard to assure its sound and steady growth.

To attract and retain capital, banks must have adequate earning power on their stockholders' investment. This they do not now have. If they did, their shares would not be quoted at less than book value. The effect of Federal taxation is penalizing. Low earning power continues "banks at a discount." This discount which the market places on stockholders' money makes proposals for new capital costly, and often prohibitive, and creates a critical impasse for banks.

Federal tax laws define excess profits. Banks are paying taxes on their "excess profits." The question is asked, how can banks have "excess profits" when their shares are quoted at heavy discounts? The answer is—banks do not have profits which are excessive, and the excess profits taxes they are compelled to pay keep them at this discount. This is true,

First: Because of their low earnings on book values, bank shares were quoted at discounts in the years prior to the Excess Profits Tax Law of 1950. Poor base period average earnings and technical inequities place banks at a basic disadvantage in comparison with other industries. Banks generally did not have high "average earnings" for their base period years as did industrial and manufacturing corporations. Most banks must therefore use the alternative "invested capital" method in computing their exemption from excess profits taxes. Under this method corporate earnings are defined "excessive" when they exceed certain rates on invested capital. The basic exemption from excess profits taxes for banks, unlike most industrial corporations using "average earnings," is small in relation to book value or invested capital. Hence bank stocks continue at their discount from book value.

Second: Normal or non-excessive bank earnings, which are not subject to excess profits taxes, are subject to combined normal and surtaxes of 47%. Such normal or non-excessive earnings as defined by the tax laws are calculated **before taxes.** But in the eyes of investors, and in the market place, meaning is given only to what is left of normal earnings **after taxes.** The rates allowed on invested capital of 12%, 10% and 8% appear adequate, but after regular taxes of 47%, the net of 6%, 5% and 4% is no longer adequate. This earning rate of 4% is too low to hold capital, let alone attract new investors. Investors making comparisons with the regulated public utilities, know that public service commissions have always recognized 5½% after taxes, and

Continued on page 32

*A statement of Mr. Schapiro filed with the Senate Finance Committee in connection with its hearings on the pending tax bill, H.R. 4473, Aug. 2, 1951.

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Continued from page 4

Silver Marks Time

ver therefore constitute a major potential influence on the market both directly and through the influence which the existence of these powers may have on the policies of Mexican authorities.

From October, 1942 through 1945, Treasury silver was sold to help industry. Prior to the Act of July 12, 1943, only a relatively small amount of "silver bullion ordinary" was sold, less than five million ounces. This was silver contained in gold shipments, recovered from mutilated coin, and from the regular melting and coining processes. It was sold at 45c an ounce. Under the 1943 act through 1945 the Treasury sold, at 71.11c an ounce, more than 167 million ounces. Since 1945, the Treasury has sold 1,621,000 oz. of silver, almost all of it during the past few weeks.

Free Silver and Lend-Lease

The market, with an eye on possible Treasury sales, looks first at the so-called free silver in the Treasury. This silver, the counterpart of seignorage accruing to the Treasury under the silver purchase laws, is metal not required as backing for outstanding silver certificates. At this writing the free silver is a rather substantial amount—about 153 million ounces. Such subsidiary coinage needs as may arise while the Treasury possesses free silver are met out of that silver, rather than by the Treasury's entering the markets for more metal. In World War II the demand for subsidiary coins of the smaller denominations became very great, what with so much moving about of the population and the consequent need to have cash on hand. Inflation of prices also is reflected in gerater need for subsidiary coins. If we get into an all-out war with Russia, it is conceivable that all the free silver would be earmarked for the use of the mints and thus become no longer available to industry.

As compared with the 153 million ounces of free silver now in the Treasury, it is noteworthy that during World War II the minting of subsidiary coins consumed an annual average of 64 million ounces of silver. Unlike the war period, when newly-mined domestic and imported silver was channeled through various government orders away from the Treasury and into industry, today newly-mined silver is in large part coming to the Treasury for reasons already discussed. In this way 3 million ounces monthly are coming to the Treasury. Lend-lease silver could be an additional substantial source of free silver, but this is not likely to develop in the near future.

Under the Act of March 11, 1941, as amended, nearly 411 million ounces of free silver were supplied to eight foreign governments for coinage and war uses. The various lend-lease agreements set time limits for the return of the silver ounce-for-ounce, the limits being five and in some cases seven years after the end of the then-existing emergency as determined by the President. Such determination having not yet been made, the return of the silver is not in sight. Of the 411 million ounces thus lend-leased during the war, only the 261,333 ounces lend-leased to Belgium has been replaced.

The responsibility of securing and of repaying an equivalent amount of silver rests with the countries which received the lend-lease silver. It is unofficially reported that several of the lend-lease governments have been taking steps to assemble silver to meet their obligation to the United States. Silver coins have been demonetized and in some cases base-metal coins have been substituted. In others the fineness of the silver coins has been lowered. Apart from Belgium, which has repaid, lend-lease silver obligations are as follows (in ounces):

Australia	11,773,093
Ethiopia	5,425,000
Fiji Islands	196,364
Great Britain	88,073,878
India	225,999,904
Netherlands	56,737,341
Saudi Arabia	22,347,431
Total still outstdg.	410,553,011

When the repayment proviso was inserted in the silver lend-lease agreements at the instance of silver Senators, presumably it was believed that, as in the case of Pittman Act silver after World War I, the world silver market would benefit by the debtor governments going out and buying silver to be turned over to the United States. The actual effect has been to encourage the demonetization of silver on a wide scale, even in India, where since time immemorial silver has constituted the principal money metal. Lend-lease countries have not gone out into the market to buy silver, but have taken the metal out of circulation instead.

India reportedly has withdrawn from circulation much more than enough silver to repay its lend-lease obligation to the United States. Great Britain is believed to have similarly accumulated approximately one-fourth of its 88 million-ounce obligation. The Netherlands is believed to be holding the greater part of the lend-lease silver coins it received from us in their original form. It was found that, when the coins were paid out, they were hoarded. Therefore, issuance was stopped.

Since replacement of the lend-lease silver is not required until some time in the indefinite future, it is not expected in Washington that other countries will follow Belgium's example. The history of inter-governmental war debts is bound to inspire hope that somehow, if one just waits, it will become unnecessary to pay up.

Busbar Silver

During the war the Treasury leased silver bullion to the Defense Plant Corp., a U. S. Government agency, and others to a total of 902,622,278 ounces. Of this, nearly 402 million ounces is still so held. The greater part of the last-mentioned silver is in use at the Atomic Energy Commission's Oak Ridge plant. On the Treasury's books about 350 million ounces of the silver at Oak Ridge is entered as reserve against outstanding silver certificates and some 51 million ounces as free silver. It would take only a book-keeping entry, however, to classify the 51 million ounces as certificate-reserve silver and simultaneously to release an equal amount of silver now held in certificate reserve. The busbar silver therefore does not affect the position of the Treasury as a potential seller of silver.

Mexican Control of Market

With the U. S. Treasury sitting on the largest hoard of silver ever accumulated by any nation, Mexico, the world's chief silver mining country, with the collaboration of Cuba in regulating its sale of demonetized Cuban pesos, has latterly been able to control the market price of foreign silver in New York. The Mexican authorities bring about the desired price of silver not only by regulating the exportation of the metal, but also through having the Bank of Mexico buy silver from time to time. The outlines of Mexico's silver policy last year may be traced in Handy and Harman's 35th annual review of the silver market for 1950. There we read, for example, an explanation of the increase in the price of silver in New York from 73 cents to 80.25 cents an ounce last October.

"During October demand reached a point where daily offerings of metal from current production were seldom enough to satisfy buyers, and other sellers with available stocks were regularly filling a large portion of the market's needs. Therefore, when it was announced on Monday morning, Oct. 23, that at Mexico was no longer willing to make sales from accumulated stocks, and when it further developed that Spanish and Cuban silver was also temporarily unavailable, producers were presented with an unusually heavy demand. Offerings on that day at 73c. were wholly inadequate, and eventually buyers found it necessary to pay 78c. in order to satisfy their requirements. The next day a more moderate advance carried the market to 80.25c. per ounce."

Las November the director of the Bank of Mexico disclaimed charges that Mexico had driven the price up. Mexico, he explained, was merely seeking stability in silver. Yet this summer, when Mexico announced suspension of silver exports for the rest of 1951, the New York price, which had recently sagged to 87.75c., promptly climbed back to 90.16c., an instance of market influence, at least.

Revived Agitation for Repeal

The Silver Users Association has more than once publicly complained of Mexico's control of the silver market, citing that control as a reason the American silver purchase laws should be repealed. There is little question about Mexico's policy of "keeping the market orderly," at as high a level as possible. Obviously, Mexico does this in her own interest as the world's largest silver-mining country and thus, on net balance, a seller of silver. The question at issue is whether such stabilizing activities are in the interests of the United States as well. Here there is a division of interest between American silver users and American mining interests operating at home as well as abroad. A high world price makes this subsidy to American miners less conspicuous.

When on Jan. 5, 1951, Mexico and others failed to offer any silver on the market and the price, as in October, 1950, had to be raised, Admiral Ramsey, the legislative counsel of the Silver Users Association, in a press release stated that "it is more than ever necessary to seek the repeal of the silver purchase laws which guarantee a fixed price to the producers of silver in this country . . . This annual production is not needed by the Treasury, nor is it necessary for monetary use. It is needed by the industrial users and would go a long way toward breaking the strangle hold enjoyed by foreign governments and producers on the silver market."

In an earlier press release the Admiral quoted, from a Nevada newspaper, a statement made by the general manager of the Sunshine Mining Co. which suggests that the U. S. mining industry is not disturbed by Mexico's silver activities. That statement reads: "Mexico, the number one silver producer, is doing a very good job in stabilizing the market for its product. A variable part of the country's production goes to domestic coinage, more when the market is weak, less when it is strong. The Mexican Government maintains an office in New York which buys up excess silver and sells when the demand is heavy."

Conclusion

So long as the vast U. S. silver stock continues to be held chiefly as security for outstanding paper money, while the mints supply an assured market for newly-mined domestic silver at a favorable price, Mexico, as the largest silver producer and as a large user of silver coins at home, will continue to be in a position to stabilize and regulate the world market for the silver which industry draws upon for its raw material.

The domestic industrial market may be eased by a change in the OPS ceiling on domestic newly-mined silver, as fabricators point out. During World War II steps were taken by the production and price control authorities to ease the supply problem of silver users.

But there is no sign of any effort, not even a feeble effort, to strike the silver purchase laws from the books; much less, to reduce the supply of silver held by the Treasury as certificate reserve.

Savings Growth Exceeds Rate of Spending

Institute of Life Insurance study reveals ratio of long-term personal savings to consumer expenditures has shown almost uninterrupted increase in last three decades.

According to a recent bulletin of the Institute of Life Insurance, despite the growth in spending that has occurred in recent years, the American people have continued to do an outstanding job on the thrift front by adding steadily to their basic "nest egg" in life insurance and other forms of long-term savings.

This evidence of the strength and persistence of the thrift habit among the people at large, the Institute notes, is of particular importance at this time in view of the need for a greater personal savings effort to help meet the underlying inflationary pressures arising from the size of the rearmament program. It is significant to note, in this connection, that individual savings showed a marked increase in the second quarter of this year, according to preliminary estimates, in contrast with what happened during the scare buying after Korea.

Extent of Growth

The volume of personal savings has been growing steadily from as far back as records are available, except for a brief period in the early 30s. Two outstanding results of this trend are—Accumulated long-term savings of individuals, which exceeded $176 billion at the end of 1950, are now the equivalent of approximately $4,000 per family as the average of the nation's 44 million families. This amount is close to two and one-half times the comparable per family figure of about $1,700 a decade ago, at the beginning of World War II, and is more than four times the corresponding figure of approximately $950 in 1920. The growth in savings per family has run far ahead of the rise in prices in the last three decades, the "real" increase amounting to nearly 250% for the period as a whole and 38% for the last decade alone.

Furthermore, these accumulated individual savings of a long-term nature, as distinct from ready cash or its equivalent, are now equal to nearly a full year's personal consumption expenditures of all the people. At the end of 1950, for example, the people as a whole had more than 90 cents in long-term savings alone, not counting other assets, for every dollar that was spent for goods and services during the year. Comparable ratios this high or higher are found only during the World War II period and since, and the extent of war-caused shortages must be taken into account in the saving-spending patterns and relationships in the years from 1943 through 1947.

Comparison With Spending

Of more than usual interest, also, over the long view, is the fact that accumulated long-term savings have been showing a far more rapid rate of growth than consumer expenditures. Taking the 30-year span from 1920 to the present as a whole, accumulated long-term savings show a gain of approximately 650% for the period. As against this, total consumer expenditures in 1950, even with all the rise in prices and the buying stampede that occurred after Korea, were only about 200% greater than 1920.

Accumulated long-term savings of individuals consist of U. S. Savings Bonds, savings deposits, Postal Savings, savings and loan accounts, and net funds accumulated behind life insurance policies. They do not include currency, checking accounts, or other assets. Net funds accumulated behind life insurance policies are distinct from the face value of all the life insurance protection owned by the people which currently amounts to $243 billion in the aggregate.

Showing of Savings Bonds

An analysis of the individual types of savings comprising the long-term series shows that U. S. Savings Bonds have enjoyed the most spectacular growth of all. At the end of last year the people as a whole owned an estimated $50 billion of these bonds as compared with relatively nominal amounts outstanding before the outbreak of the last war. The government is planning to run a new Savings Bond campaign next month as part of its program to stimulate savings and to help fight the threat of inflation.

New funds accumulated behind life insurance policies have shown a 10-fold growth in the last three decades, increasing from $5½ billion in 1920 to $54 billion at the end of 1950. Savings in savings and loan accounts, amounting to over $14 billion at the end of last year, were approximately eight times greater than the 1920 total. Combined savings deposits in mutual savings and commercial banks aggregated $55.1 billion at the end of 1950 as against $15.4 billion in 1920, a rise of some 250% in the period.

The following table, compiled by the Institute of Life Insurance, shows how accumulated long-term savings of individuals have grown faster than personal consumption expenditures (in billions of dollars), and the relationship between the two, for selected years from 1920 to the present:

Year	Accum. Savings	Consumer Expend.	% Rates
1920	$23.5	$64.3	37%
1925	36.6	70.1	52
1930	48.3	70.8	68
1935	45.6	56.2	81
1940	59.1	72.1	82
1945	136.0	123.1	110
1946	147.1	146.9	100
1947	155.7	165.6	94
1948	162.7	177.9	91
1949	169.7	180.2	94
1950	176.1	193.6	91

Sources: Home Loan Bank Board; U. S. Dept. of Commerce; Institute of Life Insurance.

Two With Cons. Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Agatha H. Starolis and Jacob Goldschmidt are with Consolidated Investments Incorporated, Russ Building.

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Bank Loans and Inflationary Trends

Preston Delano in 1950 Annual Report says there is much misunderstanding regarding causes of recent inflation. Points out it is not due entirely to $8½ billion expansion of bank loans in last half of 1950.

In his recently released Annual Report covering the year 1950, Comptroller of the Currency Preston Delano gives his views of the causes of the inflationary trend in the nation which was manifest particularly in the latter half of the year. In this connection, the Comptroller stated:

Preston Delano

"In the domestic economy of the United States, undoubtedly the most significant fact of the year 1950—particularly the second half—was the inflationary trend at an accelerating tempo. The subject of inflation — its causes, course, prevention, curbing, and effects—has been discussed in millions of words within the last year. Every aspect of the problem has been extensively studied, and the results of that study have been presented to all levels of political and economic activity. Nevertheless, our realization of the basic importance of this matter should never become dulled, despite frequent reiteration. It is not too much to say that, in addition to being grossly and arbitrarily unfair to large segments of the population, inflation weakens the spirit of energy and initiative which is responsible for our nation's economic preeminence. It discourages planning and saving by individuals and businesses. Despite its temporary hectic stimulation, it introduces an element of uncertainty which undermines the sound foundations of efficiency and an expanding future.

"There appears to have been much misunderstanding regarding the causes of the recent inflationary rise, and a failure to grasp the relative force of various factors and their interrelationship. When effective demand for goods and services increases, there is almost certain to be an increase in price levels unless the supply of goods and services can be increased at a rate sufficiently rapid to satisfy the expanded demand. In 1950, this was not the case. We have relatively little idle productive equipment; we were already using some raw materials as fast as they could be produced; and the pool of available additional manpower was comparatively small. In these circumstances, prices were certain to rise as people had more money to spend and were willing to spend it.

"What were the means by which the increased demand was made effective? There has been a tendency to oversimplify this problem by attributing the inflationary movement largely to the $8.5 billion expansion in bank loans during the latter half of the year. For some reason, it has been customary to overlook the fact that effective dollar demand is made up of two factors—not only the absolute volume of money (credit as well as currency) available, but also the velocity of the turnover of that money.

"The outbreak of the Korean conflict, and various crises since that event, stimulated waves of buying in excess of immediate needs, because individuals and business concerns anticipated both higher prices and shortages of desired materials and products. As a result, money which had been idle became active, and money generally passed from hand to hand, from account to account, more rapidly. This utilization of idle funds and more rapid turnover would have exerted an upward pressure on the price structure even in the absence of any increase in the quantity of money in bank accounts, tills and pockets.

"In fact, however, the volume of available money also increased. As indicated previously, there was a substantial increase in bank credit during the second half of 1950, and some portion of this undoubtedly made its contribution to the inflationary advance.

"A relatively small part of bank credit expansion during 1950 reflected the financing of defense-engendered conversion or construction of plants and equipment. A certain portion of the expansion undeniably was due to the widespread impulse, already mentioned, to increase business inventories beyond normal volume and to buy consumers' goods in advance of actual need. The origin of this impulse was the fear of higher prices and the possibility that restrictions on civilian production might create shortages of raw materials and finished products. This was evidenced, in the field of banking, by the abnormal volume of loans to manufacturers, distributors, and retailers for the purpose of building up inventories of raw material and finished goods.

"However, it should be emphasized that, as a result of higher price levels, a large part of the increase in commercial bank credit was due to the need of regular customers for abnormal credit to carry normal inventories. It would be unreasonable to expect a bank to place a 1949 ceiling on its customer's 1950 borrowings, thereby forcing him either to curtail normal operations or to seek another source of credit for his legitimate and uninflated needs.

"The foregoing discussion is intended to present bank credit expansion in its correct perspective as one factor — although by no means the sole or even chief factor—contributing to the rise in price levels during 1950. By providing a part of the means for premature and excessive purchases, in an economy already pressing against its productive-capacity ceiling, some lending by banks was adding to the pressure in the inflationary engine.

"It is noteworthy that the growth in loan volume occurred among national banks of all sizes, but was somewhat more pronounced among the very largest city banks, probably because the greatest credit demands during the year came from major industrial and commercial concerns, which dealt primarily with the larger banks, capable of furnishing credit in the required volume. Thus, of the 4,965 banks in the national banking system, the 126 banks with deposits in excess of $100,000,000 held 63% of the total loan volume, but originated 70% of the loan increase during 1950 ($3.8 billion out of $5.4 billion total). At the other extreme, the 4,535 national banks with deposits of less than $25,000,000, which hold 23% of total loans, were responsible for only 14% of the loan increase in 1950.

"Without doubt, many banks spontaneously exercised restrictive lending policies in an effort to do their share toward maintaining a stable economy, regardless of the excesses of others. The situation, however, called for a more concerted and cooperative effort.

"Starting in July, steps were taken to stem the tide of credit expansion growing out of and aiding inflated economic activities. Certain restrictions on mortgage financing guaranteed or insured by the Federal Housing Administration or Veterans' Administration were placed into effect, in that month, in order to conserve building materials needed for national defense. In September Federal Reserve Regulation "W" again became effective, thereby restricting instalment credit. In October an additional curb was applied, through Federal Reserve Regulation "X," upon credit for new residential real estate. However, despite the relatively severe character of Regulation "X," a high volume of new mortgage activity continued through the late months of the year.

"In August the Federal and state bank supervisory authorities issued a 'Defense Loan Policy' statement and requested banks and other financial institutions to decline to make loans that might be used for speculative purposes or otherwise interfere with defense requirements.

"Also in August the Board of Governors of the Federal Reserve System increased the discount rate from 1½ to 1¾%. However, the direct effect of this step was necessarily limited, because — despite greatly increased loan accounts — banks were borrowing very moderately from the Federal Reserve System and correspondent banks. The total of such indebtedness of national banks at the end of the year was less than $80 million.

"In the nature of things the various steps taken during the last six months of 1950 to check the expansion of credit could have comparatively little immediate effect. Joined with that of other essential anti-inflationary measures, however, they provided the groundwork for further efforts in 1951, which are becoming increasingly effective as this report is written.

"In any economy undergoing a substantial degree of inflation and loan expansion, credit hazards are definitely increased. During periods of expanding activity and rising prices, almost everyone's credit appears to be good, at least on a short-term basis. It is to be hoped that fewer bankers have lost sight of this basic principle during the past year than have done so in our earlier inflationary experiences. Nevertheless, when the international situation becomes more settled, more than a few borrowers, and their banks, may be confronted with definite loan repayment problems.

"Despite such hazards, which are perhaps unavoidable in a free-enterprise system, it is believed that the national banking system of the United States, at the mid-point of the twentieth century, is adequately equipped—in its sense of public responsibility as well as in numbers, personnel, organization, and resources—to discharge creditably its vital functions in our dynamic economy."

Shaver Cook Grobert New Firm Name

ST. PETERSBURG, Fla.—Shaver and Cook, Florida Theater Building, have announced that Carl W. Grobert became a general partner as of Aug. 1, 1951, and the firm name will now be Shaver, Cook & Grobert.

Mr. Grobert has been in the securities business for the past 20 years, and was formerly associated with such firms as Halsey, Stuart & Co. Inc., A. C. Allyn, J. Arthur Warner & Co., and his last connection before coming to Florida was with Edelmann & Capper. He has been a resident of Florida for the past two years, making his home in St. Petersburg.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Operating results of commercial banks for the first half of the current year were generally favorable. Despite increased operating expenses and the necessity of providing a larger portion of operating income for Federal income taxes, most banks were able to show earnings equal to or above those of a year ago.

With a good six months now past the question arises—what about the prospects for the second half?

This question can be answered, in part, in terms of the outlook for general business. In other words banking operations reflect and depend for their stimulus upon business. If business maintains a high level of activity, bank operations should continue to show favorable results. If business activity turns down, this would also be reflected in banking operations.

At the moment there appears to be a contradictory situation wherein there is a recession in the midst of a business boom.

In the important consumer goods markets, supplies for the first time in over a year have caught up with sales. In fact, sales of items such as television sets, automobiles and refrigerators have slowed down considerably from recent rates and in some cases are below a year ago.

A similar situation exists in textiles and as in various consumer durable goods, price reductions and cut backs in operations have been made to bring a better balance to inventories.

On the other hand, activity in the field of capital goods, such as steel, copper, aluminum, chemicals and machine tools, is being maintained at a very high level.

This paradoxical situation is unusual for business. A high rate of capital investment such as is taking place currently is usually accompanied by strength in retail sales. The explanation for this condition probably lies in a number of factors.

The scare buying of last summer and fall was unusually high and probably was borrowed from current business. A large part of current income is likely committed to repay instalment and mortgage debt. The threatened shortages of last year have failed to develop and the current high prices have resulted in people spending less freely. Also, higher income taxes have reduced the spendable income of many people.

Most of these factors are of a temporary nature. The plant and equipment expenditures of industry are scheduled at a record rate through the remaining months of the year. At the same time, outlays for defense will be increasing at a rapid rate and influencing business activity to an increasing extent. Barring some major reversal of trend, business activity should remain at a high level through the remaining months of 1951 and in 1952.

Under these conditions bank loans should remain high. In fact seasonal influences are likely to be an important influence over the next several months and some expansion in loans to supply the normal business needs is expected. With bank loans now near the peak it is probable that a new record in loans will be established.

The expansion this fall, however, should be considerably less than that of last year. A large part of the huge expansion in bank loans between July and December, 1950, was the result of rising prices and the accumulation of inventories. In recent months inventories have declined from previous record levels. In some cases, however, they still appear to be in excess of actual needs, especially at the retail level. While some further adjustments in stocks is likely, it is believed that a decline here will be largely offset by rising inventories for defense purposes.

Thus while the period of rapid expansion of inventories is over, stocks should still be maintained at a high level necessitating a large volume of bank credit.

As the defense program accelerates over the next few months, the current price weakness in some products is likely to disappear. Price controls, material allocations and higher taxes, however, should help to keep prices down, so that the sharp price advances which occurred last year is not likely to take place again.

Thus increasing prices which was one of the main factors tending to increase bank loans last year will not be so important in the next six months.

All in all, the factors which were primarily responsible for expansion of bank loans last year—inventory accumulation and rising prices—are not present today to the same degree as they were a year ago. While some further increases in loans to finance increased production resulting from the acceleration of the defense program and normal seasonal business gains, the expansion should be relatively modest and considerably below that of 1950.

With a continuing high level of loans and improved interest rates over those of last year, operating income of the banks should show further gains.

Final results for the year will be determined to a large extent by the nature of the Federal income tax bill. Current indications are, however, that unless the tax is more severe than now anticipated many banks will be able to carry through to net income, some gain in earnings.

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Canadian Securities

By WILLIAM J. McKAY

According to the mid-year review of the Canadian Bank of Commerce, contained in its "Monthly Commercial Letter," the past six months have seen fundamental changes in the Canadian financial world. In the view of this leading institution, the major development has been the checking of the monetary expansion of the past five years. The transition from an era of cheap and abundant credit to one of relatively scarce and dearer credit has been accomplished rapidly but the effects of this change, it is contended, have not yet been felt by large sections of the community. It is the result of a series of complementary moves. The rediscount rate of the Bank of Canada was increased last year and consumer credit regulations, together with control of building supplies, were employed during the closing months of 1950. Toward the end of last year, the Bank of Canada began to allow the market to exercise an increasing influence upon bond yield rates. These moves, however, proved to be insufficient by themselves to check the large inflationary forces growing out of the Korean situation, and, as in the United States, in February the Bank of Canada announced a program of credit curtailment designed to restrict the increase in bank credit. About the same time, consumer credit regulations were made more rigorous. The new Canadian budget contained announcements of increased excise and sales taxes as a further check on inflation.

All these moves indicated an integrated economic program with the United States. The success of the United States authorities in checking the rate of increase in their domestic price level and in exercising a mitigating influence upon the prices of internationally traded goods, according to the view of the Canadian Bank of Commerce, has made easier the task undertaken in Canada.

Due to the restrictive monetary policy, the supply of funds for investment in Canada has lagged behind demand and the narrowing of the spread between bond and stock yields has served to attract funds from the stock to the bond market. Investors appear to be seeking a relationship between bond and stock prices which will take account of increased corporation taxes and generally dearer money.

The reversal of the nation's foreign trade balance is attracting increasing attention in Canada. In 1950, Canada had a current account deficit amounting to $316 million, the first since 1933. During the first five months of 1951 the deficit on merchandise account was $300 million. While foreign exchange reserves increased sharply in 1950, the continuing unfavorable balance of merchandise trade during the first six months of 1951 has resulted in a decline in the amount of those reserves.

The Canadian new federal budget, like that of United States, did not contain any fundamental changes in the tax structure. Income taxes were increased by the addition of a 20% surcharge, corporation taxes were raised to about the 50% level, and the existing sales tax of 8% was raised to 10%. In addition, excise taxes were increased, but more with a view to checking purchases of goods containing essential materials than raising revenue. Depreciation allowances were suspended for a period of four years on all assets created after April 10, 1951, with certain exceptions for basic industries. All in all, the budget may be considered to restate the pay-as-you-go policy formulated in 1939 and to add the feature of flexible financial deterrents to consumer and business spending. The budget thus is an integral part of anti-inflationary policy.

In the view of the Canadian Bank of Commerce, revenues at the rate of the elapsed part of the year indicate there will be a considerable margin over budgeted expenditures, and while the greater part of defense production commitments, budgeted at some $1.3 billion for the current fiscal year, may well be *contracted for*, there is a likehood that this amount will not actually be translated into production. Actual expenditures, therefore, seem likely to be such as to result in a year-end surplus greater than the $30 million anticipated in the budget.

Full recognition is given to the inflationary pressures in the current Canadian financial situation. Thus, it is stated: "The scheduled increase in defense spending, the momentum of which may be expected to increase in the months ahead; a tightening labor situation with the concomitant increase in wage scales provided in new wage agreements and a steadily increasing labor income resulting therefrom and from full employment, all have an inflationary significance. Furthermore, shortages of all raw materials, which seem likely to become more acute as defense production expands, will have an unfavorable impact on the domestic stockpile of consumer goods. Unless a very delicate balance can be achieved between the restrictive effects of monetary and fiscal policy and the inflationary forces arising out of a protracted defense program, inflationary pressures in North America will continue to complicate the economic progress of the Western world.

"A failure to divert increasing purchasing power from a stable or declining volume of consumer goods to armaments and capital goods will upset stabilization policies. If the total of government spending and of investment in capital goods exceeds the total of taxes and saving, the deficiency can only be financed by expanding the money supply, which action provides the community with purchasing power, but does not result in an increase in the supply of consumer goods. In this situation, economy of expenditure by all levels of government, credit restraint, taxation and savings will assist in the achievement of economic stability."

The conclusion drawn by the bank is that "at the mid-year, it would be unrealistic to assume that, because the international political tension has eased, the Western nations can relax and neglect the implications of the defense economy in which we have elected to live. There seems every indication, moreover, that the Canadian economy will become more rather than less sensitive to international events."

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Thomas King to Join Dempsey-Tegeler Co.

Thomas E. King

CHICAGO, Ill.—Thomas E. King will join Dempsey-Tegeler & Co., 209 South La Salle Street, about Sept. 1, it is reported, and the firm of Thomas E. King & Co. will be dissolved.

FHLB Notes on Market

Public offering of $73,000,000 Federal Home Loan Banks 2.20% Series C-1952 Consolidated Notes, non-callable, dated Aug. 15, 1951 and maturing Feb. 15, 1952 was made on Aug. 7, through Everett Smith, fiscal agent. The notes were priced at par.

The purpose of the issue is to refund in part $116,000,000 Series C-1951 Consolidated Notes maturing Aug. 15, 1951. Of the $116,000,000 notes maturing, $43,000,000 will be redeemed with cash.

Upon completion of the financing, outstanding consolidated obligations of the Federal Home Loan Banks will have been reduced to $504,500,000 from the $547,500,000 currently outstanding.

