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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 174 Number 5038 New York, N. Y., Thursday, August 16, 1951 Price 40 Cents a Copy

EDITORIAL

As We See It

Among those who must form a judgment about the business outlook during the next half year, or, for that matter, the next full year, there is no question of more significance than the volume of Federal defense expenditures during the current fiscal year. Nor is there any current question of which the answer is slower in putting in its appearance. It is now six weeks or more since the beginning of the fiscal year, and in a degree not often matched the so-called money bills are still bogged down in uncertainty and controversy. And it is not only the money bills as such that are in this tangle. The whole Federal program of expenditures, including those for defense, is in a strange and uncertain position. This state of affairs is, of course, in part the result of recent events (or lack of them) in Korea. It is traceable in part also to the fact that both political parties are working with their eyes fixed upon the political campaign due next year.

But whatever the cause, the time has come, indeed the time is long past, when the situation is almost intolerable. We can not without paying a heavy price remain in this indecisive mood and this want of realistic action. Embarrassment in the ordinary course of things must follow soon because of the failure of Congress to make funds available for whatever it wishes to have done and for which funds have not been appropriated in past years. All this is particularly unfortunate at this time on several special counts. It is now a commonplace that defense operations are lagging sadly. They are lagging, no doubt, in part, and in substantial part, by reason of sheer incompetence in administrative circles; they can scarcely fail

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What Chance for Investment in Israel?

By A. WILFRED MAY

Observer notes factors encouraging sorely-needed foreign capital to enter Israel, as special concessions, easy profits, and the country's remarkable long-term growth potentialities, as well as numerous deterrents, including government intervention, present over-valuation of the currency, convertibility difficulty, and international political tension. Cites as decisive factor the attractive opportunities competing for the American investor's dollar in liquid security markets at home.

(Second 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—A continuing inflow of foreign capital with its productive results is, as we pointed out in last week's article, the most important element necessary for Israel's economic survival. But for the American also is the capital investment situation here important, as a microcosm for studying the current difficulty of fostering United States' private foreign investment.

A. Wilfred May

The investment of capital in Israel, to be sufficient, must be healthily based on its merits as a business proposition rather than on sentimental considerations. In this spirit, let us consider first the attractive features; second the government's relevant policies; and third the drawbacks and difficulties.

The underlying constructive aspect investmentwise is the fact that Israel today represents a dynamic growth situation whose entire population—increasing through immigra-

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Utilities Favored by Investment Companies

By HENRY ANSBACHER LONG

Analysis of Funds' second quarter operations also reveals purchases of non-ferrous metal, radio, electrical equipment and chemical stocks; with oils slightly bought on balance. Rail and steel issues sold, reflecting reversal of sentiment from previous quarter. Building industry commitments also lightened. Excess of over-all purchases over sales stepped up to 35% as half of funds decreased cash balances.

Continuing a trend that has persisted almost uninterruptedly in investment company operations during the last three years, managements in the last June quarterly period concentrated their buying in the shares of utility issues. Purchases in this group, excluding stock acquired through the exercise of rights, approximated 14% of total portfolio additions made during the three months. Along with these issues, which are not generally considered an inflationary hedge, good buying also appeared in the non-ferrous metal group. Favored also were the oil stocks, but profit-taking in these issues almost equalled the portfolio additions.

Henry A. Long

Chemicals Bought

A switch in over-all attitude from that of the March quarter was evidenced in the chemical group as purchases more than doubled sales. Also favored were the radio and electrical equipment stocks, merchandising, natural gas and food issues. A notable trend, not in evidence for some time in the past, was an increased interest in New York bank stocks. Affiliated Fund, alone, invested $4½ million in these issues. Purchases of drugs and pharmaceuticals doubled those of the previous period.

The building equipment and construction issues receded little from their unpopular status of the March quarter as sales approximated those during the first

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NSTA CONVENTION COMING UP—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. Information at hand indicates that a record high attendance may be attained.

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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

Consolidated Mining & Smelting Co. of Canada, Ltd.—Alexander B. Johnson, Partner, Cyrus J. Lawrence & Sons, New York City. (Page 2)

Simmons Company — Lawrence Klybert, Mgr. of Statistical Department (Brooklyn Branch), Josephthal & Co. (Page 2)

Hudson Pulp & Paper Corp. (**Class A Common Stock**) — Schuyler Van Vechten, Vice-President, Lee Higginson Corp., New York City. (Page 31)

ALEXANDER B. JOHNSON
Partner, Cyrus J. Lawrence & Sons, New York City
Members of New York Stock Exchange

Consolidated Mining & Smelting Company of Canada, Ltd.

One of the world's most prolific and lowest cost nonferrous metal producers, Consolidated Mining & Smelting of Canada, Ltd., also ranks foremost in the Dominion as a producer of fertilizers, including ammonium sulphite, ammonium phosphate, and ammonium nitrate. Sulphuric acid and anhydrous ammonia are also produced, among other chemicals.

Alex. B. Johnson

Consolidated owns the great Sullivan Mine, located in the East Kootenay district of British Columbia. This mine is said to be the largest single producer of lead, zinc and silver in the world. 1950 production was 2,680,000 tons. Conservatively estimated ore reserves are said to be sufficient for more than 20 years' production at the current rate. The ore at Sullivan Mine is extremely complex, yielding gold, cadmium, bismuth, antimony, silver, lead and zinc.

Other properties owned by Consolidated include the Bluebell properties in British Columbia, which from underground developments carried out for the past three years is expected to become one of the largest lead producers in Canada.

Adjacent to the Giant Yellowknife Mine in the Northwest Territory, the company operates a gold producer known as its Con Mine.

Pine Point property on the Great Slave Lake in the Northwest Territory is expected to develop into one of the world's major lead and zinc properties. Further development of ore bodies and construction of transportation facilities will be required at Pine Point before production will be practicable.

The Fairview and Fife mines produce fluxing stone required in the processing of lead ores. Gold is secondarily produced at these properties in quantities reportedly sufficient to pay for the cost of mining the flux.

In the latter part of 1951, the Big Bull properties on the Taku River in British Columbia should be in production. These ore properties contain gold, silver, copper, lead and zinc, of which lead and zinc predominate.

Two coal and coke operations and important deposits of phosphate rock near Garrison, Montana, supply necessary raw materials used in the company's smelting and refining operations and in the fertilizer plants.

Consolidated's smelting and refining operation at Trail, West Kootenay, British Columbia, some 200 miles southwest of the Sullivan mine, is reported to be the largest nonferrous metal smelter in the world. Annual lead smelting capacity of these properties is estimated at 250,000 tons of refined lead and that of refined zinc 165,000 tons. A major portion of the company's fertilizer and chemical operation is located at Trail. The company also has a chemical plant at Calgary.

Consolidated is said to control directly or indirectly 5% of the hydro-electric power capacity of Northwest Canada, with as much more undeveloped potential power sources. This supply and potential reserve of cheap power has been and should continue to be an asset of incalculable value in the development and maintenance of high profits ratios relative to sales, which are currently in the neighborhood of 50%.

A tribute to the effectiveness of management at Consolidated is its ability to achieve integration and through research an enviable degree of profitable utilization of waste products. Out of this research has been developed the company's chemical and fertilizer business, now ranking third in importance to lead and zinc in volume of sales.

While Canadian corporate taxes are some 20% higher than a year ago, they are still substantially below U. S. tax rates and the Canadian Government appears to be opposed in principle to any form of excess profits tax.

Consolidated's capitalization is simple, consisting of 3,276,329 shares of $5 par stock. Of these, Canadian Pacific Railway Co. owns 1,682,500 shares, or 51.3%.

Financial position of Consolidated is very strong. Property account is conservatively stated at $33,000,000. This is estimated to be approximately one-half of the replacement value of the company's chemical plants and smelters. Current assets of $106,000,000 exceed current liabilities of $28,000,000 by $78,000,000. Cash items include $17,000,000 in cash and $56,000,000 in high grade bonds.

In 1950, Consolidated reported net income of $41 million, equal to $12.50 per share. Dividends in Canadian funds of $8.50 were paid in the calendar year 1950, but in December of that year, an extra dividend of $4 per share was declared, payable in January of 1951. Thus, with regular payments, 1951 dividends have amounted to $10.50 to date. Further generous dividend payments are probable and it is reported that a stock split is under consideration.

Embarked on an expansion program involving the development of important new ore bodies, the development of vast owned hydroelectric power resources, and the construction of new smelting facilities and chemical plants, a period of significant growth lies ahead for Consolidated. This growth will, in our opinion, be accomplished without resort to borrowing, in a favorable atmosphere as to taxes, and with a stable price structure for nonferrous metals. All this augurs well for earnings and dividends of Consolidated. Long regarded as a quality investment, I believe this stock holds special attraction at this time. Consolidated is traded on the New York Curb Exchange (current price 144) and on the Toronto Stock Exchange (156 Canadian funds).

LAWRENCE KLYBERT
Manager, Statistical Dept., Brooklyn Branch, Josephthal & Co.
Members, New York Stock and New York Curb Exchanges

Simmons Co.

Apply a sort of "theory of relativity" to stocks, and exceptional values hidden in the mass suddenly stand out clearly. **Simmons Co.**, at 31 (earned $7.26 in 1950, and paid $3 dividend), is revealed as such a stand-out value, when compared with similarly-priced stocks of well-regarded companies in related fields of business. Such companies, for example, as Crane Co., at 35½; earned $6.50, paid $2.60, in 1950; Devoe & Raynolds, at 25¾; earned $4.83, paid $2.50; Flintkote Co., at 30; earned $5.83, paid $3.00; Otis Elevator, at 36½; earned $5.19, paid $2.75; and Ferro Corp., at 31¼; earned $4.81; paying $1.60.

Going back all the way to 1929, it will be found that **Simmons Co.** always reached much higher levels at all bull market peaks such as 1929, 1937, and 1946, than any of these. Also, **Simmons Co.** paid dividends (going back to 1937) of $26.50, with an average of $2.50 annually for the last five years. In contrast, Crane Co. paid $20.35 ($2.44 average, 1946-1950); Devoe & Raynolds paid $14.40 (with $2 average for 1946-1950); Flintkote paid $19.45 ($2.25 average over 1946-1950 period); Otis Elevator paid $18.75 ($1.97 average, 1946-1950), and Ferro Corp. paid $14.56 ($1.20 average, 1946-1950, plus 10% stock in 1948 and 1950).

During the five-year period 1946-1950, earnings comparisons were: **Simmons Co.**, $6.10 annual average; Crane Co., $4.44; Flintkote, $4.96; Devoe & Raynolds, $4.27; Otis Elevator, $2; Ferro Corp., $3.27.

In December, 1949, I compared Ferro Enamel Corp., then at 14½, with Nash-Kelvinator, at 17½. The 10-year record showed that Ferro normally enjoys greater stability of earnings and dividends than NK, through both good and bad periods. Marketwise, Ferro also sold at higher highs and lows each year, except for 1949, when Ferro's earnings slipped back somewhat, while NK's earnings rose to a new postwar high. The purpose was to show that since Ferro could be bought cheaper than NK by about three points, for the first time in over a decade, then Ferro was the **buy** on the likelihood that it would again rise to its normal spread of around 10 points above NK. Since then, this has happened, with NK still at 18, Ferro at 31¼.

At that time, **Simmons Co.** was at 27½, so that it has since risen 12½% versus over 100% for Ferro. You may say this was caused by recent special developments, or whatever, in Ferro's case; but in my opinion, **Simmons Corp.** now offers decidedly more price appeal. Therefore, I think it is timely to present a similar comparison (to the one made in December, 1949, between Ferro Corp. and Nash-Kelvinator), but this time, between Ferro Corp.

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Recent Developments in Federal Reserve Policy

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

New York banker reviews recent developments in Federal Reserve and Treasury policies, such as "unpegging" of government bonds, credit restraints and other measures to check inflationary boom. Says efficacy of credit restraints has been overrated, since rise in interest rates following "unpegging" served as check on credit expansion. Sees other forces operating to aid restrictive credit policy, and claims if such credit policies are applied with sufficient vigor "they can crack almost any boom," but would lead to damaging deflation and depression. Looks for renewed resort to economic controls should international crisis worsen.

The past few months have evidenced a significant change in the economic environment and outlook. A year ago, inflationary forces were riding high throughout the economy. Today, although much of the economic impact of rearmament is still ahead of us, these inflationary pressures have abated noticeably. Commodity prices have been moving downward for several months, the buying enthusiasm of consumers has waned, bank lending has leveled off, and businessmen, who last year were convinced that inventories were better than cash, are now eager to work off excessive stocks.

Roy L. Reierson

The economic historian of the future will doubtless call attention to the broad and comprehensive use made of credit controls in this period. Between August, 1950 and March, 1951, the monetary authorities raised rediscount rates, imposed selective credit controls on the financing of consumer durable goods and new building, raised margin requirements on listed securities, increased member bank reserve requirements, and sponsored a program of voluntary credit restraint. In March of this year, the most significant single step was taken when the prices of government bonds were unpegged. Not for many years has such widespread use been made of credit policy.

These developments raise some crucial questions. The fact that the recent change in the economic environment has roughly coincided with the adoption of a more vigorous credit policy may lead some observers to overrate the impact of credit measures in checking the recent inflationary boom. Furthermore, some observers would interpret the unpegging of government bonds as having removed the impediments to a progressively more restrictive credit policy, and as having paved the way for a sustained and possibly substantial rise in the general level of interest rates. Such overemphasis upon the efficacy of credit measures would be most unfortunate. For, although restrictive credit policies are a necessary and important part of a comprehensive anti-inflation program, there are very real limitations on their use. Therefore, it seems pertinent to take a look at recent developments and attempt to weigh their significance.

The "Unpegging" of Government Bonds

The spring of 1951 was a crucial period for the Federal Reserve System. For it was then that decisions were reached which were fundamental to the continued use of general monetary and credit measures as tools of national economic policy. These decisions restored to the Federal Reserve System a greater degree of flexibility and freedom in the use of its powers of general credit restraint than it had enjoyed in a decade.

These powers depend for their effectiveness upon the ability of the Federal Reserve to reduce the availability of member bank reserves and to increase their cost. But this is difficult to achieve as long as the Reserve Banks must stand ready to buy, at a generally fixed scale of prices, any amounts of government securities offered to them by commercial banks or other holders. In other words, the powers of general credit restraint cannot be exercised effectively unless there is some degree of uncertainty regarding the future movements of the prices of government securities and some question as to the willingness of the Federal Reserve to support a predetermined scale of prices by purchases in large amounts if necessary. Until last March, however, these prerequisites of an effective credit policy were largely absent from the government securities markets.

Postwar Sanctity of Par—One of the troublesome heritages of our World War II financing was the notion that the prices of long-term marketable government bonds could not be allowed to move below par, and that 2½% was the top yield that should be

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*An address by Dr. Reierson before the School of Banking of the South, Baton Rouge, La., Aug. 16, 1951.

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Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager
Thursday, August 16, 1951
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.
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Subscription Rates
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Current Economic Conditions and The Outlook for Stock Prices

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

Referring to his recent article in the "Chronicle" captioned "Are Stock Prices Forming an Important Top?", market analyst contends that an objective review of economic conditions does not invalidate the conclusion previously reached by him on technical grounds, i.e., that stock prices are probably facing an important decline. Asserts current high stock yields and low price earnings ratios do not necessarily contradict this view. Believes that if inflationary pressures will again enter into play, they will become effective at a later stage, shaping the end of the expected decline and its eventual reversal.

The "Chronicle" of Aug. 2, page 12, contained an article by the writer captioned "Are Stock Prices Forming an Important Top?". In that study he compared the two important turning areas of 1937 and 1946 with the condition of the market since the beginning of the current year. He suggested that stock prices may now again be facing a drastic decline.

Nicholas Molodovsky

The comparisons contained in that article were made in terms of the technical position of the stock market. Could an objective review of economic conditions invalidate the conclusions based on the market's internal structure?

Current Conditions and Outlook

As usual, the economic background may be subdivided into current realities and future expectations.

To begin with the realities, they appear to be dominated by recessionary and deflationary trends.

The declining trends in some of the most basic industries are clearly marked. Among them are residential construction, textiles any many consumers' durables. The outlook for good crops for cotton and foodstuffs should deepen the recessionary outlook for some of these lines and add new candidates to them.

The recession in some of the important branches of economic activity is heightened by deflationary trends in prices and finance.

Last winter, commodity prices interrupted their long advance. They have been declining since February. The decline has now flattened out, but this does not look as yet like a reversal.

As far as money is concerned, it has become very tight as a result of the various measures undertaken by the Federal Reserve authorities in their efforts to combat inflation. It is true that recently there has taken place a considerable improvement in the high-grade bond market and some loosening of the credit restriction measures. However, some of the effects of these measures have already penetrated into the economy and are producing their usual slow-poison action. For instance, in the important field of residential construction, the effects of credit curbs have hardly even begun to show. It would take time and effort to offset the various measures already taken by throwing the credit machinery into reverse gear. So far, there are no indications of such a drastic change of policy.

As against these current conditions, there exist the expectations of a rapidly-rising defense economy activity and a bigger than ever foreign-aid program. In his latest testimony before the Senate Foreign Relations Committee, Secretary Acheson estimated that there would be no important reductions in the foreign-aid program until the fiscal year 1955. The government is practically underwriting the economy for the next three years. Since much of this new effort is expected to be financed through deficit spending, the continued forward march of inflation seems to be substantially guaranteed.

Recent Stock Market Action

The recent action of the stock market appears to be in keeping with this outline of realities and expectations. Its pronounced declines in February, March, May and June may have discounted sufficiently the present recessionary trends in industry. Four times, in the course of these declines, Dow-Jones industrials held just above the 240 level. The rails seemed to find strong support above 70. The powerful recovery of the market from these lows could be interpreted, in keeping with sound logic, as duly discounting the rising economic activity of the approaching fall and of next winter. In fact, apparently anticipating this development, the industrials have even pierced their previous highs of February and May and have entered a ground that they have not revisited for over 20 years.

This makes a very bullish picture. Quite possibly it should be used for investment planning. Many competent people are confidently optimistic.

Uncertainties of the Estimates

However, as they add up in this writer's mind, the probabilities favor a different chain of developments.

It does seem probable that the coming months will see sharply rising defense activity accompanied by increased spending on the part of private industry for plant and equipment. Unfortunately, it is not possible to estimate reliably whether this double spending stream will be sufficient to offset the recessionary trends in the other sectors of the economy. It is even difficult to estimate to what extent, if at all, shortages anticipated by government economists will actually develop in the defense sector itself. There now exists in this country a considerably enlarged productive apparatus whose real possibilities and limitations have not yet been tested. Furthermore, some plausible estimates forecast that, by early spring of 1952, capital expenditures of private industry should first begin to taper off and then decline rather rapidly. Defense would then become the main support of the economy, while most of the civilian activities will be retreating, finding themselves under an increasing pressure of accelerating cyclical regression.

The Coming Peak of Economic Activity

This writer believes that some time next spring the combined civilian and military economy will reach a jointly produced peak. If one assumes that by that time the forces of the civilian boom will be distinctly fading, the net effect should be declining overall activity.

The assumption of an overall declining trend is equivalent to the assumption of a continuation of the already visibly declining trend of corporate profits after taxes. A continued shrinkage of profit margins, on top of the tax squeeze, should contribute to this result. Under the circumstances, what is likely to happen to stock prices?

Scientific studies of business cycles bring out that, with few exceptions, stock prices reach cyclical peaks before similar turning points are reached by general economic activity. In some cases, the lead of stock prices is extremely pronounced. On one occasion, it has been as long as 22 months. A lead of nine months to a year is a frequent development.

On this basis, stock prices could very well be forming a top at present, even if business should retain a high measure of activity for several months to come or even a year, or more.

This returns us to the question whether any indications exist suggesting the possibility of an important top now being formed by stock prices. We know that the averages have acted well and that their action looks bullish. What is, however, the internal condition of the market? The article mentioned at the beginning of this paper shows the extreme dispersion of stock prices behind the impressive facade of the averages. It suggests that if buyers of stocks had a real belief in an improvement of economic conditions or in a continued further rise of stock prices, they would be buying secondary stocks with large capital gain possibilities instead of taking refuge in overworked highest quality equities.

Latest Developments in the Technical Condition of the Market

In the intervening two weeks since the publication of that article, no real change has occurred in the technical condition of the market. The Dow-Jones industrials did rise to new highs. But the Index of Effective Demand (or the Index of Confidence, as this writer sometimes calls it) still remains below even its June level, not to mention its much higher levels of last May and March. It is thus preserving its basic downward trend.

It may be also noted, in passing, that some of the better known composite indexes of market action, such as, for instance, the New York "Times" index, have not registered as yet any new highs. They are rather plotting what may be described as a double top formation. This writer's own daily index of 50 Value Stocks, which is far less heavily weighted by the rails than the New York "Times" index, and which includes, in addition, a certain number of utilities, has also failed to exceed its May highs. Its best close this month was on Monday, Aug. 6, which remained below several of its previous best 1951 closing levels recorded between May 3 and May 9.

It is possible, of course, that new highs will still be made by these and other indexes. Yet there fly some straws in the wind suggesting that they might hold. One of them is the observation that the type of cumulative price-volume interactions, which characterized the market during the week ending Aug. 3, last, had also marked the week ending, respectively, Feb. 2, 1946, and May 31, 1946, as well as July 9, 1948. However, this type of action had also taken place on other and less dramatic occasions. It, therefore, cannot be considered as conclusive.

These various technical facts are mentioned here merely for the record and for bringing up to date the indications furnished in the article of Aug. 2. It is less important whether or not new highs will be made by any particular index than whether an improvement is occurring in the internal condition of the market.

Let the reader accept the thesis that the internal condition of the market continues to be dominated by a wide discrepancy of demand for leading and secondary stocks. By this acceptance he will not alienate his right to question why this existing distortion should not find its readjustment through an upward, rather than a downward, movement of stock prices. In particular, he could point to the wide spread between stock and bond yields as well as to the high average yields, and low average price-earnings ratios, at which common stocks are selling. Admittedly, these factors are not typical for turning points of bull markets.

Comparative Yields on Stocks And Bonds

On the average, stocks of a comparable quality rating yield currently twice as much as bonds, despite the prevailing high level of stock prices. This is an unusual ratio for stock market tops. And when average stock yields are so high, it is more logical to expect a correction of the existing disparity through an upward adjustment of stock prices.

It is questionable, however, whether the former historical relationships between stock and bond yields continue to remain valid. The incidence of the income tax has altered considerably the previously existing spreads between gross and net yields. For instance, an investor in a relatively modest income tax bracket would derive a substantially equivalent net return from a 3% corporate bond as he would from a non-taxable municipal bond with a 1½% coupon. For this reason, private investors have ceased to be a factor in the corporate bond market. This market is controlled by institutional investors many of which are partially or fully tax exempt. The comparison between stock and bond yields has thus lost most of its former significance. To borrow a term from the theory of wages of classical economics, investors in stocks and bonds have segregated themselves into "non-competing groups."

Stock Yields and Price-Earnings Ratios

It is true that periods preceding the turning points of rising markets, when dividends are high but an exuberant confidence lifts the prices of stocks to peak levels, are usually marked by very low stock yields. The reverse is true of periods when ebbing confidence places a low valuation on dividends. Certain conclusions can be drawn from observations such as those made in the well-known Cowles Commission monograph, *"Common Stock Indexes"*:

"An examination of the All Stock monthly index for yield expectations shows that four times in the last 68 years the expected yield has dropped below 3%. These were in February-March-April, 1899, April, 1901, August-September, 1929, and July, 1933. Each of these four periods was a favorable one for the sale of stocks, since in each case lower prices developed in the next year. There have also been three cases where yield expectations rose above 8%. These occurred in October, 1873, October-November-December, 1917, and April-May-June-July, 1932. In each of these three instances stock prices averaged higher in the subsequent 12 months. It would thus appear that, when average yields are below 3%, stocks are priced too high, and when average yields are above 8%, stock prices are too low." (Op. cit., pp. 46-47.)

The practical value of such observations is, however, quite limited. In the course of the very long period covered by this Cowles Commission study, the upper and lower limits were exceeded only a few times. Twenty-eight years elapsed between the second and third recurrence of the lower limit; and 44 and 15 years separated the second from the first and the third from the second occurrence of the upper.

Even if we narrow the range of average yields, the application of such yardsticks would not be facilitated much. For instance, at the time of the 1946 market highs, industrial stock yields averaged about 3.5%. Though they had not yet declined under the above-mentioned danger line of 3%, they were already below the yields of early 1937, which averaged about

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3.8%. But a substantial rise in dividend payments—on the average at least 25%—was expected for the remainder of 1946. Furthermore, and paradoxically, yields were low also in periods when they could not possibly be regarded as warning signals. In some part of every year between 1932 and 1940 industrial stock yields were lower than at the two turning points of 1937.

The above examples show how unreliable such comparisons are. Yet this type of thinking led some market analysts early in 1946 to forecast much higher stock price levels. By projecting, through correlation with optimistic estimates of industrial production, average earnings for the 30 stocks in the Dow-Jones industrial average at $15 a share—dividends being calculated as two-thirds of earnings—they were predicting a level of 250 on the basis of a 4% yield, and in excess of 330 on the basis of a 3% yield. Similar predictions are also being frequently voiced currently.

Indirectly or unconsciously, yardsticks such as price-earnings ratios, or stock yields, in reality try to measure financial sentiment. Frequently, the market's valuation of a dollar of dividends or earnings is a far cry from present worth. Dividends may be rising and interest rates falling, yet stock prices may be declining if confidence is waning. When confidence begins to revive, the public places an increasingly higher value on a dollar of dividends or earnings, which gradually brings down the yields on stocks. An index of demand or confidence, such as that described in the previously mentioned article of Aug. 2, should be of greater practical use.

What of Inflation?

Depending largely on whether they shared the writer's conclusions before they saw his report, the readers will find that his arguments make a lot of sense—or nonsense. Regardless, however, of the abundance or lack of their approval, they must be wondering why the writer has been shying away, in his discussion, from the vital issue of inflation. The reason for his silence resides in his belief that the answer to this question is concealed in two unknowns: the real limits of American capacity to produce and world politics.

The President's Council of Economic Advisers, in submitting the mid-year report, described the current situation as a lull in inflation. Whether this is a lull before a storm, or a lull which will gradually subside into a complete calm, we do not know.

Economic possibilities range all the way between a war or war-preparedness boom and a old-fashioned peacetime depression. They even include—at least in theory—a true world-wide settlement and a prosperous world reconstruction era. Under conditions of *"status quo,"* the mid-year report of the President's Council of Economic Advisers forecasts that defense spending will not reach its peak annual rate until the second quarter of 1952. By then, either or both unknowns in the inflation equation are likely to become more clearly defined, thus clarifying also, at that time, the extent of the potential influence of inflationary pressures on the process of stock price information. Inflation is, therefore, more apt to become effective in shaping the future reversal, rather than the inception, of the expected decline.

New J. A. Hogle Branch

IDAHO FALLS, Idaho — J. A. Hogle & Co., members of the New York Stock Exchange, announce the opening of a new branch office in Idaho Falls. Addition of the Idaho Falls office raised the total number of J. A. Hogle & Co. offices to 15.

The State of Trade and Industry

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

Total industrial production receded a trifle the past week, but was moderately above that of the corresponding period a year ago. However, military output by itself, was steady at a high level and well above that in 1950.

According to latest available data, new claims for unemployment insurance declined 6.8% in the week ended July 21.

Steel ingot output the past week held above the 2-million-ton-weekly mark. The national ingot rate, however, eased to 101.1% of capacity from 101.5% the week before.

A modest decline was also noted in electric kilowatt output, while loadings of revenue freight for the week ended July 28 rose somewhat. Materials shortages, labor disputes and suspensions continued to have a depressing effect on automotive production the previous week.

Paperboard production in the week ended Aug. 4, was about 4% below the preceding week, but new orders were up 96%, and unfilled orders 24%.

Rail freight rates on all shipments except grain and its products will be raised Aug. 28, the Association of American Railroads reported on Friday night, last. Higher grain rates will be put into effect Sept. 12. Rate boosts were authorized by the Interstate Commerce Commission on Wednesday of the previous week because of greater operating costs. Eastern railroads will mark up their rates by 9%, including a 4% temporary advance allowed last March. Roads in the South and West will increase their rates by 6%, including a 2% interim boost.

Extension of the Controlled Materials Plan beginning in the fourth quarter to include all classes of consumers of such critical metals as steel, copper and aluminum, announced last week, comes as no surprise, reports "Steel," the weekly magazine of metal working. But import of the action is not immediately apparent. In some trade circles the move is seen, as at least adding temporarily to the existing confusion attending CMP distribution of steel. On the other hand, some authorities feel it will contribute a constructive influence for the longer term in the direction of supply-demand balance.

Indications are that the broadening of CMP to include the consumer durable goods industries will necessitate some adjustments in steel mill schedules for the fourth quarter, this trade paper notes.

The extent of these is uncertain, this magazine points out, adding that the view prevailing is that the new consumer goods CMP ticket holders will be restricted to supplies within the limits of the tonnage currently available to them in the so-called "free" pool.

The general view now held is that it will be first quarter before even a semblance of balance will be possible. Allocation authorities right now are being flooded with requests for fourth-quarter tonnage which cannot possibly be satisfied, and, the paper notes, requests are being turned back to consumers left and right.

As matters now stand, concludes "Steel," the steelmakers are booked up over the remainder of the year on all major products. Relatively little capacity is still open in what, up to now, has been regarded as the "free area."

The substantial decline in last week's automotive output was occasioned by the week-long shutdown of Chevrolet car and truck assembly plants east of the Mississippi River, "Ward's Automotive Reports," stated. Buick-Oldsmobile-Pontiac East Coast plants also were closed last week and General Motors' California assembly plants were scheduled to be shut down for a week on Monday, the agency added.

The main plants of Buick, Oldsmobile and Pontiac in Michigan, however, returned to production after being idled the preceding week and Packard resumed output after a two-week halt because of parts shortages.

On Tuesday of this week it was reported that the work stoppage at the Detroit plant of the Hudson Motor Car Co., which idled 10,000 CIO United Auto Workers for 46 days, ended with an agreement for a study of disputed assembly line operations. Full production is scheduled to be resumed next Monday.

On Wednesday of last week, passenger car producers reached the halfway point in third quarter operations under NPA restrictions, "Ward's" reported. The three months' industry quota is 1,200,000 cars, but in the six weeks of production thus far, only 506,748 have been completed, this trade authority revealed.

The big three are building at rates assuming each of them a few thousand units ahead of schedule when the halfway point is passed, but the independents as a group are lagging, it added.

Personal income in June climbed to a record annual rate of $251 billion, according to United States Department of Commerce. This compared with a yearly pace of $217 billion in June, 1950. The June rate was about $1 billion above that of May, due to increases of about $500 million each on an annual basis in payrolls of private industry and the government.

Floods and hot weather last month cut the prospective 1951 wheat harvest to 998 million bushels, the United States Department of Agriculture reported.

This was a decrease of 72,000,000 bushels from its July 1 forecast, and the first time since 1943 that the wheat crop dipped below one billion bushels. It would compare with wheat production of 1,026 million bushels in 1950. However, the department said, the indicated crop, plus reserves, would be more than ample to meet all needs.

Steel Mills Extend Record Output for Twenty-fourth Consecutive Week

The fourth quarter will probably be the most critical period in the entire mobilization program for steelmakers and controls officials, states "The Iron Age," national metalworking weekly the current week. During that period, it adds, they will reap the peak of frustration from an oversubscribed steel market.

After that, demand will be just as strong, or stronger, but many of the tangles in the Controlled Materials Plan will have been unsnarled. At least that's the bright hope harried executives and administrators are pointing out to consumers now.

Inclusion in the closed-end CMP won't mean more steel for manufacturers of consumer durables, says this trade authority. They'll probably get less. They are the last to be given checks on the steel bank. And they'll be competing with a lot of unhonored CMP checks still held by other consumers.

CMP is expected to act as a sort of leveler among makers of autos and appliances. It should provide each firm a more equitable share—of whatever steel is available for these industries—than would result from procurement battles in a rigidly restricted "free" market. Big companies will likely get less, little ones more.

During the past week there has been a rush by these manufacturers to file fourth quarter applications for controlled materials.

Most firms who have been getting part of their steel through conversion arrangements expect to continue doing this as long as possible. But, states this trade magazine, ingot sources have been drying up during recent weeks, and the big question now is what will happen to conversion under total CMP? Obviously no one will want to receive his allotment in this high-priced steel. All will want their allotments to be regular mill tonnage at regular market prices.

Thirty-two steel companies representing 94% of industry capacity have received their production directives for September.

Tentative directives for the fourth quarter have been worked up, and producers have been asked to estimate their production in the first quarter of 1952.

One thing worrying the mills, "The Iron Age" continues, is that once they have their rolling schedules set up they might be disrupted by issuance of too many overriding directives. These fears are intensified by recurring rumors of super priorities for CMP materials (Washington denies them). Mills can always accommodate some directed tonnage. But if directives become too frequent or too large they will throw production schedules out of kilter.

Present thinking in Washington is that controls may last two more years, this trade publication declares. This is hard for industry to appreciate, in view of the huge expansion of basic productive capacity already well underway. Washington officials do point out that controls may be lifted product by product instead of all at once.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 101.5% of capacity for the week beginning Aug. 13, 1951, or an increase of 0.4 of a point from a week ago.

The current week will be the twenty-fourth wherein production exceeded 2,000,000 tons.

This week's operating rate is equivalent to 2,029,000 tons of steel ingots and castings for the entire industry, compared to 101.1%, or 2,021,000 tons a week ago, and 101.9%, or 2,037,000 tons a month ago. A year ago it stood at 100.1% of the old capacity and amounted to 1,930,600 tons.

Electric Output Approaches High Level for 1951 Set on February 3

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 11, 1951, was estimated at 7,069,890,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week came close to the record level of 7,099,385,000 kwh. on Feb. 3 for the current year.

The current total was 66,681,000 kwh. above that of the preceding week, 816,749,000 kwh., or 13.1% above the total output for the week ended Aug. 12, 1950, and 1,539,800,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Decline for Week and Year

Loading of revenue freight for the week ended Aug. 4, 1951, totaled 813,366 cars, according to the Association of American

Continued on page 26

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TV or Not TV: That's the Question

By IRA U. COBLEIGH

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

Channeling the various arguments in the three-way competition for your time and money among television, radio, and motion pictures.

TV, or not TV is a question definitely on the minds of hundreds of thousands of Americans. First, the householder. Should he, or should he not buy a television set. True, the prices have dropped 15% to 50% since last March, but still the color problem is blurred, and he may hold off till some color system is built into his new set. Probably, however, the doubting Thomas will be goaded to action by the fact that (1) his neighbor has just broken out with a 20-inch model (maybe too, he's fed up with the crinoline dating of his early American 7-inch "knot-hole") or (2) the lull in our inflation hints that set prices may be higher by Christmas, (3) return of budget balming credit terms—15% down and 18 months to go—solve the dough problem and (4) RCA's color system, to which existing sets are receptive in black and white, assures him against becoming a video orphan.

Ira U. Cobleigh

Secondly, what about the motion picture producer? Should he slant his production toward the movie theater or home TV? The theater outlets built the industry, and if everybody looked at home television, what would happen to the multi-billion dollar investment in playhouses? Who will pay for high-cost feature pictures if the video-viewer sees them for free? Well, the somewhat improved movie attendance in the past 60 days, suggests that superior pictures will still lure people to the cinema; and indicates that better quality films are the prime assurance of "revved up" turnstiles. On the other side of the picture, there are the three systems, presently being deployed into action, for box-officing the home viewer.

First is the Zenith idea, Phonevision, using telephone lines to bring feature films to you at $1 a copy. Tryout of this in Chicago was most encouraging. Then Telemeter, 50% owned by Paramount Pictures, has picked up where the old quarter gas meter left off. You drop in your money and you get the feature attraction, presumably minus the "selected short subjects"—and all without uncrossing your knees or leaving your armchair.

Another pay-and-you-see system is called Subscriber Vision sponsored by Skiatron Electronics and Television Corp. Here, some sort of specially keyed card is inserted in a slot gadget, attached to your set. For a projected $2, this card will provide several hours of programs, either exclusive films, or sporting events, like a Yale-Harvard game.

Thus, the movie producer, while still in business, and in a big way, cannot at the moment be certain whether the theater, or the home, is the big future outlet; but in either event he plans to latch on to tangible revenue for his product.

Next comes the theater owner. Must he sit idly by, while patrons stay away in droves to see the pictures on home screens, that they've always paid him to provide? Well, the answer again is quality. If the picture is good, people will come out to see it.

Let's look at it another way. Customs don't change overnight. Joe Householder will, by habit, and for change of scene, still head out of his home for a good movie. America is gregarious, and will still pack the stands for an Army-Navy game, a World Serious or a Joe Louis fight. So, though there are nearly 20,000 playhouses plus 3,200 drive-in movies, it would be most unwise to follow, sheep-like, the prophets of doom, who say that 4,500 movies will cobweb their marquees in the next 2 years. Pictures can improve, and recent attempts to pipe-line feature events like a top-run prize fight onto movie screens suggest that the playhouse pessimists had better go back to their neuroses. Americans are the roving kind. A good picture, or an exclusive event, can rouse them from their hearthside or video lethargy, even now.

Then what about radio? Must radio be blanketed by the fact that TV can be both seen and heard? I don't think so. Just for the record, and in defiance of my vow not to lace my writing with a lot of statistics, look at the competitive picture now.

Radio Sets in America

41,900,000	homes have radio.
30,000,000	extra sets are in these homes.
19,100,000	auto radios are in use.
5,000,000	radios are in public places.
96,000,000	— Total 1/1/51

Television Sets in America

13,093,000 — Total 7/1/51

What can we glean from these items? First that TV has really done a terrific selling job. Second, TV has not scratched the surface in the "second-set" department and wide sections of U. S. A. are still without television. Third, and this is negative, the 19 million auto radios fill a market that TV will never even enter. You can't drive, watch the road, and look at TV all at the same time.

Another thing, at breakfast and shaving, radio programs will always outperform TV; and while the little woman is washing the dishes, ironing your shirt, making the beds or marketing, how can she watch TV? Four will get you five, she still listens to soap opera, recipes, and breakfast clubs on radio. So don't write off radio, along with the dinosaur and the hoop skirt. Could be Dagmar will never replace Mary Margaret McBride or John's Other Wife!

There are, however, some TV factors that are not to be sneezed at. The $40,000,000 new co-axial cable, coast-to-coast, plus 107 microwave towers scheduled for premiere September 30th is a big fat plus for TV. It will bring reception to new millions, make possible improved programs from the dramatic font of Hollywood, and permit Eastern vision of such special events as the Rose Bowl game. And if, following the fantastic success of the Kefauver Committee on TV, we can view the Congress in Washington, in process of legislation, then a new legion of set buyers may come forth.

Others, too, must answer the question posed by this article. Advertisers may find the increasing price of television shows returning inadequate sales dividends. Top video entertainment may price itself out of the advertiser's budget and cause extensive reversion to radio plugging. Also the radio stations themselves must decide how deeply to invest in television facilities when, up to now, all their big earnings have been beamed in on radio.

And finally the investment market, with its antennae ever probing for attractive growth situations, ponders each day the desirability of television shares, and the selection of those with the brightest future.

A quite decent case can be argued for current commitments in radio around 22, Zenith at the 60 level, and United Paramount at 20.

RCA, with its extensive manufacture of radio and television sets, its colored video system, its wide networks in both radio and television and its research, gives a broad call on the future of ether entertainment. The 13,881,016 shares of common assure plenty of trading activity, and have traditionally responded well to good news and bright prospects.

Zenith has been expert at electronics from the start and has never cluttered up its foward motion by excursions into appliances such as ice boxes or ironers. Earnings have been expanding, and the 492,464 shares of common sell today at roughly 4 times indicated 1951 earnings. A good line of sets, dynamic management, and interesting Phonevision possibilities, plus rumors of a stock split give your speculative imagination plenty of free play here.

United Paramount presents itself as sort of an across-the-board coverage of all three mediums. It has an interest in 958 theaters (689 wholly owned); and assuming successful merger with American Broadcasting, five radio with 290 affiliated stations; and five television stations with 58 affiliates. A 10% yield on the current dividend basis gives you some present reward; and there are reasonable hopes for a new and higher earnings horizon.

So in deciding TV or not TV, we are in no position to sing dirges for theaters or radio, even though recent television growth has outdistanced them. Mass attendance at movies is still a dependable American phenomenon; radio will even reach our ears when our eyes are elsewhere occupied; while more cables, 2,000 total stations in the offing, and rising national income suggest a future ratio of at least one television receiver for each three radios.

With the above ideas dialed in for your benefit, I think you are now ready to answer, in your own way, the question TV, or not TV.

N.Y. Curb Ticker Quotes In Pacific Northwest

Curb Exchange stock and bond ticker service were introduced into the Northwest Aug. 8 when tickers went into operation in two leading cities of that area. Curb Exchange market quotations transmitted direct from the trading floor of the exchange are now available to investors in Portland, Ore., and Seattle, Wash.

The opening of Curb Exchange ticker service in the Northwest is a further step in the program of the members of the exchange to provide Curb Exchange quotations for a wider and wider segment of the nation's investing public, according to Edward T. McCormick, Curb President, who announced the expansion move.

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W. H. Morton & Co., Inc., 15 Broad Street, New York City, announce that Francis P. Gallagher, Jr., is now associated with the firm.

College Scholarships

By ROGER W. BABSON

Contending present conditions of college scholarships are unfair, Mr. Babson advocates corporations have their employment managers go to high schools and select best students and help finance them through college. Says best way to help young people is to give them opportunities to work and earn money.