A new departure in the delivery of the notes is being made with the current issue, Mr. Smith said. In the past, he stated, delivery of notes was made only at the Federal Reserve Bank of New York, but delivery of the current issue will be made at the Federal Reserve Bank of Chicago, as well as at the Federal Reserve Bank of New York.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Charles W. Nichols, Jr., President of the Nichols Engineering & Research Corporation, has been elected a director of the **Corn Exchange Bank Trust Company, of New York.**

* * *

The National City Bank, of New York, announced on Aug. 6 opening of its new 91st Street Branch at the northeast corner of 91st Street and Madison Avenue. This branch replaces the former Upper Park Branch, located for 21 years at 96th Street and Park Avenue. The new branch, in its own modernly equipped building, will be in charge of Manager Clarence V. Horan, who held the same post in the Upper Park Branch.

* * *

Horace C. Flanigan, Chairman of the Board of Directors of **Manufacturers Trust Company, of New York,** announced on Aug. 6 that Harry C. Kilpatrick, Charles Hill Jones and Eugene S. Hooper, have been advanced to the newly created office of Senior Vice-President. Mr. Kilpatrick, a Director of the bank, as well as a member of its General Administrative Board, began his banking career with the Manufacturers Trust in 1933. He was made an Assistant Vice-President in 1937 and a Vice-President in 1938. He is a Trustee of the Harlem Savings Bank, Director of the New York Dock Co.; the Forma Corporation; Bing and Bing, Inc., etc. Mr. Jones, a member of the General Administrative Board, became associated with the trust company in 1932 when the Chatham & Phenix National Bank and Trust Company was merged with Manufacturers Trust. He is a Director of the Seaboard Fire Marine Insurance Co.; Taylor-Wharton Iron & Steel Co. and the Hershey Creamery Co. Mr. Hooper began his banking career with the old National Bank of Commerce of New York and became associated with the Manufacturers Trust Co. in 1929. He is a native of Dallas, Texas.

* * *

The Belgian Chamber of Commerce and the Official Belgian Tourist Bureau are the joint sponsors of an exhibition of products of Belgium and the Belgian Congo currently on display in the windows of the **Colonial Trust Company's** Rockefeller Center office on Avenue of the Americas at Forty-Eighth Street, New York. Arranged as a tribute to the economic progress and development achieved by Belgium in the post-war period, the display will remain on view until early August. Arthur S. Kleeman, President of the banking house, announces that in conjunction with the exhibit, Colonial Trust Company will distribute another in its series of international monographs, "World Recovery Through Imports." Both the exhibition and the monographs are the outgrowth of several visits to Belgium by Mr. Kleeman and by Mario Diez, Vice-President in charge of the bank's International Division.

* * *

The Central Trust Company of Rochester, N. Y. on June 25 received approval to a certificate of reduction of capital stock from $2,200,000, consisting of 50,000 shares of preferred stock of the par value of $20 each and 60,000 shares of common stock of the par value of $20 each, and 60,000,000, consisting of 72,000 shares of common stock of the par value of $20 each. At the same time (June 25) the New York State Banking Department authorized the trust company to issue 3½% capital notes in the aggregate principal amount of $1,500,000.

* * *

On Aug. 1 William Fulton Kurtz, President of **The Pennsylvania Company for Banking and Trusts of Philadelphia** and C. John Birkmann, President of the **Northeast National Bank of Philadelphia,** announced that the board of directors of each institution has agreed to a merger of the Northeast National Bank into The Pennsylvania Company. The merger agreement is subject to the approval of the supervisory agencies and the stockholders of both banks. The Northeast National Bank presently has three offices located in the Holmesburg, Mayfair and Tacony-Torresdale sections. The effective date of the merger has not been announced, but it will probably be completed in the early fall. No change is contemplated in the personnel or in the services presently being offered by the Northeast National Bank.

* * *

Stockholders of **The Philadelphia National Bank and The Ninth Bank & Trust Co., both of Philadelphia, Pa.,** in meetings on Aug. 2, formally approved the consolidation of the two banks, subject to confirmation by the Comptroller of Currency. It is expected that the consolidation will become effective at the close of business on Sept. 21, and that the consolidated bank will open for business on Monday, Sept. 24. The consolidated bank will operate under the charter and name of The Philadelphia National Bank, as originally announced June 19.

Frederic A. Potts, President of The Philadelphia National Bank, announces that J. Wilson Steinmetz, President of The Ninth Bank & Trust Co., will be elected a Vice-President of The Philadelphia National in charge of branch offices in the Northeast section of the city, and that the officers and staff of the Ninth Bank will continue in the employ of the consolidated bank. Mr. Potts also stated that present directors of the Ninth Bank will serve as a local Advisory Committee. The consolidation will mark the entry by Philadelphia's oldest and largest bank into neighborhood banking with expanded facilities to do a trust, savings and safe deposit business. The consolidated bank will have combined capital, surplus and undivided profits of over $67,000,000 and total resources in excess of $800,000,000. In addition to its three centrally located offices, The Philadelphia National Bank will operate the five Ninth Bank offices. Stockholders of The Ninth Bank & Trust Co. will receive one share of capital stock of The Philadelphia National Bank for each five shares of The Ninth Bank & Trust Co held by them. Stockholders of The Philadelphia National Bank will continue to retain the share certificates they presently hold. An item bearing on the proposed consolidation approved in these columns June 28, page 2685.

* * *

As of July 31 the **First National Bank of Akron, Ohio,** increased its capital from $1,000,000 to $3,500,000 — the increase having been brought about by a stock dividend of $1,500,000 and the sale of $1,000,000 of new stock. Details of the plan whereby the capital is

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enlarged were embodied in information submitted July 5 by the bank to McDonald & Company of Cleveland, representative of the underwriters, from which we quote:

"On July 5, 1951, the shareholders of the bank approved an increase in the par value of the presently outstanding 200,000 shares of common stock of the bank from $5 per share to $10 per share and approved an increase in the number of authorized shares of the bank's common stock from said 200,000 shares with a par value of $10 per share to 350,000 common shares with a par value of $10 per share. The present outstanding 200,000 shares of the par value of $5 per share will be exchanged for new shares of common stock with a par value of $10 per share and 50,000 of the new shares will be distributed as soon as possible as a stock dividend to shareholders of record on July 5, 1951, in the ratio of one share for each four shares then held, and the balance of 100,000 of the new shares are being offered to holders of common stock of record on July 5, 1951, for subscription at $20 per share and at the rate of one share for each two shares of common stock held at that time. It should be noted that the stock dividend of 50,000 shares will be payable only to holders of the 200,000 shares outstanding prior to July 5, 1951. Upon the completion of the exchange (which is construed by the Comptroller of the Currency to be a stock dividend as to the increased par represented thereby) and of the 50,000 share stock dividend and of the sale of the additional 100,000 shares the bank will show a capital of $3,500,000 and a surplus of $3,500,000."

The bank has been a National Banking Association since April 1, 1947. Prior to that it was incorporated under the laws of Ohio and was known as **The First Central Trust Company.** Under that name it began operation on Jan. 15, 1934, as the reorganization of a bank of the same name originally incorporated in 1890 under the laws of Ohio as The Peoples Savings Bank Company.

* * *

The **Broadway National Bank of Nashville, Tenn.,** increased its capital effective July 20 from $300,000 to $500,000 by a stock dividend of $200,000.

* * *

The Board of Directors of **The First National Bank of Fort Worth, Texas** announce the election of Marshall A. Fuller as Chairman of the Board and J. Lee Johnson, Jr. as President; the elections will become effective Sept. 1.

* * *

The month of August marks service anniversaries of four members of the staff of **California Bank, of Los Angeles.** Two of them complete 30 years' service, viz: Gardner Turrill, Assistant Vice-President, and Richard J. Kruse, Assistant Cashier. George A. Elder, Assistant Manager of the Washington and Vermont Office, and Gordon C. Coombs, Head Office, begin their 26th year this month. Mr. Gardner Turrill joined the staff of California Bank as a messenger in 1921 and by 1924 had been elected Assistant Cashier in the Cashier's Department. In June, 1943, he was elected Assistant Vice-President, and in January, 1944, moved to the Banks and Bankers Department. Mr. Turrill is past President of the Los Angeles Chapter of the American Institute of Banking and the California State Safe Deposit Association. He has also served as Secretary, Group 5, California Bankers Association; Chairman, Committee on Education, California Bankers Assoication; Chairman of the Editorial Board, "Southern California Banker," and Chairman, National Public Education Committee of the American Institute of Banking. Other past activities include membership in the National Public Education Commission of the American Bankers Association, and member of the National Executive Committee of the National Safe Deposit Association.

Walter E. Allander, Assistant Vice-President of **California Bank, of Los Angeles** died July 30. He was 54 years of age. Born in Chicago, Mr. Allander was educated in California and began his business career with Hathaway & Company, San Francisco, in 1915. He had been a member of California Bank's staff since 1928, when he was appointed Assistant Manager of the Public Relations Department. He was elected Assistant Vice-President in 1931.

* * *

Mrs. Wanda Reed of **The Farmers & Merchants National Bank of Los Angeles, Cal.** has been appointed Chairman of the Women's Committee, Los Angeles Chapter, American Institute of Banking, for the coming year. Miss Mary Patakas, Bank of America, N.T. & S.A., is Vice-Chairman. The first meeting of the Women's Committee was held July 7, in the Garden Room of the Bel Air Hotel. The Committee is preparing the new educational program for the fall semester of the Los Angeles Chapter of the American Institute of Banking, which is the educational section of the American Bankers Association.

Victor H. Rossetti, President of **The Farmers & Merchants National Bank of Los Angeles, Cal.** recently celebrated his 40th year with the bank. Mr. Rossetti entered the banking business in 1893 with the Wells Fargo Bank & Trust Co. in San Francisco and on July 3, 1911, joined the Farmers & Merchants National Bank as Cashier. He was elected Vice-President in 1917 and in 1931 was elected President. Total resources of the bank as of June 30, last, amounted to $305,381,707, as compared with $294,413,568 a year earlier, Mr. Rossetti reported.

Nebraska Undertakes Advertising Program

LINCOLN, Neb. — The Bureau of Securities of the State of Nebraska has recently undertaken a test advertising program designed to probe into the field of advertising the services of the bureau and to promote public reliance on licensed dealers and their salesmen. As a result of this test a public relations program for the bureau is now being drafted with heavy emphasis on educating investors. Included in the Bureau's schedule are an advertising program using general circulation media, a direct mail advertising program aimed at specific groups, a new brochure explaining the services of the Bureau and an editorial program designed to give newsworthy and dramatic information to radio and newspapers.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

PEKIN, Ill.—George E. Glassford is with Waddell & Reed, Inc. of Kansas City.

Joins Eaton & Howard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Sherwood E. Bain has joined the staff of Eaton & Howard, Inc., 24 Federal St.

With Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Robert A. Benedict is with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of Treasury obligations continued to move towards, and in some cases through, the upper reaches of the trading range, and despite lapses here and there the tone of the market as a whole remains on the constructive side. Volume and activity are not too large and demand has been spotty but this is not dissimilar to what has been going on of late in government securities. Quotations showed a good recovery during the month of July, which is always an important period for the investment of funds, and it would not be surprising if some of these gains should be given up. Nonetheless, the pressure which had kept prices from getting away from their lows appears to have passed. To be sure, there is selling that must still be done, but it is quite likely to be less pressing and more orderly. This should have a not unfavorable effect upon the price trend of government obligations.

If there were market leaders, they were not too readily discernible, because of the selective type of the purchases and the thinness of the market. However, it seems as though the last two partially exempts, the 1959/62s, and the longest maturing taps would get a not too sure nod. The 1965/70s, the 1966/71s, the 1952 eligible taps also were in the running as was the longest bank bond, with the shortest issues not without attraction.

Market in Narrow Area

A not too active and not too broad government market continues to push prices through or against the tops of the established trading area. Demand is spotty and not too sizable for any of the issues that are being bought, but on the other hand, offerings are likewise limited, so that the tone of the market remains satisfactory. The decrease in offerings by holders of Treasury obligations is probably the outstanding feature in a market which is attempting to gain its equilibrium after a period of sizable liquidation by these same owners of government securities. The nonbank holders of long-term Treasuries, particularly the life insurance companies and savings banks, are going to continue to be sellers of these securities for some time to come. Nevertheless, there is no pressure to liquidate these issues now and this should result in a more orderly and stable market for government obligations. A piecemeal letting out of the securities that must be eliminated could be taken care of by the purchasers that are appearing from time to time in the market. This seems to be the answer to the current action of the government market. When prices show a tendency to soften, liquidation also seems to dry up, and the market is given an opportunity to recover its composure.

Bearish Attitude Persists

This negative kind of market, which is the way some operators characterize the present one, is not likely, however, to go too far in either direction, although there is still a not unimportant amount of bearishness around. It is believed there will continue to be less selling if quotations should turn reactionary and this should help to rectify the situation. The reason for the feeling of uncertainty is mainly due to the lack of size and volume in the market. It is pointed out that until there is a greater participation by those that have available funds, the market is going to be vulnerable to setbacks, which could test the old lows. As for the up side, the selling by nonbank owners of Treasury bonds should prevent prices from getting too far away from the old tops.

Pension Funds Active

The buying that has been going on in Treasuries, especially higher income obligations, has been and still is coming mainly from pension funds. Although there are occasionally sizable orders from these sources, as a whole these purchases are made up of small ones, but when taken altogether, they are important enough to have a constructive influence upon the market. The issues that are being bought cover the whole restricted list, but the income angle is still most important to them and that means the June and December 1967/72s get the bulk of the funds. Nonetheless, the near eligible restricted obligations are not without appeal to them, and for the present it seems as though the 1963/68 is the favored issue, among the 1952 eligible issues. Some switching is also being done by pension funds, with profits being taken on certain obligations in order to buy the 1963/68s.

Trust funds, under supervision of trust companies, have been nibbling here and there at the earlier eligible taps as have certain fire and casualty companies. To be sure, these purchases have not been large, but nonetheless they do help to keep the market within recent trading limits.

Long Partial Exempts in Favor

As for the bank issues, the longer-term partially-exempts continue to be in demand from commercial banks both in and outside of the large money centers. The 1960/65s and the 1958/63s are the leaders at this time, with the 1956/59s and the 2⅞s not too far behind. As a matter of fact, these four obligations seem to have no difficulty in finding homes, irrespective of which one might be in preference at the time. The out-of-town commercial banks, which have savings deposits, continue to bite off not too sizable amounts of the 2½s due Sept. 15, 1967/72. In this case also the limited supply helps to keep the market balanced in this security.

Despite tight money conditions, the short market has a good tone, with the deposit banks, corporations and certain nonbank investors active in this end of the list. Treasury bills and certificates seem to be getting most of this demand.

Send Congratulations To Charles Murphy

C. O'B. Murphy III

Charles O'Brien Murphy III, Merrill Lynch, Pierce, Fenner & Beane, New York City, is celebrating his birthday August 16th and congratulations are in order.

Cruttenden to Open Office in Denver

DENVER, Colo.—Cruttenden & Co., members of the New York and Midwest Stock Exchanges, is opening an office in the First National Bank Building. Associated with the new office are: John T. Webb, John H. Goode and Alfred R. Seebass, Jr. Mr. Webb was formerly President of Otis & Co. of Denver, with which firm Mr. Goode and Mr. Seebass were also associated.

Harrison Brothers Firm

SALT LAKE CITY, Utah—Harrison S. Brothers is engaging in the securities business from offices in the Utah Oil Building under the firm name of Harrison S. Brothers & Co.

Highland Securities Co.

(Special to THE FINANCIAL CHRONICLE)

WALNUT CREEK, Calif.—Highland Securities Co. has been formed with offices at 2333 Mt. Diablo Boulevard to engage in the securities business. Officers are Robert J. Foley, President, and Treasurer; George H. Pittman, Vice-President.

Oscar Brachman Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Oscar Brachman Company is now engaging in a securities business from offices at 536 West Wisconsin Avenue.

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Railroad Securities

Atchison, Topeka & Santa Fe Ry

Atchison, Topeka & Santa Fe started out the year with a very favorable earnings showing. Net income for the five months through May increased more than 25% and common share earnings amounted to $8.29 compared with $6.39 a share in the like interim a year earlier. Some people had begun to think that perhaps even with the excess profits tax and without the non-recurring retroactive mail pay increase received late in 1950, the road might well duplicate this year the phenomenal $31.29 a share reported last year. Last year's earnings, incidentally, were the highest in the company's history, appreciably higher even than the best war year.

More recently the company has been having its troubles, necessitating at least some moderation of the earlier extreme optimism. During the month of June gross revenues continued above year earlier levels but net income dipped fairly sharply. Net for the month stood at $3,962,592 against $5,651,597 realized in June, 1950. Even at that the half-year's share earnings of $9.71 were still above the $8.50 reported for the first half a year ago. The overall showing was still quite gratifying. However, the road's troubles did not end in June. At the present time it appears almost certain that July results also compared unfavorably with last year.

Under date of July 23, F. G. Gurley, President of the road, wrote to stockholders outlining the difficulties that had been encountered in June and July. This is a far cry, and most commendable, from the days, not too far back, when railroad management generally considered it impertinent if security holders felt themselves entitled to some explanation of what their company was doing. Although pointing out that it was impossible to estimate the possible ultimate costs, Mr. Gurley did discuss in some detail water difficulties encountered in June and the disastrous floods of July. It was a double-edged sword, causing important revenue losses and at the same time bringing increased costs, which, to quote, "will amount to some millions of dollars."

While not attempting to minimize the difficulties encountered, Mr. Gurley in his letter was certainly not pessimistic. He wrote: "The money loss, of course, is serious, yet I feel warranted in assuring you that in the light of the volume of our traffic in 1951 it will not be 'too serious'—I appreciate that it is difficult to make an accurate distinction between 'serious loss' and 'not too serious loss.'" Mr. Gurley then went on to outline what steps had been taken or were contemplated to prevent a recurrence of the damage. These steps are in line with long established practice when similar experiences in other places demonstrated that changes were necessary.

Analysts generally are in full accord with Mr. Gurley that the situation is not "too serious." The basic overall Santa Fe picture is far too strong to be seriously or permanently affected by temporary considerations of this nature. Nor are the recent developments of sufficient magnitude even to detract from the near and intermediate term appeal of these investment shares. Santa Fe is admittedly one of the strongest roads in the country, not only on the basis of demonstrated earning power, but also because of its very conservative debt structure and its unusually strong financial position.

The two-for-one split of the stock has recently been approved by the ICC and became effective Aug. 1. The Sept. 1, 1951, dividend on the old stock had already been declared at the regular $2 quarterly rate. It is generally expected, however, that a more liberal comparative rate (perhaps $5 annually) will be established on the split stock. Also, it is quite likely that a year-end extra will be paid again this year. Certainly such hopes are not out of line with the current prospective earning power of the company.

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U. S. Plywood Offering Quickly Oversubscribed

A group of investment bankers headed by Eastman, Dillon & Co. on Aug. 2 publicly offered an issue of 60,000 shares of United States Plywood Corp. 3¾% cumulative preferred stock, series B (par $100) at $102.50 per share and accrued dividends. The offering was quickly oversubscribed and the books closed.

Proceeds of the sale will be added to company funds for use as working capital and other corporate purposes. During the 14-month period ended June 30, 1951, the company has spent approximately $8,500,000 on new plants, facilities and timber. It expects to continue to expand its timber reserves and productive capacity.

The stock is callable at company option at a price of $105.25 per share up to July 1, 1952 and thereafter at prices declining to $102.50 after July 1, 1961.

Each share of the new preferred stock is convertible into 2.4 shares of common stock prior to Aug. 31, 1956.

United States Plywood Corp. and its subsidiaries primarily manufacture, purchase and sell Douglas fir (softwood) plywood, hardwood plywood, pine plywood, doors, and other laminated and related products. The company and subsidiaries own 26 plants strategically located with respect to raw materials throughout the United States, in Canada and the Belgian Congo. For the year ended April 30, 1951 the company reported consolidated gross sales of $108,450,530 and net profit of $8,951,272, compared with sales of $69,235,468 and profit of $4,458,699 for 1950.

Murray Randolph Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Murray Randolph is engaging in a securities business from offices at 846 South Broadway.

With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Walter J. Hesnault, Jr., is with E. F. Hutton & Company, 623 South Spring Street.

Hear! Hear!

"Either Boyle is guilty or not guilty. . . . If Mr. Boyle, as chairman, or while he was No. 2 man in the Democratic National Committee, received compensation directly or indirectly for influencing the R. F. C. to make a $565,000 loan to a St. Louis firm which had been three times rejected, then he should resign as Chairman of the Democratic National Committee, and, failing to do so, the committee should be assembled and Mr. Boyle should be dismissed. . . .

Harry F. Byrd

"I was a member of the Democratic National Committee for twelve years and, so far as I know, no other chairman of the Democratic National Committee has come under criticism for peddling his influence. The time has come when this creeping moral deterioration at Washington must stop and those guilty of such acts must be exposed and punished."—Sen. Harry F. Byrd.

Of course.

Continued from page 11

Population Trends and Investment

national income will be much lower (5-10%) than it would have been, and the demand for labor and for various commodities will be reduced in like measure. In general, if the older workers are kept busy, there will be added about as much to consumer and other outlays as there is added to production, with the result that a higher level of employment and production will be achieved and a reduced level of pressure upon the Federal and the local governmental budgets.

If the worker is thrown out of work earlier, there is a collective ual effect and there is a collective effect. As an individual he must accumulate enough money to provide him an annuity until he dies. If he retires five years earlier, that is five more years the annuity must support him and five years less time in which to build up a fund wherewith to purchase the annuity. What it means from his point of view can be rather quickly calculated from one's insurance handbook, if the year of retirement and life expectancy are given.

From the collective point of view this is to be expected. If workers are retired early they will get organized that much earlier into groups seeking old-age pensions from the government and out of the general revenue, for the ratio of their retirement years to their working years will be too high for them to support. Initially their retirement pay will be low because of early retirement, and even this amount will be shrunk by the inflationary tendencies so characteristic of the contemporary welfare and military state, with its diverse handouts for every type of organized pressure group. The value of the pensioner's income will shrink even if there is no inflation. For suppose you retire with a pension of $200 a month, and suppose you live 15 years after retirement. Suppose also that per capita income is rising 1.5% per year. At the end of 10 years, during which time your income will be standing still, the income of everybody else will have increased on an average about 16%. You will therefore feel poorer, for you will be poorer relatively speaking, and so you will want to do something about it. This would not happen, of course, if the fruits of industry were distributed largely in the form of lowered prices which allow everyone to participate in the benefits of invention. This was the type of distribution formerly relied upon before the days of labor monoply and industrial oligopoly. But today it happens, much less frequently, since competition is being stifled. The trade union leaders and the employers now give the appearance at times of conniving to retain in their hands the fruits of whatever improvements take place in their particular industries, even though many of these improvements had their origin in technical progress made outside the industry. It is little wonder, therefore, that both are beginning to bring ill-repute upon themselves, and that the defenses formerly and properly made of the price economy are being undermined to the detriment of free enterprise and the welfare of most of us.

But to get back to the collective point of view. If the pensionees feel themselves getting poor, they will take political steps to correct their poverty. And they will be able to take effective steps, as our experience with the Townsend movement has shown. Already, in 1960, when the persons over 65 will number over 14 millions, the pensionees will probably be able to muster twice that many votes since they will have the support of others for a variety of reasons. So powerful a political movement, if well organized as it most likely would be, could take periodical steps to elevate pensions. But this would not do much good. For suppose the pensions are increased, government expenditures are so high already that the fraction of the national income taken over by the government each year cannot be further stepped up as a long-time proposition. This means that if budgetary outlays are increased they will have to be financed with inflationary money. And this will reduce the value of the pension and once again put upon the pensionees and upon other victims of inflation the necessity of forcing the government to increase their support. Under these conditions, given all the other inflation-producing devices in our economy, we could well have a continuing inflation. And it is very doubtful if free enterprise would survive continuing inflation.

The solution for the pension problem is the same as for the problem of the older worker, and it is a simple solution. The older worker should be kept at work until he is about 70. Then he will not have too many unproductive years ahead of him, and it will be practicable for him to derive support from an annuity which is relatively generous. There is no other solution than this. Nor will the diminution of the cost of children's support make another solution possible, for the diminutions will be less, and the support of the aged does not offer emotional compensation in America as does support of children.

(3) *Upon the Composition of the Demand for Consumer Goods.*—Much has been written of the demand for goods. The demand for goods favored by younger persons will decline, at least relatively, whilst the demand for goods favored by older persons will increase both relatively and absolutely. This observation is valid, and the effects of changes in age compostion upon the structure of demand can be measured. I am not inclined to attach much importance to this observation, however. American industry is still elas.ic and flexible. So long as it remains this way we can count upon it to adjust its output of goods and services to changes in the pattern of demand, whether these changes have their origin in changes in age or otherwise.

Effects of Other Changes in Population Composition

(1) *Marital and Family Composition.*—Between 1940 and 1950 the number of married persons increased considerably, with the result that in 1950 the percentage of persons married had reached the highest level in history, at least for many decades, 68 out of each 100 males and 66 out of each hundred females being reported as married. The number of married couples increased much more rapidly than the population in 1940-1950, rising by 24% whilst the population was increasing only about 14.5%.

This tendency for the number of married couples to increase faster than the population is due in part to the decline in the size of the family. For, as I have pointed out, the size of the family has long been declining and gives every promise of continuing to decline. It is forecast that the average size of the family, which was 3.8 in 1940, will have fallen to 3.1 by 1980.

Families will not be formed in as large number in the next decade as in the past one. During the past decade the average annual increase in the number of married couples was 680,000; that of households, 757,000. The number of families must have increased in the neighborhood of 700,000 per year, therefore; in fact the census bureau puts the increase at about 660,000 per year. During the 1950's, it has been estimated by Glick, families will be formed at a rate of only about 400,000 per year; for there no longer exists a backlog of potential but unformed families in the form of unmarried persons, and the low birth rate of the depression years is beginning to make itself felt. Presumably, the number of households will increase somewhat more rapidly, for in 1950 there were 2,265,-000 married couples without their own household. Suppose that half of these form households, and that 400,000 families are formed per year; then the number of households will increase about 500,000 per year, or at a rate only about two-thirds as high as in 1940-50.

The movement of the number of households is important as I indicated previously, because the rate of increase in the demand for housing, house furnishings, and various other items is conditioned by the rate of increase in the number of households. But, as we have indicated, households will not form as rapidly in the next decade as in the one just past, and this tendency may be accentuated by the military serv-

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ice requirements in effect. It follows that there will be a relaxation of the pressure of demand for housing and house furnishings.

Precisely how the demand for housing will be affected is not yet evident from the housing data that have been published up to now. Between 1940 and 1950, 8.5 million dwelling units were added, though a part of the addition was made by increasing the number of dwelling units in existing structures. Even so, excluding seasonal and dilapidated dwelling units, only 735,000, or 1.6% of the reported 45,875,000 dwelling units, were vacant dwelling units being offered for rent or sale. Accordingly, if in the course of the present decade 800,000 additional dwelling units per year are added, whilst households are formed at a rate of only about 500,000 per year, there should develop pressure to remove out of use some 1.5 million dwelling units which are very low grade even by present standards. Only 74% of all dwelling units and 82% of all urban dwelling units have private toilet and bath, with hot or cold running water. In short, as there will be opportunity for needed housing improvement, the demand for new housing should hold up.

It may be worth noticing that the continued decline in mortality is increasing the stability and well-being of the family and thereby making it a better financial risk and a more stable purchasing unit. In 1948 667,000 marriages were broken by the death of husband or wife; but if 1900 mortality had prevailed, half again as many would have been broken, or about a million. In 1948 371,000 children became orphaned; this number would have been double if the death rates of 1900 had prevailed in the year 1948. As the incidence of death below 55 is reduced the incidence of orphanhood will be reduced as will the length of the interval between the advent of orphanhood and the orphan's entering the labor force.

It is of interest also, while we are on the subject of families, to indicate the course of the family cycle. I shall have to use 1940 census data as the 1950 data are not yet at hand:

Stage of Family Cycle:	Med. Age of Husband	Median Age of Wife
First marriage	24.3	21.6
Birth of 1st child	25.3	22.6
Birth of last child	39.9	27.2
Marriage of 1st child	48.3	45.6
Marr'ge of last child	52.8	51.1
Death of husband (wife)	63.6	60.9
Death of husband, if last	69.7	
Death of wife, if last		73.5

The typical size of family during middle age, 35-54, is 5, children and relatives being included in this figure; this number is somewhat lower when the family head is under 35. When the family head gets into the fifties the size of the family drops rapidly and by the time he is 65 and over husband and wife are again living alone in half the cases. There is opportunity, therefore, for the family head to accumulate some savings in the last 15 or so years of his productive life; and this opportunity extends back earlier in proportion as other members of the family besides the head contribute to the family income.

(2) *Educational Composition:* School enrollment still falls short of the optimum level. The enrollment figures for 1940 and 1950 are:

Percent of Persons Enrolled in School

Age Group	Total 1950	Total 1940	Nonwhite 1950
5-13	81.4	84.1	79
14-17	84.4	79.3	68.2
18-24	18.6	13.3	9.1

Examination of the regional data indicate that the proportion in each age group enrolled in school is somewhat lower in the South than in the nation as a whole, especially the proportion in the age groups 14-17 and 18-24. The educational composition of a country or region is of significance with respect to the suitability of these areas for the location of certain kinds of industry. The available data are not very revealing on this score. Other studies suggest, however, that investment in advanced education, or its equivalent, probably is not yet carried as far as is economically justifiable in view of the capacity of education to increase the nation's productivity. This question calls for much more careful and detailed analysis than is possible on the basis of the available census data. I should like to add that education stimulates invention and hence the demand for capital.

(3) *Occupational Composition:* Occupational composition is of significance when one is determining where to locate a new plant, but its importance tends to be somewhat exaggerated since American workers are quite mobile; for from one month to the next, it has been estimated, the number of persons changing their status—that is, leaving or entering the labor force, becoming unemployed, or finding a job—approximate one-seventh or more of the labor force. In the year ending April, 1948, one out of every five persons had moved to a different home, with one out of every 15 changing his county of residence. Between April 1949 and April 1950, 17.3% moved from one house to another, with 6.2% changing counties. It appears, therefore, that something like six out of 100 persons change counties each year. Evidently, therefore, the American population is very mobile both with respect to change of residence and with respect to change of occupational status, and this is all to the good so far as productivity and flexibility are concerned.

From the standpoint of investment perhaps the most significant aspect of the present occupational composition of the American population is where the greatest potential labor supply is to be had, the availability of satisfactory labor being one of the most important of the elements governing industrial location. This place is in the South. First, the South has a large amount of concealed unemployment in agriculture and available for industry. There 21 out of each 100 males in the labor force is engaged in agriculture compared with 12.8 for the nation as a whole. Undoubtedly the use of improved methods could release one-third of this agricultural labor force for industry and commerce. This would mean something like 1.2 million males; and if these were brought into the city there would be a considerable additional gain of by-product women. Realization of this gain will take a number of years, since the consolidation of farms can take place only after the older agriculturists leave and the displaced younger ones have moved into nonrural occupations. There is also a second matter to consider, the prospective rate of growth of the labor supply. An index of this is furnished by the number of persons aged say 15-19 as compared with the number aged 20-64. In the United States as a whole this ratio is 0.156 while in the South it is 0.19; these figures suggest, therefore, that new workers are fed into the labor force 190/156 as fast in the South as in the country as a whole, or at a rate 22% higher. It appears, therefore, that the greatest potential labor supply is to be found in the South. Against this conclusion must be set the fact that the South is not quite so well equipped with professional and skilled personnel, but this defect is easily remedied through importation of this type of personnel when and as required.

(4) *Income Composition:* The income composition of localities is important because of its significance for consumer oriented industries. The median family income by region follows:

U. S.	$3,068
West	3,435
No. East	3,362
No. Central	3,257
South	2,248

A wider range is found among the states. These data may be employed, along with others of the same sort, in determining the suitability of retail and service locations.

(5) *Foreign and Racial:* The foreign composition of the population is no longer important with respect to location. The racial composition remains of significance because of differences in training. These differences are diminishing, however. Moreover, the nonwhite population is becoming more evenly distributed throughout the United States; in 1940-50 the nonwhite population outside the South grew about 3 and 1/3 times as fast as that in the South as a result of migration from the South. The long-run effect of this redistribution should be to reduce some of the disadvantages under which nonwhites still live.

(6) *Intelligence Composition:* While no detailed study has been made, a study made 15 years ago indicated that the differential rate of natural increase was reducing the average level of intelligence in the United States. Such a decline was predicted also in England about 15 years ago, but the recent data, while not clear, seem to indicate little change in the level since 1936. Even so it is desirable that more of a premium be placed upon intelligence than is the case in the American scene. America's survival as a great power will depend more in the long run upon her scientific attainments than upon anything else other than her moral character, and science certainly and moral character probably flourish most in an environment of men of high natural ability.

Conclusion

I shall not attempt any summing up, for I have covered a diverse lot of subjects in my three lectures. The main points to keep in mind about population are these. The population movements themselves reflect the working of the American social system. These population movements in turn react upon the American social system. The effects of population movements manifest themselves slowly, the only partial exception being the volatile behavior of the birth rate. Most population movements have implications for the American economy, and most of them will be found to be of significance for those whose business it is to invest judiciously. I hope that I have indicated some of these impacts.

[EDITOR'S NOTE: Foregoing is last of three lectures by Professor Spengler on the subject of "Population Trends and Investment." The previous ones appeared in the "Chronicle" of July 19 and July 26.]

With Waddell & Reed

(Special to The Financial Chronicle)

PALM BEACH, Fla. — George Eggleston is with Waddell & Reed, Inc.

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Limitations on Dividends in Britain

By PAUL EINZIG

Commenting on Britain's Chancellor of the Exchequer's proposal to prohibit increase of dividends on equities for three years, Dr. Einzig says such move would give advantage to those companies which, despite government appeals, increased their dividends in last two years. Foresees in proposition greater difficulty in raising new capital by stock issues, but holds there is much in favor of dividend limitation.

LONDON, England.—On July 26 the Chancellor of the Exchequer announced in the House of Commons the Government's decision to introduce a Bill preventing the increase of dividends on equities during the three years' period of rearmament. Mr. Gaitskell sought to justify this measure on the ground that during recent months there have been many substantial dividend increases, and that this created an atmosphere in which resistance to wages demands has become difficult. He admitted that the actual extent to which the higher dividends have contributed to the inflationary expansion of purchasing power has been small, and that the proposed measure has been decided upon for the sake of psychological rather than economic considerations.

Dr. Paul Einzig

The principle and details of the measure has been subject to much criticism on the part of Conservatives and of business interests. Beyond doubt much of this criticism is well founded. Since the limit to dividends during the next three years is based on dividends declared during the last two years the arrangement works out to the advantage of firms which, disregarding the Government's frequently repeated appeals, have raised their dividends during the last two years. It will penalize those firms which loyally observed the unofficial ban on dividends. From a practical point of view the bill will make it more difficult for firms to raise new capital through the issue of equities, and this will increase their dependence on bank credits.

A very strong case can undoubtedly be made against the dividend limitation. Yet it must be accepted as a necessary evil. In the prevailing circumstances it was inevitable for the Government to adopt some kind of measure against profits. Otherwise the evidence of growing profits and dividends would have given rise to numerous substantial wages claims. Moreover, the Government has been under strong political pressure by Left-wing Socialists, and the position of its Left-wing critics would have strengthened considerably in the absence of some measures against profits.

The alternatives to dividend limitations are a further increase of the tax on distributed profits, a restoration of the war-time Excess Profits Tax, the adoption of a tax on capital gains or the adoption of a Capital Levy. Critics of the dividend limitations, when cornered, admit that the choice of any of these alternatives would have been much more unfavorable.

The tax on distributed profits was raised in this year's Budget to 50%. Any further increase would have discouraged enterprise much more than the limitation of dividends. The same is true concerning the restoration of the Excess Profits Tax, especially if it were to be fixed at its war-time level of 80% with the remaining 20% blocked. The tax on capital gains is actually included in the program of the Labor Party, but it may take some time before a practical scheme could be worked out. As for the capital levy, in the prevailing scarcity of financial resources it would paralyze business.

Moreover, there is much to be said in favor of the device of dividend limitations. Since as a result of the rise in prices many firms find that their liquid financial resources are inadequate to cover increased requirements, to some extent the situation will be relieved if they are compelled to retain in the form of reserves any increase of profits. In the absence of statutory limitation of dividends the boards of directors would be under pressure by shareholders to distribute higher dividends in view of the rise in profits and the higher cost of living which affects investors as well as workers. In many instances the limitation of dividends will doubtless be welcomed by boards and managements who realize the need for ploughing back into the business the additional profit but who would have found it difficult to obtain their shareholders' approval for doing this.

It will take some time before the success of the measure can be ascertained. It depends on the extent to which it helps the Government and employers in the task of resisting wages claims. Possibly the response of the workers will be in accordance with the Government's anticipations. This cannot be taken for granted, however. Conceivably, the evidence of growing reserves might produce the opposite effect, in that it might induce the workers to press for higher wages. Should this be the case the measure would result in an accentuation of the inflationary pressure. For the same amount in the hands of the workers would produce much stronger inflationary effects than in the hands of investors, because the former are more likely to spend the additional money on necessities than the latter.

In any event the measure must be accepted as a political necessity. Even if it had no economic justification the Government had to decide to adopt it as a means of counteracting Left-wing propaganda. The rise in the cost of living has naturally strengthened the hands of the Government's Left-wing critics, and even comparatively moderate Trade Unionists had warned the Government that they would join those critics unless the Government adopted some measures against profits. At the trial of strength between moderates and extremists during the annual Party Conference in October the latter would undoubtedly gain the upper hand in the absence of dividend limitation or some form of additional tax on profits or capital. This is the basic fact of the situation.

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Continued from first page

Investing Under a Rearmament Economy

different phases of both war periods (Chart I).

Prior Hostilities

Both of the World Wars were confined to Europe for over a two-year period, during which we built up our armament potential by supplying our future Allies with material and made some headway toward building up our own armed forces.

The start of World War I caused a panic that closed the stock markets of the world during the summer of 1914. It was not until January of 1915 that it was felt safe to reopen the N.Y.S.E. Then to the surprise of many, the stock market started upon a tremendous advance that lasted for nearly two years, interrupted only by the reaction caused by the sinking of the Lusitania in May, 1915. During this period the stock market, as measured by the Dow-Jones Averages, rose from the reopening level of 54.72 to 110.15.

With the actual declaration of war in September, 1939, a violent selling wave turned into a buying wave that carried the Dow-Jones Averages from a low of 121.44, the morning after the outbreak of hostilities, to a high of 155.92 during the course of the same month. After hovering below the initial high for about seven months the market collapsed with the fall of France and made very little recovery from then on.

War

Upon our actual entry into World War I, the stock market started to decline and continued its downward course until the ultimate victory was clearly in sight late in the summer of 1918. Our entry into World War II was a far greater shock to investors, so that the market's decline in the four months after Pearl Harbor was a more accelerated one than occurred in World War I. However, with the victory at Midway, which checked the Japanese triumphs in the Pacific, the stock market reversed its direction and advanced quietly throughout the balance of the war period.

Postwar

Even the postwar periods have been entirely different from the investor's point of view. In both cases the end of hostilities started an inflationary boom in prices of every sort that carried into the stock market. This was followed by a sharp break in stock prices in the fall of 1919 that ushered in the banking crisis of 1920-21 and the postwar depression which it entailed. When the stock market broke in September, 1946, many investors felt that investment history was going to be repeated and they threw their securities overboard at the start of what has been the greatest business boom in American history.

CHART I

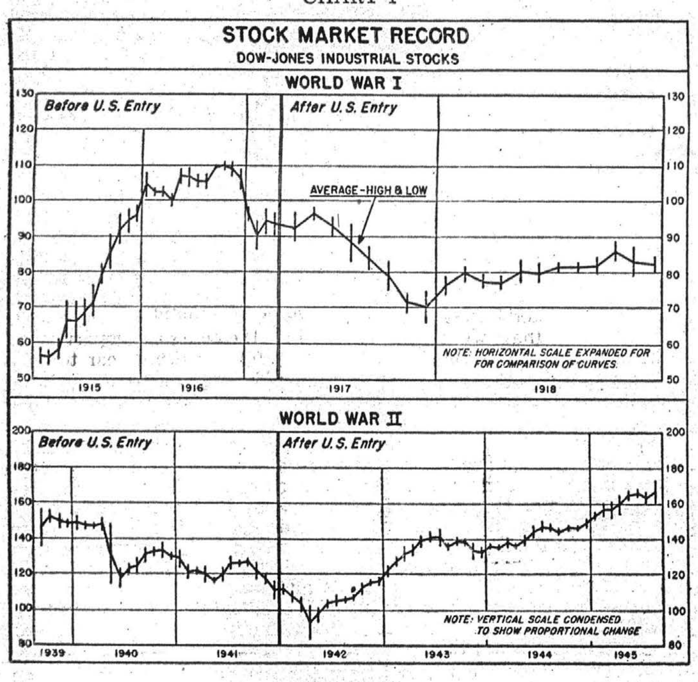
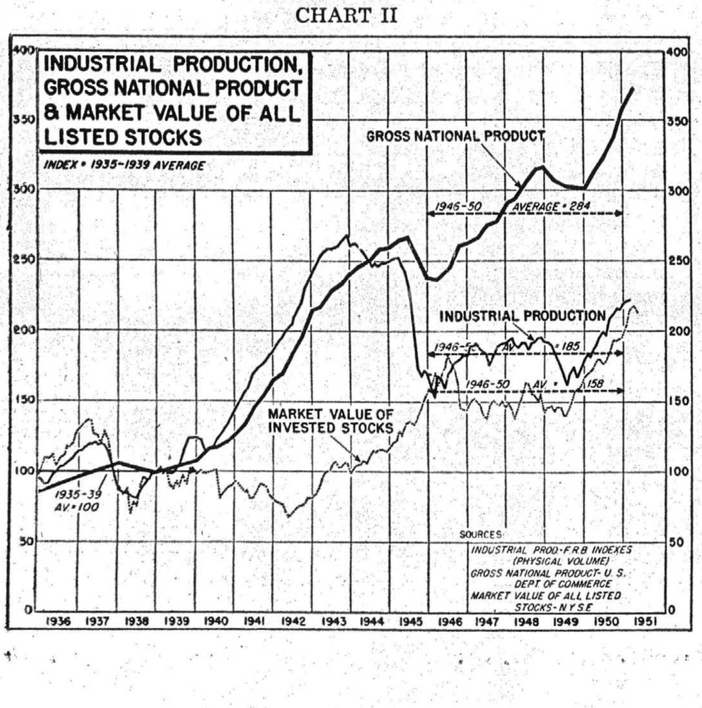


CHART II



The Lesson

From the record it is clear that the course of the stock market will be determined by the level of existing prices taken in relation to the expected course of future earning power. This is a relatively stilted way of saying that a deflated stock market will prove to be very resistant to poor business news that would find an inflated stock market very vulnerable. Conversely, an inflated market needs excellent business news to maintain itself, whereas a deflated market can be expected to advance in due course under the impetus of good business news.

These conclusions clearly indicate that the present day investor must make up his mind as to whether or not the prices of stocks have been inflated **during the postwar boom.** A second lesson to be learned from the experience of both wars is that investors consider war to be temporary in nature, and, therefore, place a relatively low value upon the profits won on a strictly armament basis.

Before considering the level of the stock market from the point of view of inflation, three factors that are peculiar to the present situation should be considered:

(1) The present cold war against Communism has already prevailed for six years and there is no prospect of it subsiding as far ahead as we are able to gauge the future;

(2) For the first time in our history, the United States is vulnerable to direct attack by enemy weapons on a scale that could be disastrous. In the other wars, any possible direct attack by the enemy was limited to the scale of a nuisance raid; and

(3) We and our Allies are faced with very dangerous Fifth Column movements, since the present ideological conflict knows no barriers. Thus, the forces of Democracy must plan to cope with a great deal more sabotage in the future than they experienced in either of the past two wars.

Inflation and the Market

In trying to measure the elements of inflation in the stock market it is not sufficient to merely consider the fact that at 250-plus the stock market, as measured by the Dow-Jones Averages, has risen about 70 points in the past two years and that the rise, compared to the prewar period, is about 110 points. If the fact that it has risen were alone the answer, an investor would obviously be disturbed by the fact that on a historic basis the Dow-Jones Averages are at a level only reached in the later months of the wild speculation that culminated in the panic of 1929.

However, this is not the proper method of approach, since the advances in the price of stocks that have been scored in the postwar period must be measured against the increased values of their properties, their larger earning powers and the greater dividend payments they are now able to make. If the advance in the price of stocks has been commensurate with these other factors, the stock market itself can not be taken to be inflated. It is not at all difficult to prove that stock prices were inflated in the late 1920's when the advances which were scored in stock prices ran so far ahead of the gains in their earning powers and dividend payments as to have carried them out of the range of investment reality.

The table below is designed to measure the present level of the Dow-Jones Averages with the relationships that were established in the prewar and the postwar periods. To do this it has been necessary to arrive at a proper average value of the Dow-Jones Averages for the years 1935-39 and 1946-49, since as measured by their extremes they moved over a very considerable range. The extreme ranges in the 1935-39 period were nearly 100 points, reflecting both the inflationary worries and general optimism in the spring of 1937 and the shock at the deflationary pressures of the recession which engulfed business in the spring of 1938. However, during 48 of the 60 months in this period the stock market at some time sold above the 130 level and below the 150 level, so that an average price of 140 is a very descriptive one for the purpose of investment analysis. A similar review makes an average price of 180 an appropriate one for the postwar period.

In the 1935-39 period the stock market was emerging from the ravages of the great depression and the banking crisis. Government influences were directed to bolstering the commodity price structures which most investors feared would work lower if left to themselves. Except for a few months in 1937 investors were worried by the dangers of deflation, so it is of interest to note that at 140 the Dow-Jones Averages sold about 66% above the value at which their properties were carried on their own books. This price was about 16.3 times the average earnings of $8.60 which those 30 leading industrial companies were able to report for the five years under review. The average of $6.30 which they paid out in dividends provided a 4.5% dividend yield, which exceeded the 3⅛% yields available on Triple A bonds during this period by about the normal spread which had prevailed over a long period of years.

In the postwar period of 1946-49, at 180 the Dow-Jones Averages sold about 30% above their book values of $139, which had been built up by reinvestment, and at the present 250 Dow-Jones level, when everyone has been so concerned over inflation, the premium of the market price over the book values is only 32% as compared to 66% in the prewar period.

In the postwar years, the Dow-Jones Averages at 180 sold for only 9.1 times their average earning power between 1946-49, a ratio that is only 55% of the 16.3 ratio of the prewar period. Because of the panic caused by the outbreak of war in Korea, the 1950 level of 220 failed to reflect the jump which carried the earnings to a $30.70 level so that the price-times-earnings ratio fell to only 7.1 times. The subsequent improvement in the market has only carried the market's evaluation of the estimated earnings for 1951 back to the postwar relationship.

Because it is expected that the pressure of Excess Profits Taxes may cut down the year-end dividend payments, the 1951 dividends have been estimated at $14 as compared to the $16.13 total paid in 1950. On this basis they would provide a 5.6% yield, equivalent to the yield paid in the postwar period and well above the 4.5% yield that was available in the prewar period.

While a combination of factors stemming from the authorization of new facilities and the desire to curb inflation by monetary controls have combined to raise the yield of Triple A bonds to about 3⅛% — their prewar level — this rate is considered to be a temporary one in the opinion of such major bond buyers as the insurance companies. The spread between the dividend yield on the Dow-Jones stocks and the interest rates on Triple A bonds is probably as small as it will get in the foreseeable future.

Therefore, from a technical analysis, it would seem very clear that the prices of the Dow-Jones stocks have not risen as fast as the book values have built up or to the extent that their earning powers and dividends have increased. This relationship is reviewed in the table below:

	Summer 1951	Year 1950	Average 1946-49	Average 1935-39
Dow-Jones Industrial Stocks	250	220	180	140
Book Value	189	182	139	85
Earning Power	$27.00	$30.70	$19.76	$8.60
Price-Earnings Ratio	9.3	7.1	9.1	16.3
Dividend Payments	$14.00	$16.13	$10.25	$6.30
Dividend Yield	5.6%	7.3%	5.7%	4.5%
Triple A Bond Yields	3⅛%	2⅞%	2¾%	3⅛%

The Industrial Approach

Chart II approaches from a different angle the problem of whether or not stocks at current levels are inflated by comparing the advances which have taken place in the value of the Gross National Product with the increase which has occurred in Industrial Production and the rise that has taken place in the value of all of the stocks listed on the N. Y. S. E.

The value of the Gross National Product as prepared by the Department of Commerce places a dollar value upon the industrial production, the agricultural production, the services rendered by the utilities, rails, banks, etc., the medical and personal services rendered and the rents received on income-producing real estate. The average value of the Gross National Product was placed at about $84 billion during the 1935-39 period and presently stands at $314 billion, a rise that is nearly four-fold.

The industrial production data is the Federal Reserve Board's excellent Index of Industrial Production. The index has approximately doubled so that the dispersion between the index and the value of the Gross National Product is a rough and ready, but a graphic method of presenting the inflation which has entered the general price structure over the past 12 years.

The value of the stocks listed on the N. Y. S. E., like the Index of Industrial Production, has just about doubled since the 1935-39 period and now stands just over $100 billion.

On this basis it would appear that the market is not inflated since its advance is about in line with the added physical volume that has come into being rather than in line with the inflated dollar volume of the value of the Gross National Product data.

However, in pursuing the reasoning developed from these fundamental relationships, it should be borne in mind that the volume of our industrial production itself may very well be inflated as compared to normal years in the future. The postwar years were initially benefited by the "pentup demands" that built up during the war and by 1950 may have been borrowing against the demands of the future—a circumstance familiar to every boom. As characteristic of the inflation which may prove to be part of the postwar industrial production we note:

(1) Our export business was tremendously stimulated, first by the rest of the world spending the dollar balances they built up during the war, and then by our acts of generosity like the British Loan in 1946, our relief assistance and the Marshall Plan.

(2) Our industrial plants were rehabilitated primarily rather than expanded between 1946-48 through expenditures for new facilities that totaled approximately $50 billion. Starting the summer of 1949 the expenditures on plant rose again, but these

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later expenditures represent primarily expansion rather than rehabilitation. They have totaled over $18 billion in both 1949 and 1950 and will run to about $24 billion in 1951. In the past, periods of such feverish plant expansions have been followed by periods when the expenditures for new facilities failed to match the depreciation accrued by the companies. This causes many economists and investors some concern as to the period after our rearmament is over the hump. One eminent economist, who is well known to this audience, Sumner Slichter, feels technological developments are coming so fast that obsolescence can be expected to cause the tremendous expenditures on plant to continue well into the future with or without rearmament.

(3) Between the summers of 1945 and 1951, the number of cars on our highways increased from under 30 million to about 45 million and many a disturbed driver is pretty well convinced that we presently have more cars than highways. The recent accident experience of the casualty companies bears out this view. If it is as correct as it appears obvious, before too long the production of new passenger cars will have to fall from their 1950 level of 6.7 million to a much smaller replacement total.

(4) We have built about 6 million new homes and filled them with appliances at a degree never dreamed of before the war. This has reduced the housing pressures except for the West Coast, Texas and certain defense areas.

Therefore, it would seem fair to conclude that while the level of stocks themselves is not inflated as compared to the current level of business, the postwar volume of business has been inflated and that a contraction would be expected if it were not for the implications of our rearmament program.

The Scope of Our Rearmament

Ever since Korea, investors have been barraged by figures upon the cost of our rearmament program that have been nothing short of astronomical. Therefore, it is necessary to orient ourselves as to the Administration's goals and to consider whether or not they are apt to be carried out as planned.

With the outbreak of armed aggression in Korea it was recognized that the mere weight of the world moral opinion would not serve to stop the aggression of Communism, so we launched a program designed to build up the military strength of the free world. It was felt that the attitude of complete preparedness was the world's only assurance against war and that preparedness would have to be continued for years into the future. Therefore, it was decided that our own output of such fundamental materials as steel would have to be increased to a point which would allow us to support a tremendous armament over the years ahead as well as an ever-increasing level in our living standards. These goals were supposed to place a strain upon our economy over the next several years after which it was hoped we would be able to provide both "guns and butter" with ease.

To do this our rearmament expenditures would apparently be so great that general business would have to operate at full capacity while the program was in force.

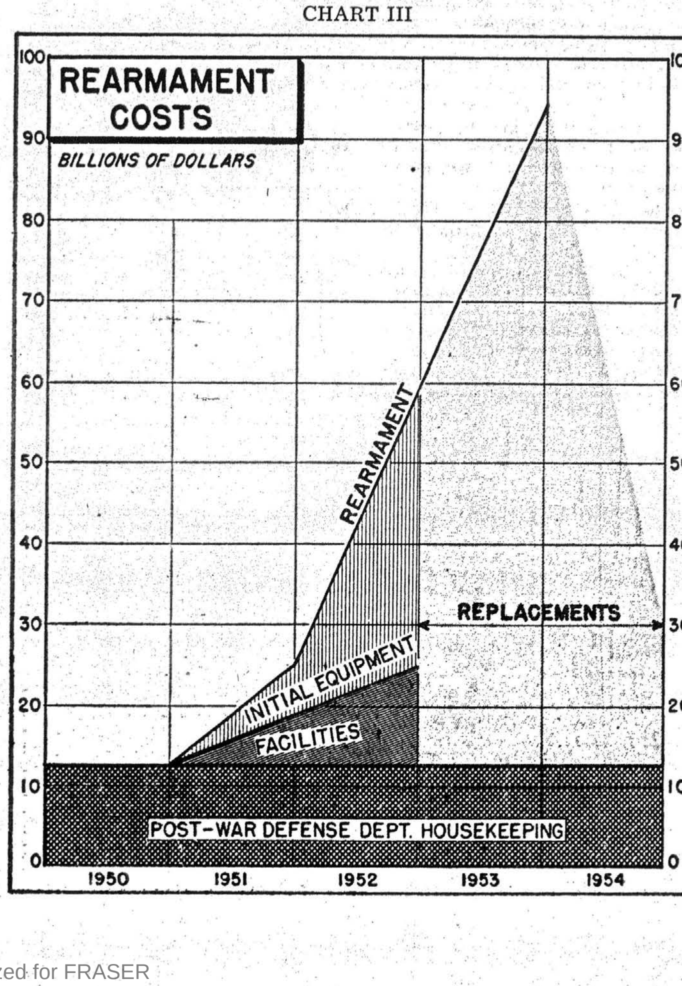
Prior to Korea the budget of our Defense Department was running at a level of $12½ billion. During the past fiscal year which ended on June 30 our expenditures have risen to a $25 billion level. The budget presented for this fiscal year to June 30, 1952 calls for an expenditure of $60 billion and the informal discussions for the next year have reached a conversational total of about $90 billion which may or may not be realistic.

The combination of Korea and the rearmament program touched off a terrific buying spree which was indulged in by every one from the housewife to the business executive.

However, the $12½ billion increase which has taken place in our rearmament outlays over the past year has not in itself been sufficient to offset the slowing up in general business caused, in part, by rearmament dislocations, but, to a far greater extent, due to last fall's over-buying and the fact that the postwar boom was heading towards a conclusion.

Since the $12½ billion increase in rearmament expenditures only amounts to about 4% of the $314 billion value placed on the combined goods and services produced by the country, its inflationary effects are not yet compelling. If, however, the current Defense Department's budget of $60 billion becomes an actuality over the next 12 months, it will consume goods and services equal to about one-fifth of the value of the Gross National Product and in the $90 billion total contemplated for the fiscal year to June, 1953, the Defense Department's take will rise to over one-quarter of our national production. Any such expansion will, of course, draw so heavily upon our productive resources that by next spring we may very well experience a resumption of a very compelling inflationary pressure.

CHART III



For this reason it is necessary to consider the possibilities of the rearmament program being curtailed. Although Assistant Secretary Lovett has testified that no provisions were included in the 1952 budget for hostilities in Korea, peace in Korea may very well spark a revolt against the rearmament program just as the outbreak of the war in Korea sparked its inauguration.

It is not the problem of the investor to consider the course adopted by this country to be either statesmanship of politics; it is his job to anticipate what is likely to happen and to consider how it will affect the outlook for the leading companies in the major industries. Regardless of whether his political conscience makes him an interventionist, an isolationist, or lands him somewhere in between—as an investor it is his sole function to consider the probable course which the country may be expected to adopt.

As of last winter, during the black days of the Korean retreat, it was taken for granted that our rearmament efforts would be maximum. With stability reestablished in Korea, a great debate was started as to the extent of our commitment of ground troops to the Atlantic Pact Army we are helping to organize in Europe. By this debate American opinion was shown to be divided between a desire not to lose Europe to Communism and to avoid any further commitments on that Continent. However, anyone who followed the letters to the editors all over the country could not help being struck by the overwhelming majority which backed Mr. Hoover's pleas that our efforts be limited to Hemispheric Defense. In any case, the debate ended in a final vote in April that only four divisions should be sent and a request that no additional troops should go without Congressional approval. Such a vote would have been unthinkable in December of 1950 and the whole debate did much to vitiate General Eisenhower's task of rallying the Europeans, who are realistic enough to know that without unstinted help from America they can never stop the Russians.

Then the MacArthur episode has since added to both our and their confusion as to what the nation will do in the matter of foreign policy—with the result that Europe's effort in behalf of the Atlantic Pact is said to be increasingly disappointing.

On their part, our Allies have made cooperation more difficult by:

(1) The failure of the Dutch troops to put any effort into the maneuver organized for General Eisenhower;

(2) The failure of the French and Italian electorates to register a further swing away from Communism in their respective spring elections although the aid received from the Marshall Plan has restored both countries to relative prosperity; and

(3) The weird flight of the two British diplomats who certainly never should have been entrusted with top secrets even if they ultimately prove to have been drunks instead of Communists.

As of the present writing, Congress is cutting down the Administration's Controls Bill to such an extent that even a casual observer is led to wonder if they intend to appropriate anything like the totals called for under the present budget.

From the drift of our internal political developments, an investor might very well conclude that the scope of the rearmament will be cut back or spread over a much longer period. However, the ultimate decision rests with Russia and any aggression in some other area would, of course, restore the rearmament budget in full force just as the occupation of Czechoslovakia led Congress to adopt the Marshall Plan by a convincing majority after its fate had weighed in the balance for months on end.

The Nature of Rearmament

In a general way the rearmament program may be divided into three elements which are portrayed upon the accompanying diagram Chart III:

(1) The need for new facilities in which the war materiel will be fabricated—this is obviously most important at the start;

(2) The initial needs of the troops for equipment; and

(3) The replacement of the initial equipment after it has been issued.

The need for facilities is pretty well understood by investors, but the distinction between initial equipment and replacement equipment is not nearly so well comprehended. To develop this point the following table has been taken out of the World War II Army Supply Program. This document is now declassified and will serve to show how the military develop their needs for the various items that make up our war materiel. Since every unit in the Armed Forces must have a table of organization and a table of equipment to be official, the method of determining their needs has been worked out under the Army Supply Program in the following manner:

	Requirements
Initial needs of Troops activated June 1	----------
Initial needs of Troops to be activated	----------
Replacement for Troops in the Z of I	----------
Replacement for Troops in the T. O.	----------
Air Force needs	----------
Navy needs	----------
International Air needs	----------
Miscellaneous needs	----------
Total Requirements	----------
Supplies on hand	----------
Required Production	----------

The computations made by the Air Forces, the Navy and for International Aid are also divided between the initial needs of their troops and the replacement needs in order to keep them supplied with equipment.

If we are to bear the brunt of equipping other armies, which may total up to 5,000,000 troops, as well as our own military establishment of 3,500,000 men, we will be engaged in supplying them with initial equipment until well towards the end of 1953. Once we have equipped our own troops, the Atlantic Pact Forces and any other troops that we may also wish to include, then our defense production requirements will be dictated by their replacement needs. If we are not engaged in actual combat, the experience of the last war shows that the replacement factors for items outside of the Quartermasters Subsistence and Equipage groups were very low for the troops that were in training—as a guess a 2½%-a-month replacement factor would have been high for the troops in the zone of the interior. In contrast, the replacement factor needed by the troops in the active theaters of operations was very high, averaging, say, 10%. Thus, when the original equipment program has been completed, say by 1953, we must expect a drop of about two-thirds in the materiel needs of the troops we will have equipped, if they are to remain in a training status. Of course, even these huge plans would have to be expanded if we are to be engaged in actual combat, but the drop that is inevitable when we move to the replacement level is so great that it is pretty certain that investors will not place a high value upon profits arising from business that is strictly rearmament in nature, with the possible exception of both the aviation and electronics industries, which will be discussed separately.