I have recently received from a devoted father the copy of a letter which he wrote his son on graduation. In it he says:

"Mother and I are proud of the record you have made in school and college, especially by your continued faith in God and constant association with the Church and the things it stands for. Now I have been thinking of what to give you as a graduation present. Mother wants me to give you a fine Lincoln Convertible car; but I just don't feel it is right to do so.

Roger W. Babson

"Hence, instead of giving you the car, I am enclosing a deed to forty acres of good land worth three times the cost of the car. Land and labor are the basis of all wealth, especially in this day of inflation. Land is more desirable than money. Land will keep getting more valuable if you give it half the attention you would give a car. If you take care of your land, son, it will take care of you. I cannot object to your having a Lincoln, as I have two; but I earned the money with which I bought mine and I want you to do likewise."

Present Unfair Conditions

During the summer I have talked with several high school principals. They tell me that some of their highest and hardest working students have not the money to go to college. They can get partial scholarships, but unless they can live at home, they just can't swing it. On the other hand, students who are much less deserving go to college with an automobile and a big spending allowance.

Large corporations which send their employment managers to the colleges to hire the "best graduates" would do far better to go to the high schools and select their students by their high school record and then help finance these students through college. These corporations are now doing their picking four years late!

Importance of Summer Work

Of one thing I am certain—namely, that how high school

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students use their summers is of great importance. I have about come to the conclusion that I will employ only those who have worked every summer during high school and college. Those who have earned at least half their college tuition and board are to be preferred. The best young people to hire are those who have earned their entire way through college, with the help of scholarships and summer work.

Home Training Important

A person can do too much for his children or grandchildren. Unless a young person has learned to love work, something is wrong. It may have been careless school or home training, or giving the boy or girl too much money. Certainly more high school young people are harmed by having too much money, rather than too little money.

It is easier for a parent with money to say "yes" rather than refuse; but isn't this pure selfishness on the part of the parent or grandparent? Sometimes I think that families lacking money are more fortunate than those possessing it. Certainly this whole educational and home training problem is topsy-turvy.

Helping the Worthy

The best way to help young people is to give them opportunities to work and earn money. If they stick to the job—or themselves find a better one—then they will come out okay. I sometimes think a young person will do better in a job which he or she finds without family help. But idleness is dangerous to all concerned.

Next to giving young people good opportunities to work, perhaps the best way to help them is to say to the high school principal:—"I want to help some worthy student who is anxious to go to college but who must help his family and hence thinks he can't do so." Let me add that I, myself, would like to so help two or three such students who would immediately write me.

What About Trust Funds?

I believe in Trust Funds for children and grandchildren; but they should serve as insurance in case of sickness, old-age or hard luck. They should not result in making it unnecessary for the beneficiary to work, save and be a useful citizen. The love of work is a blessing.

Instead of arranging for the young person to get all the income when 26 years of age—it may be better to make him co-trustee with the bank but to move the 26 years up to 40 years. Trustees, however, should have power to use part of the accumulated income to help in case of need.

Joins Livingston, Williams

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Stanford A. Herrick is with Livingston, Williams & Co., Inc., Hanna Building. In the past he was with Otis & Co.

Edward Brender Opens

Edward Brender is engaging in a securities business from offices at 108 East 17th Street, New York City.

Col. J. P. Crehan Opens

OKLAHOMA CITY, Okla.—Col. John P. Crehan is engaging in the securities business from offices in the Colcord Building.

From Washington Ahead of the News

By CARLISLE BARGERON

During World War II, I had occasion to visit the Kaiser shipyards in Portland, Ore., several times. One heard numerous stories about the inflated wages being paid to young boys and girls drawn from the farms as far away as Iowa and employed in the yards as "steam fitters" when all they had to do was to go about a vessel in the course of construction and place a chalk mark at intervals designated on a blue print. One particular father and his three daughters, the oldest of whom was 20 averaged $600 a week.

This episode I saw with my own eyes: Into Portland's leading department store walked a young miss, about six months off the farm, and asked to be shown a fur coat. She had on the slacks and helmet of her trade. The sales girl, thinking to embarrass her, brought out a luxurious coat and said haughtily: "Here is something we have for $1,200."

The girl without batting an eyelash asked if she might try it on. When it fitted, she calmly peeled off 12 $100 bills and asked: "Could I now see something for every day wear, something about $400."

Carlisle Bargeron

The political theory behind price controls now, as it was then, is that this semi-literate young girl should be permitted to make a hundred or so a week, with overtime, and the economy of the country should be placed in a straitjacket so she won't have to pay so much for such as fur coats, or Grade A beef steaks.

There is a tremendous agitation in Congress just now to spend billions on low cost housing for the workers at defense plants. Not only must they receive the exaggerated wages which they are paid but they must also be given subsidized housing to make their living really worthwhile and to save them from the Communists. The plight of these neglected workers is being depicted in cartoon and otherwise propagandized in such a way as to bring tears to your eyes, and the members of Congress who won't fall into line behind the housing bill are being described as the senseless tools of heartless capitalistic interests.

Nearly every day you hear speeches in Congress and harangues from Leftist radio commentators that while we permit "big business" to write off expansion costs in tax deductions over a period of five years, an outright gift to them, so the agitation goes, though it is wholly untrue, we consign these patriotic workers to intolerable living conditions and what is worse, condition them for Communism.

Political catering of this sort to these organized workers is the well spring of the price control movement although I know that it has many ramifications and is supported by many of our best editors and opinion moulders on the ground that controls are necessary to prevent inflation. The promoters of controls glibly explain, of course, that the surplus earnings of these organized workers will be and should be "siphoned off" by taxes.

That a supposedly free people's earnings should be "siphoned off," not just to raise revenue for the government but primarily to "prevent inflation" is a commentary, in itself, on our current thinking. But they aren't "siphoned off," they were not "siphoned off" in World War II and they are not going to be "siphoned off" now. The CIO will see to that. The workers under the benevolent training of the CIO—and I specify the CIO because that is where the "education" actually originates—have come to to be insensible to taxes. Only their "take home" pay is in their consciousness and you can bet your boots that regardless of how much is "siphoned off" in taxes the CIO will see that the exaggerated level of their "take home" pay is maintained.

When the chaff and the grain are separated in the continual propaganda about price controls and inflation, you will find that controls essentially mean a bureaucracy of some 60,000 persons under a mediocre politician named Mike DiSalle whose more likely contribution will be to boost prices rather than bring them down.

It seems to me that it is important to keep in mind during this agitation that "inflation" as currently used in this country is a political term. It was not very prevalent in our vocabulary of the hifalutin' '20s when as I recall it, most of our economists agreed with Calvin Coolidge and Andrew Mellon that we could go on the way we were going forever. "Inflation" then was something such as occurred in Germany when money became utterly worthless. It is noteworthy that in the current agitation the American dollar is the most sought after currency in the world.

"Inflation" as currently used is something dug up and introduced into our language by the brain trusters of Roosevelt the Great. It was something else that only he could save us from. He was by way of saving us from Hitler and the Nazi hordes at the time and you would have thought such saving would have contented one man. But out of a clear sky, as the decks were being cleared for the 1944 Presidential campaign, we were told that we faced an even greater menace than Hitler and the Nazi hordes and this greater menace was "inflation." But if we followed along with the Great Man, and did what he said to do, particularly reelect him, we would escape this disaster.

Mr. Truman, pursuing the fear philosophy, kept up the "inflation" scare after he came in, along with the scare about the atomic bomb. But controls, the "prevention of inflation," kicked him in the teeth in the Congressional campaigns of 1946 and he soured on them. He was soured on them when Korea came along so the Republicans, not being very original, took up the "inflation" scare and agitated for controls. Truman finally came back to the realization, under the pressure of the CIO, that there are votes in the buncombe of "warding off inflation," when housewives are sensitive to rising prices, and again took up the "inflation" scare. Whereupon the Republicans cooled off in their ardor for controls. Such are the political shenanigans of the times; none of it goes to the basic disease of government spending and high taxes.

LETTER TO THE EDITOR:

Swiss Trade With Iron Curtain Countries of Minor Significance

Dr. Winkler holds reported decision to modify commercial policy with East has only moral significance.

Editor, Commercial & Financial Chronicle:

Switzerland's decision, as reported in Geneva press dispatches, to modify her commercial policy with respect to the Soviet-dominated countries is more important for whatever moral effect it may have in the United States and Western European circles than for its economic significance.

Dr. Max Winkler

Last year, Swiss trade with the Soviet bloc amounted to only $116.4 million of a total trade of $1,953.6 million, or 5.8%. Imports from the Eastern countries amounted to $50.4 million, or 4.8% of a total of $1,048.8 million, while exports aggregated $66 million, or 7.3% of total exports of $904.8 million. Last year's figures are the lowest in years, both in respect of amounts and relation to total trade. In 1949, Swiss imports from the Eastern countries, amounted to 6% of total imports, comparing with 6½% in 1948 and 13.2% in 1937. Exports from the Eastern bloc amounted in 1949 to 8.7% of total exports, compared with 8.8% in 1947 and 10% in 1937.

An analysis of foreign trade figures for eight Marshall Plan countries reveals that exports to and imports from the Soviet bloc amounted to well over one and one-half billion dollars, with the Western countries recording a so-called adverse balance of trade of $100 million. Total trade of the countries under review amounted in 1950 to more than $48¼ billion, while trade with the Eastern bloc totaled $1,564.8 million, or 3.3% of the total. Of total imports of more than $23⅓ billion, imports from the Soviet bloc amounted to $832,800,000 or slightly more than 3½%, while exports totaling $732 million represented less than 3% of total exports of almost $25 billion.

It is abundantly clear that further reductions or even total elimination of trade with the East will have no appreciable effect upon the economy of the Western nations, especially so long as the United States continues to extend to them financial assistance.

MAX WINKLER

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Aug. 7, 1951.

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

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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.**

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Robert Gair Company—Analysis—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill. Also available are analyses of **International Minerals & Chemical Corp.** and **Sylvania Electric Products, Inc.**

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Sterling's Role as International Currency

Federal Reserve Bank of New York, in reviewing Britain's international economic position, says, despite Britain's continued adverse balance of payments, sterling remains relatively scarce in non-sterling world, and recent relaxing of exchange controls has increased usefulness as international currency.

In an article entitled "Britain's International Economic Position," in the August issue of the "Monthly Review of Business Conditions," published by the Federal Reserve Bank of New York, the view is held that notwithstanding recent developments which have led to deterioration in Britain's balance of payments, there are still elements of strength in maintenance of sterling as an international currency. Concerning this topic, the article states:

The sweeping changes in Britain's international economic position since Korea reflect the extreme sensitivity of the British economy to variations in the international political and economic climate. Situated at a strategic crossroad of world trade and finance, the United Kingdom functions not only as a major producer and trader on its own account but also as the banker for the very large group of countries constituting the sterling area. In the latter role Britain serves as a clearing house for the overseas members of the sterling area, who settle their international receipts and payments through their sterling reserve balances in London. In the case of dollar transactions, the United Kingdom undertakes to provide, in exchange for sterling, the dollars required by these countries; the latter, for their part, deposit their current acquisitions of gold and dollars in London in exchange for credits to their sterling balances. The British gold and dollar position accordingly depends not only upon the net dollar balance of the United Kingdom itself but also upon the gold and dollar surpluses or deficits of Australia, India, Malaya, and the other overseas members of the sterling area.

Prior to the war, the dollar accounts of the sterling area were characterized by a triangular pattern of payments under which the usual gold and dollar surpluses of Overseas-Sterling Area countries such as South Africa and Malaya served to finance the more or less normal deficits of the United Kingdom with the dollar countries. The triangle was completed by a British balance-of-payments surplus with the Overseas-Sterling-Area countries. This pattern of payments was disrupted by the war, thereby seriously complicating Britain's efforts to regain dollar viability. Although the dollar exports of the Overseas-Sterling-Area countries quickly recovered, their dollar imports rose even more swiftly, with the result that their traditional dollar surpluses shifted to heavy dollar deficits. This shift in the dollar balance of payments of the Overseas-Sterling-Area countries was one of the major causes of the British dollar crisis that culminated in the devaluation of sterling in September, 1949.

Since the devaluation of the pound the dollar balance of payments of the sterling area has passed through two distinct phases, the dividing line between them being marked by the outbreak of hostilities in Korea. In the first phase, from devaluation to Korea, the sterling area not only succeeded in closing the gap in its dollar accounts but did so without any major increase in its dollar exports. The adjustment, instead, was effected primarily by dollar-import cuts, initiated by administrative restrictions in the midsummer of 1949, and subsequently reinforced strongly by the concerted devaluation of the sterling area currencies. As a result, the triangular pattern of settlements that had been characteristic of the prewar period reappeared. The Overseas Sterling Area reverted to its traditional dollar surplus, which during the first six months of 1950 more than offset the much reduced deficits of the United Kingdom itself with the dollar area and of the entire sterling area with the non-dollar countries.

Having thus regained a considerable measure of dollar viability before Korea, the sterling area has been able to devote the huge increases in its dollar-export earnings during the past year to strengthening its gold and dollar reserve position. In this second phase, the predominant development has been the spectacular rise in the value of raw material exports of the Overseas-Sterling-Area countries, their surplus with the dollar area increasing, as a result, to record levels during the winter months of 1950-51. Simultaneously the more or less normal deficit of the United Kingdom with the dollar area became converted into a surplus of $124 million in the second half of 1950. While an expansion of British dollar exports contributed to this surplus, an even more important factor seems to have been an influx of dollar funds probably attributable both to speculation during the autumn on a possible appreciation of the pound and to forward purchases by American importers who anticipated increases in sterling area commodity prices. Finally, in contrast to Britain's initial concern lest she should lose gold to the European Payments Union, the sterling area as a whole actually earned an EPU surplus of $635 million equivalent in the first nine months of the Union's operations, and Britain received $89 million from the EPU during that period. Favored by this unusual combination of circumstances, the gold and dollar surplus of the sterling area as a whole rose remarkably last winter, running at an annual rate of $1,516 million during the six months from October, 1950 to March, 1951. Indeed the recovery of the sterling area's dollar position was so rapid as to permit the suspension of Marshall aid to the United Kingdom as of the beginning of 1951, 18 months in advance of the scheduled termination date.

This swift enlargement of Britain's reserves could not be maintained indefinitely, and for some time past there have been indications that the sterling area was moving toward a more balanced position in its dollar accounts. During the second quarter, the dollar earnings of the Overseas-Sterling-Area countries apparently have fallen off sharply. This decline is partly attributable to seasonal factors, it is true, but the recent recession in the prices of certain raw material exports of the Overseas Sterling Area, coupled with the curtailment of United States stockpiling and private inventory accumulation, may have exerted an even greater influence. Furthermore, the dollar imports of both the United Kingdam and the Overseas Sterling Area have risen substantially in recent months. Finally, Britain's

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Britain's Financial and Economic Situation

By the RT. HON. HUGH GAITSKELL, M. P.*
Chancellor of the Exchequer, Great Britain

In a Parliamentary address, Britain's new Chancellor of the Exchequer reviews difficult financial and economic situation and prospects that lie immediately ahead. Advocates conserving scarce materials, increasing productivity, and larger measure of price and wage controls. Outlines Britain's difficult external trade and exchange situation, and proposes limitation of corporation dividends, continuation of subsidies, and more restraint to credit expansion. Concludes granting of higher wages now would disrupt British economy.

Three and a half months have passed since the Budget and the publication of the Economic Survey, and it is clearly desirable that before we spearate for the Summer Recess we should review the economic developments which have taken place since then, examine the prospect ahead as far as we can, and discuss what further measures may be required.

Rt. Hon. H. Gaitskell

In my Budget speech I picked out three outstanding features of the economic situation — the impact of the defense program itself; the additional burden imposed upon us by the way in which the prices of our imports had risen so much more than the prices of our exports; and shortages of materials.

I should like first of all to say something about production, although to some extent this was covered in last Monday's debate. In the Survey it was estimated that the level of industrial production this year might be some 4% higher than in 1950. In the five months up to May, it has actually been running about 5% higher than in the corresponding months of 1950, so that so far we have been doing at least as well as we expected. But what is the outlook for the rest of the year?

For many imported raw materials I would say that prospects are now rather brighter. This is true of sulphur, of tungsten and of molybdenum, though supplies will still be below our requirements. It is true of cotton, where the prospect of a good American crop this year has eased the situation. On the other hand, shortages of nickel, copper and zinc all remain acute, though they may be eased to some small extent, at any rate, by substitution.

In my view, the biggest direct check to the expansion of our industrial production at the moment is the shortage of steel. It is primarily shortage of imported iron ore and scrap which is limiting steel output, but despite this we have, I think, a fair chance of reaching a production of 16 million ingot tons this year. With some reduction in stocks and with the greatest possible economy in the use of steel, this should, I think, support an increase of 4% in total industrial production during the remainder of the year.

Coal Production

But it is when we look ahead to 1952 that there is ground for serious anxiety, and this brings me to the subject of coal. The output of coal has been increasing, and the whole nation appreciates the splendid response made by the miners to the Prime Minister's appeal. But home consumption is rising even faster, though I cannot agree that this is directly attributable to rearmament. Given full employment and rising productivity, the industrial use of coal would probably be just as high if we had not embarked on the rearmament program.

The first impact, of course, of the coal shortage inevitably tends to be on coal exports, and in the first five months of the year these amounted to only 2,500,000 tons against 6,750,000 in the corresponding months of 1950, Most of these exports, or at any rate a large proportion of them go to Western Europe and occupy a key position in our trade with those countries upon whom we depend for many supplies which are absolutely vital to our industries—timber, wood pulp, pyrites, and, most important of all, the bulk of the imported iron ore which is and will be badly needed for producing steel at home.

Unless we can export enough coal we risk losing those essential supplies and the whole of our industrial effort will suffer in consequence. It is a difficult but not an insoluble problem. The remedy lies in our own hands. We have simply got somehow or another to produce more coal, and we have also got to find means of reducing home consumption in ways which cause the least damage to our industries. My right hon. Friend is giving the closest attention to this problem, and I do not propose to say anything more about it now.

Let me, however, say one further thing in connection with production. I draw the attention of the House to the continuing high demand for labor throughout the whole economy. The latest unemployment figures are the lowest since September, 1945, and represent no more than 1% of the total employees. This, of course, makes absolute nonsense of any suggestion that rearmament would lead to mass unemployment in this country and that before the middle of the year there would be considerable numbers out of work because of shortages of imported materials.

In fact, there are far more jobs than men and women to fill them. Firms which cannot keep their existing labor force fully employed ought to release some of their workers to find more important work elsewhere. At a time like this, too, when it is more than ever urgent to secure the utmost practicable increase in productivity, there must be no wastage of labor.

Britain's External Position

I now turn to the external position, and will first say something about the gold and dollar balance of the sterling area. The figures for the second quarter which I recently gave the House confirmed the forecast made in the Economic Survey that the situation this year would be considerable less favorable than that of last year. It is not easy to make any precise forecast of the trends of the sterling area's gold and sterling balance during the rest of the year, but I must tell the House that there will probably be a deficit in the third quarter—possibly a quite substantial one. There are, however, special reasons for this.

First of all, we shall be buying an exceptionally large amount of dollar imports during this quarter, probably spending at least 100 million dollars more than in a normal quarter. Secondly, we shall continue, I think, to lose dollars to the European Payments Union — again largely on account of seasonal factors. In fact, we may well pay out during this quarter virtually the whole of the rest of the dollars which we have received from the Union. After that, of course, should the adverse balance with the European Payments Union continue—which is by no means certain, and indeed, I think, unlikely—we should finance it out of credits we have accumulated, or could draw under the rules; and, until those were exhausted, no more gold or dollars would be paid. Finally, there are certain special gold and dollar payments to be made during the third quarter which will not recur.

Too much, therefore, should not be concluded from what happens in the current quarter. So far as I can see at present, the fourth quarter's results will not be so unfavorable, though again I think it unlikely that they will show a surplus. While, therefore, we should not exaggerate this worsening of our dollar position, the changed outlook does call for some corrective action.

The government propose, therefore, to review the dollar import program, which is, of course, very much larger than the program last year, and reduce expenditure wherever this can be done without damage to our long-term interests. At the same time we must clearly press on more energetically than ever with dollar exports. We look to industry to sustain and, where possible, increase, its efforts towards this objective. I think that the House will agree that the Dollar Exports Board rendered a great service to the country by stimulating among exporters an effective interest in dollar markets. Its successors, the Dollar Export Advisory Council, will, I know, carry on this vital work with no less energy and enthusiasm.

Finally, I would say that I have, of course, kept other governments in the sterling area currently informed, and I hope very much that it will be possible to hold another meeting of the Commonwealth Finance Ministers at the end of the year, or, at any rate, shortly afterwards.

I come now to the prospects of the United Kingdom's balance of payments, in which, as the House will recall, our objective was to maintain an overall balance apart from imports required for stockpiling. It was estimated in the Economic Survey that the 1951 import bill would amount to about £3,200 million, towards which the net invisible earnings might contribute some £450 million. That left £2,750 million to be obtained by visible exports and re-exports, an increase of rather over £500 million, compared with actual earnings in 1950. It was envisaged that a good deal of this increase—a substantial one — would come from higher export prices, but that some increase in volume would also be needed.

It is too early yet to predict the outcome for the whole of 1951, but the rapid rise in import prices during the past six months suggests that, on account of higher prices alone, the total cost of imports this year will, perhaps, be well over £100 million more than the Survey allowed for, even after making allowance for the reduction in import prices to be expected in the coming months—about which I shall have a little more to say later on. The invisible account, too, has developed less favorably, and in 1951 as a whole I think that the invisible earnings are unlikely now to exceed £400 million.

Consequently, export earnings will have to be considerably above the survey target to keep the overseas accounts in balance this year—even excluding the stockpiling, which is excluded from all the import figures I have given. In fact, export earnings in the first half year were only just over £1,300 million. It looks as if we shall need £1,600 million in the second half of the year if we are to pay in full for our current imports, again excluding stockpiling. This means a substantial increase —an average increase of something like a quarter in the second half of the year compared with the first.

Export Prices

We can expect some further revenue from higher export prices. Export prices have been rising fairly steadily, mainly as a result of higher costs of imported materials, particularly, I may say, in the field of consumer goods. By June, for example, the prices of textile exports were about 37% above the 1950 average. The prices of metal goods exports—the process of production, of course, involves a longer period between the work on the raw material and the turning out of the finished product—for which, generally, there is a large unsatisfied demand abroad, were only 12% up.

It is the government's policy to leave it to the judgment of the individual exporter to decide, in the light of his special knowledge, what prices to charge for his exports. Quite obviously, no exporter is likely to raise his prices to an extent which would endanger his future trade, but we cannot reasonably expect him to keep his prices below the international level; nor would the government wish him to do this, in view of the nation's urgent need to increase export earnings.

We cannot, however, rely on price increases alone, even if, as I suspect, these will continue in the export field. We must also export a greater volume, and because of the import impact of the defense program, as the Survey made plain, we must look first and foremost to the consumer goods industries. We shall also need to ensure that the volume of exports from the metal-using industries is at least maintained at the 1950 level, as the Survey estimated. The government is already engaged in discussions with individual industries on ways and means of increasing exports. If in any particular case exports are held up because too much is going to the home market, we shall not hesitate to use any physical controls that are appropriate to divert goods to export.

We also have to be sure that the problem of expanding our exports is not made more difficult by excessive monetary demand at home. I shall have more to say on this later, but it is quite clear that we cannot expect to continue consuming as much as in the first few months of this year, when consumption is estimated to have been about 5% higher in real terms than in the same period of 1950.

I must now say a few words on the cause of the increases in import prices since the middle of 1950 which have turned the terms of trade so much against us and have added so greatly to our burdens. These changes are not the result of devaluation. Nobody disputes, of course, that in the autumn of 1949 and the early months of 1950 there was a rise in the sterling prices of some of our imports greater than, or unaccompanied by, a rise in their dollar prices, but this movement had largely spent itself before Korea.

What we are here concerned with is a rise in both dollar and sterling prices, which affected dollar and sterling countries alike, and, therefore, could not possibly have been due to any change in exchange rates. Thus, compared with June, 1950, the price of sugar, in dollars, showed at its peak a rise in dollars of 85%; that of wool, a rise of 129%; of tin, 138%, and of rubber, 162%. These are the peak figures. Between June, 1950, and March, 1951, the average

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*A speech by Chancellor Gaitskell in the House of Commons, London, Eng., July 26, 1951.

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Missouri Brevities

Stockholders of **Spencer Chemical Company** were asked at a special meeting on Aug. 15 to authorize a new issue of 125,000 shares of cumulative second preferred stock and an increase in authorized funded debt from the present limit of $13,000,000 to $17,000,000. According to a registration statement filed with the SEC on Aug. 3, the stock will first be offered to holders of the common in the ratio of one share of preferred for each eight shares of common. The preferred will be convertible into common shares for a period of 10 years and will carry a 3% sinking fund. The offering, assuming stockholders' approval, will be underwritten by a group headed by Morgan Stanley & Co. and Glore, Forgan & Co.

Proceeds of the new preferred, along with $5,100,000 to be obtained through sale of additional funded debt to institutional investors, and other funds, will be used to meet the approximately $14,000,000 cost of a new chemical works to be constructed by the company near Vicksburg, Miss. The company has received a certificate of necessity permitting it to charge off for Federal tax purposes about 50% of the cost of the new plant, excluding land, over a five-year period.

* * *

Agreements have been executed by **Monsanto Chemical Company** with six investors covering the sale at par of 50-year 3¾% income debentures in the amount of $66,000,000. Interest on the issue is cumulative and payable annually only if earned.

Under the terms of the agreement, the company has the right to draw down the monies at various dates through April 30, 1953. Sinking fund payments commencing after 30 years are to be sufficient to retire one-half of the issue by maturity. Provision is made for optional sinking fund payments during the life of the debentures.

Proceeds will be used for the company's current expansion plans which include a phosphorous plant at Soda Springs, Idaho, a new plastics plant at Cincinnati, Ohio, and for expansions at Texas City, Texas, involving facilities for the production of acrylonitrile from natural gas. Acrylonitrile is the raw material for Acrilan, the new synthetic fiber to be produced by the associated Chemstrand Corporation. Funds also are required by the company for investment in this company which is jointly owned with American Viscose Corporation. Chemstrand at present is constructing plants for manufacture of Acrilan at Decatur, Ala., and nylon at Pensacola, Fla.

* * *

Proposals will be received by City Comptroller Milton Carpenter until midnight on Sept. 15 from investment bankers desirous of acting for the **City of St. Louis** in coordinating a program for financing "off-street parking facilities" via the issuance of revenue bonds. Objective of the city is to offer revenue bonds which will be most attractive from an investment standpoint and can be marketed on the lowest possible interest cost. Validity of the proposed issue of $3,500,000 parking revenue bonds was upheld by the Missouri Supreme Court on July 13.

* * *

The large investment demand that attended re-offering of the recent issue of $6,650,000 **St. Louis School District, Mo.**, bonds is attested by the fact that approximately two-thirds of the issue had been spoken for by the close of business on the day of the award. The bonds, bearing interest rates of 2%, 1¾% and 1½%, were awarded to a syndicate managed by Halsey, Stuart & Co. Inc., and including, among others, **Stifel, Nicolaus & Co., Inc.** and **George K. Baum & Co.**, both of St. Louis. The bonds mature serially from 1953 to 1971 inclusive. The school district is co-extensive with City of St. Louis and its obligations are supported by the same tax base as those of the city itself.

* * *

For the quarter ended June 30, 1951, the net earnings of the **McQuay-Norris Manufacturing Company**, after the usual reserves and normal tax provisions, were $214,668.48, compared to $191,111.49 earned in the same quarter of 1950. Preferred stock dividend requirements amounted to $17,110.09. The profits remaining for common stock were $197,558.39, the equivalent of $0.56 per share on each of the 355,939 shares outstanding as of June 30, 1951.

For the six months period ended June 30, 1951, net earnings, after the usual reserves and normal tax provisions, were $588,438.68. Preferred stock dividend requirements for that period amounted to $34,243.56. The earnings remaining for common stock were $554,195.12, the equivalent of $1.56 per share. For the same six months in 1950, earnings were $201,031.80 prior to provision for preferred stock dividends which amounted to $35,481.39. The profits remaining for common stock for that period in 1950 were $165,550.41, the equivalent of $0.47 per share.

* * *

For the 28 weeks ended July 14, **Interstate Bakeries Corporation**, had an increase in sales, but a lower estimated net profit, the interim report revealed.

Estimated net profit after taxes was $1,153,183, equal to $1.57 a share, compared with $1,175,743, or $1.60 a share, in the same period last year. Net sales for the 1951 period, including the Buffalo, N. Y., plant acquired in December, 1950, were $36,398,522, against $29,459,873 in the 1950 period.

Earnings per share of common for both the 1951 and 1950 periods are based on 610,884 shares, which include the two-for-one split in April, 1951, and were computed after allowance for accrued dividends on the $4.80 preferred stock.

Estimated Federal income and excess profits taxes for the 1951 period were $1,409,446, compared with $720,617 a year ago.

* * *

Morfeld, Moss & Hartnett, St. Louis, are offering an issue of 40,000 shares of **Missouri Research Laboratories, Inc. (Mo.)** 5% cumulative convertible preferred stock at par ($5 per share). The net proceeds will be used by the company for general corporate purposes and to retire 324 shares of $20 par value preferred stock now outstanding. The additional capital is to enable the company to obtain larger Army projects, which will be financed through V loans. **Missouri Research Laboratories** is chiefly engaged in designing, engineering, manufacturing and assembling electronic equipment for the government services and other business under contract.

* * *

Net income of **Anheuser-Busch** for the six months ended June 30 was $6,619,158, equal to $1.47 per share of common, compared with a net of $6,759,139 or $1.50 per share a year ago.

* * *

The W. S. Dickey Clay Manufacturing Company on Aug. 10 paid a third quarter dividend of 25 cents a share on stock of record July 31. The company reported that while the net income for the quarter before taxes was up about $250,000, the per share earnings after taxes were $1.55, or 20 cents a share under a year ago.

Plants of the company are operating at full capacity, the report said, and despite government restrictions on building and a decline in construction, the outlook was declared good.

* * *

Directors of **Gleaner Harvester Corporation** declared the regular quarterly dividend of 50 cents a share, payable Nov. 20 to stockholders of record Aug. 31.

* * *

Warren Lee Pierson, Chairman, and Ralph S. Damon, President announced that **Trans World Airlines, Inc.**, earned $2,603,000 or $1.07 a share in the first six months of 1951 as compared to $1,029,000 and 42 cents a share in the same period last year.

Federal income taxes amounted to $2,434,000, approximately $1 a share or three times more than in the first six months of 1950.

Total operating revenues for T. W. A. hit an all-time high of $66,416,000 which was an increase of $15,519,000 over 1950. At the same time, operating costs advanced only $12,817,000. The biggest part of T. W. A.'s increased revenue was from carrying passengers, who purchased $14,693,000 worth of tickets more than in the first six months of 1950.

Total revenue ton miles jumped from 80,011,000 to 110,716,000. T. W. A. also substantially increased its total number of revenue miles flown from 28,097,000 to 30,757,000.

J. F. Leonard & Son

AMERICUS, Ga.—J. F. Leonard & Son has been formed with offices at 226 West Lamar Street, to engage in the securities business.

Hazlett, Burt Branch

FAIRMONT, W. Va. — Hazlett, Burt & Watson have opened a branch office at 313 Adams Street, under the direction of Arch M. Hazlett.

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Business Still Holds Steady at a High Level

Trends in total factory output and business volume slightly upward. Moderate declines in a number of fields. Significant shifts taking place. Demand for goods remains strong. Agricultural prospects favorable, with close to peak production of crops.

(From "Business Bulletin," issued by the LaSalle Extension University, A Correspondence Institution, Chicago, Illinois)

Stability in the total output of goods and in business volume, but widely diverging trends among many aspects of economic activity, have been the predominant characteristics of business during the past few weeks. While production schedules have been maintained and in some lines increased, there has also been a certain amount of hesitation, because of the uncertainty as to whether or not active fighting in Korea would cease and the effect such an agreement would have on the defense program. Many businessmen felt that any easing of international tensions might result in a slowing down of government spending for military supplies and equipment. There might also be less urgency on the part of business firms to push their expansion programs, and consumers might prove less active in their buying.

Constructive Factors Still Predominant

Regardless of the outlook for changes in the international situation, the evidence so far available as to industrial and business activity shows that the forces which tend to push production and trade higher are stronger than the opposite ones. The defense program is still expanding, and production for military purposes is steadily increasing. This expansion has offset the declines in other fields, and schedules for the future call for further increases. Production is getting under way on many contracts which were arranged some time ago, and the full force of this activity will be felt in more marked ways during the next few months.

Actual expenditures will rise much above present levels, although the rate of this spending is subject to considerable variation. One of the most important decisions in connection with the defense program is that of deciding when to settle upon the final designs of equipment and when to begin mass production. If the decision is made too soon and too far in advance of needs, later improvements may make the equipment obsolete before it is used. If the decision is made too late, not enough will be on hand when it is needed. If international tensions are eased even temporarily, mass production of much equipment will be deferred, and smaller amounts of materials and less manpower will be taken for military purposes. Even under these conditions, however, expenditures for new plants, machinery, and equipment are likely to be maintained and even increased.

Production and Business Volume Up Over 10%

Output of factories and mines as indicated by the industrial production index of the Federal Reserve Board has fluctuated less than 1% so far this year. It is 12% higher than it was a year ago and at a peacetime peak. This index measures the physical quantities of goods being turned out and includes military supplies as well as civilian goods. Business valume as measured by financial transactions through banks has also been stable, except for the usual seasonal variations. It is 11% higher than it was a year ago. In this rise is included the change in the price level, which has gone up more than 15%. Summer slowing down has taken place during the vacation period, but the decline in output has been less than usual.

Factory employment is close to 15% higher than last year, and factory payrolls have increased 25%, due to higher rates of pay and to larger overtime payments as more hours are being worked each week. Although incomes for most other groups of workers have not increased as much as those of factory employees, total consumer purchasing power has risen by well over 10%. Large consumer incomes constitute a powerful sustaining force for business activity and for prices. More people are at work than ever before, and the total number of workers employed in civilian jobs has risen to the all-time record total of 61,800,000. Changes in their buying attitudes are quite as significant in affecting retail sales as are the changes in their incomes. Although consumers are currently not so aggressive in their purchasing as they were during the buying splurge of last year and early this year, they are spending more money than they did a year ago. As long as consumer expenditures remain at the current level, business will be good. Variations in this spending ordinarily account for the largest amounts of changes in general business activity.

Production of electricity is up 15% over last year, and about the same increase has been made in the output of petroleum. Production of steel has established a new record of over 52,000,000 tons during the first half of the year. That amount was an increase of 11% above the production during the corresponding period last year. It is significant because demand for steel is a measure of activity in a large number of industries, especially those making machinery and equipment. It is also a measure of the amount of construction which is being carried on. The steel industry has been operating at above rated capacity for many months with weekly output in excess of 2,000,000 tons since March. Even that large output does not meet the current demand, and unfilled orders remain large in amount. Allocations under the Controlled Materials Plan which was started last month are greater than actual output now and also larger than prospective output during next month and the fourth quarter of the year.

The construction industry has also been making a better showing than was generally expected earlier this year. Although residential building has declined, this drop has been more than offset by the increase in other forms of construction. Industrial building has increased 100%, commercial building 48%, and construction of military facilities over 500%. Total outlay for the first half of the year was $14,000,000,000 an increase of 16% over the corresponding period last year. Closely related to this spending are the expenditures by business for new plants and equipment. These are now being made at the rate of $24,000,000,000 annually, an increase of more than 30%. Most recent estimates indicate that possibly the rate may rise even higher regardless of possible

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No Deficit Financing, But No Complacency

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Though asserting great progress has been made in mobilization of our power, Secretary Snyder warns against complacency, relaxation, and lowering of our guard. Denies Treasury has resorted since war to deficit financing, but says Defense Bond program is essential ingredient of our home front defense. Stresses rise in individual incomes despite high taxation.

The strength of this nation has become the inspiration for the hopes of all the free peoples of the world. Today that strength is being challenged by the continuing threat of Communism. Despite the signs of a possible end to the shooting in Korea, the Communist threat to the free nations remains. The aggression in Korea was preceded by a chain of other incidents which gave warning of the Kremlin's intentions to dominate the world. An assumption that such incidents will end if a cease-fire is achieved in Korea would disregard the plain, expensive lesson derived from all that has transpired in the postwar years.

John W. Snyder

Complacency, relaxation, the lowering of our guard, the idea that by stopping the Korean aggression we have definitely checkmated the Soviet dictatorship's ambitions—any of these attitudes could be extremely costly to us and to the free nations with which we are allied.

What we have to do is mobilize not only our manpower but also all the power of our productive skills, of our factories and materials, of our financial strength, and of our faith in human liberty as object lessons for the Soviet rulers. Once they see that power completely organized and activated, these rulers may decide that peace is better for the world after all.

A great deal of progress has already been made toward that mobilization of our power. Other free nations are steadily gaining strength with us. The plans for common action by the free nations on which we have worked so long and so earnestly, and in which so great an investment of our economic resources has been made, are steadily achieving the goals which we had in mind. Power—power for peace, power for protection—we see this power, material and spiritual, growing day by day. If we but resolutely refuse to be diverted from the courses of preparedness on which we so wisely embarked, we may have every hope that no hostile power will dare to try to overcome us.

I spoke of the power of our financial strength. Thrift, individual and collective, is a source of that strength. American thrift has always been one of the great sources of our productive power. The cumulative savings of Americans have created capital to finance over the years a great supply of productive facilities. These facilities have turned the products of our farms, our mines and our forests into the materials and equipment which have made possible a constantly rising standard of living.

It is an encouraging aspect of our economic history that thrift has continued to be an American habit. As a result, Americans accumulated a postwar backlog of $200 billion in liquid savings. These savings are in the form of United States savings bonds, bank deposits, savings accounts and other forms of liquid assets. The great savings reservoir has provided the American public with a tremendous supply of purchasing power. This reserve purchasing power helped avert a postwar business recession in 1949. It helped build up the American standard of living to a new all-time high during the past several years.

Today, as we are nearing the peak of the tooling-up period in our all-out national defense effort, the practice of thrift takes on even greater importance.

Our mobilization program will require a substantial portion of our available manpower and materials. Consequently, there will be a considerable gap between the spendable income of individuals and the goods available for them to buy.

By putting our earnings into personal savings rather than into the commodity markets, we help hold down the prices of scarce goods and services, and lessen the difficulty of curbing inflation.

There Has Been No Deficit Financing

At this point, I should like to comment briefly upon an idea about inflation with which I am sure many of you have been confronted. That is the idea that the rise in the price level which we have experienced since the end of World War II has been due in large part to methods of Government financing — that deficit financing in the postwar period has been the cause of most of the inflation evils. This attitude simply disregards the facts.

For the five fiscal years which ended last June 30, the United States had a net over-all surplus of receipts over expenditures of approximately $7.5 billion. During the same five years, the debt of the United States was reduced $15 billion, and commercial bank holdings of Government securities were reduced by more than $25 billion.

That is not deficit financing. It is just the contrary. In the face of those facts we must look in other directions than Government fiscal policy to find inflation's recent causes.

I do not want you to think, however, that with regard to the Government's fiscal affairs I am complacent about the future.

No Departure From Pay-As-You-Go Basis

I want to emphasize that our plans for a Defense Bond drive do not signify any departure from the Treasury's stand in favor of paying-as-we-go for defense, as well as for the ordinary costs of Government. The recommendations of the Treasury for pay-as-we-go taxation, laid before committees of the Congress in recent weeks, are not modified in any respect by our intended efforts to increase the sale of bonds substantially during the fall. The tax program and the bond program are both essential to the economic welfare of the country.

I do not at this time want to go into any detailed analysis of our revenue and expenditure prospects, but I do want to point out that the pending tax program is not only necessary, but can be absorbed by our economy and leave, after taxes, a good margin of profits and incentives.

We are all aware, of course, that prices have risen greatly since 1939. But incomes after taxes have moved ahead even faster. The truly significant fact — and one to which little attention has been given—is that the average per capita income in the United States today, after all taxes, local, State, and Federal, will buy almost 40% more in actual goods and services than the average per capita income in 1939.

Moreover, people today can buy things which in earlier years were either not available at all, or were available only to a limited number. There has been a growth unprecedented in economic history in the incomes of the middle group. This growth has greatly enlarged the market for the products of American agriculture and industry — and greatly enlarged, also, the possibilities for profitable business operations.

Individuals, collectively, after the payment of taxes, still have in their hands large sums to spend or to save. The wise course is to confine ourselves to non-inflationary spending and to save regularly out of our incomes.

The defense bond program is an essential ingredient of our home front defense. A slogan which has been suggested for the Defense Bond Drive is "Bonds for Power for Peace." These five words sum up the substance and the spirit of the appeal which we are making with all earnestness and all vigor. It is a slogan with truth in it. A single sale of a $25 bond becomes potent indeed as a thrift influence when 1,000 or 10,000 volunteers are closing as many more $25 bond sales simultaneously.

Small investors have stepped up the number of $25 and $50 E Bonds they have purchased this year by better than 11%. City after city across the country has undertaken successfully in recent months to win a Treasury Flag for expansion of Payroll Savings Plan activity among its employers.

The advertising industry is giving to the Defense Bond Drive support fully comparable to that which it provided so generously and effectively in years gone by. Preliminary reports to us indicate that volunteer salesmen—those public-spirited people who through personal solicitations really spell the success of all our bond-selling efforts — will be available this fall in creditable numbers, and with an abundant supply of enthusiasm.

We need to reach into every home and every community throughout our land and bring to every American the personal realization that defense is everybody's job, and that now is not the time to relax our defense efforts.