From a study of Chart III it can be seen that while the budget expenditures of the Defense Department have doubled during the past year, about half of this gain, or a $6 billion total, represents expenditures for manufac- labor costs, but low in the ton- turing facilities which are high in nages of metal which they require. These direct expenditures for facilities by the Defense Department will apparently amount to about one-fourth of the total expenditures that will be made for new facilities this year, the balance of which will be made by private business.

Expenditures for original equipment needs for our world-wide rearmament program have also totaled about $6 billion, which is at a rate of about $500 million a month. These are the items that consume the metals.

The Defense Department's budget for the fiscal year to June 30, 1952, contemplates expenditures that will total about $60 billion. Even if the expenditures for facilities should double to a $12 billion total, the funds to be spent on the initial equipment needs of the troops will rise six-fold from the $6 billion spent in the 1951 fiscal year to a $36 billion total in the fiscal year 1952.

Even without getting involved in the telephone book totals under discussion for the fiscal year 1953, it is clear that if we go ahead with our world-wide rearmament plans we are going to find that our deliveries to the military will place a drain upon all of our industrial materials that will be so great as to make renewed inflationary pressures inevitable. Then, once the initial equipment needs have been met, the rearmament demand will fall off abruptly as can be seen by the indicated level of replacements, which are far below the peak expenditure scheduled over the months ahead.

Investment Conclusions

As we enter the summer of 1951, investors are faced with the fact that business may very well contract unless a rearmament program of unusual vigor is actually implemented that will carry ahead for the next two years. The scope of the rearmament program will be:

(1) More than sufficient to assure an excellent level of general business if the Administration's plans are implemented;

(2) Cut to levels that will be entirely insufficient to maintain

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the level of general business at capacity, provided:

(a) The strong isolationistic sentiments can rally sufficient popular viewpoint to enforce the concept of Hemispheric Defense in this country; or

(b) The strong appeasement sentiments abroad can sell our Atlantic Pact Allies that their best hope of safety lies in adopting a policy of strict neutrality rather than in building up their own military strength with help from us;

(3) Cut less drastically by the present temper of the Congress for the sake of economy, so that while the policy of rearming the Free World will be maintained the tempo will be slackened so as ot avoid the peak of the inflationary pressures and the need for the proposed controls which are so unpopular with the Congress; and

(4) Will be radically expanded provided Russia launches a new aggression.

Since the market itself is not inflated even though the business level may be, an investor who might wish to avoid the problem of deciding on the course of our rearmament program by getting into a cash position is assuming an unduly speculative position since:

(1) He cannot possibly be sure of the Russian intentions, regardless of the accuracy with which he anticipates the American purposes and those of our Allies;

(2) The actual supply of investment grade stocks is inherently short in relation to the continuing new types of investment demand created by savings going into:

(a) Pension funds whose importance will accelerate, particularly if a moderate decline should provide a more suitable buying opportunity;

(b) Investment trusts, rather than savings banks or government bonds, since the demand for investment trusts may be favorably influenced by the heavy maturity of "E" bonds over the next 3 years; and

(c) Probable purchases of investment stocks by both savings banks and life insurance companies if they were to fall back into the 1946-49 range which has now become generally recognized as a favorable one for investment; and

(3) The fact that the public is very sensitive to the long range inflationary implications and therefore tends to prefer stocks to bonds—particularly as their income records over the 22 years from 1929 through 1951 have been so remarkably favorable in the face of such catastrophes as the Depression and World War II.

Therefore, we feel that an investor can best fortify himself by owning the stocks in chosen industries which offer extra values at this time. These industries would include:

(1) **The Aviation and Electronic Industries** — which alone among the armament groups must be continued in order to provide American protection against devastation from the air regardless of whether our over-all policies switch from world to Hemispheric Defense. These industries will not be cutback by controls and will face no price ceiling since their orders are negotiated. From the investment point of view they should have minimum labor problems since they will be able to include any labor costs approved by the governmental conciliation agencies in their own costs without the sacrifice of profit. Since their present output is subject to strictest renegotiation, they should be able to report materially larger profits and pay materially larger dividends upon the expanded business which is ahead. Unlike most other forms of war material, their replacements will be dictated by a very high rate of technical obsolescence rather than use. Even the Hearst Press — the mouthpiece of isolationism—is demanding a larger Air Force than the plans of the Administration call for, so that politically there is no disposition to economize in either the funds spent on our Air Force or electronic equipment which is essentially needed for airplanes and radar protection.

(2) The leaders in the following three industries enjoy a real measure of tax protection during the current period of emergency high taxes and are possessed of long-range anti-inflation hedge characteristics—both advantages that investors cannot afford to disregard:

Oils: This group, which provides liberal dividend yields, is probably the number one candidate for those seeking an inflation hedge protection and enjoys a real measure of tax protection since they are allowed to charge 27½% of the value of their crude oil production against depletion. Several of the majors have added to their investment stature by assuming leadership in the fast growing petro-chemical industry whose rapid growth has developed a real investment following.

Metal Mining: The leading metal companies like the investment oils have strong underground reserve positions and, like the oils, they are allowed to charge 16% of the value of the metal they produce to depletion. The producers of the new growth metals like aluminum, magnesium and titanium seem to be particularly attractive investment hedges.

Paper and Timber Companies: Again these leaders are possessed of huge natural resources which are now on a self-sustaining basis. These companies take a capital gain upon the profits made on the timber which they harvest. In the case of paper, the industrial growth, which has been nearly as great as that enjoyed by the chemicals, is now beginning to command investment attention.

(3) The following four groups would appear to offer good investment values at current levels even if we go ahead with world rearmament and to be particularly advantaged if our rearmament efforts are curtailed:

Merchandising: Department store sales have been penalized over the past two years by the unprecedented consumers' expenditures for durable goods which have been bought on instalment credit. As these heavy instalment loans repay themselves, the department store sales are expected to rise, making Christmas, 1951, a memorable retail experience. Since any relaxing in rearmament will be matched by a relaxing in controls and taxes, the larger units will again be able to add to their profits by demonstrating the efficiencies of their buying organizations.

Research Stocks: While the most prominent research companies are in the chemical and drug fields, the earnings of all of the great research organizations have been seriously cut by Excess Profits Taxes. Since their new products are of such merit as to create their own markets at the expense of existing products, it is felt that their sales would be well maintained even if rearmament were to be reduced, and their profits could be expected to soar with any relaxation of the tax schedules.

Utilities: Their records for earnings stability during the 1930s would restore this group to investment favor provided a relaxation of our rearmament effort were to reduce the inflationary pressures and with them interest rates. The yields on utilities are very favorable and they should assert themselves marketwise if the pressures of inflation were to lessen.

Cement: The critically crowded conditions of our highways assure that roads will have to continue to be built regardless of the direction that will actually be taken by our Defense Program.

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The Home Financing Business In Partially Mobilized Economy

by no means dominated the home financing field.

Now, let us look at the picture for all mortgage loans made—home purchase as well as new construction. Of all the home mortgage loans made by lenders in the year 1950, 15% were FHA insured and 19% were GI loans and 66% were "conventional" loans. The clear dominance of the conventional program may surprise some of you for the FHA and GI programs are much more publicized and hence many people are apt to believe that home financing is much more dependent than it is upon the government guarantee and insurance programs. The loans made by our savings and loan associations were predominantly conventional loans —84%. Our business relies less upon the government guarantee programs than do the other lenders. Of the home loans made by commercial banks only 59% were conventional loans; of those by insurance companies 46% were conventional, etc.

It has for some time been a matter of great importance to those of us in the savings and loan business that we maintain several systems of competing mortgage programs and that the dominance of the conventional program be continued. If, by chance, the FHA program should ever become the sole and exclusive avenue through which mortgage credit was available, we would be at the point in the game where Uncle Sam would be able to tell a home buyer where he should buy his house, what kind of house it should be, and how much he should pay for it. In effect, you would have a government monopoly on mortgage credit and complete control of all residential real estate.

Ever since the inception of the FHA program, some of us have been acutely uncomfortable at the thought of what might happen to those houses purchased with a government-aided mortgage, should we run into anything resembling the Great Depression of the 1930's. We have recognized as a real danger that in a period of high foreclosure, many of these properties might be turned back to the government through the FHA and VA, and conceivably could become a substantial pool through which a tremendous addition could be made to the Federal Government's public housing program.

Basic Threats to Home Ownership and Housing Progress

Of the Public Housing Program itself, the position of our business is the same now as it was when the program was first started back in 1935. We opposed it then, and we oppose it now. It has long been our belief that should—God forbid—the government ever assume ownership and operation of a susbtantial percentage of the nation's housing, then surely and inevitably a huge hole will have been driven in the dike-wall of our free economy.

Almost two years ago to this day, the national Congress enacted into law a piece of legislation called the Housing Act of 1949. It provided for the construction of 810,000 subsidized public housing units, which would be built, owned and operated by the Federal Government through local housing authorities in hundreds of cities in the country. Standing alone, 310,000 units are, true, only a small fraction of the total housing inventory in this country. But when scattered and placed in specific communities or cities, these units become an important political influence, and even the balance of political power in some areas. To cite an example, in the 1948 elections, Mr. Truman won 58% of the votes in the city of Chicago while Mr. Dewey had 42%. However, in the precincts where public housing projects were located, the Truman percentage was 78; for Dewey it was 22.

Despite all this there are signs that perhaps the public housing program is not going to make the progress its Socialist-minded adherents had hoped. Voters in one referendum after another have rejected the public housing program. In 1950 alone, 18 cities rejected the program by a public vote while only six cities approved it. The California voters likewise expressed themselves on this question last fall. Apparently the people are becoming aware that radical social experiments should be taken only in small doses, if at all.

Our reasons for opposing public housing are many and varied. First of all, we maintain it is a vital part of a program for National Socialism for the government to own and operate a substantial number of our homes. We resent bitterly the hypocritical attempts of the proponents of the program to present it as a device to aid the poor, when in fact the most needy of our population are ineligible to live in the subsidized projects. We also deplore the wily proaganda which paints the program as a slum clearance program, when it is not anything of the sort, and which describes the opponents of public housing as opponents of slum clearance and rehabilitation. May I make one point clear; the savings and loan business, through its national organization—the United States Savings and Loan League—has been on record for many years in favor of a workable slum clearance program, which would be administered apart from the public housing program. We have urged that government aid be given to clear and assemble slum land for redevelopment, in the full realization that such a process is far less costly and far more desirable than the establishment of public housing projects in the slum areas.

My reason for bringing this subject before you in part is selfish, in part it is not. Of course, we want the assistance of all businessmen in meeting this threat; on the other hand, if we don't all close ranks together against the common danger of Socialism wherever it appears—in housing, the utilities, medicine, education—then surely we leave ourselves exposed for the "divide and conquer" tactics of the Socialist planners high in our government, who believe businessmen are so stupid that they won't and can't work together in facing a common problem.

The Present Situation

To get on to the present situation, the recital of a few figures will give you an idea of just what has happened in home building in recent years, and also a background for the developments that lie ahead. To begin, we are practically at this moment rounding the peak of the greatest sustained building boom in our national history. From the time World War II ended, there was an irregular advance in the volume of home construction until last year, nearly 1,400,000 new houses and apartments were started.

This was not only a record for all time but it was also a tremendous improvement of 36% over the previous peak annual volume of 1,025,000 which was established in 1949. And atop this residential boom there was also a substantial amount of commercial and industrial building.

This was, then, the situation existing at the start of the Korean War last summer: More men employed—2,400,000—in the construction industry than ever before (the highest total, incidentally, for any industry); more materials being consumed for construction work than ever before; and, finally, more mortgage money being extended to finance private new construction than ever before.

Shortly after the Korean War broke out, it was announced by the Administration in Washington that the government's home building "target" in 1951 was to be 850,000 new dwellings. The curtailment from the 1950 output of 1,400,000 new houses was to be affected, principally, by recourse to Federal mortgage restrictions which would tighten home credit, and thus cut down on the "effective buying" demand for new houses. At present, there is some evidence to indicate that this program is working out pretty close to plan. For example, in April, normally a month in which home building volume climbs sharply upward, housing starts totaled 88,000, some 5,000 below March and compared with 133,000 for April of 1950. May housing starts totaled 97,000 and June, 90,000 (estimated), for a total of 535,000 for the first six months of this year compared to 705,700 in the first six months of 1950, or 25% less than in the same period last year.

I wish to emphasize, however, that this does not mean that home construction in 1951 will drop down to 850,000 units. Such a decline is unlikely in view of the extremely heavy volume of starts in the first half of this year, although these in part were the result of financing commitments made before the imposition of Federal credit controls.

What the recent decline in new building does mean, however, is that the procedure for diverting men and materials into the defense program from home building into the mobilization program is already well under way. It is of the utmost significance that this transition in the use of the resources of an industry is proceeding by and large, smoothly and with unexpectedly little confusion and hardship. To my mind, it serves to underline the supremacy of indirect controls—such as "credit controls" over "direct controls" such as freezes on home prices, construction limitation orders, and an intricate and involved patch quilt of priorities and allocations. I want also to point out that the savings association business has been heartily in ac-

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cord with the procedure of "indirect controls" to curb inflationary buying in the new housing market. If there is any lesson to be learned from our experience, it is that with adequate indirect controls, plus a willingness to put the defense program on a "pay-as-you-go" basis, we have one of the best ways to beat inflation.

My subscription to credit controls as the best way to divert men and materials from new home building to the defense program is not, however, an unconditional surrender to this plan. Certainly I do not believe that these curbs should be carried to a point where home construction is practically a 100% casualty of the defense effort. Certainly I do believe that at the earliest possible and feasible moment credit controls and all other controls of whatever kind should be abolished.

Looking backward, it would seem that, in one respect at least, the towering volume of home building in 1950 has proved disadvantageous. For, with the outbreak of the Korean War and the cutback in home construction, there was created a demand for the men who were buoyantly riding the crest of a housing output of nearly a million and a half new houses. On the other hand, it is also true that such a volume could not be sustained indefinitely, without serious instances of overbuilding beyond market demand in many areas of the country. In short, the day of reckoning for the extreme building boom may not have been far off, anyway.

The tightening of mortgage credit to effect a reduction in new home building, has not been, as you might suspect, entirely welcome. During the past two months, there have been loud cries of protest from builders who have been required to slash their building volume from last year. They have charged that mortgage credit has "virtually vanished." I would like to take this occasion to label this statement as a distortion of fact. There is still mortgage credit available. If a cutback of more than a third in building volume is essential to meet the requirements of this program, the best way to do it is by requiring higher down payments on loans to build new houses. This has been the procedure chosen by our government to secure an orderly reduction in new building in order to divert men and materials to the defense program, and at the same time avoid an inflationary bidding up of prices of the new homes that are built. For these reasons, and because the conditions of mortgage credit largely affect the number of families in the home buying market, it is obvious that credit for new building should be tighter this year than last.

I will concede, of course, that there have been a number of swift developments in mortgage lending that may be somewhat confusing to persons outside the housing industry. First, there was a slight tightening of down-payment requirements for FHA loans last July, immediately after the outbreak in Korea. Second, there was Regulation X and concurrent FHA and VA regulations which increased down-payment requirements substantially on all types of loans for the construction of homes, finally, there was the action of the Treasury to allow interest rates on long-term United States Bonds to rise from 2½% to 2¾% and the Federal Reserve Board to let the market seek its own level for long-term United States Bonds. Prior to this action, the market had been regulated so that government bonds were convertible into cash at par or better. Many mortgage commitments were made by loaning institutions, particularly insurance companies, which loans were to be made from the sale of government bonds. When the government bonds could not be converted into cash without accepting a three or four point loss, instead of being sold at a premium which had been customary for a long time, it brought to an abrupt halt the making of new mortgage commitments. The higher yield now possible on government bonds has made low yield mortgages and especially the 4% loans to World War II veterans unattractive to many mortgage investors. So far as the VA loans are concerned, there has been almost a complete abandonment of this program by large insurance companies and in all honesty, it must also be said that other mortgage lenders including savings associations are also cutting down on their VA lending activities. However, it is my firm recommendation to our institutions that they keep a good percentage of their mortgage funds invested in GI loans. If you pardon a personal reference, my own institution has ⅓ of its mortgage portfolio in VA loans. We believe them to be excellent loans.

Within a short time after the action taken by the Treasury and the Federal Reserve Board, the average yield on new Grade AAA corporate bonds rose about ½%. As the interest rate on FHA and VA loans was fixed and not permitted to rise, the market for such loans has dried up due to the action of many of the large investors in ths type of mortgage withdrawing from the market.

Let us frankly meet the situation that credit is the one thing without which home building is impossible. The home building industry has shown how it could adjust itself to even a 50% cut in the supply of critical materials without any reduction in the total output of homes. It could also make similar adjustments if its labor force was sharply reduced. But credit and home building are inseparable. Hence, the great interest of builders in this current mortgage market.

The recent "firming" of mortgage interest rates has long been overdue. While there has been this healthy firming, there is no reason to believe that interest rates will show any further rise or that the mortgage market will get any tighter. In fact, it is expected that somewhat easier conditions will prevail in the mortgage market within a few months for the following principal reasons: (1) The flow of savings into our institutions has revived after the "scare buying" spree of last winter; and (2) The insurance companies that invested more than $9½ billion last year, have a tremendous investment problem growing out of their inflow of funds, and I expect that in the not too far distant future they will be much more active in the mortgage market.

The Near Term Outlook

The near term outlook for home financing, in short, is about as follows: Continued stiff down payments for FHA and VA loans, although the requirements may be eased for veterans; the withdrawal of large institutional investors from the market will prove temporary and they will return later this year; down payments and maturities will be fixed by law for the next several years, and probably are unlikely to return to the same level as during the pre-Korean period.

As has been indicated earlier, the near term outlook for home building is down—to about ⅔ of the volume in 1950, which was a record year. If peace comes in Korea, and a new war is avoided in Iran or elsewhere, it is possible that building will be permitted to rise to about one million new homes annually. Because of military mobilization commitments already made, it is difficult to see how building can be permitted to go much farther beyond this.

At this point, I would like to say that we in the savings and loan business do not believe that even during an indefinite period of national emergency our housing production will stay in a state of suspension. Within a year to 18 months, even if the semi-war conditions persist, I would expect to see such a vast increase in the production of critical materials that it will be possible to meet the expanded needs of our defense program, as well as civilian requirements for home building and other purposes.

What kind of homes will be built in the next several years will be determined largely by government restrictions on credit and also on the amount of space permitted in a new house. It appears likely that a determined effort will be made by the government to see that nearly all new building consists of small single family homes in the lower and medium priced brackets. Luxury housing will be discouraged. Where the new housing will be built depends, again, largely upon the government. Obviously it makes sense to encourage building in critical defense areas where an influx of defense workers may occur. We have advocated that the quickest way to stimulate building in these areas would be by throwing off credit restrictions entirely once a "critical defense area" has been so designated. Unfortunately the relaxation procedure adopted thus far has been of a token nature only, and is accomplishing little good of a practical nature. The Administration is still toying with the so-called "Defense Housing Program" which is apparently intended to do all things for all men—with favors thrown in to both private builders and to public housers—but this has bogged down in a maze of official confusion and red tape.

The Long Term Outlook

As to the future of home finance the leaders of our business, fully expect that progress will continue to be made. Through the years, it is likely that further improvements and even greater flexibility will be introduced. Certainly there will be strong competition to provoke and extend such improvements. Certainly there will be ample funds in private hands, as the consequences not only of an adequate flow of personal savings, but also coming from the high rate of repayments from loans made over the past several years. To put it another way, I would say that private lenders are well prepared to cope with the flood tide of new building demand that we will face when the emergency draws to a close.

They are well prepared, I might add, for virtually all sorts of eventualities that may develop, including a possible, though unlikely, severe depression in real estate and throughout the entire economy. It is comforting to me as President of the National Trade Organization serving the savings association business, to know that with all our rapid growth in recent years, our loss reserves against bad mortgages has kept pace. The lesson of bad loans was a bitter one for many financial institutions during the depression, including some of our savings associations, but I venture the opinion that our business today is far stronger and far safer than it was when the dark days set in more than 20 years ago.

While the short term outlook for home building is, by reason of the current emergency, somewhat dismal, there is good reason for optimism in the long-range prospects. Peak employment and rising personal incomes are probable during the next few years and this will afford millions of American families the opportunity to build up their savings. In turn, much of these savings can be the basis for down payments on new houses when the emergency draws to a close and an upswing in home building is permitted. This is precisely what happened right after World War II, and I see nothing at the moment that will interfere with it occurring again.

This resurgence of building, when it develops after the emergency, will have broad economic significance for many segments of American business and industry. For various reasons, including overcrowding in cities and a national defense policy of decentralization of industry, it appears likely that a substantial majority of post emergency home building will be in the outlying areas of our large metropolitan centers. This movement away from congested areas will cause in turn the establishment of a vast number of new shopping centers—containing everything from huge department stores to financial institutions and small retail shops—which will service new residential communities. It means also more and more new industrial plants will be in what are now undeveloped areas, again partly because of national defense policy, and also because of easier accessibility to a skilled labor supply. This period of new settlement and resettlement, means finally, literally scores of business opportunities not only in home building and real estate, but in merchandising, transportation, finance and other lines.

To look ahead, to take the long view of home building, the horizons appear unlimited, almost as far as man can see. And for those of you who are and will be the business leaders of tomorrow, it will be advisable to keep the long range prospects of home building constantly before you and relate them to your own business future.

Crop Prospects

By ROGER W. BABSON

Mr. Babson forecasts a crop of 3.3 billion bushels of corn and of 1.1 billion of wheat, largest in U. S. history. Looks for smaller potato crop, but a slightly larger tobacco yield. Sees prices still higher than last year.

The season is now far enough advanced to make a fair estimate of the U. S. crops for 1951. Hence, I have been busy this past week getting necessary data to make an intelligent forecast.

Roger W. Babson

Statistics show that more acreage has been planted this year than at any time since 1933. Ordinarily, due to the crops now in storage, the Federal Government would have demanded reduced acreage for most products. Due, however, to the Korean situation, all farmers were given the green light with no restrictions.

Owing to the increased use of farm machinery with modern methods of furrowing and draining, farmers are raising more crops per acre. This is especially true where farmers are using fertilizers and carefully selected seeds. Selected seed—especially in the case of corn—is a revolutionary step. (Modern methods of selecting laying hens are largely responsible for the surplus of eggs.)

What Statistics Indicate

As a result of all these favorable factors, I forecast a corn crop of about 3,300,000,000 bushels, which would be the third largest in U. S. history. The wheat crop I estimate will be about 1,100,000,000 bushels, which should be the largest ever harvested.

Oats should be about the same as last year—namely, 1,400,000,000 bushels; barley should harvest about 265,000,000 bushels, a little more than last year; rye should harvest 26,000,000 bushels, or more than last year. Hay cut this year should be 115,000,000 tons, which would be 8,000,000 tons more than last year.

Fewer Potatoes Expected

The government has discouraged potato growing with the result that the forecast is for only 350,000,000 bushels compared with 439,500,000 bushels last year. This means that not so many will be destroyed. Tobacco, however, is up, the forecast being 2,300,000,000 pounds compared with 2,000,000,000 pounds last year.

As to miscellaneous crops, it looks as if sugar beets and flaxseed would be less, but the rice crop should be larger. Beans, hops, peas, tomatoes and cabbage should yield about the same. The quick-freezing process, however, should ultimately help peas, beans and tomatoes.

Good Fruit Year

Present indications are that citrus fruits in Florida will have a good season due to plenty of rain. The demand for citrus is constantly increasing due to the quality and advertising of the concentrated quick-frozen juices. Recent crop failures in California and Texas should keep down total national production and hold prices up.

The peach crop is estimated at 67,000,000 bushels compared with 65,500,000 last year; pears 32,000,000 compared with 31,000,000 last year; while about the same amount of cherries, apricots and lemons may be expected. The apple crop should continue good, about as last year, around 122,000,000 bushels; while grapes are running ahead of last year. The hope for both of these staple fruits rests with canning the juices.

What About Prices?

As to prices, wheat now is about $2.29 per bushel, same as a year ago; corn is $1.77 compared with $1.56 a year ago; beef sides are 59c per pond compared with 53c a year ago; pork is 53c compared with 66c a year ago; granulated sugar is 8.8c compared with 8.1c a year ago; coffee is 53c compared with 56c a year ago; cotton is 38c compared with 39c a year ago; wool tops are $2.57 compared with $2.15 a year ago; while K. C. hides are 37c compared with 27c a year ago.

In closing let me say something about the Kansas City flood. I know Kansas City, being part owner of 40 high-grade drug stores there. But note this fact: If this flood had happened 20 years ago it would have done very little damage as the land had not been built upon. Kansas had experienced a long period of dry years and real estate promoters said "Tain't going to rain no more." Thereupon a great building boom developed on this low land. But they were wrong. Moral: Man has not yet controlled the weather. After a long series of dry crop years, wet years are sure to follow; and after we have good rains, as has been the case since 1933, dry years are sure to follow.

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The Security I Like Best

tial lease interests in undeveloped acreage in the following amounts and locations:

Acres	Location
50,000	Texas
25,000	Kansas
10,000	Mississippi
5,000	Kentucky
6,000	Illinois
20,000	Oklahoma
15,000	Wyoming
6,000	Colorado
20,000	No. Dakota
6,000	Indiana

In the State of Nebraska over 500,000 acres are under lease and a block of 30,000 acres are under negotiation in Montana.

An extensive drilling program was instituted so that at the present time the company is really an exploration company. In 1950 the company participated in the drilling of 66 wells with the following results:

43 oil producers
2 gas wells
16 dry holes
5 drilling at year-end.

As a result production increased 28%, from 603,000 to 774,000 barrels in 1950.

The exploratory program for 1951 has also been successful, some 48 wells having been drilled in the first six months with 24 completions. The program calls for participation in the drilling of 85 wells in 1951. Production for the first six months totalled 450,000 barrels. The management states that old runs for 1951 will exceed one million barrels, an increase of 30% over 1950 and 66% over 1949. This will mean gross revenues of approximately $2,700,000 with net income of somewhere between 75 cents and $1 per share, depending on such write-offs as abandonments and surrender of leases and intangible drilling expenses. It is interesting to note that the quality of the production is improving—by that I mean that in the past few years the reserves of oil of the company are being developed in sand rather than in lime.

A producing oil company is worth as much as the value of its reserves of oil in the ground. The company now admits a minimum of 12 million barrels of oil which has a reserve value of 80 cents per barrel, or $9,600,000, and a market value of $31,800,000. The shares of the company are currently selling for $5,300,000 without the working capital of $1,000,000, or just a little over one-half of the value of its reserves computed at only 80 cents per barrel. Putting it another way, you are buying oil at the equivalent of 40 cents per barrel.

An inspection of the income account shows cash earnings after operating and general expenses of $1,389,146 in 1950 as compared to $1,104,238 in 1949. Charge-offs for surrendered leases, abandonments, dry holes, depreciation and depletion, taxes, etc., resulted in net income of $649,119, or $0.72 per share in 1950, as compared to $352,264, or $0.39 per share, in 1949. These results were obtained from gross revenues of $2,300,000.

With probable gross revenue of $2,700,000 for 1951, cash earnings should exceed $1,600,000, or nearly $1.80 per share, most of which can be utilized for further expansion.

The capitalization of Kingwood is simple: 896,000 shares of common stock and $161,774 of 5% sinking fund debentures due July 1, 1955.

Dividends were initiated in 1949 at the rate of 10 cents per share and are likely to continue at that rate. An investor interested in cash return should stay far away from this issue. I regard this stock as one of the finest securities I have seen for long-term capital appreciation.

CARL STOLLE

President, G. A. Saxton & Co. Inc., New York City

Kerr-McGee Oil Industries

Carl Stolle

The natural gas and oil field continues to attract public attention and investor fancy, and rightly so, it would seem, in the light of the continued and expectant demand for the products of this industry. An interesting participation may be found in the common stock of Kerr-McGee Oil Industries, Inc. now selling at around 17½.

Of utmost importance in the discussion of any enterprise is the matter of management. A study of Kerr-McGee starts out with the success story of a young Oklahoma lawyer, who, in the course of his work, drew up many oil leases. Becoming interested in the business other than purely from the legal aspect, he began to establish himself as an oil operator. This man was Robert S. Kerr, who was later to become Governor of the State of Oklahoma and is at present a United States Senator from that state. In addition to his political propensities, he is an able oil man who knows the industry thoroughly. In 1937, as the company which he had founded in the early 30s grew in size and scope, he was joined by Mr. Dean A. McGee, Vice-President and Senior Operating Man, who was chief geologist of Phillips Petroleum and who is generally considered one of the top notch executives in the industry. Mr. McGee is extremely well thought of by the Phillips people, as evidenced by one contract which the company enjoys with Phillips Petroleum, under which each year Phillips provides $750,000 and Kerr-McGee $250,000 in a fund which is used for exploration and wildcatting. Net results of these operations are divided 50-50.

The company has been a profitable enterprise starting from the beginning. Dividends have been paid at conservative rates for the past 15 years with the exception of 1939 and 1940. For the first nine months of the present fiscal year which ended on June 30, net earnings, before provision for Federal and State income taxes, were $854,000 or 76 cents per share. Income taxes are held to a minimum by the fact that the company is so widely engaged in drilling operations and thus charges off for income tax purposes a large amount for intangible drilling costs. Total operating revenues for the first nine months of the present fiscal year were just under $14,000,000.

An important phase of the company's business is its Contract Drilling Division. Some 29 drilling rigs are owned and operated and this is considered a sizable number of rigs for an independent operator. Some of these are used for its own work and some let out on contract to other firms, Kerr-McGee doing the drilling job. Over a period of time, in the course of doing work for others and exploring on its own account, the company has acquired numerous leasehold interests in various sections of the southwest and west as well as in the Gulf of Mexico. Some of the oil producing properties are located in the Oklahoma City field, the Texas Panhandle, West Texas, a recent discovery in Banner County, Nebraska, and a new field in Stephens County, Oklahoma. The principal gas producing areas are the Texas Panhandle and the Carthage and Spider fields in Louisiana. Space will not permit full discussion in detail of the number of wells and production from each field. In a refinery located at Wynnewood, Oklahoma, one phase of its operation consists of the production of asphalt for which new uses are being found, such as the impregnating of fibre glass with asphalt for the wrapping of gas pipe lines. The company has been working with Owens-Corning-Fibreglas Corporation in the development of these products.

One extremely important phase of the company's operations and future possibilities lies in the Tidelands area off the Louisiana coast. Here the company has an interest in three blocks in the Ship Shoals and in the Vermillion areas. It is thought by the management that very substantial reserves of natural gas will be proven here as soon as the Interior Department reaches an agreement on operations under the United States Government ownership of the Tidelands or as soon as and if the Congress votes favorably on a return of the Tidelands to the states.

The company was one of the originators of off-shore drilling apparatus. It is a recognized leader in the know-how of conducting such operations. This experience and knowledge resulted in the company receiving a contract, recently completed, to supervise drilling in the Kuwait Island area in the Near East.

Another venture, which borders on recent highly interesting discoveries, is a leasehold interest in a very large acreage in South Dakota which the company has had for some time. Some preliminary work has been done with Phillips Petroleum on these properties.

Several months ago Kerr-McGee purchased the Crosby Oil Company, which they expect will result, after oil payments, in a reserve of some 2½ million barrels of oil. In addition to this, the company received other properties, including equipment and pipe and, what may be more important, certain leaseholds which the company feels have definite possibilities.

Because of the company's constant search for more oil and gas reserves, which now stand at just under a trillion feet of gas and around 12½ million barrels of oil, dividends are meager, amounting to only 25 cents per share. Most of the income is used for additional exploratory and drilling purposes with the consequent result of building up common stock equity. Capitalization consists of bank loans, oil payments on the recent Crosby Oil purchase, a very small issue of preferred stock and 1,052,624 shares of common stock.

If you are searching for a stock with which you may have to be patient but which should show ultimate handsome returns, it would be worthwhile looking further into this situation.

Harold J. Sembach

Harold J. Sembach of Remer, Mitchell & Reitzel, Inc., Chicago, passed away on July 25. Mr. Sembach had been in La Salle Street and with Remer, Mitchell & Reitzel for 20 years.

Gottron, Russell Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Stanley O. Keel is now affiliated with Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Continued fro mpage 4

The State of Trade and Industry

of the steel trade. Higher costs, largely taxes, are to blame, it asserts. Steel earnings during the second quarter of this year look very good compared with any other period except the record-shattering second quarter of last year, this trade paper notes.

Second-quarter earnings of the nation's 10 top steel producers (rated on capacity) rose 8.6% above first-quarter profits. But their earnings for the first half of 1951 are 30% less than they were during the first half of last year, it points out.

Dollar-wise, these financial results are still excellent. Yet they are based on a terrific volume of business. Production and shipments during the first half of this year topped last year's all-time records by about 11%. At the same time Federal income taxes are more than 100% higher, states "The Iron Age."

There is no chance that steel supply and demand will be brought into balance this year, this trade authority declares. Even the "artificial" balance which the National Production Authority is seeking to bring about with its Controlled Materials Plan is not possible of attainment before the first quarter of 1952.

But so far there is no guarantee that CMP will be operating realistically—that steel tickets will match production—by the first quarter, or later. It is quite a paradox that NPA is counting heavily on natural, free-market forces to make its controls over steel distribution work effectively. It is assuming that many customers will not order as much steel as they are allotted. And it is assuming that many others will cancel steel tonnage when they find their inventories growing too large.

Actually, states this paper, the first glimmering of inventory correction is already showing up in the steel market. Several orders have been cancelled by consumers seeking to adjust their inventories. In another case, a steel mill has been told by one of its customers that he is embarrassed by the inventory he has accumulated.

This is not yet an established trend. The cancellations are not numerous and they do not involve large tonnages. They are still the exception, rather than the rule. When they do grow to significant proportions steel people will be on the alert for a changing market, 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 101.1% of capacity for the week beginning Aug. 6, 1951, or a decrease of 0.4 of a point from a week ago.

This week's operating rate is equivalent to 2,021,000 tons of steel ingots and castings for the entire industry, compared to 101.5%, or 2,029,000 tons a week and a month ago. A year ago it stood at 99.9% of the old capacity and amounted to 1,926,800 tons.

Electric Output Tapers Mildly from Previous High Level

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 4, 1951, was estimated at 7,003,209,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week declined slightly from its high level of 7,005,261,000 kwh. in the previous week.

The current total was 2,052,000 kwh. below that of the preceding week, 755,745,000 kwh., or 12.1% above the total output for the week ended Aug. 5, 1950, and 1,537,205,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Continue to Point Higher in Latest Week

Loading of revenue freight for the week ended July 28, 1951, totaled 819,875 cars, according to the Association of American Railroads, representing an increase of 15,305 cars, or 1.9% above the preceding week.

The week's total represented a decrease of 25,136 cars, or 3% below the corresponding week in 1950, but an increase of 95,831 cars, or 13.2% above the comparable period of 1949.

Auto Output Continues to Decline 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 116,924 units, compared with the previous week's total of 132,378 (revised) units, and 175,062 units in the like week of 1950.

For the United States alone, total output declined to 114,519 units from last week's revised total of 124,138 units, due to labor disputes, suspensions and material shortages. In the like week of last year output totaled 173,169 units. Canadian output in the week totaled 2,405 units compared with 8,440 units a week ago, and 2,403 units in the corresponding 1950 week.

Total output for the current week was made up of 85,842 cars and 28,677 trucks built in the United States and a total of 1,715 cars and 690 trucks built in Canada. In the previous week, Canadian output totaled 5,741 cars and 2,499 trucks against 1,668 cars and 735 trucks in the like 1950 week.

Business Failures Ease Slightly

Commercial and industrial failures dipped to 171 in the week ended Aug. 2 from 184 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this decrease, casualties were more numerous than a year ago when 168 occurred and even with the 1949 total. Continuing below the prewar level, fail[illegible]res fell [illegible] below the 277 which were recorded in the comparable week of 1939.

Casualties involving liabilities of $5,000 or more [illegible] to 137 from 149 last week, being slightly less numerous than in 1950 when 141 concerns succumbed in this size group.

Food Price Index Records Further Mild Rise

Trends in food prices were mixed last week. The wholesale food price index, compiled by Dun & Bradstreet, Inc., again edged higher to stand at $6.91 on July 31 as against $6.90 a week earlier. The current number compares with $6.53 at this time last year, or a gain of 5.8%, and represents a rise of 15.9% over the pre-Korea level of $5.[illegible].

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

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Wholesale Commodity Price Index Edged Lower in Latest Week

A further slight sag in the general commodity price level brought the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., to a new low since late last November. The index closed at 302.09 on July 31, comparing with 302.76 on July 24, and with 280.71 on the corresponding date a year ago.

Grain markets were irregular last week with prices moving in a fairly narrow range. Wheat closed higher after striking new lows for the season early in the period, influenced by increased marketings of new crop grain and generally favorable prospects for Spring wheat.

Although current export business remained slow, the market strengthened in the late dealings on the announcement of heavy wheat export allocations for September and October. While showing strength at times, corn prices moved irregularly lower. Larger market receipts resulted in considerable hedging pressure, particularly in the September delivery. Weather conditions were much improved throughout most of the corn belt and prospects for the crop remained good, although running one to two weeks late in some areas. Oats were quite firm, but large stocks and further arrivals of Canadian oats tended to hold demand in check.

Rye prices declined rather sharply as offerings of new crop grain increased.

Domestic flour business was generally slow the past week except for some activity in hard Winter wheat flours, attributed to a large southwestern chain baker. Manufacturer demand for cocoa remained quiet and spot values moved lower for the week. Cocoa arrivals so far this year were reported at 3,137,981 bags, contrasted with 3,208,133 in the same period last year. Warehouse stocks totaled 179,480 bags, compared with 279,901 a year ago.

Raw sugar prices declined steadily most of the week but developed a slightly firmer tone at the close as the result of trade buying and short covering.

The refined sugar market was quiet with some easiness noted in the South. Lard and vegetable oils trended higher on reports of a government support program for cottonseed oil. In the Chicago livestock market, hogs and steers registered moderate advances with lambs holding steady.

Although futures cotton prices were relatively steady last week, values in spot markets declined steadily to reach the lowest level in more than a year.

Easiness in spot markets reflected selling influenced by slow mill demand and reports that some mills were selling surplus stocks of the staple.

Demand for cotton gray goods remained quiet and further curtailment was reported in mill activity in the South. Some improvement was noted in export demand for cotton, but sales volume continued small. Reported sales in the 10 spot markets last week were somewhat larger, totaling 39,900 bales, as compared with 27,100 bales the previous week, but continued well below the corresponding week a year ago when sales amounted to 192,500 bales.

Trade Volume Reflects a Fractional Decline

As very warm weather prevailed in many parts of the nation last week, consumer buying dipped fractionally. The dollar volume of retail trade declined slightly in the period ended on Wednesday of last week; it remained moderately below the high level of the comparable week in 1950, according to Dun & Bradstreet, Inc., in its current review of trade. Many shoppers continued to spurn high-priced merchandise.

The usual seasonal lull in consumer demand for apparel was in evidence in many localities the past week. Clearance sales of Summer apparel, however, continued to draw a rather large response. Housedresses, beachwear and men's shirts remained among the most popular items. Displays of Fall apparel became more numerous during the week, although shopper interest was negligible.

Housewives reduced their purchases of groceries to some extent, but aggregate volume was approximately equal to that of a year ago.

The demand for meat dipped slightly, although poultry and cold cuts remained popular. Dairy foods and bottled beverages were in large demand. Purchases of coffee and tea slightly exceeded last year's levels. There was a moderate dip in buying of bakery products.

Total retail volume in the period ended on Wednesday of the past week was estimated to be from 4% to 8% below a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England, South, and Northwest —4 to —8; East —1 to —5; West —8 to —12; Southwest and Pacific Coast —3 to —7.

In preparation for the Fall selling season many merchants placed an increased volume of orders in the week. The dollar volume of wholesale orders continued to be slightly above that of a year ago, although the year-to-year rise was largely confined to defense goods. Buyers attending major wholesale centers were moderately less numerous than in the corresponding week of 1950.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 28, 1951, decreased 21% from the like period of last year. A decline of 23% (revised) was recorded in the previous week from that of a year ago, and a decrease of 15% is shown for the four weeks ended July 28, 1951. For the year to date department store sales registered an advance of 6%.

Retail trade in New York last week succeeded in coming closer to the high level of the like week a year ago, which marked a return to more normal sales following the buying spree incident to the Korean outbreak.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 28, 1951, declined 18% from the like period of last year. In the preceding week a decrease of 14% (revised) was registered under the similar week of 1950. For the four weeks ended July 28, 1951, a decrease of 5% was recorded below that of a year ago, and for the year to date, volume advanced 9% from the like period of last year.

Continued from page 3

Chemicals—For Growth Earnings And Net Profits

rage, phosphate demand has hit a new peak, and 1951 plant expansion in this segment of the industry alone will exceed $25 million. Actually phosphoric acid can, in many uses, replace scarce sulfuric acid, and may do so it new productive capacity can bring costs down.

So we now find ourselves favorably disposed toward the chemical industry, and (if we're not already aboard this ship) wondering which might prove the best shares to latch onto in today's market. The Big Six have been consistently good and command a legion of market followers. Surely a line of du Pont, Allied Chemical or Monsanto would not bring your investment judgment into question.

It is quite possible, however, that, if your search is for a larger percentage of capital gain from lower priced items, you might like to mull over some of the following suggestions.

International Minerals & Chemicals Corp. is the largest in the agricultural chemical group with 1950 sales of $58,402,000 and current sales nearer a $70,000,000 annual rate. With a new $10,000,000 phosphate plant now being built, and the recent acquisition of Innis Speiden & Co., a fine potash company, earnings could expand to possibility $4.50 a share annually and justify something more than $1.60 current dividend. Also, impressive potash and phosphate reserves here could afford a valuable inflation hedge. Currently around 36.

Virginia-Carolina Chemical has a common around 14 and 6% preferred about 127. Both may have a future dictated by the favorable position of the fertilizer end of the business, and the fascinating growth possibilities of a wool-replacing natural protein, vicara, produced in association with Corn Products. The preferred has $73.50 of back dividends. Attempts to settle this amount by share exchange have not, up to now, been successful but sometime this financial structure will no doubt be streamlined, and common stock then may be in a more sprightly position.

Victor Chemical Works has a new $5,000,000 phosphorus electric furnace in Butte, Montana that can be a factor in making for new highs in gross and net for 1951. Around 32. A live company with fine management.

Heyden Chemical, Dewey and Almy, and Spencer have also shown aggressive managements, and solid expansion of earning power.

Ferro Corporation is entering the commercial fertilizer field with glass frits; and Glidden is loaded with soy bean derivatives, and new "fine chemicals."

So diverse and complex is this industry that many thousands of investors have preferred to buy their chemicals through mutual funds. If that idea appeals to you then by all means inform yourself about the chemical shares offered by Diversified Fund Inc., and Group Securities; and Chemical Fund, Inc. Here you get wide diversification, effective investment supervision, and representation in all the lines that have made chemicals fabulous.

So if growth is one of your goals, whether from the soil by fertilizers, from the oil with the makings of plastic and fiber, or from the dome with sulphur, then you may want to start pouring a little of your money into the classy chemicals.

Public Utility Securities

By OWEN ELY

Holding Company Securities — Part II

There are still a few remaining holding companies of the old-fashioned type slated for probable break-up over the next one to four years—depending on the tempo of SEC and Federal Court activity. In all of these cases there are contests of interest between representatives of various stockholder groups. In the past, these contests have sometimes prolonged the legal proceedings for many years. However, as all of these holding companies have already been through many years of negotiations with the SEC and have already been partially streamlined, it is not unreasonable to expect that they will finally "go through the wringer" within the next two or three years.

The accompanying table gives estimated break-up values and recent market prices. The break-up estimates are of course dependent on many assumptions and calculations, as well as being subject to general market fluctuations, and hence may prove currently inaccurate or eventually "wide of the mark." Prospective purchasers of these stocks should therefore familiarize themselves with the methods by which the break-up estimates are prepared by Wall Street analysts who specialize in the various situations, so that they can better judge the worth of the estimates.

Where Traded		*Est. Break-Up Value	Recent Approx. Mkt. Price
†	Standard Gas & Electric $7 prior pfd.	187	164
†	Standard Gas & Electric $6 prior pfd.	165	144
†	Standard Gas & Electric $4 2nd pfd.	100	70
†	Standard Gas & Electric common	11-15	10
‡	Standard Power & Light 7% pfd.	---	163
‡	Standard Power & Light common	---	6½
‡	Standard Power & Light B common	---	6
‡	Internat'l Hydro-Electric $3.50 pfd. ($50 par)	100	90
†	International Hydro-Electric class A (com.)	20	14½
†	American & Foreign Power $7 pfd.	119	100
†	American & Foreign Power $6 pfd.	102	89
†	American & Foreign Power $7 2nd pfd.	11	14
†	American & Foreign Power common	¼	2
§	New England Public Service $7 pfd.	175	148
§	New England Public Service $6 pfd.	160	132
§	New England Public Service common	6	7½
§	Northern New England common	8½	8½
§	Central Public Utility debentures	40-50	40

*See comment in text.
†N. Y. Stock Exchange.
‡N. Y. Curb Exchange.
§Over-the-Counter market.

The above list is not intended to be comprehensive. There are several smaller holding company situations, such as Washington Gas & Electric. There is the important North American Co., which will probably eventually merge with its remaining utility subsidiary, Union Electric of Missouri, although the SEC has not yet indicated its position in the matter. There are various holding company preferred stock "stubs" representing claims for redemption premiums, which claims are now slowly being adjudicated by the SEC and the Federal Court (the cases of Electric Bond and Share preferred stubs and New England Public Service prior lien preferred stubs have now been settled).

Federal Water & Gas will eventually be dissolved, but the endless litigation of the Chenery group has long delayed the final proceedings. There are also some remnants of the old Insull empire to be disposed of: a final liquidating dividend will probably be paid to stockholders of Middle West Corp. around the end of this year. Final liquidation of two other Insull companies, Midland Utilities Company and Midland Realization Company, is slowly dragging along. Thus there are still a large number of "special situations" although a majority of the big holding companies have now been cleared up.

In the next issue we will comment briefly on the status of the holding companies listed in the table.

Highest Merit Award to Nestle-Le Mur Co.

The Nestle-Le Mur Company has just received a citation for the "Highest Merit Award" made by the "Financial World" in recognition of the excellence of its 1950 annual report to shareholders. This qualifies them to be judged in the "Best Industry" award to be announced in October. Charles Plohn, a member of the New York Stock Exchange, is a director of the Nestle-Le Mur Company and also in charge of their public and stockholders' relations.

With Fulton, Reid

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—George S. Kendrick is with Fulton, Reid & Co., Union Commerce Building, members of the Midwest Stock Exchange.

T. H. Jones Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — S. W. Plesco is with T. H. Jones & Company, Union Commerce Building, members of the Midwest Stock Exchange.

With Butler, Wick Co.

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, Ohio — James M. Chrystal has become associated with Butler, Wick & Co., Union National Bank Building, members of the New York and Midwest Stock Exchanges.

Joins Woolfolk Shober

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Mrs. Olga D. Harris is now associated with Woolfolk & Shober, 839 Gravier Street, members of the New Orleans Stock Exchange.

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As We See It

basic rule of conduct which man will observe in his dealing with man, then the very foundation of human association is gone. We have, of course, not reached such a stage as yet—and heaven forbid we shall ever reach it—but it appears distressingly evident at times that termites are attacking the underpinning of society.

Recent History

A brief review of recent history should provide a clarifying setting for what we have in mind. The older generation will clearly recall what happened in the Federal Government under the "back-to-normalcy" regime of President Harding. It was at the time often excused as a sort of back-wash from World War I. To us the more disturbing aspect of the matter was the apparent lack of general public interest in the matter. There followed a decade or so of governmental rectitude, but a period during which a good many things happened in the business world of which there is little disposition to boast. When, after the crash in 1929, some of the unsoundness of the New Era and the abuses which thrived under it came to light, there arose in political circles (that is, chiefly, in what had been the opposition party) a tendency to search out scapegoats and fasten upon them not only their own sins, but the transgressions and the neglect of the great rank and file of the people of the country.

Then came a dozen years of the New Deal and a half decade or more of the Fair Deal. President Roosevelt soon became fond of saying that a "new moral climate" was developing in this country—and so saying, proceeded to discard with not so much as an apology or explanation, one after the other, all the sacred promises made by him and his party in the platform upon which he had been elected and to which he had again and again and again sworn utmost allegiance. It was at that time, too, that the "dishonor" of repudiating the gold clause in Government contracts was converted into a "smart" move by the Rooseveltian radio voice. President Roosevelt's scuttling of the London Economic Conference early in his first Administration can hardly be regarded by the dispassionate observer as other than bad faith. And so the New Deal continued on its way, covering its shortcomings by boasting of taking from him who hath and giving unto him who hath not—all without troubling to inquire into or even to consider the rights and wrongs of what was going on.

Then the Fair Deal

Then came the Fair Deal, which in some respects has proved more bare-faced in its plans to redistribute wealth and income by fiat. When Roosevelt died in 1945 he (and most of his lieutenants) were still heroes—savers of mankind—to a great many, if not a large majority of the individuals of this country, and to those of many other countries. But personal corruption was creeping into public affairs. A queer sort of disloyalty had, we now know, seeped into many segments of the "people's government" in this country. This disloyalty appears not to have been bought with dollars and cents but with a type of intellectual appeal, one of whose canons denied and even scorned the basic elements of fair and honest dealing with one's associates in day-to-day life.

A good deal, but by no means all, of this had begun to come to life prior to the 1948 elections. Candidate Truman dubbed the disclosures "a red herring"—and proceeded to get himself re-elected by a large majority. Disclosures have continued and indeed greatly multiplied in number and importance since 1948. The President has shown little concern about them, his inclination apparently being to stand by his political "buddies" regardless. So far as one may judge, his political standing has been up and down since 1948, as indeed it has always appeared to do in the past. The important question is this: Have the great rank and file become really aroused about what is going on? Have they reached the point where they are ready to start the long, arduous task of cleaning house?

Day-to-Day Dealings

Possibly some clue to the answer to such questions is to be found in the behavior of men and women today in their day-to-day dealing with one another. There are disturbing indications that the moral slovenliness which has characterized so much of government for so long a time has seeped into the behavior of mankind generally. Possibly it seeped from the public into government. It could not have established itself so thoroughly and so enduringly in government had it not been for a certain callousness, not to say neglect, among the rank and file. That is certain. Perhaps—and we fervently hope not—the teachings of "Mein Kampf" or of the Kremlin have left their mark.

Whatever the origin or the causes, the indications are distressingly clear at times. Take this whole myth of collective bargaining or the almost universal contempt with which labor unions treat their "contracts" with employers, and the utter lack of concern among the people generally. One indeed needs but to look about him to see daily indications that "honor" is in danger of becoming the forgotten word of this day and time. It is this background that lends to the West Point scandal a meaning and an aspect which is very disturbing.

Continued from first page

The World Crisis—Challenge To Our Way of Life

or pleasures they have undertaken that they have no time for such mundane affairs. You will find this to be true among people in all walks of life, frequently embracing men and women of high mental attainment in the sciences and the professions as well as craftsmen, businessmen and other workers.

Nothing, of course, could be more dangerous to the long-term health and safety of our Republic.

On the opposite side, many of us are inclined to embrace causes and to advocate ideas without first, soberly and seriously, thinking them through and arriving at a well-thought-out conviction as to their good or bad effects, not only as to our generation, but as to those which are to follow and for whom we act as trustees during our lifetime.

There is nothing holy in the American Scene which we as private citizens should avoid in our discussions. Nevertheless, our responsibilities are such that we must consider carefully what we say or advocate on these subjects which bear so heavily upon the welfare and happiness of our fellow citizens and conceivably upon the future of mankind. Perhaps it will help us to maintain a proper perspective if we keep in our minds, with a prayer for their safety, the few who have been selected from among us—the many—to fight our country's battles in foreign lands which to many of us are only names on our maps of the world.

U. S. in World Leadership

Let us ask ourselves, at this point, why have our men been fighting in foreign lands? The answer is plain—the United States of America finds herself cast in the role of world leadership. This did not come about through deep and consummate design. No group in this country sought such a role. We have had no intent of interfering with the peaceful progress of other peoples. We have wanted to help—not dominate. This has been our national policy; it is the desire of our people. But history has cast us in this role, quite suddenly. It is possible that we have not prepared ourselves fully for the obligations which are inherent in such a position. We, in private life, have no way of accurately judging the pros and cons of our world policy as it develops step by step. We can only hope and trust that our leaders, elected from among us to handle these affairs, will find and pursue a sane, courageous and honorable course. It is comforting to realize that these elected officials have at their sides many men of great ability and high character—professionals of both the military and civil divisions of government—whose aid and counsel are of inestimable value as we face the world problems now before us.

At this point we may well ask ourselves another series of questions. How did our country happen to be selected for this role of world leadership? What has made America strong? What is the secret of this young nation: why are our people incomparably well off as compared with other peoples? Why is the productive power of America the wonder of the world? Whence comes the push, the inventiveness, the virility, as applied to the whole nation? Do we have a monopoly on the world's natural resources? Are our people of a different breed from all others?

While our land was blessed with a wealth of natural resources, we are not the richest in the world in this respect. Were this the sole criterion of greatness, then Russia would have been the greatest long ago. Our people are descended in the main from European stock. The answer lies elsewhere. The genius of America is the result of individual freedom under a form of government unlike any other in the world. For this we are indebted to the Founding Fathers of our Republic.

The science of government is not new. It has been tried in all of its phases over the ages. No chapter in the long, weary history of mankind—a history punctuated by oppression, misery and political death—was unknown to the group of men who sat down to determine how our country was to be run. On the face of things, in their day, they must have appeared as hopeless idealists to all of the sophisticated political minds of the world. Lord Macaulay gave voice to it in this way: "It is all sail and no anchor."

Is Our Governmental System Inefficient?

It is true they deliberately chose what in some respects is the most inefficient system of government ever conceived by the mind of man. They divided the Federal responsibility up into three phases—legislative, executive and judicial. Not content with this, they said that the Federal Government may do thus and so, and no more. All else was reserved to the States, which, in turn, were subjected to the same three-way division. They then provided for a system of elections to improve upon the old democratic process; that is, to make it possible for the people to elect the more intelligent and responsible of their members to act as their servants in originating laws and administering justice.

Inefficient? In some ways, yes. But this was the most efficient form of government ever devised in one most compelling respect. It guaranteed and in action has preserved the liberties of men and women. It is responsible for the strength, for the character, for the attainments of this nation.

At this point I want to quote a paragraph from the writings of a great American of our day, who describes so well the process upon which I have tried briefly to touch—a paragraph from the little book entitled "The Key to Peace," by Dean Clarence Manion of Notre Dame University:

"It was soon evident that this unique American formula was no temporary makeshift. On the contrary, it quickly developed dynamic qualities and magnetic influences that spread abroad and tugged at the hearts of men all over the world. Great waves of immigration surged toward the new and rapidly expanding United States. The sharp diversities of the American Revolutionary population were multiplied ten thousand times in hundreds of American communities that spread steadily from coast to coast."

So, this is the formula upon which a people, inspired by a new-found freedom, built the most powerful nation in the world today. It is a formula which takes account of the individual enterprise inherent in every human being. It takes cognizance of the God-given right of every man to political and religious freedom. It places its faith in the people and points the way to the only method ever developed under which people may actually govern themselves.

Strangely enough, no other people ever copied these methods of government in their entirety, although many have been struck with the great achievements made possible by such a government. Some, indeed, enjoy the economic fruits of free institutions without even troubling to ask why a nation so young can carry so many nations on its back without slackening its stride.

Nevertheless, people in other lands must consider our system of government too clumsy and too inefficient to be worthy of emulation. Certainly many in our own country think that we have grown too big and that our problems have become too complex for this historic system to continue to serve us. There appears to be an element inherent in human nature which calls for a "boss man" in time of trouble or in the face of danger. We look to someone to tell us what to do. Of course, this "boss man" can be found in many forms. He can be a dictator, or he can be an all-powerful Parliament or Assembly or a Politburo. In any of these forms it is thought that he can get things done and that this is desirable. Many even think you can have this and personal freedom, too.

But I submit to you that all such thinking ignores the very essence of the problem. People are free only while they remain the masters and their government remains the servant. The ingenuity and individual enterprise of people can come into play only so long as they remain free. And a nation can remain strong only so long as inventiveness and daring are nurtured in the hearts and minds of its people.

This is the lesson we have learned and it is one of which we need to remind ourselves over and over again, else we will find our downfall through seeking after strange gods which may readily be found in any direction in which we care to look.

Free Enterprise System—It Is Part of Us

We often are asked—how do you defend the Free Enterprise System? It should need no defense, particularly to those whose lives are enriched by its bountiful fruits. It is part of our lives; it is as much a part of our lives as the air we breathe, the water we drink, the food we eat, the God we worship. The so-called Free Enterprise System is distinctly an American institution, like baseball or hot dogs, or freedom guaranteed by a constitution. It is America in every walk of life—the right to change jobs, the right to own property, the right to go into business, the right to go out of business; even the right to be

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foolish if it doesn't bring harm to any one else. The Free Enterprise System is an American privilege, retained by the people through the Constitution, further buttressed by the Bill of Rights.

There is a difference, of course, between privilege and license. This is why we have laws and governments. If all men were pure and holy we would need only the Ten Commandments to guide us. But we, unfortunately, were not make that way. So there must be some enforceable rules which may be invoked if we use our instincts toward Free Enterprise or Individual Initiative to the detriment of our neighbors. Only in this way may men ever hope to govern themselves.

These concepts, elementary in our American thinking, but foreign to the thinking of our neighbors in the world, have guided our nation from the beginning. They have brought us to the situation of world leadership, with all of the problems such a situation involves.

But we have not reached this point completely unscathed, for we have not always met our problems fairly and squarely and on a basis of principle.

The electric effect of these newfound freedoms was such that there was no real division of our people into classes, in the European sense, for many a year. In this situation undoubtedly lay one of our greatest strengths. But finally the land was largely occupied and it became necessary to look for new frontiers on behalf of a small element in our population which, to find happiness, must be forever on the move. The frontiers were there, of course, but it was hard to recognize them. Also, some of us became quite lazy and inattentive over the years; we have not always tried each to make his best contribution. Hardship—even of a temporary nature—has become a thing we cannot abide.

Deterioration Has Occurred Among Us

You realize, as do I, that deterioration has occurred among us. We became so accustomed to our right to personal liberty of action that we lost all conception of a state of being where such does not exist. We live in freedom as we breathe the air around us. Only if it were suddenly withdrawn would we know how precious it is. If it were possible to reduce gradually the amount of oxygen in the air we might not at first know what was wrong—only that we would begin to feel lazy, perhaps enervated, without knowing the cause. So with freedom. In our hour of trial we find it easy to turn to the Federal Government with our personal problems. To make our voices more effective we have grouped ourselves into organized interests who petition and cajole and even attempt to intimidate our elected officials into giving us what we want.

In the face of this method of reinforcing our demands, it is not at all surprising that deterioration is taking place in government as well. There is a limit to the patience of strong, able men. Such men are often of such fiber that they cannot submit themselves and be a party to such outrageous conduct. Men of this type simply will not enter the arena of idle and irresponsible promises in order to become elected to public office. Thus, strong men are often defeated in favor of their weaker opponents and small men gain high offices. To the extent that this happens we hack away at the very keystone of our republican form of government which has for its ideal the selection of the ablest and most responsible among us for these all-important posts.

We have been prying at the other side of the keystone as well. Our forefathers were careful to restrict the power and the means of the Federal Government to invade the daily lives of the people. They knew that such concentrations of power and means (literally—money), if granted, would inevitably be used in some emergency, real or fancied, to aggrandize the bureaucracy at the expense of the people. They knew this from observation of history and they had in mind also that the Federal Government must, of necessity, be given the sovereign authority over the nation's money—an authority which does not rest in the States. So, it was determined that the people should control their ordinary activities and welfare through the medium of the governments of the various States. In this way, if one or a dozen State governments succumbed to pressure and adopted unwise fiscal policies, they would simply go broke and have to fight their way back to sanity—and this has happened. If, on the other hand, the Federal Government were to step into this intimate relationship with the citizens, there would be no such safeguard. Under one guise or another, under one good name or another, the citizen would get his dole from the Federal Government; the dole would be used to attract votes; the "in" party would remain "in"; the resulting havoc would become mixed up with the nation's money supply; currency depreciation would result; trouble makers would raise the cry that Individual Initiative has failed and men would seek heroes' mantles by advocating direct controls over the lives and fortunes of the people for the purpose of meeting the emergency.

These things have actually happened and are prying at the other side of the keystone. We have turned away from the basic principles our forefathers adopted for our protection. How did this happen? We became frightened. We lost faith in ourselves. There were many steps involved in our process of turning away. At first they were quite mild. All had apparently worthy purposes. One just led to another. One of the early ones had to do with methods of taxation. It took the form of an Amendment to the Constitution — the Sixteenth Amendment.