That is, of course, the message —the purpose—of the nationwide defense bond drive which we are opening in September, and which you as key men in this great drive will be spearheading.

The symbol of this drive, as you know, is to be our national emblem—the great American Eagle, standing on guard, ever vigilant, and ever strong. Behind this drive should be put every ounce of the power of every good citizen as a volunteer worker and a voluntary saver for the defense of America and for the future of America.

Our nation has become the powerful nation it is because we have recognized that a nation can be strong and free only when its individual citizens are free—free to work together in cooperative effort to preserve both their personal liberties and their national freedom. It is in this spirit that Americans of succeeding generations have built the dynamic force of American democracy. It is this same spirit, this same dynamic force, which is so necessary now if our nation is to continue to be a powerful bulwark against dictatorial aggressors who seek now—as they sought in the past—to destroy the liberty of the human spirit and the dignity of man. For in the final analysis, the power of America is the power of its people working together in common cause.

No finer example of living democracy can be found than in our defense bond program. It is conducted for the people by the people of the United States and gives every American the opportunity to share directly in strengthening the economic power of our nation. And it is upon this constructive power that the peace of the world depends.

As you go out to organize your State and community activities to assure the success of the coming defense bond drive, I should like to ask you to carry to your local workers my sincere thanks for the determined spirit in which they are shouldering responsibility in this great defense effort. They, and you, are rendering a great service to our nation in mobilizing the power of thrift behind our national drive for peace, progress and prosperity, for ourselves and for men of goodwill the world around.

*An address by Sec. Snyder at Conference of State Chairmen and Directors of U. S. Savings Bonds Program, Washington, D. C., Aug. 3, 1951.

New Inquiry on Fiscal and Monetary Policies

Rep. Wright Patman, Chairman of Subcommittee on General Credit Control and Debt Management of Joint Committee on Economic Report, announces that new developments since hearings held two years ago made renewed inquiry desirable.

In announcing the program of the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report, Representative Wright Patman of Texas on Aug. 9 pointed out that the two years which have elapsed since the hearings of the previous Subcommittee on Monetary, Credit and Fiscal Policies have been packed with important events and that the economic background of fiscal and monetary policy has changed drastically.

Wright Patman

The new Subcommittee consists of Sen. Paul H. Douglas of Illinois, Rep. Richard Bolling of Missouri, Sen. Ralph E. Flanders of Vermont, Rep. Jesse P. Wolcott of Michigan, and Rep. Patman as Chairman. At the time he appointed the Subcommittee, Sen. Joseph C. O'Mahoney of Wyoming, Chairman of the full Committee, asked it to focus its inquiry on the current problems and relationships of the government agencies responsible for general credit control and debt management—the Federal Reserve System and the Treasury Department.

Representative Patman pointed out that in the fall of 1949, when the previous Subcommitte held its hearings, the country was just recovering from a mild recession, and there was some doubt on the part of witnesses and Committee members whether the principal hazard then overhanging the economy was that of inflation or of recession—although the preponderant view even at that time was that the primary hazard was inflation. But the causes of this inflationary hazard were conceived to lie principally in the possible development of a "boom" in the private sector of the economy.

The announcement of the new inquiry stated as follows:

"Today the situation differs in two respects. In the first place, barring a substantial improvement in the international situation, doubt with respect to the character of the principal hazard to the economy appears to be dissolved—that hazard is inflation. In the second place, unlike 1949 when it could be stated with assurance that the Federal Budget could and should be balanced and a surplus developed in order to offset inflationary developments in the private economy, it is now possible that the exigencies of continuous armed preparedness may make net Federal borrowing necessary in the years ahead. This possibility must be taken into account in all of our present thinking on both general credit controls and debt management.

"Furthermore, there have been important developments in the relationship between the Treasury and the Federal Reserve System and in the relationship between the Federal Reserve System and the President since the previous hearings. The most important of these developments occurred during the first half of this year. Despite their great economic significance, no reference was made to them in the Midyear Report of the Council of Economic Advisers. It is necessary that the significance of these developments be assessed by Congress. In this connection the Subcommittee should review the directives on monetary policy and debt management given by Congress to the Executive Branch and the allocation of the responsibility for carrying out these directives.

"The possibility of the prolonged maintenance of continuous armed preparedness also makes it urgent for Congress to inquire generally into the debt management and monetary policies necessary and desirable for financing such preparedness and for containing the inflationary pressures to which it naturally gives rise. Among the matters to be considered in this connection are the proper relationship of general and selective credit controls and possible new types of reserve requirements and of public debt instruments. The Subcommittee intends to make an intensive study of these matters and expects also to make an inquiry into the structure of the banking system with particular reference to its adequacy over a longer period to maintain the dynamic character of the economy by serving the needs of small business.

"In order to assist in its inquiry, the Subcommittee intends, in the near future, to address written questions to various persons inside and outside of the government who are qualified to give it thoughtful suggestions and expects to hold a series of public hearings shortly after the beginning of the new year. In order to assist in the preparation of this material and in the organization of the inquiry, the International Monetary Fund has been good enough to lend to the Subcommittee the services of Dr. Henry C. Murphy as Economist."

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Developments in Selective Credit Control

August issue of "Midland Bank Review," publication of the Midland Bank, England, reviews policies and results of governmental selective credit controls in Australia, New Zealand, Sweden, France and the United States. Says results thus far have not indicated advantages of this new method of credit regulation over old central banking policies.

In a leading article in the August issue of the "Midland Bank Review," published by the Midland Bank, one of the five great joint stock banks of Great Britain, the history of selective controls of bank credit in various countries that have adopted this instrument of monetary policy is surveyed, and, as a concluding comment, it is noted, on the basis of the study, thus far it is still unsettled whether this new method of credit regulation can be said to have priority over the older method of general banking credit control through central banking operations.

According to the text of the article:

Historically, the classical instruments of monetary policy have consisted in the regulation by the central bank of the quantitative capacity of the banking system to renew or extend credit and the bringing about of changes, appropriate to current conditions, in the rates of interest charged on various forms of credit. Other instruments have come into use within the past two decades, among them official supervision of the purposes for which credit may be extended. "Selective" control of bank credit has been widely resorted to during and since the second world war, as older instruments of policy have been deemed unsuitable for the unprecedented conditions of the time.

Ordinarily, selective credit control tends to be associated with the pursuance by the monetary authority of a policy of "cheap money." This is an entirely natural association; for, when the volume of desired investment is outstripping the flow of savings, inflationary pressure has to be combated either by allowing or provoking an all-round rise in interest rates or by some direct action to restrain the effective use of credit. Consequently the selective control of credit tended to develop first in countries whose governments sought to maintain a definite order of priority in the use of capital resources, while it was fostered by the desire to minimize the interest burden of public and semi-public debts. Subsequently it has been adopted as an extra defense against inflation in conditions of severe pressure upon productive capacity.

Having regard to varying circumstances, including differences of banking structure and methods, it would not be expected that the operation of selective credit control would follow exactly the same lines in all countries. The control may rest on informal agreement or on specific legislation, and be exercised through the application of broadly-stated principles or close observance of an extensive schedule of instructions. The authority immediately responsible for the control may be a government department, the central bank or a specially constituted body.

The widespread resort to selective credit control makes it worth while to put on record an outline of the measures adopted in countries differing widely in economic background, monetary conditions and banking structure and methods. They include—to point the diversity—the United States, France, Canada and Australia; but the record contained in this article does not pretend to be all-inclusive. No account of the system operating in the United Kingdom is necessary, since this was fully described in the August, 1950 issue. All that needs to be added, to bring that account up to date, is to be found in a note on page 17 of the issue of May, 1951.

Australia

Within the sterling area, perhaps the most detailed selective control is to be found in the records of postwar banking in Australia. There, moreover, the system has a statutory basis, within the constitutional limits of Commonwealth legislation. In practice, however, the application of policy to individual cases is left chiefly to the judgment of the commercial banks. The system in Australia, while evidently related to the general regulation of the use of capital resources, has not been so closely bound up as in the United Kingdom with the control of capital issues and other forms of long-term borrowing. For one thing, the legislation upon which it rests is separate, and, as an example of divergence, it may be noted that the regulation of bank advances has been continuous for nearly a decade, whereas control of capital issues is exercised under "emergency" powers and was entirely suspended during almost the whole of 1950.

The story concerning bank credit begins in November 1941, when war-time regulations, under the National Security Act, provided that advances made by the trading banks should conform to the policy laid down by the Commonwealth Bank. In general, bank accommodation to retailers and manufacturers of civilian goods was limited, and advances for new investment were to be granted only for purposes essential to the war effort; advances made to assist primary production were not affected by the regulation. Control of bank lending was put into permanent form in the Banking Act 1945, which gave the Commonwealth Bank statutory power to "determine the policy in relation to advances to be followed by banks" and provided also that "each bank shall follow the policy so determined." Although the Commonwealth Bank was empowered to "give directions as to the classes of purposes for which advances may or may not be made by banks," it was not authorized "to make any determination or to give any directions with respect to an advance made, or proposed to be made, to any particular person." It should be borne in mind, in noting these arrangements, that the Commonwealth Bank, besides being the central institution, also conducts a large commercial banking business in competition with the trading banks.

Not all the instructions of the Commonwealth Bank on the control of advances have been made public, but it is understood that from the end of the war until November 1947 emphasis was placed mainly on the reconversion of industry to peace-time production and the expansion of the output of essential goods. At the latter date new instructions were issued, emphasizing the dangers of inflation and stating that banks should not provide finance for capital purposes, or for new enterprises where production was not essential or would be likely to lead to excess, or ultimately uneconomic production. The instructions were unusually detailed, more than a score of different categories of advances being specifically mentioned. The first instructions to be made known publicly at the time of issue appeared in May 1949. The Governor of the Commonwealth Bank, in announcing them, said that banks should adopt a cautious attitude towards advances for enterprises of doubtful economic value or involving a high degree of risk. Agricultural producers should be strongly influenced by the banks to reduce overdrafts rather than incur non-essential expenditure. All banks should review customers' advances periodically to ensure that they were not excessive and that they were being used only for the purposes for which they had been originally approved. Advances for the finance of hire-purchase trading should not be expanded, and industrial companies should, wherever possible, obtain their capital requirements from non-banking sources. The broad objectives of further instructions, issued in November 1950, were to reduce the dependence of industry, agriculture and commerce on bank finance, by influencing borrowers to seek accommodation outside the banking system. Finance for capital expenditure and also for permanent non-fluctuating working requirements should be obtained from non-banking sources, leaving only fluctuating working requirements to be provided by bank overdraft. This policy was to apply to existing as well as to new advances, but would be modified where a deficiency in the output of the enterprise concerned was retarding production over a wide range of industries or in the field of housing or primary production.

The banks are left to interpret policy by the application of their own judgment of individual applications, doubtful cases being referred to the Commonwealth Bank. On the other hand, a disappointed customer has a right of appeal. An applicant whose proposal has been declined as being inconsistent with current policy may ask the banker to submit it to the Commonwealth Bank to consider whether the class of advance is in fact inconsistent with national policy. In such cases the name of the applicant need not be disclosed.

New Zealand

Less formal than the Australian is the system developed in New Zealand. It was introduced by Regulation 13 of the Finance Emergency Regulations 1940 (No. 2), issued in June 1940 and empowering the Minister of Finance to give directions "to any person or class of persons for the time being carrying on the business of lending money for the purpose of controlling the general policy of that person or class of persons in relation to the making, renewal, and increasing of advances." This regulation remains the basis of control, though the Reserve Bank Amendment Act 1950 gives general powers of credit control to the central bank. In practice, as in Australia, the policy is administered by the Reserve Bank with the cooperation of the trading banks. From time to time the Reserve Bank informs the trading banks of the requirements of current policy, and the trading banks voluntarily conform to these requirements. The trading banks refer to the Reserve Bank marginal or doubtful cases, and all cases where special circumstances make it desirable that individual consideration should be given by the Reserve Bank, provided always that the bank concerned is prepared to grant the advance. Here again, in order to safeguard the

Continued on page 30

Connecticut Brevities

The **Hockanum Mills** plants, located at Rockville, Conn., have been sold by J. P. Stevens & Co. to Shepard Irrigation Equipment Co. of Ellington. Earlier this year the Saxony Mills plant was also sold.

* * *

The Whitney Chain division of **Whitney-Hansen Industries** has obtained a certificate of necessity to build a plant in Longview, Texas. The new building, which will be ready for operation in about 18 months, will be a one-story plant with about 250,000 square feet of floor space. The primary reason for the location of the new plant is to be near the "growing markets in petroleum, mining and agricultural industries," all of which are heavy users of the chains to be made there. Production will also be used to meet government needs for aircraft and other military applications. There will be no reduction in the present Hartford operations.

* * *

Bigelow-Sanford Carpet Co. announced that it plans to acquire the assets and business of its subsidiary, **Hartford Rayon Corp.** At the present time the company owns about 51% of the common stock. The contemplated plan provides for redemption of the preferred on Oct. 1, and an exchange of each 6 to 7 shares of common for one share of Bigelow-Sanford. On Aug. 3 when the plan was announced, the common of Hartford Rayon was 4 and that of Bigelow 18¾.

* * *

For the first six months of the year the net premiums written by the **Aetna (Fire) Insurance Group** amounted to nearly $63,000,000, an increase of 17.5% over the first six months of 1950. The loss ratio increased from 47.4% to 51.7%, largely as a result of claims from the severe windstorm in the northeast in November, 1950. Including 40% credit for increase in unearned premiums, earnings for the first six months were about $2.65.

* * *

Derby Gas & Electric Corp. has placed privately an issue of $900,000 3½% debentures due July 1, 1957. The company plans to market publicly an additional $300,000 of common stock.

* * *

Yale & Towne's semi-annual report reveals an increase in sales for the period to $46,500,000 from $29,000,000 a year earlier. Earnings on the common improved from $1.93 to $2.90. The backlog of orders on June 30 was about $42,000,000. Several large government orders were received by the hardware and materials handling divisions in the second quarter.

* * *

In its recent common offering **Southern New England Telephone Co.** received subscriptions for over 99% of the 400,000 shares offered. The remaining 2,207 shares were sold to a group of security dealers.

* * *

Pitney-Bowes, Inc. is offering 9,370 shares of its common stock to employees at 14 under a stock purchase plan. Payments will be made at the rate of 36 cents a share per month. Proceeds will be used for working capital.

* * *

Hartford Electric Light Co. has called for payment on Sept. 1, 1951 at par and interest $105,000 of its 3¼% debentures, 1941 series due Sept. 1, 1971. There will remain outstanding $3,150,000 of this issue.

* * *

Fafnir Bearing Co. has announced receipt of two certificates of necessity from the Defense Production Administration amounting to 85% of $7,999,405 which will be spent for new manufacturing facilities.

* * *

The **Phoenix Mutual Life Insurance Company** has purchased a 60-acre tract in West Hartford which at some time in the future may be the site of a new home office building. At this time there are no plans to move from the present location.

Henry B. Warner Back At Trading Desk

Henry B. Warner

PHILADELPHIA, Pa.—Henry B. Warner, President of Henry B. Warner & Co., Inc., 123 South Broad Street, has returned to the trading desk after an illness of several weeks.

Robert D. DeMuth Is With Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert D. DeMuth has become associated with Ball, Burge & Kraus, Cleveland, members of the New York and Midwest Stock Exchanges. He was formerly with Otis & Co. and John Nuveen & Co.

Now Bay Company

PROVIDENCE, R. I.—On Aug. 6, 1951, the name of Arnold W. Jones & Co., Inc., Hospital Trust Building, was changed to Bay Company. There are no other changes in officers or business.

Frederick S. Gordon

Frederick S. Gordon, partner in Colgate Hoyt & Co., New York City, passed away at the age of 64 after a long illness.

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The 38th annual edition of "Best's Insurance Reports, Casualty and Surety," published by Alfred M. Best Co., 75 Fulton Street, New York, N. Y., was recently released for distribution.

Recognized as a leading authority in all fields of insurance, "Best's Insurance Reports" are valuable sources of current information and operating records of insurance companies.

The 1951-1952 Casualty and Surety Edition, provides a comprehensive review and analysis of the operating results and financial condition of all domestic and foreign companies transacting casualty and surety business in the United States.

In addition to a review of each individual company which includes details on history, management, underwriting and investment policies, exhibits on underwriting and investment results, comparison of operating figures and a summary of stocks and bonds owned, the publication contains a discussion of the significant developments and changes in the casualty and surety business during the past several years.

While the individual comparisons of companies are very useful in determining the operating results of a particular company, the general comments made about the casualty business are particularly interesting. They analyze the reasons for the unfavorable underwriting experience of last year and put this information in perspective with the experience of previous periods.

The following figures taken from the current edition of "Best's Insurance Reports, Casualty and Surety," summarizes the operating returns of the stock casualty and surety business for the past ten years.

	Net Premiums Written	‡Loss Ratio	†Expense Ratio	Combined Ratio
1941	$997,395,000	52.7%	39.1%	91.8%
1942	1,110,089,000	51.1	40.1	91.2
1943	1,129,602,000	53.3	39.0	92.3
1944	1,223,283,000	53.8	37.0	90.8
1945	1,324,890,000	*58.0	36.1	*94.1
1946	1,613,831,000	*61.2	37.7	*98.9
1947	2,075,011,000	*58.1	36.3	*94.4
1948	2,442,237,000	*56.6	35.6	*92.2
1949	2,363,540,000	*55.7	36.1	*91.8
1950	2,933,019,000	*60.0	35.7	*95.7

‡Losses and loss adjustment expenses incurred to premiums written.
†Expenses incurred to premiums written. *Case basis.

The favorable underwriting trend which had prevailed in the previous three years was sharply reversed in 1950 and the combined loss and expense ratio advanced by more than four points.

Part of the reason for this change was the fact that three of the important underwriting lines showed unfavorable trends in the last half of the year with the result that statutory underwriting losses were experienced on a number of these lines.

For example, according to Best's compilation, the stock casualty companies wrote nearly $1 billion of automobile liability and property damage insurance in 1950 on which they reported a statutory underwriting loss of over $12 million.

While most carriers reported a favorable experience on these lines in the first half of the year, sharply rising claim costs resulting from changing economic conditions and inflation, particularly in the last quarter, changed the profits of the early part of the year into losses.

These same trends continued into 1951 with a similar unprofitable experience. Recent prompt and substantial rate increases, however, should bring a better balance into these lines.

Another class of insurance which showed a sharp increase in the loss ratio was workmen's compensation. While the line remained in the black for the year, it was only by reason of a low average expense ratio, as the loss ratio increased by nine points. The combined ratio was 98.7%. As with the automobile liability lines, rising costs, in this instance medical and hospital, were one of the main reasons for the unsatisfactory results.

The other insurance classification which contributed to the unfavorable showing was also affected by the impact of rising costs. This line was the other liability class of insurance.

There are many other details and information about casualty operations in the current edition of "Best's Insurance Reports." It is an essential source book of information for people interested in casualty insurance stocks.

Hammond Adds Many To Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Albert Baker, Nelson D. Bark, Sidney L. Cagan, Fred S. Cutter, Jesse D. Duke, Oral C. Fillinger, Loyal D. Gifford, H. A. Homeyer, E. Reginald Hotopp, Gordon L. Hudson, Max Jonas, John F. McCaffery, M. L. McGaughy, John David Marshall, Lawrence S. O'Reilly, Charles L. Robinson, Alfred Samuels, Woodrow W. Smith, John R. Stewart, H. Nolan Stout, Edward E. Strickler, Arthur S. Vandenberg, Russell J. Vonderheide, Everett L. Walker, Cliff Weingart, and John H. Winn are all now associated with Douglas A. Hammond, 5327 Lakewood Boulevard.

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With Highland Securities

(Special to THE FINANCIAL CHRONICLE)

WALNUT CREEK, Calif. — Robert J. Foley and George H. Pittman have become affiliated with Highland Securities Co. Mr. Foley was previously with Kaiser & Co. Mr. Pittman was with Waddell & Reed, Inc.

Factors in Sound Self-Liquidating College Housing Projects

By EARL H. CRESS*
President, Ann Arbor Trust Co.
Ann Arbor, Mich.

Discussing the financing of college housing projects through self-liquidating loans, Mr. Cress points out factors which should be adhered to in planning and promoting such financing. Among these factors are: (1) an accurate history and forecast of resident hall operations; (2) statistical information regarding revenues and costs; (3) administration and educational program of the college; (4) sound management; and (5) definite assurance of adequate funds to complete project.

It appears to me that people who are responsible for the successful management of the self-liquidating program should, at all times, have in front of them a blueprint of the present and future needs for housing. Those factors which have a bearing on determining this need also have an important place in establishing a sound credit structure for a college at such times as financing is needed. It would appear necessary that you have and maintain an accurate record showing the history of enrollment in your schools. Likewise there should be a forecast of future enrollment. How many of you have made a survey of existing housing facilities for men and women which will give you, statistically, the number of men and women living in residence halls, fraternities, sororities, cooperatives, private rooms and students living at home.

To assist in determining present and future needs it is my judgment that there should be a chart of existing housing which will analyze your housing facilities on the basis of that which is satisfactory, that which is fair and that which is unsatisfactory, and of course for both men and women. The studies I have referred to will, I think, be helpful in blueprinting your future program for housing. No forecast of future needs, however, would be complete without adopting a general policy with respect to the percentage of students, men and women, to be housed in college-owned residence halls as compared with those to be housed in fraternities, sororities, cooperatives, private rooms, and students living at home. I have found that the insurance companies, banks and investment bankers who have been interested in residence hall revenue bonds are vitally interested in knowing the facts which will determine whether a college is over-building so far as housing facilities are concerned and to know, insofar as possible, that there will be a demand at all times for the housing facilities which are college owned. There are many who feel that at no time should the housing facilities of the college exceed 50% of the normal enrollment for men and 65% to 70% for women.

It is always helpful in placing a revenue loan to have available an accurate history of the past residence hall program. This should include a record of all existing facilities, capacity, original cost, both total and per student, current appraised value, original debt, total and per student, and current debt, total and per student. Important to one who is lending funds for a self-liquidating project is the record of debt retirement as well as a forecast of debt retirement which will show the number of years which will be required to retire the outstanding debt in full.

Statistical Information

Statistical information which shows the historical record of earnings of any or all residence halls, on the basis of room revenue, board revenue, room labor cost, board labor cost, other expenses and net revenue, is essential information to have available for yourselves as well as for those who are considering the loaning of funds either for refunding or for new construction.

I know that at times some of the administrative officers of the colleges with whom I have worked have been of the opinion that some of the information which I have asked for was unimportant and not too closely related to the borrowing of funds for a new residence hall. Nevertheless, from the point of view of establishing the highest credit standing for the college, the following facts pertaining to the history and operation of the college are important.

What is the administration plan for the college; what is the educational program; what are its plant facilities other than housing; what is the experience, character and standing of the administrative officers and teaching staff? Information showing the sources of current financial support and schedules of operational reports for various periods of years is always helpful. Terms and conditions of the loan are influenced by all of these points which I have raised, while the completeness of the information and the form in which it is presented will also be determining factors in securing a loan.

Importance of Management

I mentioned in the very beginning the importance of residence hall management. When one realizes that the only security that a lending institution or investor has for the payment of interest and principal is the net revenue from the operation of the residence halls, it is not difficult to understand the importance of efficient and profitable management. You people here, in your respective positions, will determine to a very great extent the terms and conditions for future borrowings for your respective institutions. You are building, year by year, a history of management and the results you accomplish will determine first, the decision on the part of your governing boards to undertake additional self-liquidating projects and second, the decision of the lending institution or investor to make you the loans required. It is important that you have a complete understanding of the management problems as well as the services which you are required to furnish in the successful operation of your residence houses. When I speak of services I am thinking not of just board and room, but also of the supervision of residence hall students, the educational, social and recreational programs carried on as a part of the services of residence hall operations and the cost thereof. Successful residence hall results are not solely the furnishing of board and room to men and women students of your colleges. To fully justify a residence hall program it is my judgment that there must be a proper balance between all of these services which I have mentioned. I am inclined to the view that lending institutions or investors do not look solely on the use of a residence hall as a place for eating and sleeping when they loan you these funds.

I should like to mention, briefly, the policy of maintenance and replacement of furnishings and equipment. It goes without saying that from the point of view of the institution, and those who live in the residence halls, as well as from the point of view of the lender, that your buildings must be properly maintained from year to year. These costs are proper charges and I support all of you in your demands that such a policy be followed.

Problems of Higher Costs

I should like to say a few words about the problems arising during the past several years through continuing rising costs of operation as well as rising costs of construction. There has been pressure for additional housing because of your rapid increase in enrollments. This brings with it the danger of over-estimating the rates for board and room which students can afford to pay in order to produce net revenue in an amount necessary to support the loan required to construct and equip a new residence hall. We could reach a point of diminishing return. With all costs of attending school having risen to their present level we can consider the very definite possibility that we will have fewer students because they cannot afford the cost of an education. In fact, you probably have already seen instances of this happen. It is, therefore, important so far as setting up estimates to support new loans, that we be conservative and avoid difficulties in meeting the annual loan requirements.

Following are a few further observations which, in my opinion, are determining factors of a sound self-liquidating program:

No self-liquidating project should be started, or bonds issued, payable from the revenue thereof unless there is definite assurance that adequate funds will be available to complete the project, including furnishings and equipment, with some assurance that the project will be completed within a specified time. An uncompleted self-liquidating project is poor security for a loan. Funds must be provided to meet interest requirements during construction.

Margin of Earnings Over Charges

The amount of the debt should be limited to a sum that can be retired, with interest, out of the conservatively estimated earnings with an adequate margin of safety in case estimated earnings are not realized. When suitable reserves for debt service have been provided ahead of time, the excess margin of earnings over debt service need not be as large as where there are no reserves or where they are to be created out of future earnings. In the absence of adequate reserves the investing public expects earnings of at least 1½ times the debt service requirements. When there are such reserves the margin may be reduced to around 1¼ times earnings.

In determining the length of maturity of a proposed self-liquidating revenue bond issue, the theory that it may extend over the estimated life of the improvement should not be applied to college and university loans. True, when properly maintained the buildings should last indefinitely but colleges are not operated for profit and the incurrence of any debt at all is a comparatively modern device, to meet a present day emergency that cannot readily be financed otherwise. The shorter the maturity the sooner the debt will be reduced. In states where it is

Continued on page 31

*Part of an address by Mr. Cress before the Third Annual National College Housing Conference Michigan State College, East Lansing, Mich., Aug. 3, 1951.

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Canadian Securities

By WILLIAM J. McKAY

Along with the paper and power industries, the Canadian mining industry has taken enormous strides since the end of World War II. This has been revealed in the annual Canadian Mines Book, the 1951 edition which has appeared recently. The data contained therein shows the already big Canadian mining industry has grown bigger and the mining companies are thriving in the greatest period of expansion in their history. Many new records of mineral output, comprising copper, iron, lead, nickel, oil, silver, sulphur, uranium, zinc and other essential metals, are in the offing.

One important metal, tungsten, not yet produced in considerable commercial quantities in Canada, is expected to be offered to the world in the next few months to alleviate the shortage in the Western World, if the results expected from the rate of progress of two Canadian tungsten properties are realized.

The Canadian Government's wartime tungsten producer, closed since January, 1949, located high atop the mountains in British Columbia, is scheduled to be back in production by October. At present the 250-ton mill is under construction at the Emerald mine, located at Salmo, about 10 miles north of Pend Oreille Mines & Metals Co. in Washington.

The old gold mill of Tungsten Corp. of Canada is being revamped to start turning out tungsten at Outpost Island, Great Slave Lake district, Northwest Territories. The mill is expected to be in production by end of this month.

Besides these two assured sources of future tungsten other possibilities in the Dominion are being assessed. Up in the famed Porcupine district of Ontario the wealthy Hollinger Consolidated Gold Mines has been giving serious consideration to resuming production of Scheelite.

Back in World War II, the Hollinger interests recovered Scheelite (tungsten) from its gold operations and this practise may be once again adopted if special accelerated depreciation rates are awarded by Ottawa.

An experienced mining group has taken on a tungsten property in the Stewart Creek district of British Columbia for an extensive development program. Consideration may be given to conducting additional work on the Clubine tungsten property in the same province which at one time was under Consolidated Mining & Smelting Co. direction.

Panaminas Inc., an American company controlled by Toronto capital, is resampling the old Adamson tungsten mine, adjoining United States Vanadium Corp's. tungsten producer in California.

According to the Canadian Mines Book, the total number of producing mines in Canada is now 159, up from 149 a year ago. They include 82 straight gold mines, 45 base metal producers, and 32 others, not counting coal. More than 300 other companies are active in exploration or development.

New mining incorporations since mid-1950 total 175, while 90 companies have been revived to start new programs of work. In the previous year there were 218 new companies and more than 100 revivals, the decline in these totals being attributable to the lessened interest in prospecting for gold.

Further discoveries of important mineral deposits have recently been announced in Quebec Province. Mr. Duplessis, Premier of the Province, in a news conference on Aug. 3, stated that the Quebec Labrador Development Company Limited has reported a rich iron discovery 170 miles northwest of vast iron deposits blocked out in Ungava by the Hollinger North Shore Exploration Company.

He said H. W. Darling, President of the Quebec Labrador Development Company, has plans for immediate development of the new deposits at an estimated cost of $80,000,000.

Premier Duplessis also revealed that 1,000,000 tons of copper and gold ore have been located by Campbell Chibougamau Mines Limited on Merrill Island, in Dore Lake, about a half mile from Chibougamau townsite.

He let it be known that E. O. D. Campbell, President of that company, has informed Quebec mines department of plans to sink mine shafts to work the copper and gold finds.

The Premier also announced, without giving details, that Barvue Mines Limited has signed a contract for electric power supplies from Quebec Hydro-Electricity Commission.

He called the recent zinc discovery in Barraute Township, in Northwestern Quebec, one of the "richest in the world."

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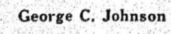
George T. Leach

George T. Leach passed away in Pasadena at the age of 61 after a heart attack. Mr. Leach in the past had been a partner in A. B. Leach & Co. and later headed his own firm, George T. Leach & Co.

Urges Federal Indemnification of War Damage

George C. Johnson, President of Dime Savings Bank, Brooklyn, urges legislation assuring monetary payment for civilian losses arising out of war.

Prompt passage of legislation along lines so broad that all homes, commercial structures and other facilities in the United States and its possessions are automatically indemnified by the Federal Government in case of war damage, without payment of insurance premiums, has been urged by George C. Johnson, President of The Dime Savings Bank of Brooklyn.


George C. Johnson

"The only real solution to the problem—and it is an immediate problem—is for the United States Government to provide blanket indemnity for all war damage to property here at home, and, after the amount of any loss becomes known, to equitably distribute the cost over the entire economy. Congress should delay no further in passing a practical, workable law and putting it into effect immediately," said Mr. Johnson.

The banker praised recent proposals to this effect made by the Bureau of the Budget before a Senate subcommittee headed by Senator J. Allen Frear, Jr. (Dem., Del.).

"Protection of our civilians and the national economy is our primary purpose in fighting a war," Mr. Johnson said. "War knows no boundaries in this atomic age and a civilian and his property are almost as subject to loss as a soldier in the field. Therefore, monetary payment for civilian losses is just as much a part of a war's cost as munitions and maintenance of the military establishment.

"For this reason," he continued, "in case it is necessary, every person in the nation should contribute to the cost of protecting civilian life and property should losses occur the same as they contributed to the military cost of the old-fashioned war in its limited battle zone. Furthermore, by a blanket type of indemnity, assumed by the Federal Government without payment of insurance premiums, untold millions of man-hours and dollars would be saved through avoiding the necessity of writing individual insurance policies. Of even more importance to the national economy is the fact that by an indemnification system, every property would be covered. This could never be achieved by insurance as such, because experience has shown that a relatively small proportion of the public will voluntarily buy insurance, no matter how small the premium."

The legislation proposed by Elmer B. Staats, Assistant Director of the Bureau of the Budget, in a hearing a month ago before the Subcommittee on Securities Insurance and Banking of the Senate Committee on Banking and Currency, would set up a $20,000,000,000 fund and a War Damage Administration to pay compensation for damage to private property and another $2,000,000,000 for damage to public property under an indemnification system. Provision is also made in the proposed War Disaster Act of 1951 for payment of benefits to dependents of civilians killed in war and to civilians who sustain war-caused injury.

Mr. Johnson said this represents the type of thinking during recent months by the banking and allied industries. He explained he is primarily interested because The Dime Savings Bank of Brooklyn originates and holds more individual home mortgages than any other savings bank in the country. In a statement explaining his stand, following consultation with numerous leaders in the banking and insurance fields, Mr. Johnson said:

"In World War II, the War Damage Corporation was formed as a branch of the Federal Government to provide real estate indemnity for losses incurred by enemy action within the United States and its possessions. Basically, it was a giant insurance company. Nominal premiums of $1-per-$1,000 were paid by property owners who desired to be insured against loss.

"The theory was that the premiums collected would create a fund sufficient to meet any anticipated losses. During its existence, the War Damage Corporation collected a total of $256,000,000 in premiums. As we all know, damage by enemy action after the corporation was formed was negligible and very little was paid out in claims. The $210,000,000 remaining after claim adjustment and administrative expense was turned over to the United States Treasury.

"There is a tremendous difference, however, between the situation in World War II and now. Because of the development of new weapons such as the atomic bomb and guided missiles, the potential war damage to our civilians and civilian economy is so great and so impossible of determination today that no plan such as followed by the War Damage Corporation in World War II will provide sufficient premium income to meet potential losses.

"The Bureau of the Budget wisely recognizes this fact. The Assistant Director of the Bureau has told a Senate subcommittee that if insurance premiums were held low enough to be attractive, they might not cover losses, and if they were set sufficiently high to accumulate a substantial fund they might be prohibitive.

"In World War II, participation in war damage insurance was largely voluntary, although mortgage lenders in potentially dangerous target areas required mortgagors to protect properties through War Damage Corporation insurance.

"There was no one to require the individual or firm owning property free and clear to take out this protection, and very few did so. It is a fact well known by people experienced in the insurance field that the average individual will not buy insurance unless persuaded to do so by competent brokers or agents or required to by mortgagees having that right. In other words, insurance has to be sold and that is impractical in connection with war damage. Principal reason is that there is no actuarial experience whatever on which rates can be determined.

"Despite the low premium rates prevailing in the plan followed during World War II, only 8,700,000 policies were issued for war damage insurance. Vast areas of the country which believed themselves immune to enemy action paid no attention to the idea.

"Today, that is all changed. The dropping of even one atomic bomb in a concentrated area would produce staggering losses. And because of long-range planes, guided missiles and other new weapons, this danger confronts every portion of the country, particularly since industry has been decentralized the way it has been.

"Also, the individual owning property free and clear is entitled to as much protection as the man with a mortgage who was required in World War II by his mortgagee to take out war damage insurance.

"Furthermore, there is the paradox of urging industry and defense workers to remain in vital defense production areas and requiring them to pay prohibitive insurance rate for protection of their plants, homes and lives. Those civilians who are most exposed to hazards of enemy action should not be required to assume an undue share of the burden of protection. This should be equally shared by every person in the nation just the same as any other cost of war is shared.

"Protection of our civilians and our national economy is the primary purpose in our fighting a war. What do we gain by winning a war on the battlefield, and yet lose that war in our civilian establishment?

"Suggestions have been made during Congressional hearings on various war damage bills that the Federal government assume liability for war damage and levy a general tax to defray the actual cost of any claims arising due to enemy action, AFTER such losses occur.

"Within the insurance industry itself, organization already exists capable of handling war damage claims. If and when losses due to enemy action occur, some procedure could be followed, such as setting up a valuation commission composed of local insurance brokers and agents in each community to pass upon the claims, compile necessary information and handle the required forms for a nominal fee. Here again, the Bureau of the Budget wisely recognizes there is machinery at hand, having told the Frear subcommittee that existing administrative organizations and systems should be used to the fullest extent possible so as to reduce costs, preserve flexibility and conserve manpower.

"Conservation of manpower is especially important in the overall aspects of war damage indemnification. A preliminary estimate indicates that the personnel in the insurance department of every mortgage lending institution in the country would have to be doubled in size if it became necessary to write individual policies to protect mortgaged properties.

"In the case of The Dime Savings Bank of Brooklyn with approximately 65,000 mortgages, this would mean at least 27,000 more man-hours per year to prepare policies, card-index records, handle the thousands of endorsements covering changes in ownership and to perform the innumerable other accounting details necessary with an individual war damage policy on each property. For the nation as a whole, possibly four or five million man-hours per year would be required. This is a serious situation in an already short labor market, and it would be a substantial loss to the economy whether or not any war damage loss were incurred. And of course the foregoing figures apply only to mortgaged properties which lenders would require to be insured to protect themselves against. There would still be many millions of properties owned free and clear which would have no protection.

"America only weakness, in relation to her potential enemies, is lack of manpower. Therefore, we must conserve manpower in every way possible—not waste it.

"Through blanket indemnification from the Federal government, obviating the necessity for

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individual insurance policies, untold millions of man-hours and dollars would be saved.

"Senator Frear and his committee, the Bureau of the Budget and all others who have contributed to the formulation of this plan are to be congratulated and they deserve the whole-hearted support of every individual and firm in the nation."

Cruttenden Opens Denver Office

DENVER, Colo.—Cruttenden & Co., members of the New York and Midwest Stock Exchanges, announce the establishment of a Denver office in the First National Bank Building. John T. Webb will be manager, John H. Goode, manager of the municipal bond department and Alfred R. Seebass, special representative.

Opening of the new office was previously reported in The "Chronicle" of Aug. 9.

Watling, Lerchen Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Sarkis P. Bayekian is with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Joins Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alfred G. Pellow has become affiliated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Pellow was formerly with Hill, Richards & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Roland A. Foote, John E. Ritsema and Olin R. Walker are with Waddell & Reed, Inc.

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. 16, 1951 (New York City)

New York Security Dealers Association 26th annual dinner at the Waldorf-Astoria Hotel.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Chances of Sterling Revaluation

By PAUL EINZIG

In reviewing arguments for and against sterling revaluation at this time, Dr. Einzig contends a revaluation to a higher level would be an aid in maintaining Britain's gold reserve, since it would lead to lower costs of imports and, in many cases, would not affect exports adversely.

LONDON, Eng.—Until about the middle of this year the controversy over the question whether sterling should be revalued was rapidly becoming a matter of acute controversy. Every economist of standing was expected to take sides, though many of them preferred to keep aloof from the contest. Within the government, too, a fierce battle was raging between those for and against revaluation. Articles advocating or opposing revaluation appeared in the Press in great numbers, and frequent reference was made to the subject in Parliamentary questions and debates. As far as Ministers and other official government spokesmen were concerned, however, no views were expressed in either sense. When pressed by Members of Parliament, the Chancellor of the Exchequer and his subordinates displayed tight lips and an expressionless face. This was quite understandable. Any decision regarding a change in the value of the currency must be kept a closely-guarded secret until the last moment. Moreover, the criticism directed against the government for its denials of sterling devaluation in 1949 are still fresh in the minds of Ministers and government officials, and none of them would want to expose themselves to the repetition of that experience.

Dr. Paul Einzig

Since the turn of the half year the agitation in favor of revaluation has abated to a considerable extent. This is due to the deterioration of the British balance of payments and the prospects of a decline of the Sterling Area gold reserve during the third quarter of 1951. It is true, those who feel very strongly that sterling should be revalued argue that the deterioration of the balance of payments is an argument for and not against a revaluation. They rightly point out that one of the main causes of the adverse change in the trade balance has been the adverse change in the terms of trade, the prices of imports having risen much more than the prices of exports during the last 12 months They argue that this state of affairs could and should be corrected by a revaluation which would change the terms of trade in Britain's favor, at any rate as far as the countries outside the Sterling Area are concerned.

Opponents of a revaluation, on the other hand, maintain that a revaluation might result in a sharp fall in the volume of British and Sterling Area exports, and that in spite of a favorable change in the terms of trade the adverse balance might increase further in consequence. To this argument the supporters of revaluation reply that, since the world is rapidly becoming a sellers' market and the progress of rearmament will in any event reduce the volume of exportable surpluses, no advantage is gained by maintaining sterling at a too low international value. They feel that Britain and the Sterling Area would be able to sell their exportable surpluses even if the value of sterling were to be raised.

Those who put foward the above argument over-simplify the position. They seem to assume that all categories of exportable goods behave in an identical way. In reality there is as yet no indication of any such uniform trend. It is true, there are shortages in certain exportable goods. On the other hand, there is still a buyers' market in a large number of other categories. In particular non-essential goods remain highly competitive, and tend to become increasingly so, precisely because, owing to rearmament, most countries are now inclined once more to restrict their import. The price factor cannot be disregraded. While it is true that Britain could easily increase her exports of coal or steel in spite of a revaluation of sterling, her exports of luxuries and secondary necessities would suffer. There is no means of estimating the extent of gains and losses, and a revaluation would be therefore a gamble from the point of view of its effect on the balance of payments.

Until a few months ago Britain could have afforded the risk of an adverse effect of a revaluation on the balance of payments. There was a comfortable export surplus and the influx of gold was considerable. In the meantime, however, the situation has changed. Britain is now no longer in a position in which a leap in the dark would be advisable. If the balance of payments should continue to deteriorate there is no means of proving that it would be due to the decision not to revalue. On the other hand, if sterling should be revalued and the balance of payments should continue to deteriorate, whether because of it or in spite of it, the government would be blamed for having brought about this additional deterioration through the revaluation.

Moreover, there are indications that wages and prices in Britain will rise during the next few months. Some of the most powerful Labor Unions have just put forward very substantial claims for wages increases, and they are not likely to withdraw these claims merely because of a revaluation of sterling. If their demands are granted there is bound to be a further upward movement in the vicious spiral in spite of the revaluation. As a result the higher value of sterling would handicap exports to a considerable extent.