Advocates said this change was necessary to the maintenance of a strong, solid Federal Government. They envisioned an overall rate of 1 or 2% as a maximum. They made a strong case and secured approval over the objection of much wise counsel. So, for the first time in our experience, it became possible, legally, for government to take away at varying tax rates the income of citizens and place this income in other hands — a sort of Robin Hood operation.

Clipping the People's Money

Of course the ability of a Federal bureaucracy to feed upon the people and eventually to control their actions depends first on some way to get the money. Money must be had before it can be given away. At least we always thought this to be true. But actually this is not true in the sense that money must be earned or collected in taxes. Coin-clipping is as old as civilization. As we proceeded upon our way the new-found taxes were not sufficient to maintain us at the speed at which we desired to travel—more money must be had. So we resorted to a modern version of coin-clipping. Here is what happened:

There came a time of deep trouble in our country—economic trouble—a local touch of a worldwide malady such as generally stalks in the wake of a world cataclysm like World War I. As usual, following that war there was a period of great optimism and over-expansion in the economic sense. The day came to sober up. Both political parties campaigned on the issues of the day and the Democratic Party won on a platform of strict governmental economy and efficiency. But, as you will recall, the trouble was very real and men soon changed their minds. They decided that governmental help to the individual was what the occasion required. I think the majority of our people were of this same mind at that time. This led us to throw away the teachings of the past and violate some of the very principles upon which our safety had always been predicated.

One of the great controls our people held over those whom they elected to Federal office was a monetary control. The people could exchange currency for gold if they had reason to doubt the soundness of the currency. In this way they could quickly bring a halt to any governmental schemes of which they did not approve. We were told that it was necessary to give up this right; that gold-redeemable currency was one of the causes of our difficulty. Through our representatives in Congress we took the steps recommended by our leaders and it became unlawful for the individual citizen to hold the coveted metal.

Then the gold content of the dollar was reduced to lay a basis for so-called reflation. Actually this move guaranteed that eventually the housewife's dollar would buy less. Our government undertook to generate rising prices. It was to be of manageable proportions—called reflation. The people had needs; the Federal Government stepped in to fill these needs. Ways were found to feed money into the hands of citizens. People took the money and soon there was need for more. But Congress was not bold enough in that day to take through taxes all that could be spent. We resorted to deficit financing and created new money by placing a substantial part of the resulting Government bonds in the portfolios of the commercial banks and the Federal Reserve Bank.

Even so, the price rise was slow in taking hold. America is a most productive country. It is hard to increase the price of wheat when we have more than we need; it is hard to raise the price of automobiles when most people already have one. This is what our Governmental officials were up against in administering the new "Managed Economy." They were at their wits' end.

About this time we had a visitor from England. His name was Keynes and he met the heads of our government. He told them they were too modest—they did not create money enough and they did not spend enough. He introduced them to a new concept—that of a "Compensatory Economy." Under this concept we would forget all of our old ideas about checks and balances, power of the people over government, and such outmoded beliefs. Government must be all-powerful; the intimate welfare of the people must no longer be ignored; the money must be created as needed, not in relation to the amount of goods produced but according to the needs of the occasion. In other words, we wouldn't need to wait upon the vast and complicated machinery of modern production — we would need only a magic wand and perhaps a printing press or two.

Socialism Is Here

We adopted some, if not all, of the Keynes theories. But still it was hard to find ways to spend the money. Then came World War II, with all of its disrupting influences. From this point on we threw away the book of rules and now the Federal Government is the godfather of everyone. Today we are a semi-socialistic nation although we avoid that name like the plague. As yet, "socialist" is not a fashionable label in this country. Even the most ardent socialists in action appear to have a reluctance to adopt the label. But socialism is here, to a greater degree than many of us realize.

Many people deny this: some high up in government circles. But here is what one man thinks about it—a man named Earl Browder, former leader of the Communist Party in America. Browder wrote last year:

"State capitalism leaped forward to a new high point in America in the decade 1939-1949. . . . State capitalism, in substance, if not in formal aspects, has progressed farther in America than in Great Britain under the Labor Government, despite its nationalization of certain industries, which is a formal stage not yet reached in America; the actual, substantial concentration of the guiding reins of national economy in governmental hands is probably on a higher level in the U. S. A."

Browder seems to think that he has carried out his mission well.

Of course we never intended to accomplish anything like this. There has been no intended viciousness in our actions as citizens which has permitted this state of affairs to develop, only weakness and lack of understanding. There are many complex questions involved in this transition to socialism and we have devoted far too little time to their anaylsis. And those wise ones among us who have understood have been singularly ineffective in their efforts to bring understanding to the rest of us.

We all know how difficult it is to persuade ourselves, not to mention our friends, that there are times when easy living is bad for us. Americans are a charitable people; in a land of plenty, such virtues can reach their greatest flower. We want the very best for our families, our friends and our neighbors. In this desire we are largely justified, because our people and our land are so productive. We can afford many luxuries and a large degree of folly as well. But perhaps we are permitting these traits, admirable in themselves, to betray us.

What We Must Do

Today we find ourselves in need of the full strength of America, historical and potential. There are forces abroad in the world—specifically, Communism — that are striving to bring about our downfall. Beyond our shores, millions of good but weary people are dependent upon our strength to save them from a life of slavery. In the face of these conditions we can ill-afford to follow any course which leads to confusion and weakness. In my judgment the time has come for us to reconsider our course and to strive mightily to reawaken and strengthen that indomitable will which, coupled with national character, must be characteristic of a nation that intends to remain great.

Contrary to what many say, this does not mean that we need to be oblivious to the needs of the unfortunates among us. We have the means to look after their needs and to provide some luxuries as well. The same service and resources can be devoted to their care regardless of the agency through which the help is channeled. In reconsidering our national trends we should deal in fundamental principles. For example, I think we have overlooked a fundamental principle in political economy in mixing two ingredients that cannot safely be mixed—the guardianship of our money and the guardianship of our people. The one is the proper function of the Federal government; the other, to the extent that guardianship may be necessary, is the proper function of the respective states.

The Founding Fathers could not foresee the changes which have taken place in our country and in the world since their day. They did not pretend to. They left us ample opportunity to change the details of our procedures in keeping with a changing environment. But they laid down principles based upon the collective experience of mankind throughout all recorded history. I venture to say that these principles have changed little, if any, in 176 years.

What we need now is a reassignment of governmental functions. We have reached a point in our centralization of government where even the most industrious of our representatives in the Congress find it physically impossible even to read the volume of legislation upon which he is required to pass judgment. We have created a bureaucracy, the management of which is too great a task for any human mind.

If we have made mistakes in permitting these conditions to arise, let us acknowledge them. There is no disgrace in acknowledging a mistake. In fact, such acknowledgment has certain merits—the merit of humility, of integrity, yes, and of courage.

Our forefathers met in a time of great trouble and drew a blueprint for our future. Almost two centuries have passed. Again we are faced with great decisions. Would it not be prudent at this time, under governmental auspices or otherwise, again to assemble the great minds among our countrymen for a study of our status, with recommendations for action? I advocate such a move.

The world needs our leadership now, as leadership has rarely been needed before. We have much to give that is more priceless than money. Probably the greatest thing we could bring into this troubled situation is a strong, united people, governing themselves on a basis of sound, proven principles. With all well at home, we can better face a foreign enemy. And to whatever extent we may have developed weakness at home, this yet can be overcome. It must be overcome. As said by Lincoln, in whose day our people faced another crisis of the first magnitude:

"At what point shall we expect the approach of danger? By what means shall we fortify against it? Shall we expect some transatlantic military giant to step the ocean and crush us at a blow? Never! All the armies of Europe, Asia, and Africa combined, with all the treasure of the earth (our own excepted) in their military chest, with a Bonaparte for a commander, could not by force take a drink from the Ohio or make a track on the Blue Ridge in a trial of a thousand years.

"At what point then is the approach of danger to be expected? I answer, if it ever reach us it must spring up amongst us; it cannot come from abroad. If destruction be our lot we must ourselves be its author and finisher. As a nation of freemen we must live through all time, or die by suicide."

Joins Hunter, Prugh

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—Robert M. Pool is with Hunter, Prugh, Ball & Davidson, Inc., Winters Bank Building.

With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Earl J. Beck is with A. C. Allyn and Company, Inc., First Wisconsin National Bank Building.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

After a minor tumble the early part of last week, the market took another breath, huffed and puffed—and went right up again, thereby confounding most of its critics who still don't like how the market's parting its hair, or something.

* * *

Having some extra time on my hands last weekend I went over the Dow averages in the hope I could come up with some ideas of either bull or bear market, and pass on my conclusions to a readership that was undoubtedly waiting for it with bated breath. Now, having finished what I laughingly call my researches, I can advise you not to hold your breath any longer.

According to the classic interpretation if the industrials pass their May 3 high of 263 and the rails exceed their 90 figure, then everything's rosy again. God's in His heaven and all's right with the world.

* * *

Should only the industrials move up then everything will be confused. Because, under the theory, the recent decline would be considered unimportant, though at the same time, no significance could be given any further rise.

* * *

Does all this sound like jabberwocky? If it does you're not alone. For after going over all the theories I've learned and have had hammered into me, I still find that it isn't the action of averages that increase (or decrease) one's bankroll—it's issues.

* * *

So now back to the bread and butter stuff—issues. Some weeks ago I wrote here I thought highly of the amusement shares. Up to date they haven't done anything to cheer about. But here and there there's a little rumbling of life that keen traders are aware of. The one I like best is Paramount Pictures (sorry, I can't say anything about United Paramount—I haven't watched it). Close on its heels is Loews, then comes Warner and 20th Fox. I'm not going to waste your time telling you how wonderful they are. If you want that sort of information, take a look at their balance sheets, or whatever it is that points up arguments. I'm concerned only with market action.

* * *

There are a couple of other stocks that are looking quite perky. Among them are Thompson Products and Newport Industries. Both look like about five points more from present levels.

* * *

If you're still looking for averages, here's an off-the-cuff opinion. Industrials are about 265 now. I think they'll go up to about 272-273 before they call it a day. You can take it from here.

[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.]

Dewey Wright Joins Lentz, Newton Co.

SAN ANTONIO, Texas—Dewey E. Wright is now associated with Lentz, Newton & Co., Alamo National Building. He was formerly Assistant Trust Officer of the Alamo National Bank of San Antonio.

Neb.-Iowa Inv. Bankers To Hold Annual Outing

OMAHA, Neb.—The Nebraska-Iowa Investment Bankers will hold their annual frolic at the Omaha Country Club, Omaha, Neb. A cocktail will precede the event on Sept. 19 at the Blackstone Hotel. Harry R. Greenway, Central Republic Company, is Chairman of the frolic.

Douglas Hammond Opens

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Douglas A. Hammond has opened offices at 5327 Lakewood Boulevard to engage in the securities business.

With King Merritt

BENECIA, Calif.—Glen I. Dillon and Alice Laskelle have joined the staff of King Merritt & Company, Inc.

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Studebaker ..	@$25\frac{3}{4}$	Nov. 2	275.00
Ill. Central ...	@$58\frac{3}{4}$	Oct. 5	387.50
U. S. Steel...	@$41\frac{3}{8}$	6 mos.	400.00
Republic Steel	@$39\frac{1}{4}$	Oct. 11	375.00
Mo.Kan.Tex.pf.	@54	Oct. 1	587.50
J. I. Case....	@$66\frac{1}{2}$	5 mos.	687.50
Sperry Corp...	@$29\frac{1}{4}$	5 mos.	412.50
Int'l Tel & Tel	@$15\frac{5}{8}$	Dec. 17	237.50
20th Cent.-Fox	@$19\frac{1}{8}$	Oct. 16	225.00
Hall Printing..	@$17\frac{1}{2}$	Nov. 14	200.00
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Continued from page 10

Perspective for Investors

tained only at a considerable sacrifice.

Stocks

Since the 1929-1932 collapse in market prices for common stocks, these issues have been looked upon with such suspicion, at least by speculators, that their market value, although advancing, has failed to express the substantial recovery that has occurred since 1932 in corporate earnings. This is revealed by comparative-yield studies between bonds and stocks. The situation has been fortunate for the conservative investor, because the only way he can obtain an income return on his security list that approaches adequacy is to hold a substantial proportion of his list in common stocks of the nation's leading corporations.

Although the speculative interest in the stock market that led to the unhealthy pyramiding of margin accounts in the late 1920's has not occurred again, there has been an increasing interest in common stocks by investors since 1932. This has brought about a wider distribution of common-stock holdings purchased in small lots and, to a growing extent, by investors outside the financial centers. The gradual accumulation has been accomplished without driving prices up to absurd heights because its motivation has largely arisen from the desire to acquire profitable property rather than in the fond hope of making a quick profit. If this process continues, it should contribute greatly to the stability of the stock market and to the sane appraisal of market values. Ultimately, it may even constitute a barrier against the poltical onslaught constantly aimed at security holders.

The attention that must be given to the quality of stocks and their market behavior comprises a large share of the time given to the study of an investment program. In many instances, common stocks constitute the most important segment of an investor's holdings; and, in any case, the selection of issues for purchase or retention out of the great number available, the wide variety of types of enterprises, and the readily observable fluctuations in market prices all present problems for consideration.

Kinds of Stocks

The conventional division of stocks into three major classes, industrials, railroads, and utilities, has a certain validity, because they each posess special characteristics that set them apart from the others. Yet, the practice is an example of oversimplification and excludes such important groups of corporate stock issues as those made by banks and insurance companies (not to mention stocks of the American Telephone and Telegraph Company, which are valued in the market at some four and a half billion dollars). Although the component stocks in these groups vary radically in present and prospective worth, the market pattern of the three differs enough to make the general distinction useful as a starting point in stock analysis. However, it should be kept in mind that, while there are enough characteristics in common within the railroad and public utility groups to give them homogeneity, the individual stocks in the industrial group vary so greatly in character as to make the grouping of only the most general value. To remedy this, security analysts arrange the industrial issues into subgroups having enough characteristics in common that general economic factors will affect the individual companies similarly. Thus, the mining stocks may be taken as a major subgroup because of the very distinct difference between the extractive industries and the processing industries. In turn, economic factors affecting gold mining and copper mining, respectively, are so divergent as to require separation for general analysis. The foregoing example is presented to illustrate a logical approach to analyzing stocks to be included in a balanced investment list. The approach can be made by major group followed by subgroup, then by industry, and finally by the individual company and its securities.

Attitude Toward Stocks

The conservative investor buys stocks with his eyes open; that is, he is wary, but not wavering. He watches his step, but yet he takes it once he has made up his mind that the ground is firm. Some individuals who have suffered losses from ill-advised stock purchases ever after select issues to buy but always wait for the price to be "right." In consequence, the years come and go, and the purchases are never made. These potential investors become immobilized like Browning's protagonist in "The Statue and The Bust." At the other extreme are those who constantly jump in and out of the market.

Two in One

Most investors are mildly schizoid. They each have two personalities that might be called hope and fear but are labeled bull and bear by the financial fraternity. The conservative investor endeavors to discipline such characteristics by cultivating a poise that does not rejoice overmuch when his pet stock rises five points in a day's trading, nor become panicky when it falls five points in a reactionary market. (Such a drop when other issues are advancing must be looked into without delay.) He realizes that intermediate movements in the stock market may be reflected in variations of as much as 20% or more in the Dow-Jones Industrial Average in one year. Yet in a ten-year period, chosen at random, investment results would be satisfactory if liquidation were not forced during the relatively few months when prices were in their lowest ranges. An understanding of the reasonable probability here involved will help the investor to achieve the "satisfactory adjustment to reality" that is needed in his undertaking.

Diversification

Such extreme variations in stock prices as the one that occurred during the 1921-1932 period are unlikely to be encountered more than once within an investor's lifetime. The lessons learned are so vivid in memory that they have to be generally forgotten before indulgence in speculative excesses as extensive as those of the late 1920's can obtain necessary popular support. Yet circumstances may at any time make the general market level subject to drastic decline, and the investor must arrange his program with this possibility in mind. Aside from a knowledge of the imminence of disaster, which many more people subsequently claimed than actually possessed in 1929, the two safeguards that were most effective in preserving investment funds through the period of decline were diversification and avoidance of debt.

Diversification applied to the conservative investor's general program is provided by balance among major investment types, such as life insurance, annuities, bonds, real estate, and stocks, in accordance with the individual's objectives and resources. Diversification within these categories is also advisable, and is especially needed in the list of common-stock holdings.

Requisite diversification can best be obtained by the selection for inclusion in a tentative list of stocks those securities that show a favorable trend of earnings. This list will be much more comprehensive than the one to be finally accepted. The list can be screened to eliminate stocks of companies whose earnings are threatened by ascertainable economic or other developments. In cases where the yield of a stock is substantially higher than that of others in the same field, it is wise to examine its prospects with special care. Bargains are suspect because the judgment of the market represents the opinion of many investors and is not to be ignored. The issues on the tentative list can then be examined to eliminate the least favorably situated that are in the same industry or type of business. In the case of railroad or public utility holdings, diversification by geographical location is desirable. This process can well be applied to an investor's list at regular intervals. The scrutiny may reveal other weaknesses that had not previously come to the investor's attention.

Liquidity

The common-stock section of an investor's holdings may be regarded as a living entity in which change is a normal condition. It must have the flexibility that can be assured only when individual issues have a ready market. Stocks actively traded in on the New York Stock Exchange have the best rating for marketability, and, since these include the securities of companies that have shown superior ability to grow and operate successfully, a selection from these will probably comprise the most important portion of the common-stock list.

A higher average yield may be obtained from unlisted stocks that possess strong financial position, consistent earnings record, and reasonable marketability. These may be included in a well-diversified list in preference to attempting to increase average portfolio yield through the purchase of more speculative listed stocks, such as some of the railroad and other companies that are selling at depressed prices because of doubt as to the continuation of present dividend disbursements. In fact, unlisted issues are included in many trustee-managed funds that have satisfactorily met the test of favorable income returns and capital position over an extended period of years.

On Margin

Portia became famous because the Merchant of Venice had his margin account all tied up in shipping. Spreading the risk among several argosies was not enough, since they came in after his loans had been called. Many a modern Bassanio was wiped out in Wall Street in 1929 when no quality of mercy dropped from heaven, and no legal quibble came to his aid. Since then, investors have not been tempted to stray into speculative byways to any great extent, and loans on securities have not risen to a dangerous level. The reason for this has sometimes been attributed to the action of the Board of Governors of the Federal Reserve System in imposing restrictions on such loans at the behest of the United States Treasury, but it is doubtful that the restrictions were an important factor. If people want to gamble, they can usually find the credit for it in spite of any restrictions that officialdom can impose. The distinction is important, because the position of the stock market is probably healthier if the volume of borrowing on stocks has been kept down by a high coefficient of caution on the part of the stock-buying public

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rather than by Government-inspired mandatory restraint. However, brokers' loans are of concern to the conservative investor only as they may affect the market level, since he is too well informed of the hazards involved to maintain a margin account himself.

Your Dollar's Worth

Much has been talked and written about inflation and deflation during the past third of a century. Within this relatively short period, the country has seen a world war, a speculative boom, a depression, another world war, and a peninsular war that all acted to agitate the price level to a violent degree. Looked at somewhat differently, the value of the dollar went down and up and down, so that in some years it would buy two to three times as much as it would in others. During this period, the conservative investor did not fare too badly. In 1918, he probably wished that he had put all his money into Submarine Boat or its equivalent, but in 1921 he was glad of his strong-mindedness in keeping his fund balanced. In 1929, he felt prosperous but secretly envied his free-spending friends whose margin accounts were making them millionaires. In 1932, he probably felt poor but was being envied by his disillusioned friends. Today, his income from his securities has not increased so much as his expenses from the 1939 level, but the gap is not great.

The conservative investor has many times been tempted to wander off the path, to believe that someone can tell him just what is going to happen in the future and just what to do about it and that no one makes money out of a balanced program of diversified investments. He has been only mildly unhappy about his investment rectitude and has escaped the worries of the ones who have followed siren voices. Most important, he is better off, for few, if any, of the claims of stock-market advisers to special insight or devices are supported by actual records. It is easy to show how some formulas would have enabled investors to "buy low, sell high" in past markets, but in practice such formulas have failed for some mysterious reason to work according to theory.

The appraisal of stock-market prospects on the basis of money-credit trends can be useful, because inflation and deflation are important market influences and because reports are available that show how large a volume of currency and checking-account deposits is in the possession of the public at any time. Nevertheless, these figures do not measure the extent to which people will use their accounts to buy stocks and are therefore subject to what may be the dominating factor of confidence.

The financial sections of the leading newspapers nearly always carry advertisements predicting the imminence of a severe inflation or of a disastrous deflation. Not infrequently, examples of each may be found on the same page. Obviously, both cannot be right, and the reader is left to make his choice on the basis of the evidence set forth in each prognosis. If arguments on both sides appear to be convincing, it is safer to assume that the trend will be toward inflation rather than to deflation. Inflationary policies that tend to maintain or to raise prices are popular with Government, labor, and business. This influence constitutes a strong supporting force for the general level of common-stock prices over the longer term.

The Long Shadow

The shadow of Federal, state, and local taxation falls heavily on anyone with means above the subsistence level, and it almost always lengthens with the years. The deepest part of this shadow is laid by the government's progressive individual income tax. Within a single generation, it has towered up from a tax to a confiscation as far as the well-to-do are concerned. The concept of regarding returns on substantial savings, that is, capital accumulations, as "unearned income" and therefore reprehensible, has taken a firm hold on the government's political philosophy. Under these conditions the question of survival for those depending on income from securities can be answered only by ingenuity.

The only way left open through which wealth can be accumulated under present tax laws is through "long-term" (property held for more than six months) capital gains. The individual is allowed to keep three-quarters of these as far as the Federal government is concerned (some states make further inroads on this). Consequently, conservative investors having considerable capital are being forced to purchase issues of a more speculative character than would have been considered acceptable a decade and a half ago. Of course, these must be chosen with special care. They have come to be known as "growth stocks," or issues having a low yield or none at all, but possessing outstandingly favorable prospects for future earnings that would enhance their sale price. The selection of these issues requires more exacting investigation and analysis than is required for other securities.

The Future

The inability to look into the future with much clarity is deplored by investors, among others, on the assumption that the chances to gain wealth from the gift of prophecy would outweigh the distress occasioned by foreknowledge of unescapable ills in store for them. Although the investor can neither possess nor buy accruate foreknowledge, he can attempt to make projections that should prove useful on the basis of available information. The following tentative assumptions may be made: that a corporation having a good earnings trend will continue to do well in at least the immediate future; that economic influences now operating will affect securities in a similar manner as they have in the past; and that the nation's intricate economic mechanism will continue to function sufficiently well as to provide earning power for the securities representing its corporate structure.

War

Most people cannot afford to retire into an investment subcellar because another world war is possible, even though it would have a disastrous effect on their financial affairs. Some comfort may be taken in the fact that mankind has survived and somehow managed to accumulate savings under an almost constant pelting from rocks, arrows, bullets, guided missiles, and atom bombs. On an actuarial basis, the individual's chance of survival has improved, although there is no guarantee that it will continue to do so. On the whole, it would seem that the best way for an investor to provide against future vicissitudes, including the possibility of another war, is to maintain a conservative investment program constructed to sustain more pressure against it than is encountered in the normal course of events.

Fund Management

No matter how well conceived an investment program may be, it cannot be abandoned to fend for itself. Someone must give it informed attention. This task can be performed by the conservative investor himself through study of information available in investment departments of the metropolitan newspapers. national business and financial publications, and published financial services. Many investors enjoy this pursuit as they might a game, and, in such cases, even those occupied closely with professional or business affairs can usually find time to devote to it. To other temperaments, the process is uninteresting, and such persons' funds are either managed in a haphazard way or are managed under professional direction. In the case of small funds, the latter is usually accomplished through the purchase of investment-trust issues, and large funds are customarily supervised by attorneys, trust companies, and investment counselors.

Delegating Judgment

Investment trusts are often managed by the same individuals who function as trustees of other funds and as investment advisers for wealthy individuals. Presumably, they are as conscientious in one task as in the other, and therefore performance records of investment trusts may give a general indication of the accomplishment of professional investment management.

If the foregoing supposition is correct, an appraisal can readily be made. Moody's Manual of Banks, Insurance, Real Estate, Investment Trusts, 1951, presents comparisons of management performance of investment trusts for the period 1937-1950. The record shows a wide range of results, varying from considerable capital depletion to large capital appreciation. Furthermore, there are variations in year-to-year results during the period, suggesting that the most consistent performance rather than the best as of any specific date may be the safer guide to probable satisfactory management in the future. The most significant feature of the comparison, namely, the wide variation in performance, shows that the investor must exercise judgment in the delegation of investment management. In this connection, it seems appropriate to emphasize again the fact that the investor can delegate judgment but not responsibility.

Perspective

The perspective requisite for successful investment management can be acquired in most instances by first questioning the soundness of acquired attitudes toward the subject. It is not only necessary to cultivate the habit of thinking about investments, but also to put an end to nonintegrated thinking, that is, to rid the mind of an attitude that might be termed "compartmentality." In an extremely brief summary, the investor must strive to see his problem clearly and to see it as a whole.

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Earnings accruing to common stock during the past 10 fiscal years amounted to more than $32.50 a share, of which approximately $5.60 was paid out in dividends and the balance used to retire debt, increase working capital, and to expand plant facilities. The expanded and modernized production plant places the company in an excellent position to share in the increased industrial activity in prospect.

Securities Salesman's Corner

By JOHN DUTTON

Answer, Please!

(Concluding Article)

Some years ago the National Association of Securities Dealers via an interpretation of its Rules of Fair Practice, to all intents and purposes placed a ceiling of 5% on gross markups allowed to its members on the retailing of unlisted securities. The maneuver received the blessing of the Securities and Exchange Commission which held that, while the NASD could not promulgate any rule governing spreads or otherwise without prior approval of its members, the 5% spread philosophy enunciated by the NASD was merely an interpretation of its fair practice code rather than a rule.

As the years have gone along what was not to be a rule has become **in effect a rule.** Make a trip around the country. Go out and see for yourself how many dealers step over the 5% line—no matter how justifiable, it might be to do so in cases even when expenses and difficulties are considerably higher than is usually the case. Go out and ask some questions. Find out how many dealers know just where they stand on markups. Why? Why is it that they cannot obtain an unequivocal yes or no to this important question?

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You are now requested, as NASD members, to fill in a list of your last 100 trades at retail. They are to be reported in consecutive order. You are supposed to state the date of acquisition, the cost, the date you obtained the order, the date you filled it and the price in the **wholesale** market on that date. So you do this, as was done by one dealer who has been kind enough to tell me in confidence what happened to him. In his list were two trades that figured over 5%. One was 5⅜%, the other 5⅝%. His average on those submitted was 3⅞%. Believe it or not, he was called to account on the two transactions where the markup exceeded 5%. True enough, he was not given a formal reprimand, but he was asked to defend these sales. When he requested to know if the NASD had a **rule** that forbid trades at retail at over 5% markup, he was informed, that "5% wasn't a rule; it was just an interpretation." When I asked him why he didn't insist that he be told in straight and unequivocal black and white just how much markup he could charge, he looked at me in amusement and said, "Why should I waste my time; everybody in the retail securities business has been trying to get an answer to that one for years?"

Why the Mystery?

Do you believe that any business that is as essentially creative as the securities industry must be, if it is to grow and prosper, can become healthy if it is constantly suspended in an atmosphere of uncertainty, buck passing and bureaucratic craftiness? Why is it that the people who do the regulating and who have the power to put you, or any other securities dealer out of business for infractions of rules, and so-called codes of fair practice, refuse to tell you explicitly what you can call a conscionable and an unconscionable profit? Why is it they want you to leave such things to them? Why is it that **you** have to send them a list of your transactions periodically, and they are privileged to sit in judgment over you **after the act**, but have given you no positive line of demarcation between the fair and the foul?

Do you think this is putting it on too strong? There are those who will say, enforcement has been fair, where are the cases of persecution, isn't the business run better today? And I say to you, "If confining men (who must have creative minds and progressive attitudes in order to successfully operate their business) in a **strait-jacket of uncertainty and regulation** is what you want, then you have it. If all of this is so good for the investor, for the retail securities business of this country, then, gentlemen, **where are the customers?** Why is it that after all these years of such regulation there are an estimated 6,000,000 people who own stocks in this country while there are at least 30,000,000 who should? WHY?

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Of the proceeds, $93,395,000 was used to retire a like amount of debentures maturing Aug. 1, 1951, and $7,620,000 was new money.

As of the close of business Aug. 1, 1951, the total amount of debentures outstanding amounted to $790,235,000.

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rather than by Government-inspired mandatory restraint. However, brokers' loans are of concern to the conservative investor only as they may affect the market level, since he is too well informed of the hazards involved to maintain a margin account himself.

Your Dollar's Worth

Much has been talked and written about inflation and deflation during the past third of a century. Within this relatively short period, the country has seen a world war, a speculative boom, a depression, another world war, and a peninsular war that all acted to agitate the price level to a violent degree. Looked at somewhat differently, the value of the dollar went down and up and down, so that in some years it would buy two to three times as much as it would in others. During this period, the conservative investor did not fare too badly. In 1918, he probably wished that he had put all his money into Submarine Boat or its equivalent, but in 1921 he was glad of his strong-mindedness in keeping his fund balanced. In 1929, he felt prosperous but secretly envied his free-spending friends whose margin accounts were making them millionaires. In 1932, he probably felt poor but was being envied by his disillusioned friends. Today, his income from his securities has not increased so much as his expenses from the 1939 level, but the gap is not great.

The conservative investor has many times been tempted to wander off the path, to believe that someone can tell him just what is going to happen in the future and just what to do about it and that no one makes money out of a balanced program of diversified investments. He has been only mildly unhappy about his investment rectitude and has escaped the worries of the ones who have followed siren voices. Most important, he is better off, for few, if any, of the claims of stock-market advisers to special insight or devices are supported by actual records. It is easy to show how some formulas would have enabled investors to "buy low, sell high" in past markets, but in practice such formulas have failed for some mysterious reason to work according to theory.

The appraisal of stock-market prospects on the basis of money-credit trends can be useful, because inflation and deflation are important market influences and because reports are available that show how large a volume of currency and checking-account deposits is in the possession of the public at any time. Nevertheless, these figures do not measure the extent to which people will use their accounts to buy stocks and are therefore subject to what may be the dominating factor of confidence.