It is no wonder the government is reluctant to revalue. Its task in resisting revaluation pressure has not been rendered any easier by the recent intervention of Mr. Snyder in the controversy by publicly declaring the opposition of the United States Government to a revaluation of the European currencies. The British Government was often accused of having devalued sterling under American pressure. As a result of Mr. Snyder's intervention it is likely to be accused of having yielded once more to pressure from Washington when abstaining from revaluing sterling.

Securities Salesman's Corner

By JOHN DUTTON

Two Letters

In connection with the suggestion made in this column that the practice of selling unlisted securities at wholesale plus a stock exchange commission ought to be completely eliminated by a concerted and cooperative effort of the entire investment fraternity, I am reproducing two letters which should give all concerned with this problem some additional information on the subject.

A Texas Dealer Writes

(Letter dated July 23, 1951)

"I have enjoyed for several years your provocative and instructive letters to salesmen, and as a survivor of the five difficult years in this business I have asked many of the questions you propound in your last article.

"Mr. Dutton, one thing is sure, that public relations are not helped by the type of general advice given to the public in a recent article by a prominent columnist. Is there not some way that a more cooperative way of doing business can be developed by all dealers? The abysmal misunderstanding of the public concerning the over-the-counter market still astonishes me after five years in this business, and the rush to sell Mutual Funds by Stock Exchange firms only makes the present situation a bit ludicrous. Has the problem of splitting commissions with listed house firms ever been studied as a method of broadening ownership of securities?"

The excerpt from a recent article by one columnist which this dealer referred to in particular stated:

"**Rule Nine:** Deal with a firm that is a member of a stock exchange, or with your banker, and when you place an order to buy or sell, do not set a fixed price; buy or sell at the market. Buying or selling 'at the market' means your order will be filled at about the price of the next transaction in your stock on the exchange. This is a much wiser technique than giving your broker or banker a set price at which he is to buy or sell."

This Happens Too Often

(Letter dated July 28, 1951)

"I don't know when I have read an article that hits the spot like yours in the July 26 'Chronicle,' in your 'Security Salesman's Corner.' This is a matter that has been under discussion by a few of our local dealers for some time.

"It seems that the member firms down here instruct their men to sell all securities on a commission basis. For instance, we have been selling a low-priced, over-the-counter security for the past few weeks which has considerable speculative appeal. I asked one of the customer's men of XYZ & Co. why he did not sell some, and he informed me that he would only be allowed to put a small commission on it and it wouldn't pay him.

"Another instance that bears out this article was occasioned a couple of months ago when I consummated a sale of 100 shares of stock at 18¾ to a prospect 20 miles from this office. I had called on this prospect several times and finally made the sale. We purchased this stock at 18 and put ¾ of a point on, which was less than 5%. The next morning I was informed by the customer that she could have bought the stock from XYZ & Co. at 18 plus a commission, and could see no reason why she should purchase it from us at 18¾. No amount of explanation could change her mind, and as a consequence we lost a sale.

"I am enclosing a list of prices on unlisted stocks taken from this morning's paper, inserted by (names of firms omitted by Editor). They have been doing this for some time, and you will notice that with the exception of some local stocks, practically all of them are advertised with the **inside market.** For instance, Portsmouth Steel is quoted 13⅜-13⅝.

"Of course if XYZ & Co. or any other member firm cares to sell any stock on a commission basis (which, as you know does not pay unless you get a very high volume of trading), that is their business. However, I claim this is unfair competition to the rest of the investment fraternity. I think something should be done about this by the NASD.

"I hope you will continue to give this matter more publicity, as I think your idea is the only sensible solution if our industry is to grow."

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late Michael M. van Beuren, limited partner in Abbott, Proctor & Paine, ceased as of July 31.

Floyd Augustine retired from partnership in Nielsen, Gordon & Hall Aug. 15.

Transfer of the Exchange membership of Arthur Gaines to Meyer Buchman will be considered by the Exchange on Aug. 23.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Josiah F. Jenkins has become connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with Schwabacher & Co.

With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Paul R. Coloney is now with A. M. Kidder & Co., 203 South Palm Avenue.

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is still on the constructive side, because of the combination of moderately enlarged buy orders and no important increase in the supply side of the equation. Quotations in some instances nonetheless appear to have gone ahead a bit too fast and this might result in market indigestion, which could be cleared up by churning or backing and filling. Although certain operators in the money markets still question the validity of the trend, there seems to be a growing feeling that prices of Treasury obligations are not likely to have mucn of a setback, if any, from current levels. This would appear to be predicated upon the assumption that non-bank owners of governments are not likely to be sizable sellers of these securities for the time being.

Recent purchasers of long Treasuries have pretty well spread-eagled the whole restricted list, with the highest yielding issues still getting the greater part of the play because of the importance of income to these buyers. The 1952 eligible taps have not been without friends. however. The bank 2½'s of September 1967-72 made considerable progress and the technical position of this issue appears to have been greatly improved because quite a few of the par liquidable bonds have now gone into strong hands.

Substantial Buying Features Market

The government market continues to display virility on light volume, much to the surprise of many operators in the money markets. Nonetheless, there has been an increase in the amount of buy orders which have been appearing both from investors and professionals. The acquirers of Treasury obligations, it seems, have assumed a somewhat bolder attitude and, with the supply not appreciably larger, this has had a favorable effect upon quotations of these securities. Dealers and traders have expanded holdings in a modest way, and this is generally considered a good sign because they are usually in a position to get a fairly good feel of the market. On the other hand, there has not been any all-out bullishness among them because they appear to believe it is still too early to get too enthusiastic over the whole situation.

There is no doubt the recent action of the government market has many followers of it talking about what has taken place and trying to figure out whether it has been done with mirrors or not. As previously stated, the market is not broad, volume is not large, and accordingly many operators are not sharing in the business that is being done. This is not a desirable situation but it is the case nevertheless. Because dealers' positions have been light or non-existent in some instances, there has been less of an opportunity to get in on the available orders. Such a picture should not be long in being remedied, however, if the recent trend turns out to be the real thing.

Liquidation at Minimum

To be sure, at the present time despite some position building, the supply of issues for sale is still on the modest side, and this continues to be one of the most potent forces in the recent trend of the government market. The largest liquidators of Treasury obligations, the life insurance companies and savings banks, are still reluctant and and only minor sellers of these securities. Their action of not hitting bids as prices move ahead has many operators in the money markets a bit confounded, to say the least. The big question seems to be how long is this going to go on? No one seems to know and that beyond doubt is what keeps not a few operators in governments on the cautious side, and this probably is not an unfavorable development. Too much bullishness or too much bearishness is no good for the market. Uncertainty has nearly always been around, with the degree of it in many cases being altered according to the desires of the monetary authorities. At the present time, the uncertainty that prevails could keep the market from going too far in the direction that might not be healthy for it.

Federal, it seems, is content to assume a passive attitude, at least as far as the higher yielding governments are concerned. This will no doubt continue to be the case as long as the forces operating in the market do not get too far out of balance and push the trend of prices out of line in either direction. It should be remembered the Central Banks still have the power and the wherewithal to call a halt to developments if and when they believe it should be done.

Source of Buying Orders

Aside from the fact that owners of long Treasuries are still reluctant sellers of these securities, and this is very important in the recent trend of the market, where has the buying been coming from and who are these buyers? The best informed sources come up with the same answer again, pension funds. Some of these orders have been of fair size while others—and they still seem to be in the majority—are on the small side. A good many of the recent buy orders have been coming from trust departments of commercial banks and it is indicated these institutions are making purchases for pension funds that they act for or manage. State funds have been among the buyers also of selected issues of taps, with the '63-68s and the '65-70s apparently their favorites. Also corporations that have sizable holdings of shorts have been nibbling at the higher income issues, as have some of the smaller insurance companies and charitable organizations.

Thomas E. Jobin Opens

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Thomas E. Jobin has opened offices at 762 First Street, North, to engage in the securities business. He was previously with W. H. Heagerty & Co.

Joins Dempsey Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Kenneth L. Eaton is now affiliated with Dempsey & Company, 135 South La Salle Street, members of the Midwest Stock Exchange. He was previously with Otis & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Harry C. Burgess, Vice-President of **The Bowery Savings Bank of New York,** retired on Aug. 10 after 32 years' association with the bank. He had been the officer in charge of personnel since 1932.

* * *

Following an agreement approving the merger of the **Mineola Savings and Loan Association of Mineola, N. Y.,** into the **Rockville Centre Savings and Loan Association of Rockville Centre, N. Y.,** the name of the latter has been changed (Aug. 1) to the Rockville-Mineola Savings and Loan Association.

* * *

As of Aug. 1 the **National Bank of Lake Ronkonkoma, at Lake Ronkonkoma, N. Y.,** increased its capital from $75,000 to $100,000 by the sale of $25,000 of new stock.

* * *

Joseph G. Mark has been elected President of the **First National Bank of South River, New Jersey,** replacing Robert F. Fountain, who has held that post of 16 years. Mr. Fountain has been elevated to Chairman of the Board.

Mr. Mark becomes the fourth President of the bank since it was founded 49 years ago. He began his career with the bank in 1923, advancing through teller, cashier and executive vice-president, a post he held until he became President. He has been a director of the bank since 1936.

Mr. Mark is a past President of the Middlesex - Somerset - Union County Bankers Association and a member of the N. J. Auditors and Comptrollers, as well as a committee member of the N. J. Bankers Association. He is author of "Procedure in Financing a New Jersey School District Bond Issue."

Mr. Mark attended Rutgers and New York Universities and is a graduate of the Rutgers Graduate School of Banking. He is also a director of the Providers Building and Loan Association.

As Chairman of the Board, Mr. Fountain returns to the post he held from 1928 to 1935. He was one of the organizers of the bank and during his 49 years of service has helped it grow to the position of fourth largest commercial bank in Middlsex County. He was the bank's first cashier and officer and is its only living organizer.

The Board of Directors also elevated Miss Jessie B. DeHart to trust officer and named Charles A. Eberwein assistant trust officer.

Burton Morgan Smith, who has been with the bank since 1915, was elected secretary of the board. He is also cashier, a position he has held since 1946.

* * *

The election of Stanley H. Heist as a director of **National Bank of Germantown and Trust Co. of Philadelphia** has been announced by Glenn K. Morris, President. Mr. Heist is President of the Saving Fund Society of Germantown and its Vicinity.

* * *

The Lagonda National Bank of Springfield, Ohio, has enlarged its capital to the extent of $225,000, increasing it from $400,000 to $625,000; as a result of a stock dividend of $50,000, the capital was increased from $400,000 to $450,000, while the further increase to $625,000 was brought about by the sale of $175,000 of new stock. The enlarged capital became effective Aug. 3.

The First National Bank of Ironton, Ohio, increased its capital, effective July 17, from $200,000 to $300,000 by a stock dividend of $100,000.

* * *

The Union National Bank of Springfield, Mo., has enlarged its capital as of Aug. 1, from $600,000 to $1,000,000, as a result of a stock dividend of $400,000.

* * *

A stock dividend of $25,000 and the sale of new stock to the amount of $75,000 have served to increase the capital of the **First National Bank of Brownfield, Texas,** from $100,000 to $200,000, effective Aug. 2.

* * *

H. D. Ivey, President of the **Citizens National Trust & Savings Bank of Los Angeles, Calif.,** has announced that construction has begun on a new building to replace the present banking quarters of the University-Westwood branch, now at 1088 Westwood Boulevard in Westwood Village. The modern new building is being erected at 10925 Kinross Ave., one block west of where Citizens is presently located.

Birthday Greetings for Edward J. Caughlin

Edward J. Caughlin

Birthday greetings are in order August 22, for Edward J. Caughlin, Edward J. Caughlin & Co., Finance Building, Philadelphia. Mr. Caughlin has just been elected a member of the Philadelphia-Baltimore Stock Exchange.

Two With Barbour Smith

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Milton R. Aronson and Douglass M. Hodson have become associated with Barbour, Smith & Co., 621 South Flower Street, members of the Los Angeles Stock Exchange. Mr. Aronson was formerly with Edgerton, Wykoff & Co. Mr. Hodson was with Morgan & Co., Buckley Brothers, and Merrill Lynch, Pierce, Fenner & Beane.

With Cons. Investments

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James E. Doyle has been added to the staff of Consolidated Investments, Inc., Russ Building.

Rejoins Waldron Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James E. Smith has rejoined Waldron & Company, Russ Building. He was recently with Capital Securities Co. of Oakland.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Richard L. A. Hirsch is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

$35,000,000 Issue of British Columbia Debentures Marketed

An underwriting group jointly headed by The First Boston Corp. and A. E. Ames & Co. Inc. made public offering on Aug. 16 of $35,000,000 of Province of British Columbia, Canada, debentures. The issue, payable in U. S. dollars, is divided into four maturities bearing interest rates of 3%, 3%, 3% and 3½% for the respective maturities of Aug. 15, 1955, 1956, 1957 and 1976. The debentures are priced to yield approximately 3.10%, 3.20%, 3.25% and 3.65%, respectively.

Of the proceeds, $26,300,000 will be used to pay Treasury bills and the balance of $8.700,000 will be applied toward a long-range program of bridge and highway construction which provides for the expenditure of approximately $91,400,000 from the fiscal year 1950-51 through 1956-57.

British Columbia, the most westerly province of Canada, has increased in population from 817.000 in 1941 to an estimated 1,165,000 in 1951. Population is largely concentrated in the south west corner of the province on Vancouver Island and the lower mainland but there has been considerable increase in the north with the improvement of overland transit facilities. In recent years its major industries of forestry, mining, agriculture, fisheries and manufacturing have increased their total production value from $333,004,000 in 1939 to an estimated $1,256,000,000 in 1950. In the same period the value of construction has increased over sevenfold and electric power consumption has more than doubled. Of the province's $380,000,000 total export trade in 1950, about 72% was exported to the United States as contrasted with 56% in 1949.

Associated with the principals in the offering are: Harriman Ripley & Co. Inc.; Smith, Barney & Co.; Halsey, Stuart & Co. Inc.; The Dominion Securities Corp.; Wood, Gundy & Co, Inc. and McLeod, Young, Weir, Inc.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLEY HILLS, Calif. — Lassor H. Grosberg has been added to the staff of Shearson, Hammill & Co., 9608 Santa Monica Boulevard. He was previously with J. Barth & Co.

Joins Douglass Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jane H. Ford has joined the staff of Douglass & Co., 133 North Robertson Boulevard.

Grimm Opens Branch

JACKSONVILLE, Fla.—Grimm & Co., members of the New York Stock Exchange, announce the opening of an office in Jacksonville, Fla., under the management of Kenneth M. Keefe.

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Rail Freight Rate Rise Lower Than Requested

Grant by Interstate Commerce Commission of 9% increase for Eastern lines and 6% for West and South falls short of 15% asked by railroads. Increase to end Feb. 28, 1953 unless continued in force by ICC.

The Interstate Commerce Commission on Aug. 8 announced it had granted railroads operating in the East a 9% freight rate rise and for railroads in the South and West a 6% rate increase. The railroads in the petition requested a general rise of 15%. The increases include a temporary boost of 4% for Eastern roads and 2% for the other lines. The new rates are to go into effect after 15 days notice, and are to expire on Feb. 28, 1953, unless extended by the Interstate Commerce Commission. The Commission ruled that no increases will be authorized on certain charges, such as those for protective services for loading or unloading livestock and for unloading fresh fruits and vegetables.

The Office of Price Stabilization had opposed the rails' request for rate increases on the ground that they would be reflected in higher prices. The ICC, however, maintained that the railroads have been subjected to higher operating costs, particularly since the outbreak of the Korean war, and it was essential to "a transportation system adequate to meet the needs of national defense, that they be granted additional revenues."

"We are convinced," the Commission stated, "that money necessary for capital additions to the railway systems should be derived wholly from income, but we must take note of the fact that many of these outlays are being made under the encouragement, if not the insistence, of the government and the shipping public."

In a statement by Walter S. Franklin, President of the Pennsylvania Railroad, after the ICC decision was announced, disappointment was expressed as to the limited rate rise.

"I do not understand why the ICC practically cut in half the proposal of the Eastern railroads," Mr. Franklin said. "Certainly, the figures presented in the evidence clearly showed the need for the increase requested.

"Unfortunately, the railroad industry will suffer from this decision, which seriously restricts their ability to produce reasonable earnings at a time when the volume of business is on a high level. Also, the decision will make it difficult to continue the expenditures needed to meet the demands of the defense program.

"Other industries have been allowed to increase their prices to meet the cost of wage increases and material costs. The railroads should have been given the same right."

Inventory Policies of Over-Counter Firms

Research study of Willis J. Winn, made under auspices of the Securities Research Unit of the Wharton School of the University of Pennsylvania holds small commitments by dealers indicates their inventory policies have not been important factor in level or movement of over-the-counter securities.

The small size of inventory holdings of investment banking firms suggests that the inventory policies of these firms have not been an important factor in determining either the overall level of security prices or even significant movements about this level. This conclusion is presented in a monograph entitled "Positioning of Securities on Over-the-Counter Markets," written by Willis J. Winn and released by the Securities Research Unit of the Wharton School of Finance and Commerce of the University of Pennsylvania.

This study is the second in a series summarizing the results of a nationwide survey of over-the-counter securities markets. This undertaking was made possible by a grant to the University of Pennsylvania by the Merrill Foundation for the Advancement of Financial Knowledge. The grant is being used by the Securities Research Unit to obtain quantitative information about over-the-counter markets to supplement the mass of data available on exchange markets and thereby provide a better picture of the overall security and capital markets.

The study points out that the size of security positions held by investment banking firms, together with the reported volume of security transactions, strongly suggest that the security markets have developed to a point where extensive merchandising operations can be conducted without a large inventory. In other words, the primary function of investment bankers in creating markets today, the study reveals, appears to be one of bringing buyer and seller together more or less simultaneously with little effort to offset temporary variations in supply and demand by adjustments out of inventory.

All this is revealed in the analysis of the relationship of inventory to sales. Inventory policies vary widely among industries, among firms within industries, and in a single firm over a period of time. Serious mistakes have been made in the past in building up excessive inventories. Individual experiences provide the chief guide to policy, but these have not always proven adequate. One possible supplement to experience as a guide to policy is the knowledge of the practice of the group as a whole and of differences within the group.

No information is available on the magnitude of security positions and sales over any extended period of time. Consequently, Mr. Winn's analysis is limited to the behavior pattern at the time of this survey. The observed relationship may change as a result of either independent fluctuations in sales or in positions or in both.

Reference is often made in the financial press to the "overhanging" new-issue inventories or to the clearance from dealer shelves of new-issue holdings. A speed-up in the volume of trading or sharp movements in market prices may lead to substantial alterations in positions in outstanding securities. While firms in the securities business may be more sensitive to these factors and may adjust their holdings more quickly, such developments are also common in other businesses. Nevertheless, in the latter areas where this information is available over long periods of time, the year-to-year changes in the ratio for many industries indicate a marked degree of stability.

To measure the relationship of security positions to sales for investment banking firms, average month-end inventories for September, October and November were related to average monthly sales in the same period. These three-month average ratios did not differ materially in any major category from those computed on the basis of monthly sales and month-end inventories, but they were thought to present a more typical picture of the period than those of any single month.

Inventories in the different types of securities were related to the sales of these securities. To the extent that agency transactions were included in the total sales figures (estimated to constitute approximately one-third of the over-the-counter sales of corporate stock alone), the relationship of positions to sales may be expected to be somewhat smaller than for businesses that do not have any agency sales.

Two ratios have been widely used in the analysis of the relationship of sales and inventory. The one used in Mr. Winn's analysis expresses positions as a percent of sales. The other expresses sales as a percent of positions and indicates the multiple that sales for the period were of the positions at the end of the period. The latter is commonly used as a measure of inventory turnover. Both ratios express fundamentally the same relationship: a high positions-to-sales ratio is equivalent to a low inventory turnover ratio, as one ratio is merely the reciprocal of the other. The positions-to-sales ratios have been used in this monograph to avoid some of the astronomical inventory turnover ratios which would have arisen in some of the detailed relationships analyzed.

One major qualification applicable to this entire discussion should be emphasized. In view of the very substantial variability of inventory-to-sales ratios found even among firms homogeneous in other respects, moderate variations in these ratios for the different groups are usually not significant. As a matter of fact, one of the most interesting findings, evolving from this analysis of inventory-to-sales ratios, is the extreme firm-to-firm heterogeneity in inventory policies. Part, but certainly not all, of this result is attributable to the short time period covered. Though the aggregate results presented are of some interest in themselves, the discussion highlights only those differences among groups of companies which seem to be associated with the characteristics of the entire group, that is, which characterize most of the firms in the group, rather than only a few firms which receive large weight in the aggregate results.

The aggregate security positions of investment bankers were predominantly bonds, the study shos. Only 11% in dollar value of the positions of all firms was in stock. The value of the bond inventory represented approximately ½ of 1% of the value of all bonds outstanding, while the positions in stocks represented less than one tenth of 1% of the value of all outstanding stocks. The study notes, however, that in spite of the predominance of bonds in the total holdings of investment banking firms, some position in stocks was held by a greater number of firms than held bonds and, also, in a greater number of instances, stocks represented their entire inventory of securities.

The report further reveals that less than 10% of all investment banking firms held 90% of all security positions, and 10% of the broker-dealers registered with the Securities and Exchange Commission held about three-fourths of all the inventories of stock.

The small firms were of some importance in making markets for equities, Mr. Winn found in the study, and these firms held the largest segment of unlisted industrial equities positioned by investment bankers, both absolutely and relative to their net capital.

The new study is published by the University of Pennsylvania Press, Philadelphia, Pa.

Railroad Securities

Missouri - Kansas - Texas

The question of the dividend arrears on Missouri-Kansas-Texas preferred stock has again been in the news. On and off for many years there have been recurring rumors and reports to the effect that some plan of stock recapitalization designed to eliminate these arrears was in near term prospect. Up to now nothing has been accomplished, one of the major stumbling blocks having been the fact that the Adjustment bonds were also in arrears on their interest. Obviously nothing could be done, or can be done, for the preferred stock until the Adjustment bond accruals have been cleared up.

For some time the company had been following a practice of paying off one semi-annual coupon each month, and was thus able to reduce the amount of arrears substantially—they now amount to $1,355,586. However, no payment was made on August 1 and the management recently stated that liquidation of the balance would depend on the amount available from current earnings. Apparently the management has confidence that elimination of this obligation will not be too long delayed. In a recent mid-year report to stockholders it was stated that active consideration is being given to formulation of a stock readjustment plan.

It was further stated that independent engineers have been engaged to develop certain data for management's use in devising a fair and equitable plan which may be approved by the I. C. C. and be acceptable to the stockholders. In this connection it may be recalled that an earlier attempt to put through a readjustment plan for the Adjustment bond arrears was turned down by the Commission. It is not considered likely that an equitable stock readjustment proposal would be similarly rejected by the government agency. In its mid-year report the management went on to say that it is anticipated that a stock plan will be ready for consideration about the time that Adjustment bond interest is on a current basis.

Presumably it will not be possible to formulate any plan without giving the present preferred stockholders a large share of common stock equity. The arrears are just too large to make any other course feasible, just as has been the case in the Boston & Maine readjustment. Arrears on the Katy preferred now amount to $138.25 a share, a total of $92,213,000. In comparison, the company in its best year of the past decade, 1948, reported net income of only about $6.5 million. This was equivalent to $9.75 a share on the present $7.00 preferred stock. Obviously earning power would not support any additional amount of preferred so that it seems likely that the entire arrears will have to be satisfied with common stock.

The road started off the year pretty well. Like so many other carriers, and particularly carriers operating in the general territory covered by Katy, the road has more recently been having its troubles. For the first half year gross revenues increased roundly 9% but net income was off by a roughly similar percentage. Net of $1,825,598 for the period was equivalent to $2.74 per preferred share, compared with $3.01 a share realized in the opening half of 1950. The management stated that car loadings continued to increase during the first quarter but leveled off in April and started down in May. Presumably, however, this most recent trend is merely a temporary one and most railroad analysts are looking for a renewal of the uptrend in traffic in the fall months.

Aside from the less favorable traffic trend, the road has been hit by outside influences that have tended to inflate costs. One of the most important influences has been the weather. Flood conditions in particular hit the company pretty hard. The management estimates that the total cost to the road of these floods may reach as high as $2,000,000, made up of $500,000 property damage and $1,500,000 loss of revenue traffic. Under the circumstances it must be recognized that July earnings will probably compare unfavorably with a year ago.

Bellamy, Marsh Named Directors

F. Wilder Bellamy William P. Marsh, Jr.

At a special meeting of directors of National Distillers Products Corp., F. Wilder Bellamy, senior partner of Dominick & Dominick, and William P. Marsh, Jr. were elected directors. Mr. Marsh is President of U. S. Industrial Chemicals Co. Division of National Distillers.

Four Join Staff of Prescott & Company

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James N. Black, Ray M. O'Connor, Frederick C. Scadding, Jr., and John W. Walsh, Jr., have joined the staff of Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges. All were formerly with Otis & Co.

Mr. O'Connor will be in charge of the firm's new office in the Huntington Bank Building, Columbus.

N. Y. Security Dealers 26th Annual Dinner

The New York Security Dealers Association will hold their 26th annual dinner on Friday Nov. 16 at the Waldorf Astoria Hotel.

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Continued from first page

Utilities Continue as Mutual Funds' Favorites

three months of the year. Of special note was the switch in sentiment toward the rail and steel stocks which previously had been among the most popular issues. Also in pronounced disfavor were the auto and auto parts companies and the amusements.

Cash Decreased

Approximately half of the funds covered in this survey decreased their balances of net cash and governments. This is in marked contrast to the previous period when only 13, or 21%, of the companies drew down on their liquid reserves. But such cash was not necessarily employed to increase purchases of common stocks. For example, several companies, notably American Business Shares, Boston Fund, Capital Administration and Tri-Continental, added sizable amounts of better-grade senior issues to their portfolios. Lehman Corporation, as also noted in our survey a year ago, draws down on its cash realized from capital gains at this time to pay its fiscal year-end dividend. Thus, despite the number of companies lessening their cash, the total funds using this cash to buy common stocks on balance was slightly less than during the previous quarter. Those companies that did purchase the junior equities on balance, however, generally bought in heavier volume than during the March period. Over-all purchase transactions exceeded sales by 35%, contrasted with 15% earlier in the year.

Inflation Taken Into Account

Reference to several reports of investment company management serve to reiterate the quite general belief in a continuing inflationary trend fed by the fuel of a war economy now gradually reaching its anticipated strength. Thus, with a brief survey of the economic scene during the first half of the current year, Francis Randolph, Chairman of the Boards of Broad Street Investing Corp., National Investors, and Whitehall Fund, ends on a note of inflation in his board's semi-annual report to stockholders: "In the report to shareholders for the *first quarter* of 1951, it was pointed out that 'adjustments may take place in certain lines, but underlying the nation's economy at present is the dominant force of the capital goods boom generated by the rearmament program.' During the second quarter adjustments in the form of unsettlement in retail trade, excessive inventories and price cutting have become increasingly apparent. Late in the quarter, the prospect of a truce in Korea and threatening developments in Iran cast shadows of confusion over the outlook for business and the stock market.

"Admittedly, there are many uncertainties in the present economic and international situation. It is believed, however, that while it will take some further time for business irregularities to be adjusted, *the basic forces at work in the economy of the country are fundamentally inflationary in nature,* so that the most likely prospect for the balance of 1951 is for a continued high level of over-all business activity as the rearmament program gains strength."

A similar theme appears in the current periodic report made by Edmund Brown, Jr., President of Fundamental Investors: "There is every indication that the government is committed to a long-term defense program and heavy spending, regardless of the negotiations in the Far East. This suggests a high rate of production in heavy industry and high personal incomes for the foreseeable future. Expenditures for armament feed cash into the economy without creating an equivalent supply of civilian goods. *Thus military spending tends to be inflationary by generating competition and hence higher prices for the available civilian goods.*"

And on July 16 from Philadelphia, W. Linton Nelson, President of the Delaware Fund, reported to his shareholders: "In anticipation of the effects of rearmament on business, employment, and earnings, *and ultimate prices,* your management decided at the time of the onslaught on southern Korea to change the Fund's investment policy to one of full investment in common stocks and convertible prior securities. We believed then that such a policy would earn us the greatest income and give us the best chance of future capital profits. This policy has been adhered to ever since. It will be continued until we see more evidence than we have to date that our national will to rearm has been changed."

Others took a more conservative attitude. For example, the trustees of the New England Fund reported to their shareholders on July 30: "During the first half of 1951 a considerably larger portion of the Fund's assets has been invested in cash and the more stable type of securities. . . . This fairly sizable defensive position reflects your Trustees' judgment that many current uncertainties call for an added degree of stability. The more conservative securities can be converted readily into common stock holdings if and when such action appears to be in the best interest of shareholders." Oils, steel issues and Chrysler were sold during the current quarter and the proceeds partly reinvested in Southern operating public utilities.

In like manner Emerson Axe, President of Republic Investors Funds as well as the two Axe-Houghton Funds, explains to stockholders that while a conservative position had been built up during the first half of the year, a more venturesome policy is now possible: "The management of your Fund has pursued a cautious policy over recent months because of the cross-currents that have developed. In particular it has believed that a change in the international situation might modify substantially the outlook for different industries and securities. The management believes however that these uncertainties are now diminishing and that during the next two quarters of 1951 funds can be invested advantageously." The percentage of Republic's assets in common stocks and the more volatile preferred equities and bonds had been steadily reduced since the first of the year in the following manner:

December 30, 1950	68.3%
March 31, 1951	62.6%
June 29, 1951	56.4%

New Portfolio Additions

Newcomers to portfolios during the current period included the following less familiar issues: Buckeye Pipe Line acquired by the two Axe-Houghton funds; Kendall Company by Axe-Houghton Fund "B"; Todd Shipyards Corporation by Commonwealth Investment; West Virginia Coal and Coke by Nation-Wide Securities; Diamond Alkali added by Wellington Fund; Calvan Consolidated Oil and Gas, Ltd., and National Tea by the Bowling Green Fund; Guantanamo Sugar by Republic Investors Fund; and Buffalo Electro-Chemical purchased by Lehman Corporation through the Alien Property Office.

The favorite utility issue with trust managements during the period was the premier blue chip, the American Telephone and Telegraph Company. Seven funds acquired a total of 30,000 shares, four making initial commitments. Liquidation of 400 shares ap-

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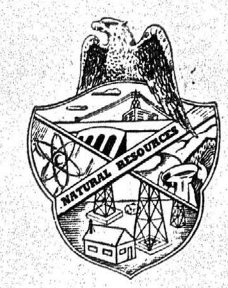

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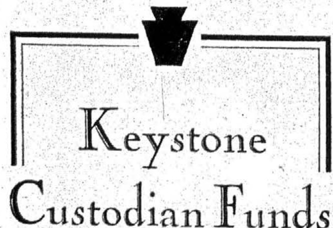

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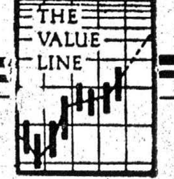

The Value Line Investment Survey New Ratings Reports on

17 Utilities
15 Electrical Equipment, Radio and Television
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peared in a single portfolio. Telephone had been one of the favorite issues in the first quarter of the year, but only four trusts made purchases. Ohio Edison was also one of the best liked utilities during the period under review, although acquisition of some of this stock was stimulated by the exercise of rights. Additions were made to eight portfolios, one representing a new holding. There were no sales. General Public Utilities was also given top billing, although in this instance also many of the purchases were made by present stockholders through the exercise of rights. Seven trusts acquired a total of 11,134 shares. Four funds bought 65,400 shares of Public Service of Indiana. A block of 1,200 shares constituted the only sale. Virginia Electric and Power was another issue the popularity of which was stimulated by distribution of rights. Seven of the nine purchases of this issue were made in entirety by the exercise of these rights; there were no sales. Another issue to be well bought, while at the same time aided through distribution of rights, was Public Service of Colorado, 12,790 shares of which were added to five portfolios; one sale totaled 16,700 shares. Seven additions of the stock of Florida Power and Light were in part the result of a distribution made by Electric Bond and Share. Acquisitions amounting to 10,576 shares had no offsetting sales. A number of power and light issues were each added to three portfolios. These were Atlantic City Electric, Gulf States Utilities, Kansas Power and Light, Long Island Lighting, Minnesota Power and Light, New England Electric System, New England Telephone and Telegraph and South Carolina Electric and Gas.

Utility Transactions

Southern Company was the most heavily sold utility stock during the second quarter of the year. Seven managements disposed of a total of 88,400 shares, five of which completely eliminated the issue from their portfolios. Four additions to holdings amounted to 28,000 shares. Iowa-Illinois Gas and Electric was the only other power company in which sellers predominated. Three trusts sold 8,300 shares, two completely removing the stock from their investment lists. One purchase equaled 3,000 shares. Opinion was divided on Middle South Utilities, which was the top favorite during the first three months of the year. Currently there were two transactions on each side of the market. Sentiment was also mixed on North American, although in total volume, sales were four times purchases.

Aluminium, Ltd., was one of the top favorites in the non-ferrous metal group as during the previous quarter. The four purchases of 5,400 shares made currently, however, did not match the six additions totaling almost 22,000 shares of the earlier period. Kennecott was also well liked during the three months under review, four trusts adding 12,300 shares. One portfolio elimination equalled 1,100 shares. Another popular issue was Pittsburgh Consolidation Coal, four companies making purchases totaling 8,900 shares, two of which represented initial commitments. One block of 3,800 shares was sold. American Smelting was a fourth non-ferrous metal issue to be bought by four managements during the period; there were two offsetting sales. All three purchases of Cerro de Pasco were newcomers to their respective portfolios. Additions equalled 10,700 against a single sale of an inconsequential block of 50 shares. Also finding favor with three managements each were Consolidated Mining and Smelting of Canada and St. Joseph Lead. 5,700 shares of the former and 4,175 of the latter were added to portfolios. Two small purchases of American Metal totaled 800 shares.

Concentrated selling was ap-

Continued on page 21

Balance Between Cash and Investments of 61 Investment Companies

End of Quarterly Periods, March and June, 1951

	Net Cash & Gov'ts. Thous. of Dollars —End of—		Net Cash & Gov'ts Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent* —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	March	June	March	June	March	June	March	June
Open-End Balanced Funds:								
American Business Shares	15,486	10,589	42.7	29.9	7.8	23.3	49.5	46.8
Axe-Houghton Fund "A"	3,308	4,712	21.3	29.1	6.4	12.5	72.3	58.4
Axe-Houghton "B"	1,567	974	8.4	5.1	20.2	23.7	71.4	71.2
Boston Fund	9,039	5,648	14.1	8.4	25.2	33.1	60.7	58.5
Commonwealth Investment	4,017	3,047	13.2	9.2	16.0	18.3	70.8	72.5
††Dreyfus Fund	121	159	19.1	23.1	24.8	15.1	56.1	61.8
Eaton & Howard Balanced Fund	4,978	4,766	7.4	6.9	27.2	29.4	65.4	63.7
Fully Administered Fund—Group Secur.	2,371	2,918	41.5	50.5	10.2	9.8	48.3	39.7
General Investors Trust	442	460	18.7	20.4	4.4	2.6	76.9	77.0
Investors Mutual	6,689	5,898	2.6	2.2	31.7	30.3	65.7	67.5
Johnston Mutual Fund	222	258	22.3	22.2	14.9	13.6	62.8	64.2
¶Mutual Fund of Boston	109	100	6.3	5.5	33.3	37.0	60.4	57.5
National Securities—Income	709	468	3.2	2.2	16.5	19.9	80.3	77.9
‡Nation Wide Securities	2,902	3,312	17.4	19.8	29.6	29.7	53.0	50.5
George Putnam Fund	6,319	5,554	13.6	11.9	18.0	20.5	68.4	67.6
Scudder-Stevens & Clark	†	7,501	†	21.6	†	23.4	†	55.0
Shareholders Trust of Boston	402	406	6.8	6.9	22.0	20.9	71.2	72.2
Wellington Fund	35,625	28,998	21.5	16.9	17.5	20.3	61.0	62.8
Whitehall Fund	188	98	10.9	5.2	43.3	46.6	45.8	48.2
Wisconsin Investment Co.	583	555	16.3	14.9	5.4	5.4	78.3	79.7
Open-End Stock Funds:								
Affiliated Fund	3,830	4,486	3.2	3.7	0.2	0.2	96.6	96.1
Bowling Green Fund	200	202	26.9	27.3	4.8	6.8	68.3	65.9
Blue Ridge Mutual Fund	---	11,829	---	19.5	---	None	---	80.5
Broad Street Investing	2,127	1,557	11.1	7.7	3.9	5.8	85.0	86.5
Bullock Fund	1,710	1,920	15.4	17.6	0.5	0.5	84.1	81.9
Delaware Fund	238	112	2.7	1.3	4.1	1.6	93.2	97.1
Dividend Shares	11,982	17,019	12.8	18.5	1.8	None	85.4	81.5
Eaton & Howard Stock	930	1,093	11.3	12.0	0.7	None	88.0	88.0
Fidelity Fund	3,544	8,498	7.3	16.4	2.5	2.4	90.2	81.2
First Mutual Trust Fund	69	47	2.0	1.5	62.7	61.2	35.3	37.3
Fundamental Investors	3,829	3,081	4.2	3.3	1.4	1.6	94.4	95.1
General Capital Corp.	3,111	1,707	21.5	13.2	None	None	78.5	86.8
Group Securities—Common Stock Fund	77	111	5.4	6.2	None	None	94.6	93.8
Incorporated Investors	7,140	6,530	7.1	6.6	None	None	92.9	93.4
Institutional Shs.-Stock & Bond Group	122	837	5.3	37.5	None	None	94.7	62.5
Investment Co. of America	2,257	2,573	17.1	18.5	None	1.0	82.9	80.5
Investors Management Fund	349	327	2.8	2.6	0.2	1.2	97.0	96.2
Knickerbocker Fund	4,607	5,301	30.5	35.2	12.2	11.4	57.3	53.4
Loomis-Sayles Mutual Fund	†	3,595	35.0	37.6	12.1	11.0	52.9	51.4
Loomis-Sayles Second Fund	†	4,076	33.9	36.2	11.0	9.5	55.1	54.3
Massachusetts Investors Trust	10,716	7,764	2.8	2.0	None	None	97.2	98.0
Massachusetts Investors 2nd Fund	475	849	1.8	3.0	None	None	98.2	97.0
Mutual Investment Fund	144	235	16.5	24.1	31.8	28.9	51.7	47.0
National Investors	701	670	3.0	2.7	0.2	None	96.8	97.3
New England Fund	935	1,265	23.5	30.7	11.4	9.0	65.1	60.3
Republic Investors	897	1,183	20.6	24.0	16.8	19.6	62.6	56.4
Selected American Shares	2,045	2,017	10.3	10.4	None	None	89.7	89.6
Sovereign Investors	4	14	0.9	3.4	6.8	6.0	92.3	90.6
State Street Investment Corp.	21,037	19,337	22.9	21.2	None	0.2	77.1	78.6
Wall Street Investing Corp.	522	509	21.5	18.6	2.2	0.8	76.3	80.6
Closed-End Companies:								
Adams Express	3,340	2,804	6.9	5.8	1.8	1.7	91.3	92.5
American European Securities	1,240	1,019	11.4	9.3	8.3	9.1	80.3	81.6
American International	1,658	1,260	7.5	5.6	2.6	2.5	89.9	91.9
Blue Ridge Corp.	7,353	**	23.9	**	None	**	76.1	**
Capital Administration	838	245	8.9	2.6	9.0	16.4	82.1	81.0
General American Investors	7,630	7,016	16.4	14.9	5.4	5.2	78.2	79.9
General Public Service	1,167	1,352	9.6	11.5	None	None	90.4	88.5
Lehman Corporation	14,060	8,999	11.9	7.7	2.3	2.3	85.8	90.0
National Shares Corp.	1,430	3,231	12.3	27.3	8.4	7.6	79.3	65.1
Tri-Continental Corp.	6,866	2,372	5.0	1.7	11.9	14.8	83.1	83.5
§U. S. and Foreign Securities	2,889	2,418	5.9	4.8	None	0.8	94.1	94.4
U. S. and International Securities	5,607	5,724	10.7	10.5	0.4	0.8	88.9	88.7

*Investment bonds and preferred stocks: Moody's Aaa through Ba for Bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †No interim reports issued to stockholders on this date. ‡March figures revised. §Portfolio exclusive of securities in subsidiary or associated companies. ¶Name changed from Russell Berg Fund. **See Blue Ridge Mutual Fund the assets of which include those of Blue Ridge Corp. and Central States Electric Corp. ††Name changed from Nesbett Fund.