The financial sections of the leading newspapers nearly always carry advertisements predicting the imminence of a severe inflation or of a disastrous deflation. Not infrequently, examples of each may be found on the same page. Obviously, both cannot be right, and the reader is left to make his choice on the basis of the evidence set forth in each prognosis. If arguments on both sides appear to be convincing, it is safer to assume that the trend will be toward inflation rather than to deflation. Inflationary policies that tend to maintain or to raise prices are popular with Government, labor, and business. This influence constitutes a strong supporting force for the general level of common-stock prices over the longer term.

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The Impact of Higher Taxation On Commercial Banks

often 6% and more, as a fair return on capital.

Third: In the case of large banks with capital in excess of $10 million, this 4% rate means that the law establishes in principle a normal return fixed under Federal enactment of not more than $4 of recurring earnings per $100 of book value. This low return for banking capital would have to be appraised in the investment market at 25 times to support quotations equal to book value, a valuation admittedly out of line and unreal in the market for equities. Hence, the discount on stockholders' money.

The so-called "excess profits" of banks—the amount over and above these low normal earnings—are in effect taxed at a rate of 77%, the total of normal and surtaxes of 47% and excess profits taxes of 30%. It is a serious question, indeed, whether shareholders, understanding this impact of Federal taxes, would want their banks to assume banking risks while subject to this 77% rate.

The ability of commercial banks to grow with the expanding needs of industry and to furnish the essential services demanded by a defense economy is therefore retarded. Already, State and Federal banking authorities are concerned with the level of risk assets, high in relation to existing capital. Except for the few who would want all credit functions taken over by the government, the implications of this difficult situation are serious and demand a realistic approach to bank earnings.

Small Investor Suffers

The present exemption allowed of 12% on the first $5 million, 10% on the second $5 million and 8% on additional invested capital is a penalty on the larger banks. But these are the banks with widely distributed ownership. Therefore, these penalty rates on large banks hurt the small investor.

The question has been asked, to what extent does the 8% rate on invested capital apply? The 8% rate applies to banks with invested capital in excess of $10 million. These are the banks which hold half of the $11.3 billion capital and half of the $153.5 billion deposits of the 13,446 insured commercial banks. Including banks with invested capital of between $5 million to $10 million, the penalty rates of 10% and 8%, before regular income taxes, affect the major part of the banking assets throughout the country, and hurt the great majority of bank shareholders everywhere.

Minimum Wage for Capital

The proposal to increase the regular corporate tax rate from 47% to 52% would cut investment returns even further. This makes a realistic definition of "excess profits" more pressing, since the rates allowed of 12%, 10% and 8% on invested capital lose meaning with each increase in regular taxes. To be realistic, a definition of "excess profits" must allow investors incentive to continue as shareholders and to approve proposals for capital increases. The investor will not accept too low a figure; the source of new funds will dry up.

If fair hire for bank capital is taken to mean cash dividends at the rate of 4% of principal, or book value, then the recurring earning power of banks after taxes should be protected at not less than 6% of book value. To secure a net of 6% after regular corporate taxes, now at 47%, normal or non-excessive earnings should be defined at 12% of **all invested capital**. This is the minimum required to relieve the critical impasse now facing banks.

Provisions affecting bank holdings of wholly and partially-exempt investment securities, described by existing tax law as "inadmissible" assets, are basically necessary. However, the present limitations should be reconsidered and changed to correct obvious inequities. To relate such holdings to amounts held on Jan. 1, 1950, imposes an unjustifiable hardship on a great many of the 13,446 insured commercial banks, all of which are now operating under radically changed conditions. To encourage the flow of new capital, it is only fair that these new funds be made free for investment in tax-exempt securities without reducing the invested capital credit used to determine normal or non-excessive earnings. Further, banks should be permitted to hold without penalty "inadmissibles" in amount equal to their invested capital. Only holdings in excess of this amount should be cause for appropriate reduction of the invested capital credit.

Reserves Must Be Earned

Earning power, the source of cash dividends, means net current operating earnings—the result of day-to-day bread and butter items of operating income, less operating expenses, less applicable State and Federal income taxes. It does not mean profits or losses on sale of securities, charge-offs or recoveries on loans, transfers to reserves, or other capital transactions, or the tax credits or tax liabilities to which these sometimes give rise.

Banks must retain a portion of their recurring earnings, **first**, to create reserves for losses, thereby protecting their present capital from erosion; and, **second**, to add to their capital funds—necessary because of the tremendous growth in their deposit liabilities and risk assets.

It should be remembered that earning power of 6% net after taxes is calculated before provision for losses. Banks differ from public utilities. At the year-end, the results for an electric power company are known, but in the case of a bank, only interest income, fees and expenses are known. The losses are unknown. In banks, the returns do not come in together. It is basic to banking that provision for losses be made out of sufficiently adequate current earnings, **not out of existing capital funds.** Therefore, in defining normal earnings not subject to excess profits taxes, it should be possible for banks to set aside out of recurring earnings the added cushion for losses. Hence, earning power at 6% is not enough for banks in good times when the risk factor is in the ascendance.

Taxes Penalize Growth

This is particularly applicable to undercapitalized banks where a higher rate of earnings is essential, first to provide adequately for losses; and second, to justify and support additional capital. But the adverse effect of excess profits taxes is heaviest on those banks which are in the greatest need of capital. Growing banks where invested capital is small in relation to deposit liabilities and risk assets exceed the statutory limits of "non-excessive" earnings — 12%, 10% and 8% of invested capital—sooner than banks where there are no capital problems. Undercapitalized banks are now paying excess profits taxes while heavily capitalized banks are not. Thus, excess profits taxes deny undercapitalized banks the earning power required to build up their capital through retention of recurring earnings after payment of cash dividends, or through sale of additional shares on a basis equitable to both old and new stockholders.

The proposal to raise the regular corporate tax rate from 47% to 52% means that the effective rate of earnings, before excess profits taxes, on invested capital in excess of $10 million would be less than 4% after regular taxes. This acts to depress bank shares even further and to widen the discount at which they have been quoted. Federal taxation is a factor prompting the withdrawal of private capital from commercial banking — a development which can be seen in the increasing number of bank mergers throughout the country.

Shareholders find merger proposals irresistible. This is quite understandable. During these years of great prosperity and high level of financial activity, shareholders see their banks with record totals of loans and deposits. They note the progressively higher interest rates on loans and securities. Stockholders are unable to reconcile these evidences of prosperity with their banks at a discount. As one investor observed: "For 18 years banks have been quoted at a discount. During most of these years there was not enough business to make banking profitable. Now banks have plenty of business, but Federal taxes cancel out this prosperity."

If independent banks are to continue, they must be profitable to shareholders. All bank managements throughout the country have the obligation to state their shareholders' case to our taxing authorities. Present conditions are no recommendation to private capital for investment in banks. If access to new capital remains blocked, and withdrawal of existing capital continues, how can eventual recourse to public funds to take the place of private bank capital be avoided?

New York Stock Exchange Weekly Firm Changes

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

Cyril O'Neil retired from partnership in Gammack & Co. on June 30.

The name of Helen N. Biddison, limited partner in N. D. Biddison & Co., was changed to Helen N. Russ effective July 27.

Elworthy Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Robert B. Hutchins has been added to the staff of Elworthy & Co., 111 Sutter Street.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—John B. Dottarar is now with First California Co., 300 Montgomery Street.

Joins Lawson, Levy Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Sheldon J. Nankin is now affiliated with Lawson, Levy & Williams, 1 Montgomery Street, members of the San Francisco Stock Exchange. He was formerly with E. F. Hutton & Co.

William S. Beeken Adds

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—David L. Swank, Jr., has been added to the staff of William S. Beeken Co., Harvey Building.

Continued from page 13

From Scarcity to Abundance in Farm Products

whole increase in cattle numbers will be in beef cattle. In view of the high government-supported price of butter and the decreasing prices of margarine and shortenings (made of vegetable oils) our supplies of milk and dairy products will be ample. Butter consumption is losing and may be at an all-time low of less than 10 pounds per capita this year as against 17.3 pounds in 1939.

World Crops

Abroad the last remnants of world shortages have ended. **In Europe food production is already higher than it was before the war** due to better utilization of acreage, seeds, machinery, and the constructive help of the ECA.

One crop which is doing much better than was hoped for is **coffee.** The high prices for coffee right after the war made for increased plantings of coffee trees. They are now starting to bear and an increase in coffee production of 10% is anticipated for this year. During the past years we had been living partly on the stocks of coffee from former years. Now, for the first time, it seems as if world production is to be larger than world consumption. In the face of this situation the Brazilian Government is trying frantically to keep up the price of coffee. With increased production in other countries, this will not be easy. For the first time last week we had a decrease in retail coffee prices. **Cocoa** production too seems to be gaining.

Sugar crops are much larger than before the war. The 1950-51 world production is estimated at 41 million short tons (raw value) as compared with 34 million tons on the average of the five years 1935-36 to 1939-40. Prices nevertheless went up in the past months because of stockpiling in nearly all countries due to the war scare. At present the demand is small due to previous hoarding, and there is little doubt that sugar production will be ample next year.

There remain two real spots of tightness. One is **rice** for which there is a large potential demand in India and Asia generally. It is very doubtful, though, whether this demand could become effective unless the price were to come down very much. Our own rice crop is the highest ever and we shall have to rely heavily on exports. Rice may take the place of some of the wheat which we are giving to India.

The other spot of tightness is **wool.** The large stocks which existed at the end of the second World War and which threatened to have a depressing effect on the price, have been worked down completely. World production of wool last year was a little higher than previously, but world wool production cannot be increased significantly while the demand is steadily rising in view of the increase in population.[1] Also, **wool is a strategic material** and most countries, including our own, would be glad to stockpile it. Therefore, in order to relieve the permanent tightness which would otherwise exist, substitutes for wool have to be used in ever growing amounts. Attempts in that direction are being made all over the world. Our own army, which until a few months ago refused anything but 100% wool, is now asking for blends of wool and sythetic fibers. While it will take some time until the substitutes for wool have made sufficient progress, there is no doubt that in view of the impossibility of increasing world wool production, the industrial sector will be the means to end this scarcity.

U. S. —The Provider of the World —And Paying For It.

Last year taught us the lesson that the United States is the only country to be called upon by the whole world in years of increased demand. Other countries, even if they could raise production to more than they need, would not stockpile the oversupply because they do not have the financial resources to do so. We are the only country which has done and can do so. Because **the world looks to us as their warehouse in times of emergency** for grains, fats and oils, and fibers, our price level is always in danger of being threatened by changes in the world situation, even if our reserves are ample for our needs as they were last year.

[1] **How difficult it is to increase sheep herds can be seen from the fact that our 1951 lamb crop is only 1% higher than last year's in spite of last year's high wool and lamb prices. This, by the way, was the first increase after a steady decrease since 1937.**

Sommers With Byllesby

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ralph M. Sommers has become associated with H. M. Byllesby & Co., Inc., 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Sommers was formerly Chicago representative for Knickerbocker Shares, Inc., and prior thereto was with Farwell, Chapman & Co.

Two With Faroll & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Edward Flannigan and Raymond Resnick have become connected with Faroll & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Arthur V. King Joins Salomon Bros.-Hutzler

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Arthur V. King has become associated with Salomon Bros. & Hutzler, 75 Federal Street. Mr. King was formerly with A. C. Allyn & Co. and E. H. Rollins & Sons, Inc.

Daniel Rice Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jack P. Leo has been added to the staff of Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frederic Cimerblatt is with Shearson, Hammill & Co., 208 South La Salle Street.

With Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Lyman R. Dodge has become affiliated with Richard J. Buck & Co., 8 Newbury Street.

With J. W. Goldsbury

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Orville A. Erickson has become associated with J. W. Goldsbury & Co., 811 Marquette Avenue.

Joins John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Frank F. Dick is with John G. Kinnard & Co., 71 Baker Arcade.

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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:

	Date	Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 12	101.1	101.5	101.5	99.9
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 12	2,021,000	2,029,000	2,029,000	1,926,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	July 28	6,024,600	6,165,700	6,180,550	5,521,550
Crude runs to stills—daily average (bbls.)	July 28	¶6-296,000	6,406,000	6,595,000	5,870,000
Gasoline output (bbls.)	July 28	21,539,000	21,363,000	21,828,000	19,981,000
Kerosene output (bbls.)	July 28	2,540,000	2,477,000	2,080,000	2,293,000
Distillate fuel oil output (bbls.)	July 28	8,174,000	8,721,000	8,732,000	7,266,000
Residual fuel oil output (bbls.)	July 28	8,858,000	8,963,000	9,036,000	7,870,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 28	121,156,000	122,104,000	127,006,000	109,206,000
Kerosene (bbls.) at	July 28	26,959,000	26,402,000	24,142,000	23,352,000
Distillate fuel oil (bbls.) at	July 28	76,938,000	*75,001,000	65,700,000	61,437,000
Residual fuel oil (bbls.) at	July 28	44,957,000	*44,045,000	41,097,000	42,253,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 28	819,875	804,570	821,615	845,011
Revenue freight received from connections (number of cars)	July 28	673,492	652,067	688,042	686,304
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 2	$267,571,000	$251,875,000	$404,655,000	$209,262,000
Private construction	Aug. 2	158,404,000	114,995,000	88,093,000	116,094,000
Public construction	Aug. 2	109,167,000	136,880,000	316,562,000	93,168,000
State and municipal	Aug. 2	83,085,000	105,224,000	165,609,000	72,646,000
Federal	Aug. 2	26,082,000	31,656,000	150,953,000	20,522,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 28	10,225,000	10,275,000	10,517,000	10,714,000
Pennsylvania anthracite (tons)	July 28	861,000	812,000	986,000	958,000
Beehive coke (tons)	July 28	149,500	149,700	145,600	163,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	July 28	233	*234	258	295
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 4	7,003,209	7,005,261	6,077,077	6,247,464
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 2	171	184	129	168
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 31	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	July 31	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	July 31	$43.00	$43.00	$43.00	$39.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 1	24.200c	24.200c	24.200c	22.200c
Export refinery at	Aug. 1	27.425c	27.425c	27.425c	22.425c
Straits tin (New York) at	Aug. 1	103.000c	106.000c	106.000c	97.500c
Lead (New York) at	Aug. 1	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	Aug. 1	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	Aug. 1	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 7	98.19	97.71	97.39	102.05
Average corporate	Aug. 7	110.52	110.34	109.42	115.82
Aaa	Aug. 7	115.04	114.66	113.89	120.84
Aa	Aug. 7	113.89	114.08	112.56	119.41
A	Aug. 7	109.60	109.42	108.52	115.43
Baa	Aug. 7	103.80	103.97	103.30	108.52
Railroad Group	Aug. 7	107.09	106.92	106.39	111.44
Public Utilities Group	Aug. 7	110.15	110.34	108.70	116.80
Industrials Group	Aug. 7	114.46	114.27	113.31	119.61
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 7	2.62	2.65	2.67	2.35
Average corporate	Aug. 7	3.14	3.15	3.20	2.86
Aaa	Aug. 7	2.90	2.92	2.96	2.61
Aa	Aug. 7	2.96	2.95	3.03	2.68
A	Aug. 7	3.19	3.20	3.25	2.88
Baa	Aug. 7	3.52	3.51	3.55	3.25
Railroad Group	Aug. 7	3.33	3.34	3.37	3.09
Public Utilities Group	Aug. 7	3.16	3.15	3.24	2.81
Industrials Group	Aug. 7	2.93	2.94	2.99	2.67
MOODY'S COMMODITY INDEX	Aug. 7	467.0	465.0	481.9	461.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 28	181,072	176,346	221,045	248,508
Production (tons)	July 28	231,788	225,732	244,242	215,909
Percentage of activity	July 28	97	94	103	96
Unfilled orders (tons) at end of period	July 28	537,591	589,330	547,963	524,391
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Aug. 3	148.2	148.4	150.0	126.7
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 21	26,927	25,428	27,026	40,021
Number of shares	July 21	769,249	710,236	750,440	1,182,756
Dollar value	July 21	$34,542,153	$32,380,715	$34,973,167	$49,920,752
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 21	22,682	21,044	22,709	29,716
Customers' short sales	July 21	604	404	176	321
Customers' other sales	July 21	22,078	21,448	22,533	29,395
Number of shares—Total sales	July 21	625,726	572,416	606,741	890,064
Customers' short sales	July 21	22,166	14,706	6,654	12,116
Customers' other sales	July 21	603,560	557,710	600,087	877,948
Dollar value	July 21	$26,161,921	$23,680,128	$26,320,496	$33,474,526
Round-lot sales by dealers—					
Number of shares—Total sales	July 21	174,960	137,030	176,020	209,540
Short sales	July 21	------	------	------	------
Other sales	July 21	174,960	137,030	176,020	209,540
Round-lot purchases by dealers—					
Number of shares	July 21	318,500	320,660	291,140	485,725
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	July 31	177.9	178.0	180.2	165.8
Farm products	July 31	189.9	*189.0	197.6	179.3
Grains	July 31	177.2	177.0	176.5	169.5
Livestock	July 31	264.0	260.8	265.0	246.4
Foods	July 31	186.0	*185.0	187.2	174.7
Meats	July 31	275.3	274.4	275.6	257.9
All commodities other than farm and foods	July 31	167.4	167.7	168.5	154.3
Textile products	July 31	175.7	175.5	177.4	148.8
Fuel and lighting materials	July 31	137.7	137.7	138.6	134.1
Metals and metal products	July 31	188.2	188.2	188.2	173.5
Building materials	July 31	224.2	224.2	224.4	211.2
Lumber	July 31	350.2	350.2	349.8	‡
Chemicals and allied products	July 31	139.8	138.2	137.7	121.7

*Revised. ‡Not available. ¶Includes 595,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of July (in millions):			
Total new construction	$2,790	$2,702	$2,696
Private construction	1,858	1,824	2,016
Residential building (nonfarm)	922	914	1,269
New dwelling units	815	810	1,161
Additions and alterations	90	88	93
Nonhousekeeping	17	16	15
Nonresidential building (nonfarm)	466	461	324
Industrial	191	177	84
Commercial	119	130	116
Warehouses, office & loft buildings	47	47	31
Stores, restaurants, and garages	72	83	85
Other nonresidential building	156	154	124
Religious	42	41	35
Educational	30	29	24
Social and recreational	14	15	23
Hospital and institutional	38	38	30
Miscellaneous	32	31	12
Farm construction	134	126	125
Public utilities	331	318	287
Railroad	33	31	28
Telephone and telegraph	43	42	39
Other public utilities	255	245	220
All other private	5	5	11
Public construction	932	878	680
Residential building	55	50	24
Nonresidential building	324	313	202
Industrial	95	83	18
Educational	132	130	98
Hospital and institutional	52	52	39
Other nonresidential	45	48	47
Military and naval facilities	102	87	10
Highways	270	250	273
Sewer and water	68	66	59
Miscellaneous public service enterprises	21	21	17
Conservation and development	85	83	86
All other public	7	8	9
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of June.			
Cotton Seed—			
Received at mills (tons)	23,755	*15,139	47,229
Crushed (tons)	95,626	*107,426	208,265
Stocks (tons) June 30	69,890	*141,761	333,993
Crude Oil—			
Stocks (pounds) June 30	22,329,000	*30,018,000	50,748,000
Produced (pounds)	34,127,000	*38,305,000	68,051,000
Shipped (pounds)	39,221,000	58,752,000	87,477,000
Refined Oil—			
Stocks (pounds) June 30	194,120,000	226,997,000	225,034,000
Produced (pounds)	35,473,000	54,149,000	80,792,000
Consumption (pounds)	64,121,000	63,388,000	114,983,000
Cake and Meal—			
Stocks (tons) June 30	89,767	*94,725	163,360
Produced (tons)	43,989	*48,437	93,264
Shipped (tons)	49,017	*59,591	109,016
Hulls—			
Stocks (tons) June 30	29,324	34,413	81,712
Produced (tons)	23,990	27,301	50,714
Shipped (tons)	29,079	33,047	48,318
Linters (running bales)—			
Stocks June 30	38,980	*43,824	73,799
Produced	31,271	*36,009	57,596
Shipped	36,115	*45,142	82,301
Hull Fiber (1,000-lb bales)—			
Stocks June 30	166	38	121
Produced	224	†	250
Shipped	96	144	349
Mote, Grabbots, etc. (1,000 pounds)—			
Stocks June 30	4,520	4,997	3,326
Produced	514	620	1,252
Shipped	991	387	2,400
FAIRCHILD PUBLICATION RETAIL PRICE INDEX — 1935-39 = 100 (COPYRIGHTED AS OF JULY 1):			
Composite Index	148.7	148.7	137.6
Piece goods	140.0	140.0	127.6
Men's apparel	146.5	146.3	138.9
Women's apparel	137.5	137.6	130.1
Infants' and children's wear	136.8	136.8	129.3
Home furnishings	163.6	163.6	147.0
Piece goods—			
Rayon and silks	116.7	116.7	113.0
Woolens	157.1	156.0	138.3
Cotton wash goods	161.9	162.5	146.6
Domestics—			
Sheets	197.0	197.1	167.3
Blankets and comfortables	174.9	174.7	143.1
Women's apparel—			
Hosiery	106.6	107.7	102.1
Aprons and housedresses	144.9	144.9	141.9
Corsets and brassieres	143.0	142.9	130.8
Furs	148.4	146.7	134.0
Underwear	137.8	137.9	133.2
Shoes	150.8	150.8	140.8
Men's apparel—			
Hosiery	148.0	148.0	140.9
Underwear	166.7	166.2	152.2
Shirts and neckwear	134.7	134.4	129.5
Hats and caps	127.9	127.9	127.2
Clothing including overalls	135.3	135.2	131.3
Shoes	185.5	186.0	167.7
Infants' and children's wear—			
Socks	132.8	132.8	130.4
Underwear	123.0	123.0	118.9
Shoes	160.3	160.3	143.5
Furniture	158.1	158.1	147.1
Floor coverings	193.3	193.5	162.7
Radios	126.2	126.3	117.9
Luggage	135.0	135.3	128.3
Electrical household appliances	148.8	148.7	138.4
China	136.3	136.3	132.9
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of June:			
Earnings—			
All manufacturing	$65.44	*$64.55	$58.85
Durable goods	70.60	69.39	62.86
Nondurable goods	58.63	*58.01	53.92
Hours—			
All manufacturing	40.8	*40.7	40.5
Durable goods	41.9	41.7	41.3
Nondurable goods	39.4	*39.3	39.5
Hourly earnings—			
All manufacturing	$1.604	*$1.586	$1.453
Durable goods	1.685	1.664	1.522
Nondurable goods	1.488	*1.476	1.365
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of June (000's omitted):			
Ordinary	$1,485,000	$1,522,000	$1,426,000
Industrial	475,000	505,000	454,000
Group	335,000	401,000	423,000
Total	$2,295,000	$2,428,000	$2,303,000

*Revised figures. †Not shown to avoid disclosure of individual operations.

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Securities Now in Registration

★ REVISIONS THIS WEEK
• INDICATES ADDITIONS

New Registrations and Filings

American Communications Corp. (8/9-10)
Aug. 1 (letter of notification) 108,856 shares of 6¼% cumulative preferred stock (par $2.40) and 108,856 shares of common (voting) stock (par five cents) to be offered in units of one share of preferred and one share of common stock. **Price**—$2.50 per unit. **Underwriter**—Empire National Corp., New York. **Proceeds**—For working capital and general corporate purposes. **Office**—306 Broadway, New York, N. Y.

American Trailer Co., Inc., Washington, D. C.
July 26 (letter of notification) $120,000 of 5½% first mortgage bonds, due Aug. 1, 1961. **Price**—At 100½% and accrued interest (in units of $1,000 each). **Underwriter**—Mackall & Co., Washington, D. C. **Proceeds**—To pay off present indebtedness and for additional working capital. **Office**—4030 Wisconsin Avenue, N. W., Washington, D. C.

Barton Petroleum Co., Denver, Colo.
July 27 (letter of notification) 25,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—For drilling oil wells, repayment of loan to driller and for current obligations. **Office**—Denham Building, Colo.

Bethesda Country Club, Inc., Bethesda, Md.
July 31 (letter of notification) $75,000 of certificates of beneficial interest in 5% third mortgage bonds. **Underwriter**—None. **Proceeds**—To finance purchase, at a discount, of $115,000 third trust bonds outstanding.

Central Chemical Corp., Hagerstown, Md.
July 31 (letter of notification) 24,000 shares of 6% non-cumulative preferred stock (par $10) and 6,000 shares of non-voting common B stock (no par). **Price**—$10 per share. **Underwriter** — None. **Proceeds** — For working capital.

Chicago Magazine Corp., Chicago, Ill.
Aug. 3 (letter of notification) 600 shares of class A stock (par $25) and 5,950 shares of common stock (par 50 cents), of which it is intended to offer to 25 or less individuals 550 class A shares and 2,200 common shares in units of one class A and four common shares; 3,500 common shares will be issued to Maurice English, one of the proposed incorporators of the corporation, in exchange for property and services; and 50 class A shares and 250 common shares will be issued to two individuals in payment for funds advanced by them. **Price**—Of class A, $100 per share; and of common, 50 cents per share. **Underwriter** — None. **Proceeds** — To pay expenses incident to operation, development and promotion of magazine. **Office**—231 So. La Salle Street, Chicago, Ill.

Coca-Cola Bottling Co. of St. Louis
July 27 (letter of notification) 1,192 shares of capital stock (par $1) to be offered for subscription by employees. **Price** — $24 per share. **Underwriter** — None. **Proceeds**—For general corporate purposes. **Office**—2930 N. Market Street, St. Louis, Mo.

Colo-Kan Fuel Corp., Denver, Colo.
Aug. 2 (letter of notification) 75,000 shares of class A common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For purchase of oil and gas lease, drilling of new wells, and general working capital. **Office**—711 E. & C. Bldg., Denver, Colo.

Columbus & Southern Ohio Electric Co. (9/5)
Aug. 8 filed $12,000,000 of first mortgage bonds, due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; White, Weld & Co. **Proceeds**—To repay bank loans and for construction purposes. **Bids**—Expected to be received on Sept. 5.

Consolidated Gas Utilities Corp.
Aug. 3 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$11.50 per share. **Underwriter**—None. Stock to be sold on the New York Curb Exchange or over-the-counter market. **Proceeds** — To Norman Hirschfield, President, the selling stockholders. **Office**—Braniff Bldg., Oklahoma City, Okla.

Dehydration, Inc., Gloucester, Mass.
July 26 (letter of notification) $11,826 of 4½% promissory notes (in multiples of $3), dated Sept. 1, 1951 and due Sept. 1, 1954, with transferable stock purchase warrants for purchase of common stock (no par) to be issued to all subscribers of notes entitling holder to purchase at any time up to Sept. 1, 1954, one share of common stock for each $9 of promissory notes held at $1 per share (calling for a total of 1,358 shares). **Underwriter**—None. **Proceeds**—Primarily for defense of lawsuits against company and its President brought by Schenley Farm Products Co., Inc. **Office**—17 Pleasant Street, Gloucester, Mass.

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PHILADELPHIA SAN FRANCISCO CLEVELAND
Private Wires to all offices

Eastern Caramba Bottling Corp.
Aug. 7 (letter of notification) 250,000 shares of common stock, of which 75,000 shares are to be issued to three officers (25,000 shares each) and an initial public offering will be made of 15,000 shares. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—615 Adams St., Hoboken, N. J.

Grand Union Co., New York
Aug. 7 filed 64,000 shares of common stock (par $10) to be issued pursuant to an "employees' restricted stock option plan." **Price** — To be supplied by amendment. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—50 Church St., New York.

Growth Industry Shares, Inc. (Md.)
July 30 filed 50,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—Harland Allen Associates, Chicago, Ill. **Proceeds**—For investment.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of non-cumulative preferred stock (par $1) and 7,750 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$25 per unit ($20 for preferred and $5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at $20 per share. **Underwriter** — Prugh, Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

Kaman Aircraft Corp., Windsor Locks, Conn.
July 26 (letter of notification) 17,021 shares of class A (non-voting common stock (no par), of which 171 shares are to be offered at $6 per share to four stockholders who failed to receive notice of their right to subscribe to an offering made in February, 1951; 15,742 shares to be offered to certain employees at $1 per share as part of an employees' bonus plan; and 1,108 shares to be offered to certain employees at $7 per share in exchange for a contingent money obligation to such employees based upon past sources. **Proceeds**—For working capital. **Office**—Bradley Field, Windsor Locks, Conn.

Keever Starch Co., Columbus, Ohio
Aug. 1 (letter of notification) 50,400 shares of common stock. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—To finance inventories and to purchase capital equipment. **Office**—538 E. Town St., Columbus, Ohio.

McBee Co., Athens, Ohio
Aug. 3 (letter of notification) 2,500 shares of 5% first preferred stock. **Price**—At par ($100 per share). **Underwriter**—Roy E. Hawk & Co., Athens, O. **Proceeds**—For working capital.

Montana-Canadian Oil Corp., New Orleans, La.
July 31 (letter of notification) 98,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—S. B. Cantor Co., New York. **Proceeds**—To drill and complete wells and for working capital. **Office**—811 Maritime Bldg., New Orleans, La.

New England Gas & Electric Ass'n (9/3-8)
Aug. 6 filed $6,115,000 of 20-year sinking fund collateral trust bonds, series C, due 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. **Proceeds**—To purchase additional common stocks of five subsidiaries. **Offering**—Expected week of Sept. 3.

Newman Associates, Inc. (name to be changed to Sheeld, Inc.), Dallas, Tex.
July 30 (letter of notification) 10,000 shares of preferred stock (no par) and 50,000 shares of common stock (par two cents) to be offered in units of one preferred and five common shares. This includes 33,000 common shares for account of Hal C. Newman, President of the company. **Price**—$10.10 per unit. **Underwriter**—Southwestern Securities Co., Dallas, Tex. **Proceeds**—To purchase assets of Sterling Industries, Inc., to retire bank loans and pay accounts payable, and for working capital. **Office**—1400 Marilla St., Dallas, Tex.

Niles (Mich.) Cabinet Co., Inc.
July 23 (letter of notification) 49,998 shares of common stock. **Price**—$2 per share. **Underwriter**—None. **Proceeds**.—To Philip O. Krumm (President)), Jerome J. Kahn (Vice-President) and Kenneth C. Prince (Secretary-Treasurer), who are the selling stockholders. **Office**—1 East Main Street, Niles, Mich.