SUMMARY

Change in Cash Positions of 60 Investment Companies

	Plus	Minus	Unchanged	Totals
Open-End Companies:				
Balanced Funds	5	12	3	20
Stock Funds	15	7	5	27
Closed-End Companies	2	9	2	13
Totals—All Companies	22	28	10	60

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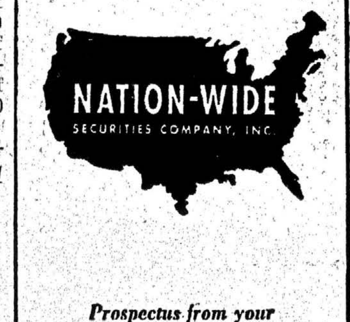

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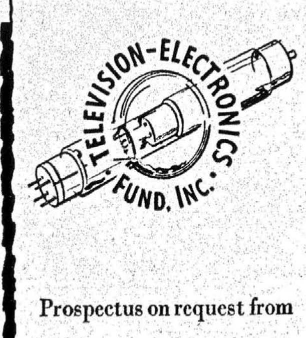

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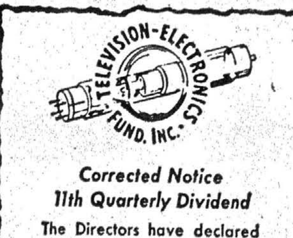

Corrected Notice
11th Quarterly Dividend

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

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President

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Changes in Common Stock Holdings of 43 Investment Management Groups

(March 31-June 29, 1951)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolio.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
4(1)	8,800	J. I. Case	None	None
7(2)	28,200	Deere and Co.	2,700	5(3)
1(1)	*6,000*	*Caterpillar Tractor*	*1,000*	*3(2)*
		Auto and Auto Parts:		
2(1)	1,900	Libby-Owens-Ford Glass	None	None
3	3,000	Studebaker Corp.	None	None
5(1)	12,200	Thompson Products	3,400	3
2	*600*	*Borg Warner*	*5,900*	*4(1)*
4(2)	*31,200*	*Chrysler*	*14,200*	*9(5)*
None	*None*	*Doehler-Jarvis Corp.*	*1,500*	*3*
2	*4,900*	*General Motors*	*20,400*	*7(2)*
		Aviation:		
2(1)	2,500	Grumman Aircraft	None	None
1	*1,500*	*American Airlines*	*8,200*	*3(1)*
2	*2,900*	*Douglas Aircraft* [1]	*4,900*	*4*
1	*800*	*Lockheed Aircraft*	*6,600*	*3(1)*
		Beverages:		
2(1)	1,200	Distillers Corp.-Seagrams	None	None
4(2)	17,200	National Distillers	3,200	2(2)
None	*None*	*Canada Dry*	*7,100*	*2(1)*
		Building Construction and Equipment:		
2	800	Glidden	None	None
3(2)	7,966	Minneapolis-Honeywell	1,000	1
4(2)	10,800	National Lead	1,100	2
2(1)	1,000	Sherwin Williams	None	None
None	*None*	*Detroit Steel Products*	*1,200*	*2*
None	*None*	*Flintkote*	*23,700*	*2(1)*
None	*None*	*Pittsburgh Plate Glass*	*26,000*	*2(1)*
1	*100*	*United States Gypsum*	*5,500*	*5(3)*
None	*None*	*United States Pipe & Foundry*	*6,000*	*3(2)*
None	*None*	*Weyerhaeuser Timber Co.*	*11,100*	*4(1)*
		Chemicals:		
4(3)	9,700	Allied Chemical and Dye	300	1
2	600	Columbian Carbon	None	None
4(1)	12,205	Dow Chemical	5,300	2
4(1)	2,100	duPont	200	1
3	2,900	Monsanto Chemical	None	None
3(1)	8,900	Union Carbide	900	1
1	*12,500*	*Koppers Company*	*2,700*	*3*
2(2)	*10,500*	*Mathieson Chemical*	*2,200*	*4(1)*
		Containers and Glass:		
3(1)	13,000	Continental Can	500	1
2(1)	3,800	Corning Glass Works	None	None
2(2)	4,600	Emhart Manufacturing	None	None
		Drug Products:		
3(3)	10,400	Bristol-Meyers	700	1
3	3,450	McKesson and Robbins [2]	500	1
3(2)	13,000	Sterling Drug	None	None
1	*1,000*	*Merck and Co.*	*1,900*	*3(1)*
		Electrical Equipment:		
2(1)	26,700	Dumont	None	None
4(2)	10,400	Motorola	None	None
10(5)	56,100	Radio Corp. of America	10,000	3(1)
6(3)	29,400	Sylvania Electric Products	1,400	1
10(4)	19,810	Westinghouse Electric	14,600	4
4(1)	4,500	Zenith Radio	1,400	1
		Financial, Banking and Insurance:		
2(1)	3,300	Chase National Bank	None	None
2(1)	10,000	Chemical Bank & Trust	None	None
3(1)	4,100	Commercial Credit	3,000	1
2(1)	1,500	Fidelity-Phenix Fire Insurance	None	None
3(1)	40,800	Irving Trust	None	None
3(7)	67,887	National City Bank of N. Y. [3]	None	None
None	None	Commercial Nat. Bank & Trust [4]	27,345	3(3)
		Food Products:		
3(2)	24,700	General Foods	None	None
2(2)	3,000	General Mills	None	None
3(2)	3,600	National Dairy Products	None	None
2	2,500	Swift and Co.	None	None
2(1)	3,700	United Fruit	None	None
3(1)	7,000	Wilson and Co.	None	None
		Machinery and Industrial Equipment:		
4(2)	7,100	Link Belt	None	None
3(1)	1,400	National Acme	None	None
2	600	National Supply	None	None
2	4,100	Sundstrand Machine Tool	None	None
2	*2,800*	*Allis Chalmers*	*11,300*	*5(1)*
1	*300*	*Dresser Industries*	*7,600*	*3(1)*
None	*None*	*Halliburton Oil Well Cementing*	*5,200*	*2(1)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Metals and Mining:		
4(1)	6,400	Aluminium, Ltd.	None	None
2	800	American Metal, Ltd.	None	None
4	1,000	American Smelting & Refining	2,000	2
3(3)	10,700	Cerro de Pasco Copper	50	1
2(1)	11,900	Climax Molybdenum	None	None
3	5,700	Consolidated Mining & Smelting of Canada	None	None
4	12,300	Kennecott Copper	1,100	1(1)
4(2)	8,900	Pittsburgh Consolidation Coal	3,800	1
3	4,175	St. Joseph Lead	12,500	1(1)
2	*3,700*	*International Nickel*	*7,000*	*6(3)*
		Office Equipment		
3(2)	28,000	Remington Rand	15,000	1
1(1)	*5,000*	*National Cash Register*	*8,200*	*3(1)*
		Paper and Printing:		
3	3,700	Crown Zellerbach Corp.	None	None
3(3)	18,200	McGraw Hill Publishing Co.	None	None
		Petroleum:		
4(2)	29,100	American Republics Corp.	2,000	1
2	800	Seaboard Oil (Del.)	None	None
2	8,000	Signal Oil and Gas "A"	None	None
3(1)	3,700	Skelly Oil	2,000	1(1)
8(1)	8,900	Socony Vacuum	30,400	4(1)
4	11,100	Standard Oil of California	1,400	1
2(1)	11,000	Texas Gulf Producing	None	None
None	*None*	*Louisiana Land and Exploration*	*25,500*	*5(1)*
1(1)	*500*	*Mission Development Co.*	*12,350*	*5(5)*
2(1)	*1,100*	*Ohio Oil*	*27,000*	*4(1)*
1	*1,000*	*Pure Oil*	*34,500*	*3(1)*
1	*3,500*	*Shell Oil*	*9,100*	*4(2)*
3(1)	*2,700*	*Texas Company* [1]	*44,300*	*6*
		Natural Gas:		
14(1)	36,589	American Natural Gas [6]	21,800	2(2)
3(1)	1,400	Oklahoma Natural Gas	None	None
3	11,100	Panhandle Eastern Pipe Line	None	None
2(1)	2,000	Shamrock Oil and Gas	None	None
2(1)	10,000	Texas Eastern Transmission	None	None
6	14,600	United Gas Corp. [7]	1,000	1
None	*None*	*Lone Star Gas*	*5,500*	*2(2)*
None	*None*	*Mississippi River Fuel Corp.*	*6,100*	*2(1)*
		Public Utilities:		
9(2)	37,106	American Gas & Electric [5]	None	None
7(4)	30,600	American Telephone & Teleg.	400	1
3(3)	26,000	Atlantic City Electric	None	None
2(1)	8,000	Brooklyn Union Gas	None	None
2(1)	3,800	Cleveland Electric Illuminating	None	None
2(1)	1,500	Commonwealth Edison	None	None
2(2)	6,000	Eastern Gas & Fuel	None	None
3(1)	3,600	Florida Power Corp.	None	None
7(2)	10,576	Florida Power & Light [8]	None	None
6	11,134	General Public Utilities [9]	None	None
3(2)	27,700	Gulf States Utilities	None	None
3	14,800	Kansas Power and Light	2,500	1(1)
3(1)	35,600	Long Island Lighting	None	None
3	3,500	Minnesota Power & Light	None	None
2	6,200	Montana Power Co.	None	None
3	7,400	New England Electric System	None	None
2	4,400	New England Gas & Elec. Assoc.	None	None
3(3)	5,450	New England Tel. and Tel. Co.	None	None
2	3,000	Niagara Mohawk Power Corp.	None	None
8(1)	14,750	Ohio Edison [7]	None	None
2	4,000	Oklahoma Gas and Electric	None	None
5	12,790	Public Service of Colorado [10]	16,700	1
4(1)	65,400	Public Service of Indiana	1,200	1
3(1)	48,000	South Carolina Electric & Gas	None	None
2	10,750	Texas Utilities Co.	None	None
2(1)	1,000	Utah Power and Light	None	None
9	23,600	Virginia Electric & Power [11]	None	None
4(2)	5,350	Wisconsin Electric Power	10,800	1
1(1)	*3,000*	*Iowa-Illinois Gas & Electric*	*8,300*	*3(2)*
4	*28,000*	*Southern Company*	*88,400*	*7(5)*
		Radio and Amusement:		
2	8,400	Paramount Pictures Corp.	None	None
1	*1,000*	*Twentieth Century-Fox Film*	*44,100*	*3(2)*
None	*None*	*United Paramount Theatres*	*36,400*	*4(2)*
		Railroads:		
3(1)	4,300	Chesapeake and Ohio	500	1
2(1)	6,000	Louisville and Nashville	None	None
4(3)	26,500	Northern Pacific	None	None
2(1)	*1,700*	*Atchison, Topeka & Santa Fe*	*3,800*	*4*
1	*2,800*	*Canadian Pacific*	*7,500*	*4*
None	*None*	*Chicago, Milw., St. Paul & Pac.*	*400*	*2(1)*
2	*1,500*	*Great Northern Preferred*	*11,100*	*5(2)*
None	*None*	*Norfolk and Western*	*8,800*	*2(1)*
2(1)	*8,400*	*Southern Railway*	*6,200*	*4(3)*

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—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
Railroad Equipment:				
4	4,600	General American Transportation	None	None
None	*None*	*General Railway Signal*	*1,500*	*2(1)*
Retail Trade:				
5(1)	8,400	Allied Stores	800	2
2	3,500	Bond Stores	None	None
4(2)	18,500	Gimbel Brothers	1,000	1
3(2)	7,100	Green (H. L.) Co.	500	1(1)
2	2,000	Macy	None	None
4(1)	9,200	Safeway Stores	53,900	2(2)
2	18,900	Western Auto Supply	None	None
3(2)	51,300	Woolworth	6,000	1(1)
2(1)	*15,000*	*Federated Department Stores*[12]	*3,340*	*4*
Steels:				
2	1,836.4	Crucible Steel[13]	None	None
2	2,100	Inland Steel	None	None
6(1)	*28,500*	*Bethlehem Steel*	*38,400*	*10(2)*
1	*500*	*Jones & Laughlin*	*40,800*	*4*
2(1)	*19,000*	*National Steel*	*8,300*	*5(3)*
None	*None*	*Wheeling Steel*	*3,400*	*3*
Textiles:				
2	525	Industrial Rayon	None	None
2	1,150	Pacific Mills	None	None
6(3)	17,200	J. P. Stevens & Co.	2,750	2
None	*None*	*Cone Mills*	*1,100*	*2*
Tobaccos:				
3(1)	3,000	Liggett and Myers	9,700	1
3	22,900	Reynolds Tobacco	None	None
Miscellaneous:				
2(1)	12,100	Newport News Shipbuilding & Drydock	None	None

SUMMARY

Balance Purchases and Sales Portfolio Securities 60 Investment Companies

	Bought	Sold	Matched	Totals
Open-End Companies:				
Balanced Funds	11	2	7	20
Stock Funds	9	6	12	27
Closed-End Companies	2	4	7	13
Totals—All Companies	22	12	26	60

FOOTNOTES

1 After 2-for-1 split-up.
2 After 10% stock dividend.
3 Part through rights. Basis: 1 share for each 4 held.
4 Surrendered upon merger with Bankers Trust.
5 15,940 shares purchased through rights. Basis: 1 new for 15 held.
6 26,197 shares purchased through rights. Basis: 1 new share for 10 held.
7 Purchased in part through rights. Basis: 1 for 10 held.
8 1,276 shares received as dividend from Electric Bond and Share. Basis 2.2 Florida Power for each 100 Bond and Share.
9 Purchased in large part through rights.
10 9,490 shares acquired through exercise of rights.
11 22,540 shares bought through rights. Basis: 1 for 10 original shares.
12 Excludes shares received as 20% stock dividend.
13 Part received as 2% stock dividend.

NOTE—This table covers 61 investment companies, but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by Calvin Bullock are considered as having the weight of one manager. Individual portfolio changes of the two Loomis-Sayles funds are not surveyed, but those of Overseas Securities (which does not appear in the companion table) are included.

Continued from page 19

Utilities Continue as Mutual Funds' Favorites

parent in only one issue of the non-ferrous group. Six trusts disposed of a total of 7,000 shares of International Nickel, three of which completely eliminated this stock from their portfolios. Two purchases equalled 3,700 shares. Opinion was divided on Reynolds Metals which had been the second most popular issue in the first quarter of the year; three purchases of 2,100 shares contrasted with two sales totaling 2,600 shares. Sentiment was also fairly well mixed on Phelps Dodge, three sales offsetting two purchases.

Socony Vacuum, one of the less popular issues during the first three months of the year, was currently the best bought stock in the petroleum group. Eight managements added 8,900 shares to holdings, one making an initial purchase. Half as many trusts sold Socony, although volume of stock liquidated was sizable. American Republics and Standard Oil of California were the two next popular issues, four funds making purchases of each. 29,100 shares of the former and 11,100 shares of the latter oil company were added to portfolios. A single offsetting sale was registered in both issues. 3,700 shares of Skelly were bought by three companies, one making an initial commitment. Another trust completely eliminated 2,000 shares from its investment list. Signal Oil and Gas "A" and Seaboard Oil of Delaware were also each liked by two managements. Purchases of the former totaled 8,000 shares and of the latter one-tenth as much.

Texas Corp. Sold

After giving effect to the 2-for-1 split in its outstanding shares, Texas Corp. proved to be the least popular among the oil issues. Six funds disposed of a total of 44,300 of the new shares. Three offsetting purchases were made in comparatively light volume. This performance of Texas was paralleled in the preceding quarter when it was also sold by eight funds. Five trusts eliminated 12,350 shares of Mission Development Co. which had been received in the first three months of the year as a distribution from Mission Corp. Another management made an initial purchase of 500 shares. Louisiana Land and Exploration was also liquidated by five trusts. Sales totaled 25,500 shares while there were no offsetting purchases. Four managements each disposed of Ohio and Shell Oil, two completely eliminating the latter issue and one the former. Sales of Shell equalled 9,100 shares and of Ohio Oil, 27,000 shares. After giving effect to the stock split-up, opinion was fairly well divided on Standard Oil of New Jersey. One complete portfolio elimination and five decreases were offset by five additions to holdings. Total volume on either side of the market was almost evenly balanced. Sentiment was likewise divided on Continental Oil after giving effect to the 100% stock dividend, three purchases offsetting four sales. Similarly indecisive were transactions in Gulf Oil, Sinclair Oil (which was top favorite in the March quarter), Creole Petroleum and Phillips Petroleum.

Electrical Equipments Popular

Continuing their popularity of the preceding quarterly period, both Radio Corp. and Westinghouse Electric were well bought. 56,100 shares of the former issue were added to 10 portfolios, half of which represented initial commitments. Liquidation in the holdings of three trusts equalled 10,000 shares. The same number of purchases were made of the Westinghouse stock, but total volume was lighter and there were only four original additions. Selling was more pronounced in the latter issue, however, four trusts disposing of 14,600 shares. Sylvania Electric Products was also well liked, three portfolio additions and an equal number of initial commitments totaling 29,400 shares. A single block of 1,400 shares was sold. Four managements each purchased Motorola and Zenith Radio, 10,400 shares of the former and 4,500 of the latter being added to trust holdings. 26,700 shares of Dumont were bought by two funds, one of which made an initial purchase of this issue. No concentrated selling was apparent in this group. Opinion continued divided on General Electric as during the first three months of the year. Transactions in Philco were also mixed.

Switching to the buying side of the chemicals from the less friendly attitude displayed during the early months of the year, investment companies favored Allied Chemical, Dow Chemical and du Pont. Four funds added a total of 9,700 shares of Allied, three making initial purchases for portfolios. One small block of 300 shares was sold. Of the four additions to holdings of Dow, which totaled 12,205 shares, only one represented an original commitment. 5,300 shares were liquidated in two portfolios. The buying of du Pont was in lighter volume, although the same number of trusts took stock into their portfolios. Selling by one management of a block of 200 shares was negligible. Union Carbide, which was the least popular issue of the group in the first quarterly period, currently found favor with three managements. Purchases of 8,900 shares were offset by a single sale of 900 shares. Three funds also added a total of 2,900 shares of Monsanto Chemical to their holdings. There was no liquidation in this issue. The only pronounced selling among the chemical stocks was in the shares of Mathieson Chemical and volume was comparatively light. Four companies disposed of a total of 2,200 shares. Three funds also sold 2,700 shares of Koppers Company. Opinion was mixed on Eastman Kodak, three purchases offsetting two sales. This contrasted with the previous period,

Continued on page 22

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Utilities Continue as Mutual Funds' Favorites

however, when Kodak was one of the less popular issues.

The Merchandising Issues

Allied Stores was the favorite among the merchandising issues, holding well to its popularity of the earlier part of the year. Five managements added a total of 8,400 shares to portfolios while two sales were in light volume. Gimbel Brothers also duplicated its acceptance by trusts during the first quarterly period. Initial commitments by two funds and additions to holdings made by two others totaled 18,500 shares. A block of 1,000 shares was disposed of. Four companies purchased a total of 9,200 shares of Safeway Stores, although volume of shares sold was much heavier, as two managements completely eliminated 53,900 shares from their portfolios. For the first time since the March quarter of 1950, marked buying interest appeared in Woolworth. Three managements acquired a total of 51,300 shares, two of these making initial commitments. One offsetting sale equaled 6,000 shares. H. L. Green Co. was also purchased by three funds and two of these also represented new portfolio acquisitions. Bond Stores, Macy and Western Auto Supply were each added to the holdings of two companies. After giving effect to the 20% stock dividend, Federated Department Store was the only issue in which there was pronounced selling although volume was very light. Two purchases totaled 15,000 shares. Transactions were mixed and not numerous in both Sears Roebuck and Montgomery Ward. Opinion was also divided on Marshall Field, which had been the most popular issue during the previous quarter.

Renewed Interest in Bank Stocks

Awakened interest in New York bank stocks, while not heavy, is certainly noteworthy. Seven managements acquired a total of 67,887 shares of National City Bank, three of these making initial commitments. Portfolio additions were aided by the exercise of rights. There were no sales of this issue nor of any of the other bank stocks in which purchases were made. Irving Trust was acquired by three funds, additions totaling 40,800 shares. Two trusts also each purchased 3,300 shares of Chase National Bank and 10,000 shares of the Chemical Bank and Trust Co.

Among the finance companies, moderate preference was shown for Commercial Credit as three companies added a total of 4,100 shares. One block of 3,000 shares was sold. Opinion was mixed on C.I.T. Financial, two funds buying 1,300 shares and another eliminating a round lot of 100 shares. Among insurance shares, two managements acquired 1,500 shares of Fidelity-Phenix Fire. Other acquisitions were represented by purchases made by a single company.

Buyers showed a decided preference for the food stocks, which was a change from the lack of enthusiasm displayed during the early part of the year. Three funds purchased 24,700 shares of General Foods, two making initial commitments. There were no sales of this stock nor of National Dairy Products, another popular issue. Three purchases of the latter stock totaled 3,600 shares and two of these represented new portfolio holdings. 7,000 shares of Wilson & Co. were acquired by three managements while two added 2,500 shares of Swift. One new portfolio commitment was made of 5,000 shares of Armour. General Mills and United Fruit were each bought by two trusts. Opinion was mixed on National Biscuit.

Drug issues were featured by three initial commitments in Bristol-Myers totaling 10,400 shares. One block of 700 shares was sold. Sterling Drug was also well liked, three funds buying 13,000 shares, two of these making original portfolio purchases. After giving effect to the 10% stock dividend, 3,750 shares of McKesson & Robbins were added to the holdings of three trusts. Only issue in which sellers predominated was Merck & Co. as three funds disposed of 1,900 shares. Opinion was mixed on Parke Davis, Sharp & Dohme, and Charles Pfizer (after giving effect to the stock split-up in the latter issue).

Popularity in the stock of both American Natural Gas and United Gas Corp. was stimulated through the issuance to shareholders of rights. Fourteen trusts acquired stock in the former company and six in the latter. Three managements added shares of Panhandle Eastern Pipe Line and Oklahoma Natural Gas. Other well-liked gas issues were Texas Eastern Transmission and Shamrock Oil and Gas, each of which were purchased by two funds. The same number of trusts sold Lone Star Gas and Mississippi River Fuel Corp. Opinion was divided on Peoples Gas Light and Coke.

Outstanding favorite among the textile issues as during the preceding period was J. P. Stevens Co. Three new purchases and a like number of portfolio additions totaled 17,200 shares. Two funds disposed of 2,750 shares. Also liked by two funds each, but in comparatively light volume, were Pacific Mills and Industrial Rayon. Cone Mills was lightened in two portfolios.

Crown Zellerbach was the only paper company for which there was shown preference, three managements adding 3,700 shares to portfolios. Opinion was evenly divided on Rayonier, Union Bag and Paper and International Paper. Among the publishing companies, initial commitments of three trusts were made in McGraw-Hill. Purchases totaled 18,200 shares and there were no sales.

Link Belt was the best liked issue among the machinery stocks, four funds purchasing 7,100 shares, two of which made intial commitments. National Acme was acquired by three companies and Sundstrand Machine Tool and National Supply were each added to the holdings of two trusts. Selling was concentrated on Allis-Chalmers, five managements disposing of 11,300 shares. Also sold on balance were Dresser Industries and Halliburton Oil Well Cementing Co. Transactions were indecisive in Joy Manufacturing and Food Machinery and Chemical Corp.

Liquors and Tobaccos Bought

Preference was shown for National Distillers among the liquor stocks, four funds purchasing a total of 17,200 shares, two of which represented new portfolio acquisitions. 3,200 shares were eliminated from holdings of two other companies. Also liked during the period was Distillers Corporation-Seagrams, two trusts acquiring 1,200 shares. Light activity among the tobaccos was featured by purchases of Liggett and Myers and Reynolds Tobacco. Three managements bought 3,000 shares of the former and a like number of companies purchased 22,900 shares of the latter stock. Continental Can was liked by three funds, but activity was negligible and evenly divided in American Can. Emhart Manufacturing and Corning Glass were each bought by two companies.

Selling in the building stocks was featured by liquidation in United States Gypsum, five trusts disposing of 5,500 shares, three of which completely eliminated the issue from their holdings. 11,100 shares of Weyerhaeuser Timber were also sold by four managements. There were no offsetting purchases. U. S. Pipe and Foundry was eliminated from two other portfolios and decreased in another. Sales totaled 6,000 shares. Flintkote was sold in fairly heavy volume by two companies while Detroit Steel Products was lightened in the holdings of the same number of trusts. National Lead, Minneapolis-Honeywell, Glidden and Sherwin-Williams were each liked by two funds. Transactions were divided in Johns-Manville and Armstrong Cork.

The reversal in the recent attitude toward the rail issues was featured by sales of Great Northern. Five managements disposed of 14,100 shares, two making complete portfolio eliminations. Santa Fe, Canadian Pacific and Southern vied for second place in liquidation, four trusts disposing of each of these issues. 3,800 shares of Santa Fe, 7,500 of Canadian Pacific and 6,200 of Southern were sold. Three of the sales of the last-named issue represented complete portfolio eliminations. Also to find disfavor were Milwaukee, and Chicago and North Western. Six purchases contrasted with seven sales of Southern Pacific, which had been the most popular issue early in the year. Opinion was evenly divided also on Rock Island which had been second favorite during the first quarter. Northern Pacific was still liked by management, however, four trusts purchasing a total of 26,500 shares, three making initial commitments. Of course, recent oil discoveries have given a special flavor to this rail. Also liked by purchasers were Chesapeake & Ohio and Louisville and Nashville.

Bethlehem Steel was the least popular issue among the steels, the other group to find a marked shift in sentiment among investment managers from the buying to the selling side of the market. 38,400 shares of this issue were sold by 10 trusts, two of which eliminated the stock from their holdings. Six purchases totaled 28,500 shares. Half as many funds sold 8,300 shares of National Steel, three completely disposing of their holdings. 40,800 shares of Jones & Laughlin were liquidated by four companies while three trusts lightened 3,400 shares of Wheeling Steel. Two buyers liked Inland Steel, but purchases were not in heavy volume. Opinion was fairly well divided on United States Steel and Republic, both of which had been well bought in the earlier part of the year.

Enthusiasm was still lacking for the auto issues. Nine managements disposed of 14,200 shares of Chrysler, five completely eliminating the issue from their portfolios. Total volume of four purchases, however, equalled 31,200 shares. General Motors was sold by seven funds, two completely disposing of their holdings. Studebaker met with limited buyer acceptance. Among equipments, Borg-Warner and Doehler-Jarvis were sold

Formula Plan Inv. Management Corp.

(Special to The Financial Chronicle)

BOSTON, Mass.—Formula Plan Investment Management Corp. has been formed with offices at 53 State Street. Officers are Warren F. Burlingame, President; George W. Roraback, Treasurer; and Grafton L. Wilson, clerk. Mr. Burlingame was formerly in the investment business as head of The Burlingame Corp.

Associated with Formula Plan is Ralph A. Alexander.

Arthur Peck Governor Of N. Y. Stock Exch.

Richard M. Crooks, Chairman of the Board of Governors of the New York Stock Exchange, has announced the election of Arthur K. Peck as a Governor of the Exchange for the term of one year. He will fill the vacancy in the Board created by the election of Mr. Crooks as Chairman last May.

Mr. Peck, a member of the Exchange since 1930, is a specialist on the floor of the Exchange and a partner of Walters, Peck & Co.

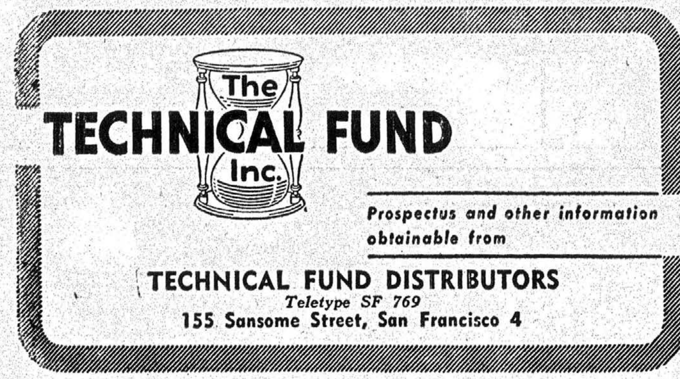
Robert S. Morton Now With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert S. Morton has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Morton was formerly Vice-President of American Funds Distributors, Inc.

Howard L. Goodhart

Howard Lehman Goodhart passed away at the age of 67 after a brief illness. Mr. Goodhart had been a member of the New York Stock Exchange, and of P. J. Goodhart & Co. until his retirement in 1925.



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World Bank Reports Increase in Income

The International Bank for Reconstruction and Development has reported a net income for the fiscal year ended June 30, 1951, of $15,156,947. Net income for the preceding fiscal year amounted to $13,698,398.

Gross income, exclusive of $6,388,543 set aside in the Special Reserve, amounted to $28,202 542 for the year, as compared with $25,464,065 for the preceding fiscal year. Expenses totaled $13,045,595, including $4,843,447 administrative expenses and $8,202,148 bond interest and other financial expenses.

In accordance with the decision of the Executive Directors and the Board of Governors, all net income for the entire period of the Bank's operations has been placed in a General Reserve Against Losses on Loans and Guarantees, and on June 30, 1951, this reserve was $42,155,217.

Loan commissions for the year were credited to the Special Reserve for meeting the Bank's obligations as required by the Articles of Agreement. This reserve amounted to $20,125 748 on June 30, 1951. Total reserves on that date were $62,280,965.

During the fiscal year the Bank made loans totaling $297,080,000, bringing total commitments at June 30 to $1,113,525,000. Repayments of loan principal to the Bank were all received on schedule and amounted to $5,549,135, bringing total repayments to $6,101,271. In addition, $3,000,000 principal amount had been repaid to others than the Bank in connection with bonds of its borrowers which had been sold by the Bank.

Disbursements on loans amounted to $77,564,969 in the year, bringing total loan disbursements at June 30, 1951, to $691,727,129. The undisbursed balance of effective loans at that date amounted to $351,735,295. Of disbursements in the last year, $53.3 million (68.6%) were spent in the United States and $24.3 million (31.4%) in other countries.

At June 30, 1951, the Bank had 49 member countries and a total subscribed capital of $8,338,500,000. The Bank's capital was reduced by $125 million after the withdrawal of Poland by the Bank's repurchase of 1,250 shares to which Poland had subscribed. However, it was increased by $115 million with the admission of Ceylon and Pakistan. All member countries which had received deferments until June 25, 1951, of one-half of 1% on capital stock subscribed, payable in U. S. dollars or gold, made payment in full on or before the due date, except China and Czechoslovakia. China made a payment of $30,000 and advised that it was unable to pay the balance of $2,970,000 at this time. Czechoslovakia claimed further postponement, under the Bank's Articles of Agreement, on its unpaid balance of $625,000. The Bank has not yet passed on this claim.

During the past year the Bank sold $5,017,496 of bonds received from borrowers pursuant to loan agreements which increased the total of such sales to $33,017,496 principal amount. These sales were made to purchasers in Canada, Europe and the United States.

In the past fiscal year the Bank sold two issues of its own bonds. These consisted of $50,000,000 of 3% 25-year bonds in the United States and £5,000,000 (U. S. equivalent $14,000,000) 3½% 25-year sterling stock in England. Also, early in July, 1951, the Bank sold an issue of 3½% 12-year Swiss franc bonds in Switzerland in the principal amount of Sw. fr. 50,000,000 (U. S. equivalent about $11,600,000).

Continued from first page

As We See It

to grow even more unsatisfactory unless national policy is definitely set for the future and appropriate funds provided.

Over-Adjusting

Business quite generally has been adjusting itself to a situation heretofore believed more or less certain to develop. The same is true of consumers. Both, indeed, seem to have responded in an exaggerated manner to what they thought would be done in Washington. One result is the hesitation in the general business situation which has been much in the public eye for several months past. Neither business nor the consumer is able to find a definite basis which appears reasonably reliable upon which to build plans for the future—due in no small part to the confusion and uncertainty in Washington. All elements in the population are badly in need of a clarified situation with respect to national expenditures, and particularly concerning defense outlays, and they need it now.

But the thoughtful observer who has not only the immediate situation in mind, but the longer term welfare of his country at heart, has other and even more important reasons to be dissatisfied with the present state of affairs. Ask the professional prognosticator, or even the businessman who must make his plans for the months to come, what the outlook is, and the probability is that he will say that much if not all depends upon whether the Federal Government does as much spending this fiscal year as it has been saying it will, the thought being that the more Uncle Sam spends the better business will be. So far as the immediate outlook is concerned this analysis may be valid, but what of the situation by which we are to be faced two, three, or even four or five years hence? Certainly, some one had better be thinking about the answer to that question—even if it does not fall within the duties of those who handle day-to-day business transactions.

It is when this aspect of the situation is brought to the forefront of discussion that one is struck by the widespread lack of attention that certain fundamentals are receiving in official circles, and, be it said with deep regret, what appears to be the relatively slight interest shown in business circles. Six months or so ago, a number of influential organizations and individuals were active in analyzing the possibilities of reduction in Federal outlays. Some of them passed by military expenditures, including defense, for one reason or another, but others went over the whole situation. None of them failed to reach the conclusion that billions could be eliminated from the budget without injuring any legitimate interest, and indeed to the benefit of all. At the time, considerable public interest in the matter seemed to exist. But then the popular complaint centered upon rising prices, and "deflationary" procedures, such as reducing public outlays, were able to attract attention. That situation seems to have passed, at least for the present, since there has arisen in many minds, warrantably or not, the question as to whether we have entered a period of possibly not so good business when "a little inflation" might not be so bad.

Not Possible

One of the aspects of all this that is not usually fully understood is this: It is not possible in the nature of things to give effect to any satisfactory program of budget management in any such way as this. The popular impression is that the powers that be can turn the stream of expenditures on and off immediately and at will like a spigot. Such, of course, is far from the truth. Outlays scheduled for one fiscal year are often the result, and not infrequently the inevitable result, of action taken several years earlier. Not only do we have continuing appropriations, but we have many projects under way at all times which take years to complete. Once they are well under way it is not possible to call a halt without losing what has been expended.

What Congress is now doing or seems to be in the process of doing is to place itself in a position where two, three or more years hence it will be unable to effect anywhere near the reduction in public spending that should be made. It is making commitments of one sort or another which must inevitably tie its hands for years to come. This it is doing with hardly a thought about the consequences, while public attention is largely fixed on matters which have to do with defense outlays and with the immediate outlook for industry and trade. One can scarcely expect more of the politicians. They are rarely moved to action except in an endeavor to placate or to please the electorate.

But is this not a matter which business, which all thoughtful citizens with the good of their country at heart, should be thinking about? Can we afford conveniently to forget that the central government is spending, not millions, but billions of our money in ways which can not be of benefit to us, but on the contrary, must in the end do us all harm? Has the time not come when we should cease to think of what we as a member of this, that or the other element in the population may be able to "get" out of Washington and give more thought to what Washington will permit us all to get for ourselves through our own energy and initiative?

And Defense, Too

Of course, all this applies to defense expenditures as well as to other types of outlay. There is altogether too great a tendency to regard defense outlays (as defined by the politician for his own purposes) as sacrosanct. Quite without regard to what needs to be done in the name of defense, it is safe to say that we regularly waste more money (and consequently labor and materials) in obtaining any unit of defense than—we had almost said than many other nations spend. That, too, must cease.

Public Utility Securities

By OWEN ELY

Holding Company Securities—Part III

Standard Gas & Electric filed a plan with the SEC early in February, which is going through the usual routine of hearings, filing of briefs, etc. It makes provision only for allocations to the prior preference stocks, leaving open the issue as to the division of remaining assets between the second preferred and common stocks. Recently a separate plan was announced to settle all inter-company claims and problems between Standard Gas and its inactive parent, Standard Power & Light. The latter, however, has not announced any plan of its own for allocation of assets, and this may be deferred until the Standard Gas plan has progressed further. Standard Power & Light holds both 1st preferred and common stocks of Standard Gas in its portfolio, together with miscellaneous holdings.

The trustee of *International Hydro-Electric* filed a plan with the SEC about two years ago proposing the issuance of liquidating certificates in the ratio of eight to each share of preferred stock, and one to each share of the Class A. This plan now seems pretty well out-dated, and various other proposals have been suggested informally which have not yet crystallized into a new plan. Important holders of the Class A stock seem anxious to keep the company alive, so as to take advantage of substantial tax losses now on the books and pay future tax-free dividends, in the same manner as Electric Bond and Share and United Corp. hope to do. They must therefore devise ways to retire the bank loan and the preferred stock, and presumably to convert the Class A into common stock (the original common stock has been cancelled). This situation was described in this column in the April 26th issue.

American & Foreign Power and its parent company, Electric Bond & Share, have recently agreed with committees representing the first preferred and second preferred stockholders on certain amendments to the reorganization plan filed with the SEC on January 16. The first preferred stock will receive 3¾ shares of new common stock instead of 3.6 shares, and the $6 preferred will get 3 shares instead of 2.9 shares. The $7 preferred will also receive $90 new debentures per share (with an interest rate of 4.8% instead of 4.5%), and the $6 preferred $80; these amounts remain unchanged.

Each publicly held share of the second preferred stock will receive .85 of a share of new common instead of .65. The common stock receives 1/50 share (unchanged). Electric Bond & Share will receive 55.7% of the entire new issue of common shares, instead of 56.5%.

The effect of the agreement will probably be to save several months' time of SEC procedure, and it seems possible that an SEC decision may be forthcoming in the Fall, with approval by a Federal court following within a few weeks.

New England Public Service in June filed a proposed allocation of 25% of net assets to the preferred stocks and 25% to the common. (See story in this column June 28.) This plan seems somewhat generous to the common stock, and it is possible that there might be some revision in favor of the senior stock, which factor has been taken into account in the estimates of break-up values made last week.

Northern New England is a small "paper" holding company owning common stock of New England Public Service. It holds about 1.4 shares of NEPSCO common for each share of its own outstanding, together with about 20¢ a share in cash.

Central Public Utility has a complex portfolio of domestic and foreign stocks, most of which are "special situations" in themselves and require special analysis in order to estimate their potential market value. Eventually the debentures will be converted into common stock. Presumably, however, officials of the company are in no great haste to carry out this plan since at present the Company enjoys very substantial tax benefits. The Treasury Department permits the interest on the debentures to be used as a tax loss in the consolidated system tax statement, although interest had not been paid for many years. This advantage is at present used to reduce income tax payments of certain subsidiaries, Central Indiana Gas Company being an important beneficiary. In the twelve months ended March 31, this subsidiary was able to save its entire estimated Federal taxes which would normally have amounted to $1,123,944, including $187,000 excess profits taxes. This saving accounted for over one-half of the $5.33 share earnings. The Central Public Utility debentures have enjoyed an advance from last year's low of 21 and this year's low of 30 to the current price around 40.

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Britain's Financial and Economic Situation

price of imports into the United States of America rose by 30%, or almost exactly the same as the figure for the United Kingdom.

I hope that in the face of these hard facts and figures, the Right Hon. Gentleman, the Leader of the Opposition, will now stop drooling at weekends about devaluation and world prices, of which he knows little, and I hope that he will put into the waste-paper basket his out-of-date and inaccurate Conservative Central Office leaflets, with which evidently he was briefed on that occasion.

Those higher import prices are also, however, not the result of our own rearmament. If we were to reduce our defense program by, say, £200 or £300 million, and even if this were not offset by additional civilian expenditure, it would still have very little influence on the world prices of the vast majority of materials. The price increases are plainly the result of a larger world demand following on Korea and rearmament in many countries, particularly, of course, in the United States, the scale of whose purchases is inevitably huge in relation to other countries.

While we have suffered exceptionally in recent months, because we depend so much on these imports and because the cost of imports here is particularly high as a proportion of our national income, the producing countries have, of course, enjoyed some benefits from this change. These countries include some in South and Southeast Asia who are our partners in the Colombo plan, whose economic conditions we are glad to see improved and who are now in a much stronger financial position than a year ago.

The Question of Raw Materials and Prices

Even so, in the longer run I doubt if such changes are for the benefit of either producers or consumers. Very high prices for primary products set up inflationary forces in the countries which export them, and past experience shows only too plainly that such price increases are nearly always followed by equally rapid declines. It is therefore of the utmost importance, not only for the United Kingdom but, I believe, for the whole free word, to secure a greater measure of stability in these world commodity prices. If this cannot be done, if prices either start rising again or fall very sharply, then the economic and political consequences cannot but be very serious.

In our view, this problem can only be dealt with by international agreement. His Majesty's Government took a leading part, following upon the visit of my right hon. Friend the Prime Minister, in setting up in Washington the International Materials Conference for the purpose of sharing out fairly the available supplies of scarce materials. I am glad to say that there have already been good results. We believe that in suitable cases the Conference should also try to agree on arrangements for a price, or range of prices, fair to consumers as well as to producers.

We have already made our views on this matter known to the governments of the United States and France and to the Council of the O. E. E. C. We are also, of course, in touch with the governments of the Commonwealth on the matter. I hope myself to pursue the matter further when I go to Washington in September. I have no reason to think that other countries do not share our views, either on the desirability of stability of prices or upon procedure through the International Materials Conference Commodity Committees.

In recent months, as the House will be aware, there have been some considerable falls from the highest levels of raw material prices. In February, for example, tin was selling at £1,500 a ton. Now it stands at about £875 a ton. In February, rubber was about 6s per lb. It has since fallen to about 4s per lb. Marino wool, which reached 295d per lb., is now down to about 180d. United States cotton futures, which were 42 cents per lb. in March, have now fallen to 35 cents. There have been reductions in some other commodity prices also. On the other hand, a few prices, including non-ferrous metals, are still rising.

Domestic Affairs

I should now like to turn to domestic matters. I do not propose to say anything on public expenditure generally, because this subject has been very thoroughly discussed in our earlier debates. The crucial fact, of course, is that about half our public expenditure is on defense and the National Debt, and of the rest over three-quarters is on the social services. In the small remaining section, as I explained in my Budget speech, we have made considerable economies, and we shall continue to do all that we can to keep expenditure down.

In the field of social services, however, and with the full approval of the House, we are already committed to an increase in expenditure next year of over £70 million above this. That extra money is for the most part required for pensioners and for those on National Assistance. I hope that nobody grudges it. We should accept it just as willingly as we do the requirements of national security.

I have spoken of the rise in international commodity prices and its effects on our total imports bill, and therefore on our balance of payments position. But, of course, to the majority of people its consequence is apparent in a far more obvious and immediately painful direction: that is, in its effects on the cost of living. All of us are, naturally, worried about rising prices at home, and it is to this subject that most of the rest of my speech will therefore be devoted.