Northwest Plastics, Inc., St. Paul, Minn.
Aug. 3 (letter of notification) $100,000 of 6% 15-year convertible sinking fund debentures and 12,000 shares of common stock (par $2.50). **Price**—Of debentures, at par; and of stock, $8.75 per share. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn., and Irving J. Rice & Co., St. Paul, Minn. **Proceeds**—To retire bank loans and mortgage debt and for working capital. **Office**—65 Plato Ave., St. Paul, Minn.

Oneida, Ltd., Oneida, N. Y. (9/24)
Aug. 2 (letter of notification) 20,587⅔ shares of common stock (par $12.50) to be offered to common stockholders of record Sept. 21 at rate of one share for each 12 shares held. **Price**—$14.50 per share. **Underwriter**—None. **Proceeds**—For working capital. **Offering**—Expected to be made on Sept. 24.

Sanders Associates, Inc., Waltham, Mass.
Aug. 2 (letter of notification) 60,000 shares of class A common stock. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For purchase and/or rental of operating facilities such as electronic test equipment, machine tools, and office equipment and for working capital to enable the taking and completing of prime government and sub-contracts pertaining to guided missiles, electronics, and related fields. **Office**—135 Bacon St., Waltham, Mass.

Sheeld, Inc., Dallas, Tex.
See Newman Associates, Inc. above.

Spartan Grocers, Inc., Los Angeles, Calif.
Aug. 3 (letter of notification) 15,000 shares of common stock. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For addition to warehouse. **Address**—Box 3549, Terminal Annex, Los Angeles.

Specialized Products Corp., Birmingham, Ala.
Aug. 2 (letter of notification) 5,000 shares of capital stock. **Price**—$10 per share. **Underwriter**—None. If issue is to be underwritten later, names will be supplied by amendment. **Proceeds**—For expansion and operating capital. **Office**—2807 Central Avenue, Birmingham, Ala.

Spencer Chemical Co., Kansas City, Mo. (8/27)
Aug. 3 filed 125,000 shares of cumulative convertible second preferred stock (par $50) to be offered to common stockholders in ratio of one share of preferred for each eight common shares held (stockholders will vote on approving new issue on Aug. 15). **Price**—To be supplied by amendment. **Underwriters** — Morgan Stanley & Co. and Glore, Forgan & Co., New York. **Proceeds**—From sale of stock, together with $5,100,000 from institutional investors, will be used to pay part of cost of construction of new chemical works.

Tabernacle Corp., Miami, Fla.
July 26 (letter of notification) 500 shares of common stock (no par). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To construct building. **Office**—2147 S. W. 11th Street, Miami, Fla.

Trad Television Corp. (8/13)
Aug. 7 (letter of notification) 2,000,000 shares of common stock to be offered for subscription by common stockholders of record Aug. 9 in ratio of eight shares for each nine shares held, with an oversubscription privilege. **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—For working capital, etc. **Office**—1001 First Avenue, Asbury Park, N. J.

Viking Plywood & Lumber Corp., Seattle, Wash.
July 9 (letter of notification) 37,500 shares of common stock (no par), to be sold in minimum units of 125 shares to present officers, directors and stockholders. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To permit acquisition of 50% of capital stock of Snellstrom Lumber Co., Eugene, Ore. **Office**—1411 Fourth Avenue Building, Seattle, Wash.

Wallingford (Conn.) Power & Equipment Co., Inc.
July 25 (letter of notification) 100 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None, but may be sold through Glen E. Hildebrand, President. **Proceeds**—For working capital.

Wilson Brothers, Chicago, Ill. (8/28)
Aug. 3 filed $2,200,000 of 5% sinking fund debentures due Aug. 1, 1966, with non-detachable common share purchase warrants for the purchase of 154,000 shares of common stock. **Price**—To be supplied by amendment. **Underwriter**—Blair, Rollins & Co., Inc., New York. **Proceeds**—To pay off outstanding indebtedness and for other corporate purposes.

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.

★ **All American Casualty Co., Chicago, Ill.**
July 26 filed 1,000,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—May be M. A. Kern, President. **Proceeds**—To increase capital and surplus.

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). **Under-**

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writer—To be supplied by amendment. **Proceeds**—For operating expenses. **Office**—27 West 72nd Street, New York 23, N. Y.

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.

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.

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.

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.

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** — Registration statement was withdrawn on July 26.

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

NEW ISSUE CALENDAR

August 9, 1951
American Communications Corp.___**Pfd. & Common**

August 13, 1951
Pacific Western Stores, Inc._____**Preferred**
Trad Television Corp._____**Common**

August 15, 1951
American Mucinum Inc._____**Class A**

August 16, 1951
British Columbia (Province of), Canada_____**Bonds**

August 21, 1951
National Distillers Products Corp._____**Preferred**
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August 22, 1951
Foote Bros. Gear & Machine Corp. 11 a.m. (CDT)_____**Common**

August 27, 1951
Spencer Chemical Co._____**Preferred**

August 28, 1951
Southern California Edison Co._____**Bonds**
Southern Counties Gas Co. of California_____**Bonds**
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Jetter & Scheerer Products, Inc. 11 a.m. (EDT)_____**Common**

September 3, 1951
New England Gas & Electric Ass'n_____**Bonds**

September 5, 1951
Columbus & Southern Ohio Electric Co._____**Bonds**

September 11, 1951
Alabama Power Co._____**Bonds**

September 12, 1951
Chesapeake & Ohio Ry. Noon (EDT)_____**Equip. Trust Ctfs.**

September 19, 1951
Utah Power & Light Co., 11 a.m. (EDT)___**Common**

September 20, 1951
Harshaw Chemical Co._____**Preferred**

September 24, 1951
Oneida, Ltd. _____**Common**

October 9, 1951
Arkansas Power & Light Co._____**Bonds**

October 29, 1951
Utah Power & Light Co., noon (EST)_____**Bonds**

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.

Financial Credit Corp., New York
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.; Seltsam-Hanni & Co., Inc. and Estes & Co., all of Topeka, Kan. **Proceeds**—For working capital.

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.

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.

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.

★ **Fuller (D. B.) & Co., Inc., N. Y.**
July 26 filed 120,000 shares of 6% 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. **Offering**—Not expected until after Labor Day.

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) being offered to stockholders of record June 30 on basis of one share for each 14 shares held, with an oversubscription privilege; rights to expire on Aug. 15. **Price** — $20 per share. **Underwriter** — None. **Proceeds** — To repay bank loans. **Office**—500 Carlton Bldg., Box 86, Colorado Springs, Colo.

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.

★ **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.

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.

Idaho Custer Mines, Inc., Wallace, Idaho
June 8 (letter of notification) 800,000 shares of non-assessable common stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—H. M. Herrin & Co., Seattle, Wash., and others. **Proceeds**—For development of Livingston mine. **Office**—Scott Bldg., Wallace, Idaho.

International Resistance Co., Phila, Pa.
June 26 (letter of notification) 1,500 shares of common stock (par 10 cents). **Price**—At the market (approximately $6.37½ to $6.62½ per share). **Underwriter**—Stein Bros. & Boyce, Phila., Pa. **Proceeds**—To Harry A. Ehle, Vice-President, who is the selling stockholder.

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.

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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.

★ **Linnton Plywood Association, Portland, Ore.**
Aug. 1 (by amendment) filed 188 shares of non-voting common stock to be offered to employee members. **Price**—At par ($5,000 per share). **Underwriter** — None, but John J. Oxley and J. A. Williams will solicit subscriptions. **Proceeds**—To improve plant site and acquire facilities and machinery.

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.

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.

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.

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.

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.

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.

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.

★ **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 late September.

National Distillers Products Corp. (8/21)
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.

North American Acceptance Corp.
March 20 (letter of notification) 15,000 shares of 60-cent cumulative convertible preferred stock (par $5). **Price**—$10 per share. **Underwriter**—Michael Investment Co., Inc., Providence, R. I. **Proceeds**—For working capital. **Offering**—Postponed temporarily.

★ **Northrop Aircraft, Inc.**
June 6 filed 125,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriters**—William R. Staats Co., Inc., Los Angeles, Calif. **Proceeds**—For working capital. **Offering**—Expected today.

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

Pacific Western Stores, Inc. (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.

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.

Polymer Industries, Inc., Astoria, N. Y.
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.

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.

★ **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 extended to expire on Sept. 5. **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. Statement effective July 31.

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.

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.

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.

★ **Southern California Edison Co. (8/28)**
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.

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 Canadian Oil Corp., Washington, D. C.
July 31 filed 1,000,000 shares of common stock (par 10

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cents). **Price**—$1 per share. **Underwriter**—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.

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) being offered to stockholders of record July 10 at rate of 6½ shares for each 100 shares held, with an oversubscription privilege. **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. Issue reported purchased by underwriter for investment.

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.

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.

Workers Finance Co. of North Bergen, N. J.
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.

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.**
Aug. 6 it was reported that it may become unnecessary to refund the 4½% guaranteed mortgage gold bonds which mature on Sept. 1, 1951 (approximately $48,000,000 outstanding) because of the influx of American dollars into Canada. If public financing is necessary, underwriters may include Morgan Stanley & Co., New York.

Carolina Natural Gas Corp., Charlotte, N. C.
Feb. 20 a fourth amended application was filed with the SEC for authority to build a natural gas pipeline system to serve certain areas in North and South Carolina. Estimated cost of the proposed facilities is $3,595,295, to be financed by the sale of first mortgage bonds and the issuance of junior securities. Underwriters may include R. S. Dickson & Co., Charlotte, N. C.

● **Central Vermont Public Service Corp.**
Aug. 1 it was announced that the company expects to obtain before the end of 1952 additional permanent financing, including equity financing. It is estimated that about $3,400,000 will be required to take care of additional construction expenditures to the end of next year.

● **Chesapeake & Ohio Ry. (9/12)**
Bids will be received up to noon (EDT) on Sept. 12 for the purchase by the company of $6,300,000 of equipment trust certificates to mature semi-annually over 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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.

● **Cone Mills Corp., Greensboro, N. C.**
Aug. 7 it was reported that preparations are going forward for the marketing of from 400,000 to 500,000 shares of outstanding common stock. **Underwriter** — May be Morgan Stanley & Co., New York. **Proceeds**—To go to selling stockholders.

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 outstanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

Derby Gas & Electric Corp.
July 16 corporation received SEC authority to issue and sell $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.

● **Foote Bros. Gear & Machine Corp. (8/22)**
Aug. 8 the RFC invited bids for the purchase from it, as an entirety, of 28,927 shares of common stock (par $2) of this company. Bids will be received by the RFC at 208 So. La Salle St., Chicago 4, Ill., up to 11 a.m. (CDT) on Aug. 22.

● **Gould-National Batteries, Inc., St. Paul, Minn.**
Aug. 7 Albert H. Daggett, President, reported the company is considering sale of 65,000 shares of convertible preferred stock (par $50), with an interest rate of around 4½%. **Price**—Expected at $52.50 per share. **Underwriter**—Probably Glore, Forgan & Co., New York. **Proceeds**—To finance expansion program.

● **Harshaw Chemical Co. (9/20)**
July 27 it was reported that the company plans to issue and sell $4,000,000 of cumulative convertible preferred stock. **Underwriter**—McDonald & Co., Cleveland, O. **Offering**—Expected about Sept. 20.

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.

● **Jetter & Scheerer Products, Inc., N. Y. (8/29)**
Bids will be received at the Office of Alien Property, Department of Commerce, 120 Broadway, New York 5, N. Y., up to 11 a.m. (EDT) on Aug. 29 for the purchase from The Attorney General of the United States of 200 shares of common stock (par $100), which constitutes 100% of the issued and outstanding capital stock.

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.;

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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.

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.

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.

Ohio Power Co.

May 15 it was stated that this company, a subsidiary of American Gas & Electric Co., will need $36,000,000, perhaps more, which it expects to raise some months hence through the sale of new securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). Proceeds will be used for construction program.

Pacific Power & Light Co.

June 29 it was announced company plans issuance and sale of $15,000,000 of mortgage bonds in the early part of 1952. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co. Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Kidder, Peabody & Co.; Blyth and Co., Inc., White, Weld & Co. and Harris, Hall & Co., Inc. (jointly). (For registration of 541,464 shares of common stock, see a preceding column).

● **Parkersburg (W. Va.) Rig & Reel Co.**

Aug. 1 it was announced directors have approved in principle a plan to offer not exceeding $300,000 of common stock for subscription by common stockholders. Formal announcement is expected shortly.

★ **Pennsylvania Electric Co.**

Aug. 3 filed with Pennsylvania P. S. Commission a proposal to issue and sell $5,000,000 of first mortgage bonds, 30,000 shares of $100 par preferred stock and about $3,000,000 of common stock (latter to General Public Utilities Corp., parent). **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co.; Lehman Brothers and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. Probable bidders for preferred stock: W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.; Smith, Barney & Co.; Kidder, Peabody & Co.; Harriman, Ripley & Co., Inc. **Proceeds**—For 1951 construction program. Expected late summer or early fall.

Public Service Co. of Indiana, Inc.

June 25 it was reported that company may do some permanent financing "when market conditions permit." Earlier this year arrangements were made with eight banks for borrowing up to $40,000,000 on promissory notes bearing interest at 2½%. Of this total, it is planned to use $13,000,000 in 1951, $14,000,000 in 1952 and $13,000,000 in 1953. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. Probable Bidders for preferred stock: Blyth & Co., Inc.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Proceeds**—To retire bank loans incurred in connection with construction program.

Public Service Co. of North Carolina, Inc.

July 12 it was announced company plans to issue and sell several million dollars of first mortgage bonds in the Fall. In July last year, $1,200,000 of bonds were placed privately with two institutional investors.

● **Rochester Gas & Electric Corp.**

Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately.

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.

● **Ryan Aeronautical Co., San Diego, Calif.**

Aug. 4 it was announced company plans to increase its authorized capital stock (par $1) from 500,000 to 1,000,000 shares in order to place it in a position to do appropriate financing of some form of its own securities if and when advantageous to the company. The new financing may take the form of a general offering for sale to the public or granting of rights to stockholders; or the reservation for conversion of long-term indebtedness which could be issued with provision for convertibility into common stock. The company presently has outstanding 439,193 shares of capital stock, of which 45,350 shares are held by the wholly owned subsidiary, Ryan School of Aeronautics.

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. (8/21)**

Aug. 7 the RFC invited bids for the purchase from it of the following securities of this railroad company: $5,785,872 general mortgage 4½% income bonds, series A, due Jan. 1, 2016; 9,543 shares of 5% preferred stock, series A (par $100); and 102,273 shares of common stock (no par). Bids will be received by the RFC on Aug. 21 at 143 Liberty St., New York 6, N. Y., or 811 Vermont Ave., N. W., Washington, D. C. Probable bidders may include: Hornblower & Weeks; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane, Stein Bros. & Boyce (jointly); Bear, Stearns & Co.

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 (8/28)

July 2 it was announced company expects soon 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. **Bids**—Expected Aug. 28.

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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Our Reporter's Report

The new securities business is definitely caught in the grip of the customary August lull. But the underwriting industry, long accustomed to this midsummer letdown, does not appear to be perturbed.

Quite to the contrary investment banking firms, while naturally ready and eager to do business, will use the weeks ahead to put their affairs in shape for a revival of activity after Labor Day.

This week was extremely dull, producing only a smattering of new corporate offerings, largely by way of secondary operations in equities

Michigan Consolidated Gas Co.'s offering of $15,000,000 of new 25-year first mortgage bonds brought out four bids, the winning tender fixing a price of 101.11 for a 3½% coupon rate.

The runners-up bid 101.0199 for the same interest rate with the lowest of the four offering to pay 100.499 and naming the same coupon. The first three bidders appeared to be thinking pretty much along the same price lines.

The bonds are being offered to investors at a price of 102, a yield of 3.80%. Early reaction to the offering was less than enthusiastic.

As a matter of fact some "dropouts" were reported when the winning syndicate managers sat down in the final meeting to fix the bid and reoffering basis.

Municipals Turn Sticky

In keeping with the general scheme of things, it appears that the recovery in municipal and other tax-exempt issues from the lows of the year has been on the robust side.

At any rate observers report the market in these securities has turned a bit "sticky" again with prospective buyers showing a tendency to shy away.

Tax-exempts have scored a recovery which has pared potential yields some 10 to 15 basis points, bringing yields to a level that makes the buyer a trifle wary.

New Issues in Hopper

Current dullness promises to continue through the next few weeks unless the spell is broken by the emission of something in the way of negotiated business not in evidence at the moment.

The Reconstruction Finance Corp. will lend a hand on Aug. 21 when it opens bids for three blocks of Seaboard Air Line Railway securities which it holds as collateral. These include $5,785,872 of 4½% series A general mortgage bonds, due 2016; 9,543 shares of series A preferred stock and 102,273 shares of common stock.

The following day it will open bids for 28,927 shares of common stock of Foote Brothers Gear and Machine Corp. common.

West Coast Issues

The following week will bring out new issues of two West Coast utilities for bids. Southern California Edison is slated to open tenders on $30,000,000 of new bonds on August 28.

And the same day the Southern Counties Gas Co. of California will be in the market for $12,000,000 of new money to be raised through the sale of new first mortgage bonds.

The latter issue also will be marketed through competitive bidding and will provide funds for expansion of gas transmission and distribution facilities.

Holds Restricted Stock Options Exempt From Salary Board

Committee on Stock Options of the Society of Corporate Secretaries contends, under Sec. 130A of Internal Revenue Code, if certain conditions are met, gain realizable by option holder is not taxable as ordinary income but as capital gain.

Restricted stock options granted by American corporations to executive personnel are outside of the jurisdiction of the Salary Stabilization Board under the Defense Production Act, as amended, it was declared Aug. 6 by the Committee on Stock Options of the American Society of Corporate Secretaries, Inc.

The Committee's opinion was set forth in a memorandum to the Stock Option Advisory Panel of the Salary Stabilization Board, which opened hearings on Aug. 6 at the Association of the Bar of the City of New York, 42 West 44th Street. The memorandum was presented by Brig. General C. O. Bickelhaupt, President of the Society. The memorandum stated:

"Two weeks after Congress passed the Defense Production Act, it enacted, as part of the Revenue Act of 1950, Section 130A of the Internal Revenue Code, authorizing corporations to grant 'restricted stock options' to employees. Under Section 130A, if certain specific conditions are met, any gain realized by the option holder is not compensation taxable as ordinary income but is rather a capital gain resulting from an investment transaction.

"Following the passage of the Revenue Act of 1950, a number of corporations granted restricted stock options to executives. In doing so, they were carrying out a program which had received specific Congressional approval subsequent to the enactment of the Defense Production Act. Should the use of such options be frustrated by the action of an administrative board created under the authority of the Defense Production Act, the will of Congress will be plainly thwarted."

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On July 31, 1951 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable October 1, 1951 to Stockholders of record at the close of business September 13, 1951. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary.*

ANACONDA

DIVIDEND NO. 173

June 28, 1951

The Board of Directors of Anaconda Copper Mining Company has today declared a dividend of Seventy-five Cents ($.75) per share on its capital stock of the par value of $50 per share, payable September 20, 1951, to stockholders of record at the close of business on August 21, 1951.

C. EARLE MORAN
Secretary and Treasurer
5 Broadway, New York 4, N. Y.

American INVESTMENT COMPANY OF ILLINOIS

83RD CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable September 1, 1951, to stockholders of record August 15, 1951.

D. L. BARNES, JR.
Treasurer

July 30, 1951

Financing the Consumer through nation-wide subsidiaries—principally:

AICO
Public Loan Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation

DIVIDEND NOTICES

BORDEN'S 1857 Borden's

DIVIDEND No. 166

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable September 1, 1951, to stockholders of record at the close of business August 10, 1951.

E. L. NOETZEL
Treasurer

August 2, 1951

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

21st Consecutive Quarterly Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on September 1, 1951 to stockholders of record at the close of business on August 15, 1951.

GEORGE SELLERS, Secretary

August 3, 1951

Allen B. Du Mont Laboratories, Inc.

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a regular quarterly dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock payable October 1, 1951 to Preferred Stockholders of record at the close of business September 15, 1951.

PAUL RAIBOURN,
Treasurer

August 3, 1951

DUMONT *in all phases of television*

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 109

A quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock, without par value, of this Company has been declared, payable September 29, 1951, to stockholders of record at the close of business September 7, 1951.

PREFERRED DIVIDEND NO. 20

A regular quarterly dividend of eighty-one and one-quarter cents (81¼¢) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable September 5, 1951, to stockholders of record at the close of business August 17, 1951.

Transfer books will not be closed.

Checks will be mailed.

W. E. HAWKINSON,
Secretary and Treasurer.

August 1, 1951.

DIVIDEND NOTICES

BEAUNIT MILLS, *Inc.*

A quarterly dividend of 50c per share on the Common Stock has been declared payable September 1, 1951, to stockholders of record August 15, 1951.

N. H. POLONSKY, *Secretary*

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio

DIVIDEND NO. 113

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable August 25, 1951, to shareholders of record at the close of business August 10, 1951.

H. C. STUESSY, *Secretary*

Declared on July 27, 1951

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio

EXTRA DIVIDEND
(DIVIDEND No. 114)

The Board of Directors of Eaton Manufacturing Company has declared an extra dividend of Fifty Cents (50¢) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable August 25, 1951, to shareholders of record at the close of business August 10, 1951.

H. C. STUESSY, *Secretary*

Declared on July 27, 1951

FIRTH CARPET COMPANY, NEW YORK, N.Y.

DIVIDEND NOTICE

The Board of Directors has this day declared a dividend of 25 cents ($.25) per share on the common stock, payable September 1, 1951 to stockholders of record August 15, 1951. The transfer books will not close.

W. W. HARTS, JR.
Treasurer

August 2, 1951

O'okiep Copper Company Limited

Dividend No. 19

The Board of Directors today declared a dividend of ten shillings per share on the Ordinary Shares of The Company payable August 31, 1951 to the holders of Ordinary Shares of record at the close of business August 24, 1951.

The Directors authorized the distribution of the said dividend on September 11, 1951 to the holders of record at the close of business on September 4, 1951 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to $1.39 per share, subject, however, to any change which may occur in the official rate of exchange for South Africa funds prior to August 31, 1951. Union of South Africa non-resident shareholders tax at the rate of 7½% will be deducted.

By Order of the Board of Directors,

H. E. DODGE, *Secretary.*

New York, N. Y., August 8, 1951.

DIVIDEND NOTICES

PEPPERELL FABRICS 100th Dividend Year!

PEPPERELL MANUFACTURING COMPANY

Boston, August 2, 1951

A regular quarterly dividend of Seventy-five Cents (75¢) and an extra dividend of Fifty Cents (50¢) per share have been declared payable August 15, 1951, to stockholders of record at the close of business August 8, 1951.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

PAUL E. CROCKER, *Secretary*

160 State Street, Boston, Mass.

pf PACIFIC FINANCE CORPORATION *of California*

DIVIDEND NOTICE

A regular quarterly dividend of 45 cents per share on the common stock ($10 par value) payable September 1, 1951 to stockholders of record August 15, 1951 was declared by the Board of Directors on August 1, 1951.

B. C. REYNOLDS
Secretary

TEXACO

THE TEXAS COMPANY

—196th—

Consecutive Dividend

A dividend of sixty-five cents (65¢) per share on the Capital Stock of the Company has been declared this day, payable on September 10, 1951, to stockholders of record at the close of business on August 10, 1951. The stock transfer books will remain open.

ROBERT FISHER
Treasurer

August 3, 1951

Common and Preferred DIVIDEND NOTICE

Shreveport, La.
August 3, 1951

The Board of Directors of the Company has declared regular quarterly dividends of 25 cents per share on the common stock and $1.125 per share on the 4.5% convertible preferred stock of the company, both payable on September 1, 1951, to stockholders of record at the close of business August 3, 1951.

Secretary

TEXAS EASTERN Transmission Corporation

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — In the light of the tentative decision reached by the White House to expand the goals of the military build-up, it is being noted on the Hill, and with no thought that it is funny, that the Truman Administration has developed the strategy "of the promise."

The latest of the big global promises which will now go by the boards is that if the people and Congress would stand for a defense program of $50 billion plus, the United States, by building expanded production capacity as well as arms, would find itself by late 1952 or early 1953 in a position to "have guns and butter, too." This oft-repeated promise was last mouthed by Manly Fleischmann, Defense Production Administrator, when he announced the fourth quarter allocations for steel, copper, and aluminum. Fleischmann said:

"Materials are needed for the expansion of productive capacity and basic resources so that by late 1952 or early 1953 materials shortages may be materially reduced, if not eliminated, and the economy expanded so that it can carry the defense program and also permit normal levels of civilian production."

Even though the proposed expansion will be in the Air Force rather than in the total program, it is bound to put increasing pressure on all metals, on manpower, on the Budget, and to postpone into the limbo of years hence, the time when the government's defense expansion will stabilize, even without a fresh crisis.

Hence the promise of "guns and butter too" virtually repudiated even before Congress has approved the $60 billion of defense appropriations, takes its place alongside certain other repudiated major promises, such as:

(1) If the United States assisted in defeating the Axis powers and joined the United Nations, world peace would be restored.

(2) If the United States participated in and contributed toward the World Bank and Monetary Fund, there would follow reconstruction and currency stability with multilateral trade.

(3) If the United States loaned Britain $3,750 million this would put Britain on its feet and enable it to go its own.

(4) If the United States made the sacrifice of the Marshall Plan for four years, by 1952 Western Europe would get on its feet economically, be in an economic and psychological position to build up its own forces to stop Russia, and this would make it possible to avoid the vast expenditures of tens of billions necessary to maintain the nation on a semi-military basis.

(5) If the United States joined the North Atlantic Treaty Organization, this fact of an alliance, even without sending troops to Europe prior to a war emergency, would be sufficient, with some $4 billion of military aid annually from the U. S., to stop Russia.

* * *

A Senate committee is fussing around with the idea of passing a bill which would create a system of debt adjustment for farmers, against the day when a depression might again hit farmers. The proposal is that farmers in debt could get into the Federal courts, which would fix a "reasonable annual rental" farmers would pay in lieu of their debts, and the court would divide up this rental among the farmer's creditors.

Such a bill was passed in 1949. However, a House Judiciary subcommittee pigeon-holed the proposition. It is set to bury any such scheme if the Senate tries it once more. The House Judiciary subcommittee has passed the word that it will issue no statutory invitation to farmers to renege on their debts, and no debt relief legislation will be let out of committee until the need therefor clearly exists.

* * *

This column recently reported (July 26) how the Public Housing Administration got more than 42,000 public housing "starts" listed in June, 10 times the monthly average, when it became apparent Congress would cut below 75,000 the number of public housing units, construction of which would be authorized in fiscal 1952.

It now develops that counting calendar year 1950 and the first half of 1951—all in fiscal 1951—PHA got themselves a nice backlog of more than 90,000 public housing units "started", few of which, of course, are very far along.

Since the proposed Congressional reduction in number of public housing units to be authorized—5,000 approved by the House and 50,000 by the Senate—applies only to operations in fiscal year 1952, the total public housing construction program actually under way will be 90,000 units PLUS whatever figure between 5,000 and 50,000 units the conferees on the appropriations bill for fiscal 1952 actually settle upon.

* * *

Industry sources here assert that Manly Fleischmann, DPA Administrator, has actually allocated 25% more steel for the fourth quarter than actually will be available. The allocation was for in excess of 24 million tons.

This allocation was against an official predication that 21 million tons was available, and was purposely "over-allocated" on the theory, based on War II experience, that 3 million tons of allocations would not be used in the quarter. Some industry sources contend that actual steel available will not exceed 19 million tons.

One incidental effect of the shortened supply allotted to the auto industry is this: the auto industry is the largest source of steel scrap, and to the tune that this industry's operations are curtailed, scrap supplies will be somewhat curtailed.

* * *

Now that the new DPA act on the books, its basic political setting should be borne in mind in trying to figure out what will transpire under it.

This basic setting is that Congress was confronted with a phony proposition and responded with a phony proposition.

There never was any intention of using controls for an all-around "hold the line" effort against inflation. It has been apparent for many months if not years that, politically, labor could not be held down in its wage rises. A further evidence of that is the tentative decision of the Wage Stabilization Board the other day to allow just about any wage rise for any normal excuse advanced by labor.

Farm prices likewise could not be held. Mr. Truman, to be sure, regards the legally - entrenched formula of parity was less regard than the Congress, for the President figures that the big, prosperous farmers are either Republicans or Dixiecrats who do not love him, anyway.

So, confronted with a practical exemption of labor and farm products, a good many seriously-intentioned people proposed a couple of months ago to chuck the whole kit and caboodle of wage and price controls. But the opposition leadership objected. It figured that **for sure** Truman could then saddle them with blame if the cost of living rises.

Their course was thus to pass a price control bill which would control only the occasional and rare case of genuine price gouging. At the same time they gave Truman a bill which, while devoid of substance, could be called a wage and price bill. In this way they may be able to escape the Truman curse that Congress alone is responsible for not doing what neither the Administration nor Congress wanted done.

The practical statutory limitations supposedly barring price regulation (if economic conditions put upward pressure on prices) should not lead business to suspect, however, that "price control" will give them no trouble.

For the fundamental background fact is that price control under any law will, as in the past, be used primarily for purposes of political effect. Note that the first "price control" action last year was on automobiles, and the biggest row was on meat—both items selected because of their political appeal.

Regardless of what the DPA law says, the Administration will use "price control" constantly and in every way possible to try to put business on the spot. The most striking example of this was the adoption of all the price regulations based upon the old DPA act, on the eve of the signing of the new act.

The excuse for this clever little trick was that it would take weeks of study to determine how to apply regulations under the new act. The real purpose of this "smart move," however, was to put business on the spot, so it would have to come in and ask for higher ceiling prices to which it would be entitled under the law, so that business would be blamed for the higher prices.

* * *

Congress drew some of the teeth from the Smaller Defense Plants Corp. proposal before enacting it into law. For one thing, it removed the power of the agency to in substance compel procurement officials to let contracts to small business via this agency if the agency demanded them. For another, it refused to make the Corporation the claimant agency and distributor of scarce mterials for "small business." For another, it removed the agency's power to compel RFC to make loans for any purpose upon its recommendation.

On the other hand, the new Small Defense Plants Corp., is nevertheless, a potent agency. It can certify both the "credit and competence" of any prospective bidder on a government contract, and that certification is binding upon procurement officials.

(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.)

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Oil Record, 1951, The—Compiled under the direction of Henry Ozanne—Operating and financial statistics on more than 100 American oil companies for 1950, with tables showing company reserves, production, refinery throughput, etc.—Petroleum Industry Projects, P. O. Box 829, B. F. Station, Washington 4, D. C.—384 pages, hard cover, index and tables—$6.00.

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