First, I should like to try to remove some prevalent misunderstandings. One of these is that the price increases from which we are all suffering are somehow peculiar to this country or are the special product of actions that the government have taken or have failed to take. Indeed, there is on the Order Paper an Amendment to the Motion which implies that. The best way of showing how completely unrelated is this idea to the facts is to give the figures of the increases that have taken place in retail prices in other countries. I particularly commend this information to the right hon. Gentleman the Leader of the Opposition, whose continual references in his weekend outbursts to the fall of the purchasing power of our money as something due to the special wickedness of the government, are, he will no doubt confirm, not deliberate misrepresentation but merely an incomplete awareness of the facts.

I shall give these figures, which are taken from the United Nations Bulletin of Statistics, in an ascending scale of price increases. In the 11 months from June last year to May this year, retail prices in Switzerland rose by 5%; in the United Kingdom by 9%; in the United States by 9%; in Italy by 10%; in Denmark and Canada by 11%; in Belgium by 13%; and in France, or more strictly in Paris, by 21%.

Figures for Australia and New Zealand are not available until such recent dates, but from June to December last year—that is, for about half the period only—the rise in New Zealand prices was 6% and in Australia 9%. These are the official figures issued by the various countries. They are not in every respect comparable, but I have no doubt that by and large the comparison is accurate. It speaks for itself.

It is also sometimes said that the government have deliberately allowed prices to rise so as somehow or other to pay for re-armament in this way. There is on occasion a curious alliance between some hon. Members opposite, the hon. Member for Scarborough and Whitby (Mr. Spearman), for instance, and some of my hon. Friends who do not agree with me on this matter. If by this is meant that we are re-arming at the same time as a world inflation is occurring, and that the high prices caused by this inflation and by consequential wage increases are not being offset by increased subsidies, this is true. I have already given some of the justification for it, and I shall give some later in this speech. But if by this charge is meant that the government are deliberately pursuing an inflationary budgetary policy so that the burden caused by higher defense expenditure is not offset by taxation, or that this taxation is not firmly placed on the shoulders of those best able to bear it, then this is a charge which I emphatically repudiate.

The burden of re-armament itself falls on the consumer only to the extent that the Budget increased certain taxes. The main additional taxes of the Budget fell on company profits, on petrol, on Purchase Tax on motor cars and on other less essential goods, and on the Income Tax. I do not think myself, nor was there any evidence produced during our long debates on the Budget or the Finance Bill, that these taxes were unfair, or that they fell on those least able to bear them. The outstanding fact is surely this. The rise in retail prices in the United Kingdom in the past year has, as I have said, been mainly due to the rise in import prices.

It has not been due to our internal re-armament program. Those who attribute it to re-armament are, therefore, either simply misunderstanding or misrepresenting the facts.

Secondly, of course, the burden of higher import prices, as I pointed out in my Budget speech, is one that the nation as a whole must bear, if we are to come near to balancing our overseas accounts; and this burden as a whole cannot be avoided by any alteration in taxes, subsidies or internal financial policy. What can be achieved by internal policy is, within limits, to redistribute the burden between individuals within the United Kingdom. Those who argue that we should have done this by increasing both the level of subsidies and the level of taxation still higher to pay for them do not, I believe, appreciate the figures which are involved.

Subsidies

To have held the cost of living index steady from September, 1950, when it began to go up after a longish period of stability, to the end of 1951 would by then have cost an additional £600 million to £700 million a year in subsidies — over and above the present £410 million—or a total of at least £1,000 million a year in subsidies.

I think that the House will agree that that is a pretty staggering figure, but it is not really surprising when one reflects it costs roughly £40 million a year in subsidies to prevent an increase of one point in the index. If, therefore, we had sought to prevent any rise in the cost of living by subsidies and taxation, on the lines I am discussing, it would have meant, for example, an increase in the standard rate of Income Tax from 9s 6d to 12s 6d in the pound, and of the two lower rates from 5s 6d to 8s 6d and 3s to 6s. These increases, I think, speak for themselves.

It may be said, of course, that there is no need to contemplate such an extreme proposal. Why not raise, for example, the subsidies by, say, £100 million to make a ceiling of £510 million instead of £410 million? My reason for rejecting that proposal, of course, is as follows. The purpose of the subsidies, we can surely agree, is primarily to maintain stability of income and prices, if that can be done. As such, they may be very valuable and I do not think that anyone would question that.

They were introduced for this purpose during the war when, partly because of Lease-Lend and partly because of a series of long-term purchase agreements, the import prices of the food that we had to buy in those years did not rise substantially. After the war, however, the average cost of imports began to rise, and with it the extent of the subsidies. My right hon. Friend the Minister of Local Government and Planning will well recall that between 1945 and 1948 they nearly doubled. I must point out to the House that, despite this, wages and salaries rose also. Finally, the then Chancellor of the Exchequer had to impose a ceiling in order to prevent the Budget from getting out of control and becoming the victim of movements in world prices.

This year—and we must face this—if we had spent another £100 million in subsidies, it would certainly not have prevented a steep rise in the cost of living index. The difference that it would have made would have been only about 2½ points. Can anyone really suppose that this would have made a crucial difference in achieving stability? But to pay for it, of course, would have involved a further increase of 6d in the Income Tax at all three levels. If on the other hand, such an increase in subsidies, as I claim, could not be relied upon to achieve greater stability, then surely they must be compared as a matter of social policy with many other claims on the Exchequer, especially in the field of social services, such as higher pensions and an increase in family allowances, both of which are fairly closely related to need and are at least subject to taxation.

It might have been said that we should not have attempted to offset increased expenditure on subsidies by higher taxation at all, and that we should have abandoned altogether the budgetary principles adopted in the last few years and instead have accepted an openly inflationary budget. I doubt whether any hon. Member would seriously advocate such an irresponsible course, which would clearly stoke up more vigorously the very inflation we are all concerned to check, and tend to raise steeply the price of everything that is not subsidized.

Incidentally — perhaps that is the wrong word, because it is more important than that—at the present time such a course would have had a particularly disastrous effect on our balance of payments which, as I have already indicated, is by no means in a secure position. By leaving in the hands of the public more purchasing power, it would have created a more powerful force attracting to the home market goods which certainly ought to have been sent overseas.

It comes to this. Those who say we should make a larger increase in subsidies must prove to the House either that they are prepared to face the inflationary effects of not increasing taxation or that they propose heavy increases in taxation and can show that this way of spending the money is socially better than any other. I do not myself believe that without the assurance of greater stability it would have been any wiser this year to increase subsidies than to adopt the policy of cutting them which the Opposition, with its usual spasms of indecision and vacillation, periodically advocates.

I will therefore just add that should it become possible, by a slight increase in the amount of subsidies—and from the figures I have given it would have to be very slight, so as not to impose too heavy a fiscal burden—to secure general agreement on a measure of internal stabilization, then I must say that we should have to reconsider our attitude. The case for the subsidies is essentially that they should help us to stabilize the position internally. If there were solid evidence that this could really be achieved and achieved at no great cost, we should, I agree, be foolish to reject the possibility.

Outlook for Prices

So much, then, for something which in my view we cannot do to deal with the problem. But what can and should we do? Before I deal with that I should like to give the House some idea of my views on the outlook for prices, as this is clearly fundamental to any assessment of the problem with which we are dealing.

Some further rise in retail prices must occur. There have been some increases in the cost of basic commodities which I have mentioned which have yet to work their way through to the retail price level and be reflected in our weekly bills. In food, the rise in meat prices resulting from the Argentine Agreement, which the Minister of Food announced some time ago, has just begun to operate. This and certain other changes in food prices which have occurred or can be foreseen, some of them seasonal, are likely by the middle of August to have raised by two points the June retail price index of 125. Most of that increase has in fact already taken place.

In the last quarter of the year there may be some small seasonal increases in the price of a few foodstuffs and of fuel and light. In addition, increases must be expected in the prices of some items of clothing and household goods. If this forecast proves to be right—and it is the best I can make—it means that, with the increase in meat prices behind us, the increases we have to face in the next half-year will be a good deal less steep than those which have recently occurred.

That, of course, at once raises the question, what is the outlook for future world prices? What must we expect from the international factors which have played by far the greatest part in disturbing our economy? No one can make clear-cut predictions, but I have already drawn attention to certain substantial falls in the price of commodities entering largely into our import and manufacturing costs. The new Board of Trade index of basic material prices shows a fall of over 12% in the past three months. There is at present no sign of any contrary tendency elsewhere big enough to offset these falls. The efforts which we ourselves are making to achieve a measure of interna-

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tional price stability, and those which I am sure other countries will also make, strengthen the hope that we can avoid any recurrence of such rises as began to affect world markets after Korea. If this were to be achieved, as I hope it will be, we could reasonably hope to see the end to what has unquestionably been the major cause of the rapid increase in the cost of living which is causing all of us so much concern.

Of course, this is not a certainty, but I think on balance it is a distinct possibility.

It is nevertheless essential that all practicable steps should be taken to limit so far as possible every internal cause which might operate independently of these external factors to drive up prices. One of these steps which can be taken is price control, and after 10 years' experience of it there is no doubt in my mind about the valuable part it has played in checking inflation. The price increases in France and other countries, which I mentioned a little time ago, where incidentally higher import prices have far less effect on the internal economy than here, show the importance and the success of this and other controls.

There has been, I know, some impression recently that price control has been less strictly enforced than it was. It is, of course, true that price control was abolished in certain instances during the last three years where its value seemed at an end. It is also true that some of the meticulous forms of control which existed during the war were dropped. But, on the whole, there is no doubt that the increase in profits which has taken place has been least in the price-controlled sector of our economy. There have no doubt been increases in profits in these industries, but I can assure the House, after the examination that we have made of the position, that that has largely been because of greater exports than because of any leniency in administration.

There are inherent limitations, all the same, in price control. It is obviously more effective where the product is more or less standard, with no great divergencies in the costs of the various producers. Without standardization and close control of specifications, it is difficult to ensure the maintenance of quality, and a form of price-control evasion can develop. That is one of the great arguments for the utility schemes.

Where the costs of different firms diverge, there is bound to be a problem of settling what maximum prices are appropriate. On the one hand, adequate production and distribution must be maintained. If prices are fixed to suit the firms with lower costs, the danger has to be faced that other firms may be unable to carry on. That may not in itself matter unless there is a position where the low-cost firms cannot, for one reason or another, expand correspondingly to make up for the lost production. If, on the other hand, prices are fixed at higher levels, the more efficient or maybe more fortunate firms may make substantial profits.

Prospect of Wider Price Controls

The governmnet have had under review the present scope and machinery of price control and have come to the conclusion that, in view of the present economic situation, further steps must now be taken. In the Board of Trade field, all utility goods and many others are already price controlled. The Central Price Regulation Committee has recently completed a special review of goods which have become decontrolled, and they have recommended the re-imposition of control, either by statutory or voluntary means, over a considerable range of goods. The list is a long one and I will not read the whole of it out—aluminum hollowware, washing machines, carpet sweepers, brooms and brushes, mops, spoons and forks, cutlery, general kitchen utensils, toilet paper, stationery, paper handkerchiefs, and so on.

Discussions on the most suitable form of control are now taking place with the industries concerned, and in some cases the manufacturers, I am glad to say, have agreed not to raise their prices meanwhile without the Committee's approval. The Committee is now extending its review over all cases where control has been dropped since the war.

We have also been considering how far we should now return to more precise forms of control. For many goods in the Board of Trade field the present control is, as the House is probably aware, by cash maximum prices only. My right honorable and learned Friend has come to the conclusion that in appropriate cases, and in consultation with the trades concerned, we should now supplement this by the cost-plus method, as was done during the war.

In order to meet the objection that this method penalizes efficiency—it was always the difficulty about it—and encourages inflation of costs, he has in mind to provide for two price ceilings, below the lower of which cost-plus woud not operate, manufacturers being free to choose which ceiling they will use.

In the case of food, two-thirds of the money spent for the home goes on items already subject to price control. In the remaining one-third are included some highly perishable commodities, subject to marked seasonal fluctuations of supply and demand, and difficult by their nature to control as regards quality—for example, fresh fruit and vegetables, which account for 11½% of all the expenditure on food. My right honorable Friend, the Minister of Food, considers that it would be undesirable to reimpose retail price control, but the government are actively considering an arrangement for improving marketing and distribution in this field which in time should help to reduce distribution charges and so keep prices at a reasonable level.

Although it would be wrong to think that the measures I have just enumerated are likely to bring about any significant reduction in the retail price index, they will, I hope, ensure that over a very wide range of commodities the prices charged do not rise by more than the increases in materials, wages and other costs make inevitable. The matters I have described will also be supplemented by action on resale price maintenance, on the lines recently mentioned by the President of the Board of Trade. He, I may say, is also considering certain further proposals designed to improve the efficiency of our methods of dealing with monopolies and restrictive practices.

Credit Policy

In the course of my Budget statement, I referred very generally to credit policy. I should now like to say something more on that subject. It is obvious enough that, in theory, unlimited expansion of credit can create a demand inflation of the most serious character. It is indeed no use our withdrawing purchasing power by draconic high taxation if, by the back door, so to speak, large additional quantities of credit are being pumped into the system. It is generally agreed in the United States that, in the early period after Korea, credit expansion there increased demand and contributed quite materially to the rise in raw material prices. This policy in the United States has now been modified with marked effect.

In this country, as I said on an earlier occasion, the expansion or contraction of credit is not likely to affect the prices we have to pay for raw materials, for the simple reason that we are a very much less important buyer than America, but it can influence the level of investment here. Since more money spent on investments generates income for consumers, but not things which they can buy, investment financed through bank advances not offset by equivalent savings is clearly inflationary.

The most important index is the level of bank advances. These have been rising during the past year by about 10%, as compared with the previous year. I do not think that is surprising, in view of the higher prices of imported materials and other cost increases, but, nevertheless, I consider that the time has now come for a rather tighter check to be imposed. The very fact that the pressure for increased facilities for essential purposes, particularly rearmament and exports, is likely to expand, makes it necessary for us to ensure that other types of spending out of credit should be even more effectively discouraged.

It has been suggested sometimes that every tightening of credit control requires an increase in the short-term rates of interest which the government pay to the banking system and the money market. I do not agree with this. A rise of even ½% in the charge on the floating debt would involve a gross additional charge to the Exchequer of not less than £30 million a year. After allowing for the increased tax revenue, the increase would still be £16 million. I could only agree to a step of this kind, which has to be met by taxation and which will conflict sharply with the efforts we have been making to keep down public expenditure in the country, if it were the only way to check an increase in bank credit.

It is by no means clear that a rise in Treasury bill rates would of itself have much effect on the volume of credit, and still less clear that it is necessary to achieve the desired result. The argument is, as I understand it, that unless the Treasury bill rate is allowed to rise, the banking system can always replenish its funds by selling Treasury bills to the Bank of England without loss, thus continuing to expand advances at will.

If the clearing banks were acting entirely on their own and without regard to the national interest there might be something in this argument, but the clearing banks have for many years accepted that, in matters of credit policy, it is their duty to cooperate with the government. I have no reason to suppose that they would not be prepared at our request to keep the level of advances in check, even if they were spared the uncertainty which these commentators suggest would result from not knowing the rate at which they can discount Treasury bills.

I should add that my objections to a rise in rates for short-term government borrowing, with the imposition on the Budget that it involves, do not apply to commercial bills and advances, the rates for which have recently risen slightly. The important thing is that, without increasing the burden on the Exchequer unnecessarily, the level of advances should not be allowed to expand at a rate which produces inflationary consequences internally, and that the banks should be particularly careful in lending to ensure that the purpose of the loan coincides with the national interest, for example, because it is for production or defense or export or some vital home investment.

I have explained my views on this matter to the Governor of the Bank of England and asked him to repeat with emphasis the request which my predecessors and I have addressed to the banks on credit restriction. I am glad to tell the House that the Governor has since informed me that the banks will endeavor to do their utmost to carry out the policy I have indicated to restrict any extension of bank credit for any but essential purposes.

I value this renewed assurance of cooperation by the banking system. It is on the officials of each bank and their unique knowledge of the needs of their customers that the success of the policy must depend. It is they who, without derogating in any way from their accepted standards, will have to exercise from day to day the selection and discrimination which our present circumstances clearly demand. Should they need further guidance from the government, which must be of a fairly general kind, I shall, of course, be willing to provide it.

Profits and Dividends

I now turn to the question of profits and dividends. The House will recall that in my Budget speech I drew attention to the fact that profits had risen by nearly 14% in 1950 and were certain to rise further in 1951. I asserted that this was a movement of a fairly general kind, not so much associated with any particular improvement in efficiency or managerial skill as the consequence of much wider world events. I said that was one very good reason for imposing heavier taxation on profits; in doing this in the Budget, I made it plain that I wished to discourage companies from increasing their dividend distribution so that they should put the maximum to reserve.

Since then I have from time to time reported to the House the movements of dividends, and I have made it plain that I was disturbed by the continuing increase over last year. It is true that for the months of April and May the rate of increase over 1950 was 8½%-9% compared with nearly 14% in March and 10% in January and February. But in June I am sorry to tell the House that the rate of increase rose to very nearly 14%. These figures are net after deduction of income tax. If one allows for the increase in the rate of income tax made in the Budget, the increases for April, May and June are 10.5%, 13% and over 18%.

Moreover, the averages conceal many individual increases on a much bigger scale. In fact, it is no exaggeration to say that practically every morning there is news of a company increasing its dividend in a pretty substantial fashion and on a scale far greater than the general increase in money incomes which has recently been taking place. This kind of thing inevitably acts as a continual irritant on the great majority of the population who are not equity shareholders. After all, it is happening against the background of a heavy defense program, a rise in prices largely induced from outside, but nonetheless unpleasant for that, and a growing anxiety about our balance of payments. The psychological consequences of sharp increases in dividends are far greater than their direct monetary effect. They are a body blow to moderation in claims for higher personal incomes by wage and salary earners. I have on more than one occasion given warning that if this movement continued we should have to consider taking further steps to deal with the situation.

Proposed Limitations on Dividends

I have now reached the conclusion that those further steps are necessary if we are not to be continually frustrated in our efforts to check inflation and the increase in the cost of living. We have therefore decided to introduce in the autumn a measure to control dividends. A White Paper stating the essential principles of this legislation will be available in the Vote Office when I sit down. Meanwhile, I will give the House the following outline:

The control will apply to all companies, public and private. It will apply during the rearmament period which will be defined as three years for each company. It will impose a limit on the gross amount of dividends which may be distributed other than fixed-rate dividends. In normal cases the limit will be the average of the dividends distributed in respect of the last two accounting periods of the company for which before July 27, 1951, a final dividend has been paid or declared or announced.

For existing companies which have paid no dividend or an abnormally low dividend, there will be an alternative standard, equivalent to 5% of the relevant capital, which means, broadly speaking, the paid-up share capital. The control will not apply to companies distributing less than £10,000 gross a year. In the case of new companies which may need to raise more capital the standard will be 7% of the relevant capital. There will also be provision for the Treasury, in exceptional circumstances, to decide that the amount of dividend permissible may be increased. I wish to make it clear, however, that this power will be exercised only in very special cases. In the great majority of cases the standards provided by the Bill must be regarded as adequate.

The limitation on dividends which we propose will reduce the pressure of demand at home not only because it will limit the amount to be distributed, but because it will also check inflation in share values following on higher dividends. But I must make it plain that I also regard it as an essential prerequisite if increases on the costs side, through higher wages and salaries, are to be effectively checked.

Question of Wages

That brings me to the important and difficult question of wages. During the period 1945 to 1948 the wage rates in this country rose by 18% and average earnings by more than 20%. During this period—the three years after the war—despite an increase in food subsidies of £200 million, there was also a rise in retail prices of about 18%. From 1948 to 1950 these movements all slowed down. The increase in wage rates in that period was 5%, the increase in average earnings about 9%, and the increase in retail prices between 5% and 6%, although there was no increase at all in the subsidies. Since last autumn there has been a much more rapid increase in wage rates, which have gone up by 8%. The total increase in wage rates during the last nine months has been as great as the increase during the preceding three years.

We have often said that increases in wage rates and earnings which do no more than parallel an increase in productivity have no harmful effects on costs, because, of course, the rise in wages should be offset by the increase in productivity, so that prices do not go up at all. Recently, the increases in wages have clearly far out-distanced any increase in

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Britain's Financial and Economic Situation

productivity and therefore have contributed to the rise in costs and prices. The wage increases themselves, I think, were partly the result of the reaction against the period of extreme wage restraint ushered in after devaluation and were, of course, still more the reaction to the higher retail prices resulting from the increase in import prices.

It is as well that we should consider the implications of this development. When only one section of the workers obtain a wage increase, obviously that for the time being must improve their position as against that of the rest of the community, including other wage earners. It is sometimes supposed that when all wage earners in different occupations have increases, these are all cancelled out by price increases and nobody is any better off. That is not strictly true. The rising wages involve a transfer of real income from those whose incomes are fixed in money terms to the wage earners, and if in consequence, as undoubtedly frequently happens, profits rise, too, also a transfer to those who receive them.

The great danger, I think, of a wage or cost inflation of this kind is that if it proceeds at too violent a rate it threatens the stability of the whole economy. People begin to believe that prices are going to continue to rise. This leads to less saving and more spending and so to higher prices, and at the same time again we have the phenomenon of the pull of the home market and the diversion to the home market of goods we ought to be exporting to pay for imports.

Nor can we ignore two other dangers. First, there may be further serious consequences to the balance of payments if the rise in wages in the export trades puts our costs at a level which makes it difficult or impossible for us to compete abroad. This was in fact the major danger when my predecessor originally introduced and sought the collaboration of the TUC on the policy generally known as wage restraint. I do not think that until recently that danger has been anything like so serious as it was earlier. Indeed, it has frequently been argued that in present circumstances it would be right for the prices of our exports to rise. I must, however, give this warning, that the time may not be far distant when this danger will again become a serious one, particularly in the light of certain forecasts I made a little time ago and particularly in certain industries.

Secondly, the arbitrary redistribution of income which is involved in inflationary movements of this kind necessarily creates strains and stresses within society which can be seriously disruptive in their consequences. It is always our duty to fight against this, and it is certainly the last thing we want at a time when all our energies should be devoted to making ourselves secure and maintaining our position in world trade.

What, then, is the conclusion of the analysis? The trade union leaders made great efforts in difficult circumstances to pursue a policy of restraint which we all agree contributed very greatly to our national recovery; but they made it plain that they could not continue the policy of extreme restraint which followed devaluation, nor do I think that this would have been possible or reasonable. On the other hand, we cannot escape the fact that a continuation of the rate of wage increases which took place during last winter might do serious damage to the stability of our economy.

I hope very much that the control of dividends and the other measures which I have announced today will help to ensure the acceptance of a policy of reasonable restraint in the field of wages. I know it will be said that this cannot be accepted so long as prices are rising, but I have already indicated to the House that there is reason to hope that, so far as external factors are concerned, the upward movement has slowed down and may be coming to a stop. It is of the most vital importance that in these circumstances, and especially when there is a danger of a check to the rate of increase in production, the wage-price spiral which was, so to speak, set in motion by external forces last year, should not now continue of its own momentum.

This then completes what I am afraid has inevitably been a rather long review of the complex and difficult situation in which the country finds itself, of the prospect before us and of the policies the country should adopt. I would sum up those policies in this way:

Despite all obstacles, we must strive to go on paying our way as a nation, particularly by pushing up the volume of our exports and economizing in imports where we can. Because of the urgent needs to divert resources to defense and exports, we must keep down expenditure at home, and from this I certainly do not exclude those parts of government expenditure in which economies can reasonably be sought. We must take every possible step to avoid adding to the rise in costs and prices which world inflation has imposed upon us.

We must use our scarce materials—particularly steel and the others I have mentioned—as economically as possible and to the best effect. And at a time when the demand for manpower will intensify, we must ensure—I make this special appeal to employers—that no labor is retained in any quarter unnecessarily. Finally, as always, we must do what we can —despite raw material shortages there is much that we can do—to increase productivity, especially where it matters most.

The measures of government policy which I have announced are intended to support this program and to attack the obstacles to its achievement, especially the achievement of greater economic stability. I have explained our reasons for adopting certain measures and our reasons for not adopting some others, tempting though they may be. The situation we have to face represents one more in the ever-changing series of problems with which international postwar developments have presented us. We have made our forecasts as best we can. Should matters take another turn, we must be ready to adapt our policies accordingly; but for this next phase, and on the basis of the most balanced estimate I can make, I believe our policies are essentially right and I commend them accordingly to the House and the country.

I beg to move,

That this House, recognizing the dangers of uncontrolled inflation to the defense program, the balance of payments and the stability of the economy, urges that every effort be made, both through international action and internal measures, to check the rise in costs and prices and limit the pressure of excessive demand.

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The State of Trade and Industry

Railroads, representing a decrease of 6,509 cars, or 0.8% below the preceding week.

The week's total represented a decrease of 24,064 cars, or 2.9% below the corresponding week in 1950, but an increase of 96,503 cars, or 13.3% above the comparable period of 1949.

Auto Output Reaches New Low for Year in Past Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 97,842 units, compared with the previous week's total of 117,010 (revised) units, and 182,965 units in the like week of 1950.

For the United States alone, total output declined to 95,493 units from last week's revised total of 115,267 units, a new low for the year. In the like week of last year output totaled 180,284 units. Canadian output in the week totaled 2,249 units compared with 1,743 units a week ago and 2,681 units in the corresponding 1950 week.

Total output for the current week was made up of 74,607 cars and 20,886 trucks built in the United States and a total of 1,667 cars and 682 trucks built in Canada. In the previous week, Canadian output totaled 1,358 cars and 385 trucks against 1,906 cars and 775 trucks in the like 1950 week.

Business Failures Decrease Further in Latest Week

Commercial and industrial failures declined to 149 in the week ended Aug. 9 from 171 in the preceding week, Dun & Bradstreet, Inc., discloses. While casualties were down moderately from 1950 and 1949 when 194 and 176 occurred respectively, they were off sharply, 41%, from the prewar level of 252 in the similar week of 1939.

All of the decrease centered in failures involving liabilities of $5,000, or more, which fell to 115 from 137 in the previous week and 155 in the comparable week of last year.

Wholesale Food Price Moves Higher for 3rd Straight Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., advanced another 4 cents last week to stand at $6.95 on Aug. 7. This marked the third successive weekly rise and the sharpest gain since the week of Feb. 20 when it rose 6 cents to establish the year's high at $7.31. The current level of $6.95 compares with $6.53 a year ago, or an increase of 6.4%.

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

Wholesale Commodity Price Level Drops to Lowest Point Since November 8 of Last Year

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued to trend downward the past week, falling to 300.60 on Aug. 6, the lowest since the 299.29 of Nov. 8, 1950. It finished at 300.80 on Aug. 7, as against 302.09 a week earlier, and 284.17 a year ago.

Grain futures prices on the Chicago Board of Trade trended irregularly higher last week in relatively light trading. Strength in wheat was largely influenced by heavy export sales to western Germany and disappointingly small country offerings of soft Winter wheat. Corn prices moved upward, aided by firmness in the cash article, a decline in market receipts and anxiety over the stalemate in Korean truce negotiations. Trading in oats was more active with prices slightly firmer as the market recovered from the lows of late July. Rye closed lower but showed strength at times on the prospect of increased export business in the near future. Sales of grain futures on the Chicago Board of Trade last week totaled 146,585,000 bushels, or a daily average of about 29,000,000 bushels. The latter compared with 37,800,000 bushels in the previous week, and 40,000,000 bushels in the like week a year ago.

The domestic flour market was featured by a continued lack of forward buying as bakers and other large users held to the sidelines in anticipation of a weakening in wheat values.

Cocoa finished with moderate advances over a week ago despite some reaction at the weekend. Manufacturer demand was rather quiet but the market was sustained by the firm holding policy in the Brazilian market and small offerings from other primary sources. Lard and vegetable oils were firm, influenced by the announcement of the government's plan to support the price of cotton seed. Chicago livestock markets were generally steady to slightly firmer. A further moderate rise in hogs brought current quotations to the highest levels since last February.

Activity in both the futures and spot cotton markets was relatively the past week as traders awaited publication of the first official 1951 crop estimate, scheduled to be released on Aug. 8. Prices worked irregularly lower during the week, reflecting selling prompted by the expectation of a high yield and continued slowness in the cotton gray goods market. Mill demand and buying for export continued slow. Sales in the ten spot markets last week were reported at 46,800 bales, comparing with 39,900 in the previous week, and 360,900 bales in the corresponding week a year ago.

The mid-July parity price for cotton showed a drop of 13 points to 33.85 cents per pound, marking the first decline in 22 months.

The condition of the crop continued favorable, with better than average progress noted as the result of scattered showers over most of the belt which partially relieved drought conditions.

Trade Volume Edged Higher for Week But Compares Unfavorably With Like Period of 1950

While there was a slight increase in consumer buying in the period ended on Wednesday of last week, retail sales volume continued to compare unfavorably with that in the similar 1950 week when scarebuying was prevalent and retail trade unusually active. Retail volume last week was, however, well above that in the corresponding weeks of 1949 and 1948, states Dun & Bradstreet, Inc., in its current summary of trade.

A slight rise in apparel volume partially reflected the favorable response to promotional sales of Fall dresses, suits, and sportwear. Clearance sales and intensified advertising campaigns were generally successful in encouraging consumers to buy Summer dresses and vacation apparel. There was a noticeable increase in the consumer buying of children's back-to-school apparel needs.

The consumer demand for food was steady at a high level. The increased volume in fresh fruits and vegetables was partly attributed to the start of the home canning season. Somewhat lower prices for canned citrus fruit juices stimulated consumer buying considerably in some areas. Coffee continued to sell well, as did frozen foods and dry groceries.

Resistance to the high prices of some fresh meats became even more noticeable than in previous weeks.

There was also a slight decline in the demand for smoked and canned meats.

Retail volume in furniture and electrical appliances declined slightly the past week. Although there was a lag in the demand for refrigerators, washing machines, television sets, and the more expensive radios, there was a favorable demand for portable radios and decorative household goods.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 5 to 9% below a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England, Middle West, and Northwest—6 to —10; East —1 to —5; South —5 to —9; Southwest and Pacific Coast —8 to —12.

The increased ordering of apparel and home specialties for the Fall season more than offset slight declines in the demand for some other goods. Wholesale dollar volume rose slightly in the week and was at approximately the same level as in the corresponding week a year ago. While buyer attendance at the major wholesale centers was about 9% above last week's level, it was about 9% below that in the comparable 1950 week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 4, 1951, dcreased 15% from the like period of last year. A decline of 21% was recorded in the previous week from that of a year ago, and a decrease of 17% is shown for the four weeks ended Aug. 4, 1951. For the year to date department store sales registered an advance of 5%.

Retail trade in New York last week closely approximated the unusually high levels that prevailed a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 4, 1951, declined 13% from the like period of last year. In the preceding week a decrease of 18% was registered under the similar week of 1950. For the four weeks ended Aug. 4, 1951, a decrease of 11% was recorded below that of a year ago, and for the year to date, volume advanced 9% from the like period of last year.

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Business Still Holds Steady at a High Level

changes in the armament program, or in consumer spending.

Scheduled Programs Large

Current levels of business and industrial activity will be modified during the coming months by forces other than the normal economic ones. The most important of these is, of course, the government spending for the defense program. Total expenditures by the Federal Government for all goods and services during the last 12 months were $45,000,000,000, about $3,500,000,000 less than the amount received from taxpayers. Current expenditures, however, are at the annual rate of about $62,000,000,000, which is considerably more than tax receipts. This spending is scheduled to increase to at least $75,000,000,000 early next year, unless the reduction in the expenditures for military supplies and equipment is much more than is now expected. Changes in consumer and business spending could offset some of this increase. They have changed that much in the past, although they are not likely to do so now. In fact consumers are likely to spend more as their incomes increase as a result of the amounts paid out for the production of military supplies and equipment.

While this spending will ultimately affect all aspects of economic activity, the most direct effects will be on industrial output. Deliveries of military materials and equipment are now at a rate of about $1,500,000,000 a month and are scheduled to rise to $4,000,000,000 monthly by the middle of next year. New orders are being placed at the rate of close to $4,000,000,000 monthly. Unfilled orders now total $21,000,000,000 and will continue to rise until the rate of deliveries equals the rate of new orders. To keep these figures in proper perspective, one should remember that they are to be compared with total current manufacturers' output which is around $24,000,000,000 monthly. Production of military goods even at the high point will be only a small percentage of total output. For that reason the effect of the military program should not be overestimated nor should the changes in the production and sale of civilian goods be ignored. The defense program will be large, but other economic activity will be even larger, and changes in it will be of major significance.

Another comparsion that is significant is that between the defense program and total spending. The gross national product, which includes all expenditures and is a fairly good measure to overall activity, is currently around $315,000,000,000. Here, too, the economic activity of individuals is far greater in amount than the activity of government, even though that spending is very large.

Some Soft Spots Have Appeared

Favorable indicators in production and trade as well as in the scheduled program for expansion have been offset to some extent by downward trends in many lines. These have not yet been strong enough to reduce total industrial production nor business volume, but they do tend to prevent or hold down any upward rise which would otherwise result from the large spending programs. Retail sales to consumers have held barely steady, and in some lines they have dropped considerably. In comparison with the sharp upward spurt in sales a year ago the current volume of sales is becoming increasingly unfavorable. The dollar amounts of sales have been higher than a year ago during much of the time in recent weeks, but the physical quantities of goods sold have often been less than they were last year. High prices have tended to curtail demand, and because of the higher cost of living many consumers have less to spend after paying for necessities than they had a year ago.

Commodity price changes reflect these conditions in a very striking way. Although all the major price indexes are higher than they were a year ago, most of them have been declining for some time. Several of them are at the lowest level in many months. The index of commodities in the wholesale markets which is prepared by the United States Bureau of Labor Statistics reached a high point of 184 in March, a gain of 20% in a year. Since that time the trend has been downward, and the index is now at 180. The index of 28 basic commodities which fluctuates quickly in response to changed conditions of supply and demand rose to 390 in February, an increase of 57% in a year. Since that time it has dropped to 337, a decline of 16%. It is still 30% above the low point of last year, however, and the rate of decline has recently been slowing down. The base period or 100 in this index is the level of prices in August, 1939. The current position of the index reflects the current very high prices for many industrial raw materials and farm products.

Food prices and the cost of living have risen by somewhat smaller percentages, but they have declined very little. The Dun & Bradstreet index of the wholesale prices of 31 foods has held very close to the high point of $7.20 which was reached in February. It is over 20% higher than it was a year ago.

The cost of living or consumer price index, which includes a representative selection of goods and services that make up the normal family expenditures, has risen about 10% during the past year and is considerably higher than it has ever been before. In recent weeks the index has been quite stable, although some items in it have fallen slightly. Unless inflationary pressures become much stronger than at present and costs rise further, no significant changes in the cost of living are expected during the next few months.

Security Prices Wavering

Trends in security prices are determined by quite different factors than those in commodity prices, but they are also important indicators of current conditions as well as prospects for the future. They have often forecast business conditions even further in advance than have changes in commodity prices. Prices of securities rose to the highest levels in 20 years during the first part of March. Since then they have declined and also recovered some of the loss. During the past month they have been fluctuating without any definite trend in either direction around a point about 5% below the peak. The averages are close to 20% higher than they were a year ago, but there are many wide variations among the different individual securities.

Security prices reflect not only business activity but also the outlook for profits and dividends. Many companies are being steadily squeezed by higher operating costs which leave them extremely vulnerable to any declines in sales volume or in selling prices of their products. Profits so far this year have been good, however, and for many companies are surpassing even the record earnings of last year. Dividends have also increased, although by somewhat smaller percentage, as many companies are not paying out as much of their earnings as they normally do. Larger amounts are being retained to meet the increased working capital requirements at the higher price level. Also more of the earnings are being put back into the business in capital expenditures. Larger reserves are being built up to meet the readjustments which are likely to be needed in the future after the defense program is completed.

Bond prices have declined and are about 3% below the high point of last year. This downward movement reflects not only the higher interest rates on money but also the uncertainty as to the extent of the inflation which will take place. Yields of high grade corporation bonds have risen to over 3% which is the highest in many years. Yields on some government bonds have gone up to 2½%.

Most other financial indicators are favorable. Business failures remain at a low level as compared with normal and so far this year have been less than they were a year ago. In recent weeks there have been some increases, however, which reflect some of the difficulties which business firms are facing in meeting added materials and labor cost as well as the difficulties in getting supplies. Bank deposits are steadily increasing, although the rate of gain has become less in recent weeks. Totals are at peak levels, however, and further increases are expected.

A substantial part of the increase in business during the past year has been financed by bank credit and also by the increase in consumer credit. Efforts to restrict the use of credit have been only moderately successful, as the trends in both fields are still upward. Consumer credit has increased $2,000,000,000 during the last year and is now over $19,000,000,000. Most of the decline of a few months ago has been recovered, and the total is now very close to the peak. Not only are consumers more heavily in debt than they were a year ago, but also they have reduced their holdings of government bonds and savings accounts. A portion of the very large volume of retail sales during the past year has not yet been paid for. The total amount of consumer credit outstanding, however, is not high in comparison with the current volume of retail sales.

Bank credit used by business has increased much more than consumer credit. Commercial, industrial, and agricultural loans made by member banks of the Federal Reserve System in leading cities are now over $5,000,000,000 larger than they were a year ago. For the banking system as a whole the increase has been larger in amount, with about the same 40% gain over last year. Real estate loans and other types of loans have also increased by at least 15%. Large expansion of bank credit has often been a characteristic of conditions in business just before a period of decline. It represents an above-normal rate of expansion in industrial activity and also purchasing by business in advance of needs. If it is continued too long, a period of readjustment is needed in order to bring it more nearly in line with normal growth. When that change will take place and how long it will be continued cannot be determined in advance, however, and no signs have yet appeared of any reversal in the upward trend.

Inventories Are Still Increasing

Commercial bank credit is used largely to finance inventories, and these are continuing to rise. The total inventories for all business have reached a new peak of $70,000,000,000, an increase of $16,000,000,000 during the past year. The increase both in amount and in percentage has been larger than in any previous period. Increases have been taking place among manufacturers, retailers, and wholesalers. They indicate that not all of the past large production has been sold. Part of the increase has been due to higher prices, but physical quantities are also much larger.

Inventories are not yet excessive, although the trends of the last year cannot be continued indefinitely. In manufacturing, for example, stocks of goods on hand are $9,000,000,000 larger than they were a year ago, but unfilled orders are up $32,000,000,000. The ratio of current inventories to orders is lower than it has been at many times in the past. Among retail and wholesale establishments the ratio of inventories to sales has risen only moderately. In the retail field inventories are equal to one and one-half months' sales as compared with one and one-third months in the fairly stable period of two years ago.

Consideration must be given to the fact that a large portion of current unfilled orders held by manufacturers does not represent normal business demand. Allowance must be made also for the unbalanced conditions in many lines where stocks of goods are excessive in comparison with current sales. Special sales promotions efforts by many retailers and substantial price reductions on many types of goods reflect these conditions of large inventories in those fields. One of the places in which stocks are very large is in durable goods for consumers. Production of these goods spurted rapidly several months ago as many businessmen anticipated shortages in raw materials and greater restrictions of civilian production than have yet been made.

At the same time the demand for these types of goods has become less intense, and the result is that production trends in these fields are downward.

New orders received by manufacturers have been declining for the last two months and now are coming in at the lowest rate since last December. They are larger than they were a year ago, however, and they are also larger than current production. As a result unfilled orders have risen to a new peak at more than two and one-half times those of a year ago. In the durable goods field they are equal to about four months' sales. Most of the rise has been in machinery and transportation equipment, rather than in other types of durable goods for consumers. Unfilled orders for nondurable goods have declined with the largest drops in those for clothing and other textile products. Also significant is the decline in unfilled orders for freight cars. In the past changes in this field have often forecast trends in the capital goods industries, although the current abnormal conditions make this indicator less reliable than it has been at other times. Yet it does point to the possibility of more moderate increases in the future than some other figures might seem to indicate.

Some Declining Industries

Among the industries whose output is declining, the most striking is the automobile industry. Weekly output of cars and trucks has dropped from close to 200,000 earlier in the year to less than 150,000 now. The decline is from a very high level, however, and the current rate is still above that of any year previous to 1950. Production during the first half of the year established a new record, but declines of at least 30% are scheduled for the third quarter and possibly for the last quarter of the year as well. Even after these reductions output will be high as compared with previous years.

Residential building has been falling off throughout most of the year, although there was a moderate increase in June. The number of dwelling units started during the first half of the year was 20% lower than during the corresponding period last year. If present trends continue the reduction in home building from the record high of last year will be less than was expected, and close to 1,000,000 dwelling units will be started.

Trends have been downward in most of the consumer durable goods lines, especially in radios, television, refrigerators, and household appliances. Stocks of goods on hand are very high in all these lines, however, and no serious shortages are likely.

Output in the textile industry has been holding barely steady. Although the consumption of cotton during the last 12 months was greater than during the preceding year, the trend has recently been down, and the mills are now using less cotton than they did a year ago. Exports of cotton have also dropped.

Output of coal has been declining steadily, but even the reduced output is larger than current demand, and stocks on hand are very large. Shifts to other forms of fuel because of higher prices has reduced the demand for coal.

Agricultural Prospects Very Good

Outlook for large production on the farms has improved during the summer, and the outlook for most crops is far better than average. The number of acres planted in crops was the largest in 18 years, and in only four years have the acres harvested of the 52 principal crops been larger than they will be this year. Prospects for yields per acre are also considered excellent, and most of them will be much higher than even the good crops of last year.

The wheat crop now being harvested will total more than 1,000,000,000 bushels. The decline in winter wheat has been more than offset by the exceptionally large output of spring wheat. The total supplies of wheat will not only be adequate but also larger than domestic consumption and anticipated exports.

The corn crop is expected to total close to 3,300,000,000 bushels, although much will depend upon weather conditions this month. In only two previous years has the crop been larger. Other feed grains, including oats, barley and sorghums, will be produced in close-to-record amounts. The hay crop is the largest ever raised. Feed supplies will be ample for producing the maximum quantities of livestock and poultry products.

Increases in the cotton crop have been most striking with not only many more acres planted, but also indicated yields per acre much above average. If weather conditions remain favorable a crop of 18,000,000 bales is possible, as compared with 10,000,000 bales last year. That amount will be more than domestic consumption and exports.

Prices of farm products have been declining in recent weeks as crop prospects have improved. They are still higher than they were a year ago, however, and farm income is holding up quite well. Increases over last year are indicated in the income from both crops and livestock. Monthly farm income is currently running well above $2,000,000,000.

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Recent Developments in Federal Reserve Policy

permitted on marketable Treasury obligations. This notion originated at the time of the war-loan drives in order to encourage investors to subscribe to government issues. In the postwar years, this concept of the sacredness of par was defended on the grounds that a decline in prices below par would be unfair to the buyers of government bonds and would have undesirable repercussions upon financial institutions, upon the operations of the Treasury, and upon the economy in general. As late as 1948, public statements of responsible people in the Treasury and in the Federal Reserve System revealed close agreement concerning the sanctity of par.

Whatever the merits of this point of view, the necessity of protecting par and of safeguarding the 2½% rate severely handicaped the Federal Reserve in the use of its general powers of credit control during the postwar years. Because of the closely interrelated character of the government securities markets, the peg under long-term government obligations carried with it the collateral necessity to maintain a fairly easily discernible pattern of prices and yields on Treasury securities of various maturities, which would be supported, if required, through purchases by the Federal Reserve System. Consequently, for most of the postwar period, the element of price uncertainty was minimized throughout all sectors of the government securities market.

Liquidity of Government Securities—This situation inevitably imparted an extremely high degree of liquidity to all types of government obligations. Under such conditions, the stated maturity of a government obligation had little significance to many investors. There was a strong temptation to reach out for longer maturities in order to obtain a higher return, and what were essentially short-term funds were frequently invested in long-term securities. This temptation was especially strong in the immediate postwar years when the low wartime rates on short-term governments were still in force; later, this tendency was moderated by the increase in short-term rates after the middle of 1947.

Credit Restraint and Unpegging—The monetary authorities were not insensitive to the inhibitions which the pegging of government bonds laid upon the exercise of credit restraint. In the course of the postwar years, they developed the so-called "open mouth" policy by means of which they attempted to maintain enough uncertainty as to the future course of interest rates to prevent investors from ignoring maturity features even while support operations were continued. In retrospect, this policy probably was moderately effective; there was no wholesale liquidation of shorter-term issues, and certain classes of investors, notably the commercial banks, remained wary about unduly lengthening their portfolios. However, many investors doubtless conducted their operations on the assumption that the support policies would be continued indefinitely.

With the unpegging of the government bond market, the Federal Reserve System gained greater latitude in the use of its powers of general credit restraint. Government bonds were permitted to move below par, and the policy of maintaining pegged price levels was superseded by the more flexible policy of maintaining an orderly market. With the Federal Reserve enjoying more discretion in its support operations, would-be sellers can place less reliance upon the willingness of the Federal Reserve to absorb their offerings, and must look to a greater extent to the investment market. Thus, the liquidity of government bonds has been reduced, and price uncertainty has become a more important consideration in the market for Treasury securities.

The Effects of "Unpegging"

It is still too early for a final appraisal of the new Federal Reserve policy and its consequences upon the credit situation and the economy. However, the experience of recent months has already demonstrated that many of the arguments advanced during the postwar years against an unpegging of government bonds have not been substantiated by the actual course of events.

Effect on the Bond Market—Prior to the unpegging, there was some opinion that a decline in government bonds below par would have drastic consequences throughout the bond market and might elicit large-scale liquidation of government securities and other fixed obligations. Actually, unpegging was accomplished without any signs of panic and with a minimum of unsettlement. A contributing factor was the action of the Treasury, which undertook to remove a large part of the longest term government debt from the market.

Early in March of this year, it will be recalled, the Treasury offered holders of the nearly $20 billion 2½% bank-ineligible bonds of 1967-72 the opportunity to exchange their securities for a new very long term nonmarketable bond bearing 2¾% interest. This offer was accepted by holders of more than $13½ billion of the marketable bonds, including Federal Reserve and government investment accounts comprising about $5½ billion. No doubt, this conversion offer importantly reduced the volume of liquidation that otherwise might have followed the unpegging.

The unpegging of government bonds on March 12 did not precipitate a severe downturn of prices. During the period of the exchange offer, the Federal Reserve made large purchases in support of the market and consequently the longest term marketable bonds remained at 99 or higher. In April, after the conversion offer expired, the Federal Reserve substantially reduced the volume of support buying and long-term issues slipped to levels below 97. Late in June, however, with the appearance of truce prospects in Korea, government securities evidenced strength and the Federal Reserve was able to withdraw completely from the long-term market.

The change in credit policy had a much more pronounced effect upon the market for corporate and municipal obligations. Corporate bonds declined considerably, the differential between the yields of corporate and government bonds widened substantially, and new offerings had to be repriced at sharply higher yields in order to attract funds. The municipal bond market, which had experienced a big rise for several months in the expectation of higher tax rates and reduced offerings, was hit with particular severity. With the better tone in governments, however, this segment of the market recently made an especially strong recovery.

Effect on Treasury Operations—Doubtless, objections by the Treasury were the most potent factor in the failure of the Federal Reserve to change its policies earlier in the postwar years. The unprecedented wartime increase in the public debt, whereby government securities became the greatest single factor in the money and capital markets, left the Treasury with a delicate and exacting task of debt management. Perhaps it approached this task with an overabundance of timidity and caution. The Treasury's objections to a restrictive general credit policy, with its corollary of higher interest rates, were based on three major grounds.

(1) A fundamental contention was that such a policy would increase the carrying cost of the Federal debt and thus would add to an already huge Treasury budget. Admittedly, the carrying cost of the public debt is a matter of real importance and it must be held within reasonable bounds. However, in the determination of credit policy, it should not be regarded as a decisive factor, outweighing other considerations which have far greater significance.

(2) Another Treasury objection was that an unpegging of government bonds might complicate the task of refunding maturing Treasury obligations. The record to date, however, shows that unpegging has not interfered with the subsequent refunding operations of the Treasury. The success or failure of such refundings is influenced less by the level of interest rates prevailing at any given time than by the willingness of the Treasury to offer securities which, on the basis of interest rate and maturity, are adapted to the needs and desires of investors. It is true that Treasury refunding operations would be greatly complicated by a demoralized government securities market. It does not follow, however, that a choice must be made between a rigidly controlled, meticulously regulated market, and a chaotic one. The middle road traveled by the Federal Reserve during the past months has avoided both the evils of rigid control and of chaos, and has imposed no significant difficulties for Treasury debt management. In fact, the latest exchange offering of the Treasury was the most successful in a good many years.

(3) Finally, the Treasury feared that a decline in government bond prices below par would encourage the redemption of savings bonds and would thus increase the cash drain on the Treasury. The record shows that redemptions of savings bonds began to increase significantly in the latter half of 1950 and reached a peak in the first quarter of 1951, before the unpegging. The increase in redemptions occurred almost entirely in E bonds of $100 or more face value. In part it reflected the use of savings for the purchase of consumer durable goods, including housing, and in part a shift of funds into investments regarded as more suited to an inflationary era.

The decline in government bonds below par has had no appreciable effect on redemptions; since March of this year savings bond redemptions have leveled off. Sales of savings bonds, however, have continued the decline which became significant in the latter half of 1950. In recent months, the decline in sales has been especially pronounced for F and G bonds, where the yields are not as attractive as on marketable issues. The outlook is that purchases of larger denomination E bonds and of F and G issues on the part of larger investors will continue at relatively low levels. However, the Treasury could make these savings bonds more attractive by adapting their yields to the new market conditions.

Effects on Financial Institutions—Another argument advanced in the postwar years against an unfreezing of the government bond market was the fear that the resulting increase of interest rates and depreciation on bond portfolios might impair the position of financial institutions and might lead to uneasiness among bank depositors or insurance policyholders. This fear, likewise, has not materialized. While some portfolios doubtless show losses based on a comparison of market prices and cost or other carrying value, the losses have not been substantial enough to raise any question in the minds of the public with regard to the safety or solvency of the financial institutions. In most cases, the securities can be held to maturity, so that declines in market prices which reflect simply a change in general interest rate levels do not jeopardize the ultimate solvency of our banks and insurance companies.

Effects on New Financing—An important argument against a more restrictive general credit policy, involving higher interest rates, was that a drastic use of credit restraint was inappropriate in our economy, and that relatively small increases in interest rates could not effectively cope with credit expansion and inflation. A modest increase in interest rates, it was argued, would not significantly reduce personal consumption and increase personal saving, would not decrease business spending on plant and equipment or inventories, would not restrain spending by governmental bodies, and consequently could not effectively deal with inflationary pressures.

The proponents of moderately higher rates, on the other hand, emphasize the effects of small changes in interest rates upon the policies of lending institutions, rather than upon the requirements for funds. The record since the unpegging seems to support their views. In general, private credit has become less readily available in recent months. The declines in bond prices undoubtedly have reduced the eagerness of some financial institutions to increase their lending power through the sale of government securities at a loss.

The restrictive effect of the recent declines in bond prices has been most evident in the fields of municipal and real estate financing. The declines in municipal bond prices, coupled with large dealers' inventories and the operation of the voluntary credit restraint program, have significantly curtailed the volume of new municipal financing. It has been estimated that as much as $500 million of municipal issues have been postponed since the adoption of a more restrictive credit policy. The real estate mortgage market has also been affected. For a variety of reasons, including large outstanding commitments and the failure of the authorities to increase the rates on government-guaranteed loans, interest rates on mortgage loans have not risen sufficiently to keep them attractive in competition with other investment outlets. Consequently, some institutions have curtailed and others have stopped their acquisitions of new mortgages. In turn, this has helped to reduce the willingness of lenders to provide interim financing for new real estate ventures.

The volume of corporate financing has been well maintained in recent months; corporations have substantial flexibility in their financing policies and generally have been able to sell their securities provided they were willing to make the coupon rates sufficiently attractive. However, even here there is some evidence that the volume of new issues around midyear is lower than might have been expected.

The behavior of business loans since the unpegging is difficult to appraise. Recently they have not shown anything like the sizable increases typical of the early months of the Korean war boom. However, the second quarter of the year is normally a period of seasonal decline in business loans. Other factors moderating the growth of business loans in recent months have been the mounting concern over the high levels of business inventories and some uncertainty regarding the outlook for commodity prices. At the same time, the voluntary credit restraint program has taken effect, and many commercial banks, with their loans already at record levels, are less inclined to add to their loan portfolios than they were a year ago. Where business loans have increased, it has been chiefly to finance defense contracts and defense-supporting activities and, more recently, the normal seasonal marketing of commodities.

Perhaps the statistics on bank loans are less important than are the changes in the thinking, policies and points of view of lending officers. Here one finds general and widespread evidence of increasing reluctance to make loans. And it seems clear that the unpegging of government bonds has served to increase the effectiveness of the other policies of credit restraint, it is much easier to turn down a marginal would-be borrower when a further expansion of loans would necessitate the sale of government securities at a loss.

General Credit Policy and Inflation

It is apparent that the new development in credit policy exemplified by the unpegging of government bonds earlier this year and the subsequent decline in bond prices has contributed to some tightening of lending policies, with the most obvious effects apparent in municipal and real estate financing. There have been no troublesome results either for the conduct of Treasury operations or for financial institutions. Thus the points of view advanced by the proponents of a more restrictive Federal Reserve policy have so far been generally vindicated.

A more fundamental, and in a sense a more important question, is the extent to which developments in the field of credit policy were responsible for the abatement of inflation that has been evident throughout much of 1951. Perhaps the most realistic conclusion is that many factors have contributed to the recent easing of inflationary pressures; that credit policies operated in this direction and doubtless made some contribution; but that the underlying causes are to be found elsewhere in the economy.

The Subsidence of Inflation—The inflationary boom of a year ago originated in the shock to consumer and business psychology resulting from the outbreak of hostilities in Korea, coupled with the fear that the war might develop into a world-wide conflagration. A great wave of scare buying swept the economy; the government stepped up its stockpiling operations; businessmen sought to increase their inventories and to accelerate plant expansion programs; and consumers scrambled for goods of all kinds.

With the passage of time, however, the economic environment underwent an important change. The lag in the defense program and the tremendous productive capacity of American industry enabled the industrial machine to meet the greatly increased demands of consumers and at the same time build up record busi-

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ness inventories. Also, the military progress in Korea, coupled with the failure of Russia to take further aggressive action, contributed to a calmer appraisal of international prospects, and the war fever gradually subsided. Good crop prospects resulted in an easing of prices of many agricultural products. The imposition of price controls also restrained the advance of some prices. Gradually it became evident that the defense program presently contemplated would still leave substantial amounts of goods available for the civilian market. All these circumstances have contributed to a change in business and consumer psychology, to a leveling off of commodity prices, and to a good deal of uncertainty regarding business prospects.

The Role of General Credit Policy—Consequently, it must be recognized that restrictive credit policy is not the major factor responsible for the change in commodity prices in 1951. General credit policy has been merely one of a number of factors in our economy tending to tighten lending and to curb credit expansion. Consumer spending sagged and personal savings rose sharply in the second quarter of the year, but the change in interest rates probably had little or nothing to do with it. If any credit measure contributed significantly to this end, it was probably the regulation of consumer credit. While Regulation W has not caused any important downturn in the amount of consumer credit outstanding, it may have helped to prevent the increase that might otherwise have occurred. The change in the war news, the subsidence of scare buying, and a normal reaction of consumers to the earlier overbuying probably were the main factors responsible for lower consumer spending and higher personal savings in recent months.

Business outlays likewise have not been visibly affected by the higher levels of interest rates. The volume of business spending for plant and equipment is at record levels. There may be a few instances in which business managements are deferring expansion plans, but whether this is due to lack of available financing on satisfactory terms or to other causes is a moot point. In residential building, on the other hand, the lack of financing has unquestionably resulted in the postponement, for the time being at least, of a number of projects, and a similar situation may prevail in the case of public improvement programs. In each of the two latter cases, the economic consequences of lower levels of building and construction will be felt in growing measure in the future; as yet the demands for labor and materials as a result of projects already under way are still relatively strong.

In assaying these developments, it is apparent that many other forces have been operating in the same general direction as the credit policy of the Federal Reserve System, and have increased the effectiveness of that policy. Conversely, it may well be that the restrictive credit policies of the past months have strengthened and assisted the other forces in the economy which have dampened inflation. Such credit policies contribute to a more careful and cautious appraisal of the economic outlook, and thereby facilitate the task of dealing with inflationary pressures. Consequently, although credit policies may have only marginal effects in helping to shape the course of economic events, this does not mean that their contribution is negligible. In a free market economy, most economic forces operate through these marginal decisions, and the cumulative effect of a large number of marginal decisions may be impressive.

Furthermore, there are many administrative advantages in the use of general credit policy. It enjoys great flexibility; it can be applied rapidly, and without the drafting of complex regulations, and can be adapted to changing conditions with a minimum of delay and difficulty. Changes in general credit conditions, interest rates and government security prices have widespread effects throughout the economy. In contrast to direct or selective controls, general credit restraints cannot be avoided or evaded; there is no need for a costly and elaborate enforcement machinery.

The Outlook for Credit Policy

Viewed in perspective, the unpegging of government bond prices is the latest in a series of steps by which some of the shackles imposed on credit policy during World War II have been relaxed. In 1945, the Federal Reserve Board took a firm stand against the unpegging even of short-term interest rates, and documented its point of view with a formidable presentation of the dangers inherent in such a step. Sentiment changed with the passage of time, however, and in 1947 both the Treasury bill and certificate rates were unfrozen and thereafter allowed to rise. In the latter part of 1947, the support of long-term government bonds became a problem for the first time since the adoption of the price support policy during World War II. While support prices on long-term bonds were reduced in December, 1947, the Federal Reserve was not then willing to see bond prices drop even as low as par, and, in order to safeguard against the development of any untoward results, embarked upon an aggressive support program at the time support prices were lowered. Between 1948 and 1951 progress was made in eliminating the sanctity of par in the case of some of the shorter term issues. But it was not until this year that the Federal Reserve authorities, after years of careful study of the problem, believed that conditions warranted a firm stand in favor of allowing long - term government bonds to decline below par.

It is thus apparent that a substantial change has taken place since the end of World War II in the willingness of the Federal Reserve authorities to employ a restrictive general credit policy involving higher interest rates. However, the recent change in credit policy has not been a radical one; the present phase of Federal Reserve policy places strong reliance upon the subtle distinction between a rigidly pegged market for government bonds and a flexible policy of occasional support. In a market determined largely by the portfolio policies of large institutional investors, this distinction is certainly important. A basic question which cannot be answered as yet is whether a policy of general credit restraint involving moderate increases in interest rates can be kept effective unless rates are increased repeatedly.

Effectiveness of Moderate Rate Increases—So far, the new Federal Reserve policy has been greatly aided in exercising restrictions upon lending institutions by the shock of a novel situation. It may well be that the salutary results of the change in Federal Reserve policy are based upon a unique constellation of circumstances not likely to be repeated. For years, many financial institutions had been operating on the general assumption that support policies would continue without signficant change and that the liquidity of government securities was substantially assured for an indefinite period ahead. As a result, they had not adequately covered their commitments by cash and short-term securities, and thus felt the pressure of declining security prices very keenly when governments were unpegged.

Over a period of time, however, the financial institutions will undoubtedly adjust themselves to the current level of interest rates. A policy of spaced maturities, for example, would gradually enable financial institutions to lighten their government portfolios without loss by allowing their maturing obligations to run off. Also, portfolios managers, directors and trustees will eventually lose their aversion to taking a capital loss on the sale of government securities if other investments are available at sufficiently attractive returns. Thus another rate increase of modest proportions in an already unpegged market might be less effective in the future than the increase that accompanied the rather spectacular act of unpegging. If the monetary authorities should desire to keep lending institutions under pressure, they may eventually have to acquiesce to a further and substantial tightening of interest rates.

Limitations on Credit Policy—Consequently, the true significance of the unpegging of government bond prices and the resulting greater flexibility of action available to the Federal Reserve System will become apparent only when the economy experiences a resurgence of inflationary pressures. The developments of the recent past demonstrate that the Federal Reserve authorities feel there is a real place in our economic system for the use of general credit policy; confronted with such conditions, they would very likely attempt to make greater use of their powers of general credit restraint than has been possible in the past decade. However, it should be kept in mind that the uses of restrictive credit policies of all kinds are fraught with many difficulties and that the pursuit of a progressively tighter general credit policy would very likely meet formidable obstacles.

There is little doubt that if credit policies are applied with sufficient vigor they can crack almost any boom. However, past experience has repeatedly demonstrated that an almost inevitable consequence of such stern measures is an economic reaction which brings about deflation, depression, business failures and unemployment. This is strong medicine indeed, and there are many who question whether the cure is not as bad as the malady. Severely restrictive credit policies are doubly questionable in a defense economy, where the goal is to attain maximum production with a minimum of economic dislocation.

Even a credit policy involving merely moderate rate increases, if continued, is likely to meet increasing opposition. Although the recent adjustment of interest rates has not complicated the Treasury's refunding operations, the prospect of a protracted and indefinite rise might create more serious problems and might well prompt a renewal of Treasury resistance to such policies.

Another important barrier to the development even of moderately effective credit restraint is provided by political opposition. The past decade of full employment has probably reduced the willingness of the public to accept any credit policy that might have a measurably restrictive effect upon employment and business activity. In the case of selective credit controls, the Congress recently limited the power of the Federal Reserve authorities to restrict consumer credit, and a similar move is in progress to modify the controls on real estate financing. General measures of credit restraint are perhaps less vulnerable politically, partly because lenders cannot point to a specific regulation of the monetary authorities in turning down a loan. But should general credit policies be so drastically applied as to reduce substantially the amount of credit available to business, it is likely that political resentment would become equally vehement. Apparently the public prefers inflation to deflation and readily available credit to scarce credit; these predilections have an important bearing on the use of credit restraint in our politically-minded economy.

Conclusions

The salient factors that will determine the future course of our economy, and hence the problems which the Federal Reserve authorities will be called upon to face, are largely in the realm of speculation: the attitude and action of Russia in the future; the reaction of the public to Russian moves; the size and character of our military program; the future action of Congress on price control, taxes and government spending; the policy of the Administration on prices, wages and a host of other matters. Hence, we do not know whether the current relief from spiraling prices is a temporary phenomenon which will be succeeded by a reappearance of inflationary pressures with the anticipated growth in the defense program, or whether the tremendous productive capacity of the country is sufficient to permit the support of the defense program without too much interference with the civilian economy.

Should inflationary symptoms continue to subside, the monetary authorities may be expected to refrain from any further tightening of credit controls. If we have another international crisis of major proportions, a further big expansion in our military program, and a consequent revival of virulent inflationary pressures, resort would in all probability be had to comprehensive economic controls rather than to a general credit policy of drastic proportions. This might well ease the problems of the monetary authorities; the role of direct economic controls would be enhanced, while the place of credit policy would be reduced.

The most difficult problems for the monetary authorities would be posed by a reappearance of the chronic and persistent inflationary pressures without the sobering accompaniment of a critical international situation. Only the future will reveal whether the monetary authorities would then be able to continue their postwar program in the direction of a more aggressive use of general credit policies. While there are many good reasons why credit control measures should be used when inflationary pressures reappear, it would be unwise to pin exaggerated expectations on their individual or collective efficacy in coping with a deep-seated inflationary boom.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

There's a market going on. I can hear it in the next room with the ticker click-clacking away. In another room the drone of voices comes through; the buzz of customers discussing their golf scores, the market, their golf scores, the Administration, the golf scores, and some more golf scores.

I am sitting here without a shirt, drenched in perspiration, wishing for a tall cool drink of some sort and sitting on the edge of a pool with my feet dangling in the water. Golf! Who cares about golf—an old man's game. Besides if that tree hadn't been there in that second shot on the fourth hole, I'd have been on in four. Anyway the green was all burnt up. The ball I was playing must have been an egg the chicken was glad to get rid of . . . oh, yes—the market.

Dow Industrials got to 265.21. That means a new high. The rails got to 82.60 on the same day the industrials made their high. That should mean something, but for the life of me, I can't figure out what and even if I did, it probably wouldn't mean anything. As a matter of fact, the market is beginning to look a little top-heavy right about now.

Maybe it's the heat. Maybe it's something else. But whatever it is, my enthusiasm for the Trans-Lux, the broad tape and the chatter of customers coming in to try out the new air-conditioning leaves me disinterested. There's a lot more talk about how high they are going. There are all kinds of enthusiastic forecasts on my desk. But despite all the talk I just can't get up any interest. A couple of days of cooler weather and I will probably look at things with a different eye. Right now, I am going out and see if I can make my irons behave.

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Developments in Selective Credit Control

confidential relationship between bank and customer, the Reserve Bank does not ask that the name of any applicant shall be divulged.

Finance for raw materials and stock in trade, and for current working expenses, does not come within the scope of control policy as at present defined. Broadly, it restricts advances for speculative or purely investment purposes, capital expenditure, repayment of mortgages, hire purchase and other credit sales, "luxury" spending, and building or purchase or refinancing of dwellings except for short periods pending the raising of finance from non-banking sources. Banks are asked to refrain from making any advances for speculative purposes, but advances for the other purposes listed above are made on the merits of each case in the light of the information on policy given by the Reserve Bank. For example, under the heading of capital expenditure the procedure is to consider first whether the purpose for which the accommodation is required is necessary to promote or maintain useful production or services, and secondly whether it is reasonably practicable to obtain the needed finance from non-banking sources, having regard to local conditions and other circumstances affecting the individual applicant. The Reserve Bank, in a statement on credit control, has said that "neither hard and fast rigidity nor 'rule of thumb' methods govern the general administration of the policy."

Sweden and France

In Sweden too, selective credit control is exercised informally, though its introduction was closely associated with quite formal measures of quantitative control. In October last year, in an effort to check inflationary trends, regulations were issued, under statutory powers, imposing new minimum cash reserve requirements on the commercial banks. This quantitative restriction was supplemented by an arrangement entered into between the Riksbank and the commercial banks with regard to credit policy. The banks agreed to exercise restraint in their lending activities; but preference was to be given to exporting and essential home-market industries, while credit was to be made available for the needs of building operations approved under the official permits system. On the other hand, the banks undertook to refuse applications for loans for speculative or non-productive purposes. Stricter scrutiny than in the past was to be given to the security offered for loans. The banks agreed also not to take part in the arrangement of new bond issues without prior consultation with the Riksbank, the object being to maintain an orderly market. The carrying out of the credit agreement between the Riksbank and the commercial banks appears to be almost entirely informal, decisions being left to the judgment of the commercial banks.

In contrast with the informality of the Swedish system, a European example of a comprehensive structure of bank credit control, on a statutory basis, is provided by the system operating in France. The law of December 2, 1945 which provided for the nationalization of the Bank of France and the four largest deposit banks also introduced control over other banking institutions. At the same time a National Credit Council was set up, with either the Minister of Finance or the Minister of National Economy as president, to make recommendations on credit policy and to prepare banking regulations. The Bank of France participates closely in the entire process, since the Governor of the Bank is also vice-chairman of the National Credit Council and since records of bank credits are centralized in the Bank of France. There is also a Banking Control Commission, set up in 1941, which is entrusted with functions of enforcement.

In January 1947 instructions were issued that banks, when granting new credits, should verify the economic justification of the credit, making sure, in particular, that it was not being used to finance unduly large accumulations of stocks of commodities. The banks were also required to keep records of requests for credit, and these particulars are reported in the ordinary course to the Bank of France. Permission has to be obtained from the Bank of France prior to the granting of any credit exceeding a given amount—orginally 30 million francs, but subsequently varied and now standing at 100 million francs. The banks were also instructed to examine existing credits and to make all possible reductions where this could be done without impairing industrial output. In this re-examination, as in granting new credits, the banks were required to discriminate in favour of those which were calculated to promote healthy business expansion. Towards the end of 1947 the principles of discrimination were more closely defined: new credits might be granted where funds were required for essential business and could not be obtained by increased sales, by liquidating surplus assets, or by recourse to the owner's personal resources or to the capital market. The banks were also told to reduce the facilities granted to customers not directly engaged in the production of goods. The provision of credit for non-productive purposes such as the purchase of securities or property was prohibited.

During 1948 selective controls were strengthened and new quantitative controls introduced. Subsequently both selective and quantitative controls have been varied in detail to meet changing economic conditions. Thus the selective controls were made particularly severe in 1949 with the objects of establishing healthier conditions in specified trades and promoting expansion of exports. In 1950, however, more especially towards the end of the year, the restrictions were considerably relaxed.

United States

Across the Atlantic, the system of selective credit control is the subject of quite recent experiments. The United States is the country in which, beyond all others, reliance has been placed on detailed legislation and administrative fiat to regulate banking operations. To some extent these methods have been applied to the broad purposes of credit control, but the latest experiments are closer to the informal, co-operative arrangements between monetary authorities and commercial banks that have been developed in countries less wedded to the legislative method.

During the war years, selective control of credit was limited to statutory regulation of instalment credit and stock exchange margins. Control of instalment credit has twice since been allowed to expire, but was once more resuscitated in September 1950. Control of stock exchange margins, originating in the Securities Exchange Act of 1934, has been kept in regular operation, although the margins have been varied according to circumstances. In October 1950 an addition was made to existing statutory controls by the introduction of restrictions on residential real estate construction credits.

The story of the less formal control begins in November 1947, when the Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the National Association of Supervisors of State Banks issued a joint statement in which an appeal was made to banks to exercise "extreme caution" in their lending policies. It was pointed out that the volume of bank credit had been greatly enlarged during the war; that domestic and foreign demands for goods and services were exerting a strong upward pressure on prices, and that these demands in themselves would be inflationary without any further increase in the use of bank credit. The banks were asked to curtail loans for speculation in real estate, commodities or securities, to guard against over-extension of consumer credit, and not to relax the terms of hire-purchase financing. Bank credit "should be confined to financing that will help production rather than merely increase consumer demand."

In January 1948 the American Bankers Association announced a voluntary anti-inflation programme, of four items, to be carried out by commercial banks throughout the country. First, in the months immediately ahead, banks should avoid giving commodity and inventory loans designed to finance the holding back of essential goods from the market in anticipation of price rises. Next, mortgage loans for non-essential building, or for construction which could be postponed until supplies and labor were in greater abundance, should be discouraged. Thirdly, priority should be given to loans to finance essential supplies and services at home and abroad. And finally, the Association advocated an intensified campaign to persuade the public to save more and, in particular, to invest in Government bonds.

During 1949 the pressure in the monetary system was relaxed, but with the outbreak of war in Korea the case for restraint in bank lending was powerfully reinforced. From July 1950 onwards various exhortations were issued, from official sources and banking organizations, to secure generally observed restraint on the extension of credit for less desirable purposes, such as speculation and excessive business expansion or building up of stocks. More decisively, in March 1951 a national Voluntary Credit Restraint Committee was set up in furtherance of a system for which the way had been more clearly opened by provisions in the Defense Production Act 1950. The Committee, appointed by the Federal Reserve Board, consists of representatives of commercial banks, insurance companies, investment houses, mutual savings banks and savings and loan associations. Subsequently, regional committees were set up to "offer opinions and advice to lenders as to the desirability of specific loans." In a "statement of principles" the general policy was set out, and to this statement all lending institutions were asked to conform. The following types of loans were classified as "proper":—loans for defense production, direct or indirect, including fuel, power and transportation; for the production, processing and orderly distribution of agricultural and other staple products, and of goods and services supplying the essential day-to-day needs of the country; and to augment working capital where made necessary by higher wages and prices of materials in essential industries. Further, approval was given to loans to dealers in securities in the normal conduct of their business or as required in connection with the provision of capital for any of the foregoing purposes. On the other hand, loans should not be made for the purpose of retiring or acquiring corporate equities in the hands of the public, nor for financing speculative investments or purchases.

This broad statement of principles has been translated into more detailed terms by bulletins issued from time to time by the major committee. Thus lending institutions have been asked to refrain from financing inventory increases above normal levels relative to sales, or "reasonable requirements by other conservative yardsticks," and have been asked to encourage the reduction of excess inventories. Loans for the following purposes "might be postponed to a more propitious time":—construction of facilities to improve the competitive position of an individual producer of non-essential goods; expansion and modernization of undertakings in distribution or service not directly supporting the defense program; expansion and modernization of plant for the manufacture of consumer goods not related to the defense effort. In addition, guidance has been given on the financing of state and local government projects.

The system thus outlined is in a formative stage, and it is too early to judge the results achieved, especially since the course of events has been strongly colored by other developments within the realm of monetary policy including a trend towards a tightening of the credit basis and hardening of interest rates. Obviously, a system of co-operative restraint is not easy to operate in a country with more than 14,000 commercial banks quite apart from all the other lending institutions it encompasses. The practical arrangement is that, for the most part, where a lending institution is in doubt as to the correctness of a proposed borrowing it will consult its regional committee. In doing so it is under no obligation to disclose the borrower's identity, and the ultimate decision whether the borrowing is to take place or not remains with the institution itself. In order to test the efficacy of the arrangement, special statistics are being collected and examined by the committees, and, to quote a sentence from a report by the National City Bank of New York, issued at the beginning of June, "people connected with the program" were already "impressed by the widespread response it was generating among lending institutions of all kinds."

Canada

Across the border, in Canada, the structural background for experiments is different in that the banking system comprises a relatively small number of commercial banks, most of them with widespread branch organizations, so that informal association with the central bank in the pursuit of a concerted credit policy is *prima facie* easier to secure. On the other hand, in contrast to conditions in the United Kingdom, there is no basis of control of new capital issues upon which selective credit control can be built. The first informal understanding was entered into early in 1948, when the Bank of Canada asked the commercial banks to curtail the provision of credit for capital expenditure, especially by way of new "term loans"—that is to say, loans of fixed, but sometimes regularly diminishing, amounts for agreed terms of years up to about ten. This request was withdrawn early in 1949 in view of altered circumstances. Next came a step which, though concerned with regulation of the use of credit, had a firm and specific statutory basis. War-time legislation had imposed restrictions on consumer-credit which lapsed in 1947; but by Act of Parliament these were revived towards the end of last year and tightened a few months ago. They take the usual form of prescribing minimum proportionate initial payments and maximum periods of instalment payments for defined goods. Again resorting to informal arrangements, in February, last, the banks undertook to exercise restraint in their lending policies, as a means of counteracting inflationary pressure, by observing a set of broad principles. No further "capital" loans—that is to say loans for a term of more than one year—were to be granted; limits were placed on the financing of transactions in new corporate securities; and no further credit was to be extended for hire purchase, while margins for existing instalment finance loans were to be increased. In addition, applications for advances for ordinary business purposes—especially where additional amounts were involved, as for example to finance enlargement of stocks—would be subjected to careful scrutiny, the general objective being to hold the total for advances at about the level then existing and, in particular, to avoid the financing of any transactions of a speculative nature. Here again it is too early to judge the results of the arrangement, especially as other measures of monetary restraint have been at work; but on the whole it is thought that the general effect has been to hold in check the financing of unduly expanded inventories and capital extensions.

One Step in Reverse

Lest it should be thought that the trend is all in the direction of selective credit controls, it should be noted that in many countries no such methods appear to have been adopted. Indeed, recent records of the development of monetary policy seem to give greater emphasis to the former instruments of quantitative control and interest rates. Further, of one country at least it can be recorded that selective control has been practically abandoned. It had been used in the Netherlands, under arrangements by which all applications for bank credit exceeding a given amount had to be submitted to the central bank for approval before they could be granted. As part of the general return towards a freer market economy, these arrangements were in general superseded, as from the beginning of this year, by an elaborate system of quantitative control, though an enabling bill now under consideration would provide for the retention of power to impose qualitative controls. Reviewing, therefore, the course of events in a wide range of countries, the issue of priority as between old and new methods of credit regulation cannot yet be said to have been settled.

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The Security I Like Best

and **Simmons Co.**, covering the period 1940 through 1950.

Of course, **Simmons Co.** may be affected somewhat by difficulty in securing an adequate supply of materials for normal peacetime lines, but defense business will largely offset this. At the same time, one should bear in mind that **Simmons** is not only our largest manufacturer of quality beds, bedding, and space-saving furniture under famous trade-names, but its Simtex Mills Division produces a line of textile products including tablecloths, bedspreads, nightwear flannel, mattress tickings and furniture fabrics, and is also the largest maker of cotton flannel shirts in America.

Financially, **Simmons** is in by far the best condition in its history, with book equity per share over $42½ (vs. $18 for Ferro Corp.) and current assets 3½ times current liabilities. The higher regard in which **Simmons** is held is indicated by the fact that 20 trusts have invested in its stock vs. three in Ferro.

Thus, while **Simmons** has been held back marketwise over the past year, the record and prospects indicate it will likely again sail out far ahead of numerous other stocks comparable to it currently on business and market considerations. I regard it as a **buy** for earnings-dividend stability, comparative value, financial strength, and as a stock of substantial price-gain potential vs. very slight risk of decline. This latter factor is important at a time when the general market is at so high a level.

	—Ferro Corp. (FOE)— vs.	—SIMMONS CO.(SIM)—
Funded debt	$5,000,000 (loan)	$6,900,000
Preferred stock (shares)	------	125,000—4⅛%
Common stock (shares)	459,296	1,158,236
Sales per share, 1950	$72	$120
Avg. annual earns. 1941-50	$2.37 per share	$4.31 per share
Earnings (1949 and 1950)	$2.12 and $4.81	$4.50 and $7.26

	—Price Range— High	Low	Div. Paid	—Price Range— High	Low	Div. Paid
1941	14¾	7½	$0.91	21½	11½	$2.00
1942	13¼	7¼	0.68	17	12	1.25
1943	17¾	11¾	0.45	28	16¼	1.00
1944	25½	15½	0.91	35½	24¾	1.25
1945	34¼	19¾	0.91	46¾	32¾	1.25
1946	34	17¾	0.91	57	33	2.00
1947	21¼	18½	1.18	41	27½	2.50
1948	24¼	15¾	*1.27	36	25	2.50
1949	16¼	11½	1.27	27½	22	2.50
1950	23½	16½	*1.36	35	24½	3.00
1951 (to date)	31¾	18	†1.60	35	29¼	3.00
Current Yield	At 31¼		(†5.1%)	At 31		(9.6%)

*Plus 10%. †Indicated.

SCHUYLER VAN VECHTEN

Vice-President, Lee, Higginson Corporation, New York City

Hudson Pulp & Paper Corp. Class A Common Stock

The Class A Common Stock of the Hudson Pulp & Paper Corp. offers the investor a liberal return and possibilities for substantial long-term capital appreciation. The Company, which is the outgrowth of a business originally established in 1896, is one of the fastest growing enterprises in the paper industry. Since August, 1945, its total assets have increased from $4,700,000 to about $35,000,000, and its net sales rose from $7,700,000 in its 1946 fiscal year to a current annual rate of well in excess of $30,000,000. Between Dec. 31, 1946 and Dec. 31, 1950, the sales of all paper companies as reported by the Department of Commerce increased 52%, while those of the Hudson Pulp & Paper Corp. between Aug. 31, 1946 and Aug. 31, 1950 increased 195%. Earnings, too, have exhibited a marked degree of growth, and are expected to approximate $3 per share in the fiscal year to end Aug. 31, 1951.

Schuyler Van Vechten

The Company is currenty engaged in doubling the capacity of its Palatka, Florida, kraft mill through the addition of another paper machine which should be in production by early fall. It was recently announced that the Company has been granted a Certificate of Necessity, covering this $9,000,000 expansion, which will enable it to amortize for tax purposes 60% of this program over a period of five years. This important step should add about $15,000,000 annually to sales volume and increase earnings by at least $1.00 to $1.25 per share, based on the present tax law. Thus, common share earnings in the relatively near future could be at a rate in excess of $4.00 annually.

It is an important producer of both kraft and tissue which rank among the most rapidly growing segments of the paper industry. It is one of the lowest cost producers and best merchandisers in the paper industry. Its kraft is sold as such and is also converted into gummed sealing tape, paper bags, shipping sacks, and other end products, while its tissue is converted into towels, napkins and toilet tissue. Hudson is the largest manufacturer of kraft gummed sealing tape and supplies about 40% of all the paper napkins sold for household consumption. The Company sells the bulk of its products in the area East of the Mississippi and, up to the present time, has made no attempt to develop the large Western markets.

The Company has outstanding 500,000 shares of Class A Common Stock and 500,000 shares of Class B Common Stock which are alike in all respects except that, prior to Jan. 1, 1958, the directors have the option of paying cash dividends on the A stock in amounts greater than on the B stock, or exclusively on the A stock in an aggregate amount not to exceed by more than $1.50 per share the amount, if any, paid on the B stock. Since the directors have no present intention of paying any dividends on the B stock, dividend payments are relatively light and the bulk of earnings are being plowed back into the properties, thereby building up the equity for both classes of stock pari passu. About one-half of the A stock and all of the B stock are owned by the management and their families.

On the basis of the present annual dividend rate of $1.26 per share, the A stock yields about 6.90% at 18¼, the offered side of the market. In the opinion of Pennsylvania counsel for the Company, the business conducted by it in Pennsylvania exempts its shares under existing law from the Pennsylvania personal property tax.

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Factors in Sound Self-Liquidating College Housing Projects

legally possible to pledge the revenues of an existing project to help secure a loan for a new project, there is justification for following this policy to accelerate retirement of the debt. The creation of a substantial equity in your residence halls will be helpful in the future financing of other needed facilities. There are times when this financing can be done by refunding the partially retired outstanding bonds with a new issue that will also finance the new project or by placing a second lien on the older security. Where high building costs and the inadequacy of other funds to supplement the revenue bond issue exists, the maturity may have to be extended for as long a period as the investment market will permit. This is usually considered to be not over 30 years although in some cases revenue bonds have been issued over a longer period. It is also important to remember that the longer the maturity the higher the interest rate.

Choice Between Serial and Term Maturities

In addition to the length of maturity the choice between serial and term maturities is sometimes important. In serial maturities a fixed amount of principal is due each year and must be earned that year. With a term maturity, with the revenue bonds to be retired through sinking fund and/or call, only the interest has to be paid regularly and more latitude is given in case of "off" years, when earnings do not measure up to expectations. Long term bonds are subject to the objection of a higher interest rate, limiting the marketability to a certain type of investor and usually requiring the payment of a premium for retirement before maturity. Serial maturities which usually include short term bonds command a lower interest rate, are of interest to a wider group of investors and are always retired without a premium unless called before their due date.

Revenue bonds to finance self-liquidating projects are frequently used with a combination of serial and term maturities, which give the issue some of the advantages of both types. The simplest form of the combined type is an issue of straight serial bonds with a substantial amount due on the last maturity, customarily called the "balloon." This permits a reduction in the fixed amounts due each year except the last, with excess earnings over and above the annual fixed requirements used to retire the last maturity by call. Here in Michigan we have used, on a number of occasions, a combination of serial and two different term maturities, the latter identified as Series "A" and Series "B." The Series "A" Bonds would be due perhaps in 10 years and the Series "B" Bonds in 20 years. The term bonds were issued in such amounts that the estimated surplus earnings over and above the interest and the serial bond requirements would retire the series "A" bonds within eight years and the Series "B" bonds in 9 to 17 years. If the earnings do not measure up to estimates there is a margin of safety of two to three years. The term bonds would command a higher price than the corresponding maturity of serial bonds because of the possibility of earlier retirement. These patterns were usually chosen because they fitted in with certain preferences of prospective investors and were sometimes worked out by negotiation with commercial and investment bankers who purchased the revenue bonds.

Another feature that fits in with the maturity schedule is the right to call the revenue bonds prior to maturity. All revenue bonds should be made callable within a reasonable time after the anticipated completion of the project. This is desirable not only to permit the acceleration of debt retirement out of surplus earnings or other available funds but also to permit the refunding of outstanding bonds under certain circumstances. The latter may include an opportunity to reduce interest costs through a new issue at a lower rate; to consolidate the security with a new project to be constructed, or to extend the maturities and make other changes in the terms of the original loan, deemed advisable to protect the credit of the institution. Care should be taken in setting the call provisions to avoid unnecessarily jeopardizing the marketability of the loan or increasing the financing costs. It is usually necessary or desirable to agree to pay a premium for the privilege of calling the bonds before maturity, perhaps on a sliding scale downward, predicated on the number of years the bonds have been outstanding. A larger premium is usually stipulated to call bonds for its purpose of refunding than to retire them out of earnings but the premium should not be made so large as to take away the advantage of refunding.

In setting up the terms of a self-liquidating loan care should be taken to provide as many safeguards as possible to insure the prompt payment of principal and interest, but not to include conditions that might become unduly burdensome to the borrower. A default would not only do serious harm to the credit of the institution and impair its ability to obtain loans in the future, but would probably reflect unfavorably on the general reputation of the college. The following are some of the safeguards that may help to prevent difficulties in meeting obligations.

All net revenues of the project should be pledged for the security of the loan and not just enough to meet the regular debt service. The acceleration of debt retirement during periods of good earnings will reduce the fixed requirements when earnings may not be so good.

Capitalize out of the proceeds of the revenue bonds a debt service reserve equal to at least one year's average principal and interest requirements. If any of the reserve should be used it should be replaced out of the first available earnings after meeting future fixed requirements and before further acceleration of debt retirement. This reserve can eventually be used to retire the last revenue bonds outstanding and, until required, provision should be made for the investment of this reserve fund in government bonds.

Capitalize out of revenue bond proceeds an adequate reserve for replacement of furnishings and equipment and major repairs to buildings. As a matter of sound protection this reserve should not be used if surplus earnings are available and should be invested in government bonds pending its being needed. Provision should also be made, under certain circumstances, for the use of this reserve, if necessary, to meet debt service requirements.

Where legally possible provide an independent corporate trustee for the revenue bond issue which will also act as paying agent for the principal and interest; as custodian of the reserves, with certain powers of investment; approve the adequacy of insurance coverage; collect and disburse insurance in case of loss for benefit of bondholders and to see that other terms of the trust indenture are complied with. Such a trustee can be of other assistance to the operating officials and investors generally recognize that it provides added security to a loan.

The borrowing institution should agree to adopt, if necessary, reasonable rules, regulations, and requirements relative to the residence of students attending the college to assure that the residence halls, the revenues of which are pledged as security for a loan, will be as fully occupied as is reasonably possible.

It is my firm conclusion that a residence halls self-liquidation project, set up under terms and conditions which take into consideration the various factors which I have referred to, is a sound investment for your college or university and, at the same time, is a sound investment for the individual investor or lending institution.

With Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Owen Grant has become associated with Richard J. Buck & Co., 8 Newbury Street. He was previously with Gordon B. Hanlon & Co.

Draper, Sears Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William B. Betts has become affiliated with Draper, Sears & Co., 53 State St members of the New York an Boston Stock Exchanges.

With Salomon Bros, Hutzl

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Russell Whit Jr. has become connected wi Salomon Bros. & Hutzler, 75 Fe eral Street. He was previous with Harris, Upham & Co.

Townsend, Dabney Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Henry B. Fenton is now affiliated with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Joins Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James W. Ewing has become connected wit Kidder, Peabody & Co., 33 Sout Clark Street. He was formerl with Harris, Hall & Co.

V. B. Allison Joins Du Pont, Homsey Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—V. Blak Allison has become associat with du Pont, Homsey & Co., State Street. Mr. Allison wa previously with Walston, Hoffm & Goodwin and F. L. Putna & Co.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—Helen R. Kallister is with Waddell & Reed, Inc. of Kansas City.

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Continued from first page

What Chance for Investment in Israel?

tion at the huge rate of 25% annually — is unanimously devoted toward building up a future important industrial and agricultural power. Those getting in now on an equity basis have the opportunity to share in the growth that may eventually come through. Or the outcome might conceivably, as is hoped for, be another Switzerland.

Meanwhile, the extreme shortage-economy assures profitability —at least in domestic currency.

The regime, irrespective of its inner ideological predilections, has been energetically devoting itself to facilitating such investment inflow, recognizing its importance to its struggle with the crisis in production, raw materials, and the balance of trade.

By way of specifically and constructively wooing the foreign entrepreneur, Parliament in March, 1950 enacted *The Law for the Encouragement of Capital Investments*, functioning through a so-called Investment Center. The motive and aim of the Law, as explained in its preamble, are to induce voluminous and productive capital imports, and to get them invested as enhancers of productivity—filling the void in the national income and available funds occasioned by the large-scale immigration. The emphasis throughout is heavily on increased productivity of goods which are now imported, and the increase of exports.

An Investors' Clearing-House

The functions of the Investment Center which is charged with administering the law, include furnishing information on investing problems; examining capital investment proposals for their conformity with the Law's purposes as we have stated them above; maintaining contact between investors and government offices; and, of the greatest importance, classifying projects as "approved undertakings"; and making recommendations for special reliefs and allowances to such designated projects.

Since its establishment to June 30 last, 519 enterprises have been approved, totaling 30 million pounds, of which one-third has come from the United States; substantial, but a disappointing result in view of the concessions offered and the far greater need!

The projects defined as Approved Undertakings are so classified by the Investment Center on the basis of their likelihood to increase productive capacity on essential supplies, improve the nation's balance of payments, develop natural resources, and help in the absorption of new immigrants. They have been granted the following special privileges:

Foreign investors in projects thus classified may, at the discretion of the Board of the Investment Center, have the privilege of drawing out, in the same currency which had been put in, a maximum of 10% of the total investment annually, for the repayment of capital, amortization of the enterprise, dividends and profits.

If they settle in Israel, they may be permitted to keep foreign currency.

Import duties may be waived on machinery and plant for Approved Undertakings.

Other concessions are offered to these "approved" enterprises notably in tax phases. Their tax rate burden is halved, from 50 to 25% of earnings; accelerated depreciation at twice the rates to non-approved enterprises, is permitted; research expense can be written off at 25% per year; there is exemption from property taxes; and in some cases there is compensation to offset taxes paid at home.

The Investment Center is helpful in lending its good offices for the securing of a local partner, which in some cases may be an investment trust.

There are six of such investment companies of a major character, functioning along the lines of British tradition, namely:

Palestine Economic Corp.

African Palestine Investment Co. (with subscriptions from South Africans).

Israel-Argentine Investment Co.

Israel Investment and Finance Corp. (handling money for Oriental and Mediterranean Jews).

American Palestine Trading Corp. (known as "Ampal," chiefly investing the funds of 17,000 individual American investors with and through the labor federation, Histadrut, as Israeli partner).

Palestine Corp. Ltd. (with British clientele, with operations now limited because of Britain's exchange restrictions).

These investment companies, or "investment trusts," also act and, usually as their major function, in taking entire charge of handling the funds of the individual foreign investor who is unwilling or unable to function in a managerial role. Because of their expertness midst the complexities, they would appear to constitute the best medium for the placement of his capital.

Drawbacks and Disadvantages

There are a host of factors which have been discouraging to the foreign investors, whose justification should be examined. Of possibly the greatest fundamental importance, which it is difficult to disregard, is the pervasiveness of government intervention throughout the economy, and the everpresent possibility — despite last week's electoral gains by the General Zionist ("Free Enterprise") Party — that it will be even further extended during the long-term future.

A seriously deterring factor to the prospective investor of industrial capital is the possibility of growing direct competition, beyond that already existing from business owned and managed by Histadrut, the labor federation. While the effectiveness of its competitive activities is controversial, it already is "Big Business" owning or managing 14% of the country's industry, monopolizing such things as agriculture, cement production and the bus services, and showing a strong proclivity to force itself in as a 50-50 partner in newly entering enterprises.

The Nationalization Fear

Alleged possibility of nationalization of industries, and the persistent refusal to introduce legislation expressly forbidding it, is another matter about which Israel-eying American industrial capitalists have been vehemently complaining.

But, while a hard-and-fast anti-nationalization guarantee would undoubtedly be psychologically effective, actually the fear is groundless. This is so because here, in direct contrast to other countries, nationalization would actually work against labor's own self-interest. Labor's continuing domination over industry is preserved through the network of cooperative ownership. Under nationalization such domination and control by labor would be vulnerable to changes in the government. This explains the absence of any nationalization beyond that of the railroads, ports, and communications which was effected back in the Mandate days.

But, irrespective of the true facts in the situation, it is evident that in practice the fear of the regime leaders' predilection for "socialism" as their basic ideology, will remain a deterrent to American investors.

External Threats

An even greater threat, inclined to be weighted insufficiently when one is concerned over economic details here, is presented by the truly dangerous international situation. This arises not only from the possibility of a general world war, but more immediately from Israel's tinderbox situation *vis-a-vis* the neighboring Arabic States. The genuine fear over future aggression which the Israelis have created in the Arabs, coupled with their seemingly cantankerous behavior toward the United Nations, have created a situation which truly is "hot."

The Overhanging Fiscal Difficulties

These various potential threats to the foreign capitalist must be viewed against a background of the country's critical general economic position, reflected in the large trade deficit and balance-of-payments squeeze. Although, as was indicated in last week's article, solvency may be preserved through the help of charity funds and bond sales in America; nevertheless the convertibility of the currency in any satisfactorily sizable proportions, pertaining to the foreign capital invested, must necessarily be barred. As a result, the "privilege" of withdrawal of hard currency given to the "approved enterprises" is generally limited to a maximum of 10% of capital and/or profits. Such a ceiling (subsequently revisable downward) is a great handicap rather than a privilege, freezing the investor's recovery of his assets over a long term, and meanwhile partially transforming his invested assets to a mere bookkeeping item.

This situation represents a nettlesome vicious circle. Shortage of foreign currency entails inconvertibility which in turn prevents the influx of the investors' capital required to produce the needed foreign currency.

Devaluation Threat

Of foremost interest to the foreign investor in these phases is the threat of future devaluation arising from the present fictitious gross overvaluation of the Israeli currency. Whereas the pound's true value as quoted on foreign exchanges and on the black market at home is about $1, there are three rates set by the government: The "official rate" for conversion of $2.80; the "tourist rate" at a 25% discount for tourist expenditures on hotels, preferential food, etc.; and the "investment rate" at $1 for the investment of foreign funds with the provision that they be wholly and permanently blocked.

The *timing* of devaluation is not a simple problem, for many reasons including the needed assurance that the new rate can be held, but its ultimate eventuality is certain. Although it is not necessary to bring capital in at the official $2.80 rate (as is the case with charity, government and bond funds from America), and the rate is avoided through the import of machinery in partial place of currency, and although special deals are made by the government, it nevertheless seems unquestionable that devaluation when it comes will necessarily effect some loss to the owner of the asset acquired at the pre-devalued rate.

Meanwhile, the most sensible course for the foreign capitalist would be to come in on the realistic investment rate of $1 to the pound, on the chance that devaluation at that rate can be held and will lead to subsequent full convertibility and the privilege of taking home his money.

Bond Buyers' Status

The American subscribers to the national bond issue receive their interest and principal in dollars; but at a rate of return (3½%) wholly incommensurate with the enterpreneurial nature of the investment. If, in the face of the many surrounding risks and imponderables, money is still put in, it at least is entitled to the return appropriate to an equity rather than to a riskless fixed-interest obligation.

* * *

Competition at Home

Prevailing over these detailed considerations which we have cited—and justifiedly controlling—is the very real competitive attractions offered to the American investor at home. Assuredly the easy availability of common stocks of hundreds of successful American corporations yielding from 6 to 8%, with net working capital in excess of market price, with ready salability on the New York Stock Exchange, radically impairs the zest for sending capital way over here to the Mid-East, to be semi-frozen and attended by so many attending complexities and imponderables.

Of course, there are foreign investors of capital whose motivations lie outside such "hard-boiled" considerations: such as industrial concerns "defensively" and competitively seeking a stake in the nation's future development, and individuals prompted in whole or in part by sentimental considerations (the latter highlighted by the fact that Israel's bond sales to American individuals have already exceeded their $50 million total of foreign investments in all countries during 1950). But these sources are insufficient to fill the critical capital gap. Ways must be devised to make investment attractive to the world's capitalists — irrespective of their race or creed —on a businesslike basis of return.

Sees Income Taxes "Worked to Death"

The August "Monthly Bank Letter," published by the National City Bank of New York, contains a strong condemnation of piling up additional increments to income tax levies, and points out that in no other nation does this class of tax returns represent so large a proportion of national revenue.

"The fact is," states the "Bank Letter," "that in this country income taxes, both personal and corporate, have been worked to death. This is shown in the high rates to which they have been pushed, and in the top-heavy proportion they now represent of the total Federal revenue—over 80%. Probably in no other country in the world is the revenue so heavily dependent upon this type of tax. In Great Britain and Canada only about half the total revenue is in the form of such taxes.

"Still other indications that the income tax has been getting too greedy have been the growing symptoms of revolt on the part of the taxpayer. One manifestation has been the progress of the proposal for a Constitutional amendment prohibiting the Federal Government (save in wartime) from taking more than 25% of an individual's or a company's income, with a similar limit on gift and inheritance taxes. While the proposal, now approved by 21 State legislatures, may not be the soundest way of dealing with this problem, it appeals to the harried taxpayer as holding some promise of a curb on the unlimited authority of the Federal Government to pick his pocket.

"Far more important than such organized movements has been the spontaneous resistance of countless individual taxpayers, expressing itself in various forms of tax avoidance. As the tax bears down more and more heavily, more people seek the sanctuary of tax-exempt investment. Others turn in desperation and resentment to the less legitimate devices of income concealment. Some even defy the Treasury—as the housewives who refuse to withhold and remit social security taxes on their domestic help. Thus non-compliance becomes more general and the revenue system is weakened. Our tax system has been administered successfully because it has had the voluntary support of the public. This becomes impossible when people feel they are being robbed of their substance.

An Alternative Program

"Realizing the lengths to which income taxation has gone, representatives of business and many independent tax experts have urged more emphasis upon the excises. This accords with the principle of broadening the tax base, giving added stability to the revenues, and reaching the large amount of personal income that for one reason or another escapes income tax. At the same time it means taxing income as it is spent, rather than as earned, thus preserving the incentive to earn and save, but discouraging spending, the principal cause of inflation.

"The Committee on Federal Tax Policy, in its study . . ., recommends stepping up the contribution of excise taxes to at least 25% of the national revenue. Instead, however, of extending the present 'illogical, inequitable and discriminatory' system of selective excises, the committee would do away with it entirely, except for taxes on liquors and tobaccos and levy instead a general, across-the-board excise, or sales, tax on all consumer products save the essentials of food, clothing and medicines. As between a retail sales tax and a manufacturers' excise tax, the committee weighs the pros and cons and comes out in favor of the latter levied at the point of final manufacture. The manufacturers' tax was chosen mainly because of greater ease and lower cost of administration, avoidance of conflict with State retail sales taxes and the long experience record with this tax as applied to numerous individual commodities.

"The committee estimates that the proposed manufacturers' tax (after replacement of all other excises now levied with the exception of liquor and tobacco taxes) at 7½% would yield additional revenues of $3.0 billion, at 10% $5.4 billion and at 12% $7.4 billion.

Are Sales Taxes Hard on the Poor?

"There is, of course, great hue and cry against the general sales tax on the ground that it is "regressive"—that is, takes a larger proportion of a small than of a large income. For this reason it is supposed to be political poison despite its widespread acceptance in the States. As a matter of fact, much of the opposition to sales taxes appears to be based upon parrot-like repetition of popular prejudices rather than upon informed opinion. . . ."

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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:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 19	101.5	101.1	101.9	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 19	2,029,000	2,021,000	2,037,000	1,930,600
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Aug. 4	6,200,750	6,024,600	6,168,800	5,640,350
Crude runs to stills—daily average (bbls.)	Aug. 4	¶6,488,000	§6,396,000	6,601,000	5,944,000
Gasoline output (bbls.)	Aug. 4	21,446,000	21,539,000	21,837,000	19,783,000
Kerosene output (bbls.)	Aug. 4	2,425,000	2,540,000	2,276,000	2,055,000
Distillate fuel oil output (bbls.)	Aug. 4	8,762,000	8,174,000	9,014,000	7,419,000
Residual fuel oil output (bbls.)	Aug. 4	9,020,000	8,858,000	9,308,000	8,079,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 4	119,616,000	121,156,000	126,758,000	108,895,000
Kerosene (bbls.) at	Aug. 4	27,677,000	26,959,000	25,446,000	23,560,000
Distillate fuel oil (bbls.) at	Aug. 4	79,185,000	76,938,000	69,608,000	62,235,000
Residual fuel oil (bbls.) at	Aug. 4	45,200,000	44,957,000	42,857,000	41,791,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 4	813,366	819,875	588,246	837,430
Revenue freight received from connections (number of cars)	Aug. 4	672,010	673,492	589,241	702,521
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 9	$216,941,000	$267,571,000	$361,028,000	$164,018,000
Private construction	Aug. 9	78,299,000	158,404,000	65,535,000	87,469,000
Public construction	Aug. 9	138,642,000	109,167,000	295,493,000	76,549,000
State and municipal	Aug. 9	89,860,000	83,085,000	145,532,000	67,061,000
Federal	Aug. 9	48,782,000	26,082,000	149,961,000	9,488,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 4	10,005,000	*10,270,000	1,480,000	10,563,000
Pennsylvania anthracite (tons)	Aug. 4	737,000	861,000	99,000	928,000
Beehive coke (tons)	Aug. 4	144,100	*150,200	56,700	142,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Aug. 4	253	*232	218	296
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 11	7,069,890	7,003,209	6,738,873	6,253,141
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 9	149	171	173	194
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 7	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Aug. 7	$52.69	$52.69	$52.69	$46.61
Scrap steel (per gross ton)	Aug. 7	$43.00	$43.00	$43.00	$39.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 8	24.200c	24.200c	24.200c	22.200c
Export refinery at	Aug. 8	27.425c	27.425c	27.425c	22.425c
Straits tin (New York) at	Aug. 8	103.000c	103.000c	103.000c	99.250c
Lead (New York) at	Aug. 8	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	Aug. 8	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	Aug. 8	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 14	98.59	98.19	97.67	102.07
Average corporate	Aug. 14	110.88	110.52	109.97	116.02
Aaa	Aug. 14	115.63	115.04	114.27	120.84
Aa	Aug. 14	114.66	113.89	113.31	119.61
A	Aug. 14	109.97	109.60	108.88	115.63
Baa	Aug. 14	104.14	103.80	103.64	108.88
Railroad Group	Aug. 14	107.62	107.09	106.56	111.62
Public Utilities Group	Aug. 14	110.70	110.15	109.42	117.00
Industrials Group	Aug. 14	114.66	114.46	113.70	110.82
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 14	2.59	2.62	2.65	2.35
Average corporate	Aug. 14	3.12	3.14	3.17	2.87
Aaa	Aug. 14	2.87	2.90	2.94	2.61
Aa	Aug. 14	2.92	2.96	2.99	2.67
A	Aug. 14	3.17	3.19	3.23	2.87
Baa	Aug. 14	3.50	3.52	3.53	3.23
Railroad Group	Aug. 14	3.30	3.33	3.36	3.08
Public Utilities Group	Aug. 14	3.13	3.16	3.20	2.80
Industrials Group	Aug. 14	2.92	2.93	2.97	2.66
MOODY'S COMMODITY INDEX	Aug. 14	464.5	467.0	478.3	447.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 4	354,939	181,072	267,786	334,123
Production (tons)	Aug. 4	223,232	231,788	157,089	219,000
Percentage of activity	Aug. 4	94	97	62	98
Unfilled orders (tons) at end of period	Aug. 4	664,707	537,591	657,277	637,177
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Aug. 10	148.0	148.2	149.4	128.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	July 28	31,587	26,927	34,654	35,956
Number of shares	July 28	942,476	769,249	989,523	1,096,323
Dollar value	July 28	$43,139,534	$34,542,553	$41,495,139	$44,778,927
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 28	28,232	22,682	26,332	31,685
Customers' short sales	July 28	664	604	571	256
Customers' other sales	July 28	27,568	22,078	25,761	31,429
Number of shares—Total sales	July 28	794,676	625,726	763,210	942,385
Customers' short sales	July 28	20,521	22,106	22,307	10,001
Customers' other sales	July 28	774,155	603,560	740,903	932,384
Dollar value	July 28	$34,535,137	$26,161,621	$30,934,737	$34,540,019
Round-lot sales by dealers—					
Number of shares—Total sales	July 28	202,270	174,960	201,880	242,830
Short sales	July 28	------	------	------	------
Other sales	July 28	202,270	174,960	201,880	242,830
Round-lot purchases by dealers—					
Number of shares	July 28	384,530	318,500	417,780	424,110
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR— 1926 = 100:					
All commodities	Aug. 7	177.8	*177.6	179.7	186.3
Farm products	Aug. 7	192.0	189.9	196.3	171.6
Grains	Aug. 7	178.8	177.2	179.5	168.6
Livestock	Aug. 7	266.6	264.0	265.6	241.6
Foods	Aug. 7	188.7	*185.9	186.2	174.4
Meats	Aug. 7	278.6	275.3	275.6	255.3
All commodities other than farm and foods	Aug. 7	166.4	*166.9	168.2	155.5
Textile products	Aug. 7	169.8	*172.6	177.1	149.3
Fuel and lighting materials	Aug. 7	137.7	137.7	137.7	134.4
Metals and metal products	Aug. 7	188.1	188.2	188.2	174.0
Building materials	Aug. 7	223.6	224.2	224.2	212.3
Lumber	Aug. 7	348.1	350.2	249.8	‡
Chemicals and allied products	Aug. 7	140.0	139.8	140.5	121.4

*Revised. ‡Not available. ¶Includes 547,000 barrels of foreign crude runs. §Corrected figure.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of July	8,696,000	*8,656,960	8,082,923
Shipments of steel products, including alloy and stainless (net tons)—Month of June	6,645,897	6,938,708	6,192,430
AMERICAN ZINC INSTITUTE, INC.—Month of July:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	78,955	77,679	77,868
Shipments (tons of 2,000 lbs.)	83,346	79,299	84,116
Stocks at end of period (tons)	11,400	15,791	20,427
Unfilled orders at end of period (tons)	62,412	73,304	67,463
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of May (000's omitted):			
All building construction	$802,455	$777,318	$1,058,621
New residential	463,393	456,736	694,287
New nonresidential	233,205	234,024	263,308
Additions, alterations, etc.	105,857	86,558	101,026
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of June	6,869	7,544	8,861
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of May (million of dollars):			
Manufacturing	$38,800	*$37,800	$29,700
Wholesale	12,000	11,700	9,500
Retail	19,100	*19,000	14,400
Total	$69,900	*$68,500	$53,600
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of May (000's omitted)	$209,500	$516,400	*$210,500
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of July (000's omitted):			
Total U. S. construction	$1,378,640	$1,027,087	$1,175,138
Private construction	397,003	443,701	699,269
Public construction	981,637	583,386	475,869
State and municipal	533,494	402,522	368,214
Federal	448,143	180,864	115,655
COAL OUTPUT (BUREAU OF MINES)—Month of July:			
Bituminous coal and lignite (net tons)	34,462,000	44,014,000	*35,109,000
Pennsylvania anthracite (net tons)	2,790,000	*3,743,000	2,855,000
Beehive coke (net tons)	538,900	632,000	506,600
COKE (BUREAU OF MINES)—Month of June:			
Production (net tons)	6,574,975	*6,747,163	6,238,067
Oven coke (net tons)	5,942,955	6,122,225	5,657,494
Beehive coke (net tons)	632,020	*624,938	580,573
Oven coke stocks at end of month (net tons)	1,395,394	1,444,663	723,671
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) to Aug. 1	223,886	[illegible]	283,243
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Aug. 1			
Production 500-lb. gross bales	17,266,000	------	10,012,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM)—(1935-39 Average=100) Month of July:			
Adjusted for seasonal variations	308	*301	362
Without seasonal adjustment	240	*284	283
MONEY IN CIRCULATION—TREASURY DEPT. —As of May 31 (000's omitted)	$27,519,000	$27,278,000	$27,090,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of July:			
Industrial (125)	6.46	7.03	5.89
Railroad (25)	5.72	5.90	5.99
‡Utilities (24)	4.79	4.86	4.50
Banks (15)	3.35	3.48	3.74
Insurance (10)	6.20	6.55	6.17
Average (200)	6.38	6.79	6.36
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of May (in billions):			
Total personal income	249.5	*249.0	*216.9
Wage and salary receipts, total	164.1	*164.8	*138.3
Total employer disbursements	167.8	*168.2	*141.2
Commodity producing industries	74.4	*75.0	*61.3
Distributive industries	45.0	*45.3	*40.4
Service industries	20.2	*20.1	18.5
Government	28.2	*27.8	21.0
Less employee contributions for social insurance	3.7	*3.4	*2.9
Other labor income	3.8	*3.8	*3.5
Proprietors' and rental income	48.7	*48.1	*42.4
Personal interest income and dividends	20.2	*20.2	*18.4
Total transfer payments	12.7	12.1	*14.3
Total nonagricultural income	228.1	*227.8	*199.9
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1914=100—As of May 15:			
Unadjusted—			
All farm products	305	309	247
Crops	271	275	223
Food grain	244	247	230
Feed grain and hay	223	222	190
Tobacco	438	438	337
Cotton	357	363	246
Fruit	194	209	195
Truck crops	239	225	178
Oil-bearing crops	380	385	248
Livestock and products	335	340	269
Meat animals	418	428	342
Dairy products	270	273	230
Poultry and eggs	221	215	154
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of May (000's omitted):			
Exports	$1,351,000	*$1,374,000	$829,000
Imports	1,017,700	1,024,385	659,090
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of July 31	$255,684,947	$255,251,203	$257,556,877
General fund balances	5,619,924	7,356,578	4,500,477
Net debt	$250,065,023	$247,894,625	$253,056,400
Computed annual rate	2.267%	2.270%	2.200%

*Revised figures.
‡Not including stocks of Amer. Tel. & Tel.

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Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Alabama Power Co. (9/11)
Aug. 10 filed $15,000,000 of 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. & Hutler (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**—Expected to be opened at 11 a.m. (EDT) on Sept. 11.

Alaska Telephone Corp., Juneau, Alaska
July 18 (letter of notification) $300,000 of 6% 20-year convertible debentures and 75,000 shares of common stock (par $1 per share) to be reserved for conversion of debentures. **Price**—To be supplied by amendment. **Underwriter**—Tellier & Co., New York. **Proceeds**—For expansion and modernization needs and working capital. **Offering**—Expected sometime in September.

Axe-Houghton Fund A, Inc.
Aug. 14 filed 1,000,000 shares of capital stock (par $1). **Price**—At market. **General Distributor**—Axe Securities Corp., New York. **Proceeds**—For investment.

Botany Mills, Inc.
Aug. 10 (letter of notification) 500 shares of 5% cumulative preferred stock (par $25). **Price**—At market (estimated at $14 per share). **Underwriter**—None, but Goodbody & Co., John P. White & Co. and P. F. Fox & Co. of New York, will act as brokers. **Proceeds**—To Otto E. Kuhn, Vice-President, who is the selling stockholder.

Central Eureka Mining Co. (8/24)
Aug. 7 filed 300,000 shares of capital stock to be offered to stockholders of record Aug. 24 on basis of one share for each two shares held, with an oversubscription privilege; rights expire on Sept. 28. **Price**—At par ($1 per share.) **Underwriter**—None. **Proceeds**—For development program.

Central Pharmacal Co., Seymour, Ind.
Aug. 7 (letter of notification) 8,020 shares of 5% cumulative preferred stock. **Price**—At par ($20 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—120-128 East Third Street, Seymour, Ind.

Colonial Acceptance Corp., Chicago, Ill.
Aug. 10 (letter of notification) 10,000 shares of class A common stock, first series (par $1). **Price**—At market (estimated at about $4.50 per share). **Underwriter**—Straus & Blosser, and probably others. **Proceeds**—To David J. Gradman, President, who is the selling stockholder.

Concord Fund, Inc., Boston, Mass.
Aug. 14 filed 117,810 shares of capital stock (par $1). **Price**—At market. **Underwriter**—A. E. Weltner & Co., Inc., Kansas City, Mo., and New York, N. Y. **Proceeds**—For investment.

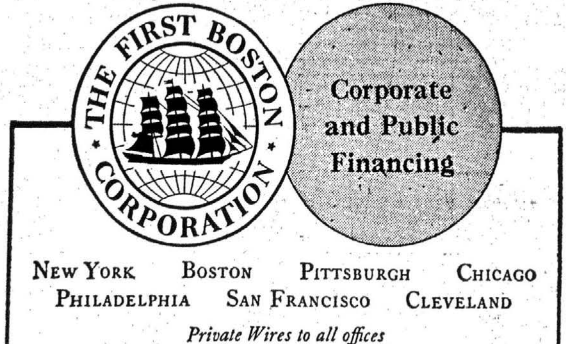
Dumont Electric Corp. (8/17)
Aug. 10 (letter of notification) 40,000 shares of cumulative convertible preferred stock (par $1) to be offered to common stockholders of record Aug. 17 at rate of one preferred share for each 10 common shares held; rights to expire Sept. 5. **Price**—$4.75 to stockholders and $5 per share to public. **Underwriter**—Aetna Securities Corp., New York. **Proceeds**—For expansion and for development of new products.

El Paso Electric Co., El Paso, Texas
Aug. 8 (letter of notification) 907 shares of common stock (no par). **Price**—At market, but not less than $37.37 per share. **Underwriter**—None, but will be sold in over-the-counter market through brokerage houses to be selected by company. **Proceeds**—To reimburse treasury for cost of acquisition of such shares.

Equipment Finance Corp., Charlotte, N. C.
Aug. 6 (letter of notification) 2,774 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For operating capital. **Office**—1026 So. Boulevard, Charlotte, N. C.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
Aug. 8 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market "between $4.12½ and $4.25 per share." **Underwriter**—The Broy Co., San Francisco, Calif. **Proceeds**—To Leonard A. Gregory and Willie R. Gregory, two selling stockholders.

Kootenai Dike Mines, Inc., Coeur d'Alene, Ida.
Aug. 3 (letter of notification) 1,200,000 shares of capital stock. **Price**—25 cents per share. **Underwriters**—Ray Edward Currie, President, and Richard William Benofsky, Secretary, both of Oakland, Calif. **Proceeds**—For exploration and development of mining property. **Office**—Room 320, Powell Building, Coeur d'Alene, Idaho.



Lake Superior Refining Co., Superior, Wis.
Aug. 6 (letter of notification) 700 shares of common stock, to be offered to present stockholders. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For lease, refining and working capital.

Lowell Adams Factors Corp.
Aug. 9 (letter of notification) 126,300 shares of common stock (par 10 cents) to be offered to common and preferred stockholders of record Aug. 15 and to certain holders of company's short-term paper; rights expire Aug. 31. **Price**—$2 per share to aforementioned holders and $2.37½ per share to public. **Underwriters**—Louis L. Rogers Co. and Graham, Ross & Co., Inc., New York. **Proceeds**—For working capital.

McKales Corp., Seattle, Wash.
Aug. 10 (letter of notification) 23,600 shares of class A common stock (par $3). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To purchase additional sites and to construct and equip service stations thereon. **Office**—2124½ Third Ave., Seattle, Wash.

Mullan Metals, Inc., Wallace, Idaho
Aug. 6 (letter of notification) 300,000 shares of assessable capital stock (par 10 cents). **Price**—15 cents per share. **Underwriters**—Pennaluna & Co., Wallace, Idaho, and R. L. Emacio & Co., Inc., Spokane, Wash. **Proceeds**—For development of mining property.

Mutual Products Co., Minneapolis, Minn.
Aug. 8 (letter of notification) $200,000 of five-year 8% registered debentures. **Price**—At par (in denominations of $100 and multiples thereof). **Underwriter**—None. **Proceeds**—For additions to property and for working capital. **Office**—509 N. Fourth Street, Minneapolis, Minn.

Roper (Geo. D.) Corp., Rockford, Ill.
Aug. 8 (letter of notification) 4,000 shares of common stock (par $5). **Price**—$24.75 per share. **Distributor**—Merrill Lynch, Pierce, Fenner & Beane, Chicago, Ill. **Proceeds**—To Grace Y. Roper, the selling stockholder. **Office**—340 Blackhawk Park, Rockford, Ill.

Shuttle-Wyze Carpets, Inc., Morgantown, W. Va.
Aug. 8 (letter of notification) 30,000 shares of common stock (par $5). **Price**—$5.50 per share. **Underwriter**—Joe McAlister Co., Greenville, S. C. **Proceeds**—For general corporate purposes, including purchase of machinery and equipment and raw materials and for working capital.

Slick Airways, Inc., Burbank, Calif.
Aug. 14 filed 147,301 shares of common stock to be offered for sale to holders of presently outstanding Employee Option Warrants and Stockholders Option Warrants. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase new equipment and for other corporate purposes.

Snyder Chemical Corp., Bethel, Conn.
Aug. 8 (letter of notification) 7,625 shares of common stock (par one cent). **Price**—$4.50 per share. **Underwriter**—Coburn & Middlebrook, Hartford, Conn. **Proceeds**—To Francis H. Snyder, President, who is the selling stockholder.

Tennessee Gas Transmission Co.
Aug. 10 filed $45,000,000 of first mortgage pipe line bonds due 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To retire short-term notes and for expansion program. **Offering**—Expected in September.

Transgulf Corp., Houston, Texas
Aug. 6 (letter of notification) 10,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Underwriter**—S. B. Cantor Co., New York. **Proceeds**—To Dudley P. South, Sr., the selling stockholder.

Utah Power & Light Co. (9/19)
Aug. 9 filed 175,000 shares of common stock (no par). **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). **Proceeds**—To repay bank loans and to provide additional construction funds. **Bids**—To be opened at 11 a.m. (EDT) on Sept. 19.

Utah Power & Light Co. (10/29)
Aug. 9 filed $9,000,000 first mortgage bonds, due Oct. 1, 1981. **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.

Wellington Fund, Inc.
Aug. 10 filed $5,400,000 DW Plans (periodic payment plans with insurance protection); $9,000,000 DWN Plans (periodic payment without insurance protection); and $2,400,000 DWP Plans (single payment). **Underwriter**—First Investors Corp., New York. **Custodian**—The Pennsylvania Company for Banking and Trusts, Philadelphia, Pennsylvania.

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

American 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.

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.

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.

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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.

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.

★ **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.; Salomon Bros. & Hutzler; Lehman Brothers; White, Weld & Co.; Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). **Proceeds**—To repay bank loans and for construction purposes. **Bids**—To be opened at 11:30 a.m. (EDT) on Sept. 5.

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

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price**—$2 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes. Temporarily deferred.

Continental Electric Co., Geneva, Ill.
March 2 (letter of notification) $300,000 of 6% sinking fund debentures due Dec. 1, 1975 (to be issued in units of $100, $500 and $1,000 each). **Price**—91% of principal amount. **Underwriter**—Boettcher & Co., Chicago, Ill. **Proceeds**—To retire indebtedness and for working capital. **Offering**—Postponed indefinitely.

Cornucopia Gold Mines
May 14 (letter of notification) 229,800 shares of common stock (par five cents) being offered for subscription by stockholders of record June 30, 1951, on a one-for-five basis, with an oversubscription privilege; rights to expire on Oct. 1. **Price**—30 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—824 Old National Bank Bldg., Spokane, Wash.

Deardorf Oil Corp., Oklahoma City, Okla.
May 18 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—70 cents per share. **Underwriter**—None. **Proceeds**—To pay obligations. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Offering**—Temporarily postponed "because of market conditions."

Drayson-Hanson, Inc., Los Angeles, Calif.
June 4 (letter of notification) 50,000 shares of common stock (par 40 cents). **Price**—$1.20 per share. **Underwriter**—Edgerton, Wykoff & Co., Los Angeles, Calif. **Proceeds**—To purchase real property and plant.

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.

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.

NEW ISSUE CALENDAR

August 17, 1951
Dumont Electric Corp.________________Preferred

August 21, 1951
Missouri-Kansas-Texas RR. noon (CDT)
Equip. Trust Ctfs.
National Distillers Products Corp.________Preferred
Seaboard Air Line RR.__________Bonds and Stocks
State Loan & Finance Corp.______________Common

August 22, 1951
Foote Bros. Gear & Machine Corp.
11 a.m. (CDT)____________________Common

August 23, 1951
Montana-Canadian Oil Corp.______________Common

August 24, 1951
Central Eureka Mining Co.______________Common

August 27, 1951
Spencer Chemical Co.__________________Preferred

August 28, 1951
Southern California Edison Co.
8:30 a.m. (PDT)________________________Bonds
Southern Counties Gas Co. of California____Bonds
Wilson Brothers_____________________Debentures

August 29, 1951
Jetter & Scheerer Products, Inc.
11 a.m. (EDT)_______________________Common

September 5, 1951
Columbus & Southern Ohio Electric Co.
11:30 a.m. (EDT)_______________________Bonds

September 11, 1951
Alabama Power Co.__________________________Bonds
American Box Board Co.______________________Bonds

September 12, 1951
Chesapeake & Ohio Ry.
Noon (EDT)________________Equip. Trust Ctfs.

September 18, 1951
New England Gas & Electric Association
11:30 a.m. (EDT)_______________________Bonds

September 19, 1951
Utah Power & Light Co., 11 a.m. (EDT)__Common

September 20, 1951
Harshaw Chemical Co.__________________Preferred

October 9, 1951
Arkansas Power & Light Co.________________Bonds

October 29, 1951
Utah Power & Light Co., noon (EST)______Bonds

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) and 73,598 shares of common stock (par $1). Latter to be reserved for conversion of $5 par 6% cumulative convertible first preferred stock to be called for redemption, with unconverted common shares to be sold to underwriters. **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 at an adjourned meeting Sept. 7 on the proposed 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.

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.

★ **Hartford Special Machinery Corp.**
July 24 (letter of notification) 5,000 shares of common stock being offered for subscription by stockholders of record July 23, on the basis of one new share for each five shares held; right to expire on Aug. 28. **Price**—At par ($20 per share). **Underwriter**—None. **Proceeds**—For additional working capital. **Office**—287 Homsetead Avenue, Hartford, Conn.

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.

Hilton Hotels Corp., Chicago, Ill.
March 30 filed 153,252 shares of common stock (par $5) now offered to holders of common stock of Hotel Waldorf-Astoria Corp. in exchange for their holdings of such stock on a share-for-share basis; offer expires on Aug. 27. **Dealer-Manager**—Carl M. Loeb, Rhoades & Co., New York.

Idaho Custer Mines, Inc., Wallace, Idaho
June 8 (letter of notification) 800,000 shares of non-assessable common stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—H. M. Herrin & Co., Seattle, Wash., and others. **Proceeds**—For development of Livingston mine. **Office**—Scott Bldg., Wallace, Idaho.

International Resistance Co., Phila, Pa.
June 26 (letter of notification) 1,500 shares of common stock (par 10 cents). **Price**—At the market (approximately $6.37½ to $6.62½ per share). **Underwriter**—Stein Bros. & Boyce, Phila., Pa. **Proceeds**—To Harry A. Ehle, Vice-President, who is the selling stockholder.

Jersey Central Power & Light Co.
Feb. 21 filed $1,500,000 first mortgage bonds due in 1981. **Proceeds**—For expansion program. **Bids**—Only one bid was received by company on March 27, from Halsey, Stuart & Co. Inc., which was returned unopened. **Offering**—Postponed indefinitely. Statement effective March 14.

Jersey Central Power & Light Co.
Feb. 21 filed 40,000 shares of cumulative preferred stock (par $100). **Proceeds**—From sale of preferred, together with proceeds to be received from the sale of 350,000 additional common shares to General Public Utilities Corp., the parent, will be used for new construction. **Bids**—Only one bid, from Union Securities Corp. and Salomon Bros. & Hutzler (jointly), was received March 27, which was returned unopened. Statement effective March 14. **Amendment**—On May 8 SEC granted an exemption from competitive bidding. Preferred may be privately placed, but reported, temporarily abandoned.

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.

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.

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.

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.

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.

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Mayfair Markets, Los Angeles, Calif.
May 24 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Underwriter** — None. **Proceeds** — For working capital. **Office**—4383 Bandini Boulevard, Los Angeles 23, Calif.

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) issued to Edward D. Jones & Co. upon exercise of warrants to purchase stock at $5 per share, and then to be publicly offered. **Price**—$6.50 per share. **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.

★ **Montana-Canadian Oil Corp. (8/23)**
July 31 (letter of notification) 82,900 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.

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.

★ **New England Gas & Electric Ass'n (9/18)**
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. **Bids**—To be received up to 11:30 a.m. (EDT) on Sept. 18 at 10 Temple St., Cambridge, Mass.

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.

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.

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.

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.

★ **Oneida, Ltd., Oneida, N. Y.**
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**—Abandoned on Aug. 7.

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 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.

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.

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.

★ **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. Statement effective Aug. 4.

Sheeld, Inc., Dallas, Tex.
See Newman Associates, Inc. above.

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.

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. **Bids** —Expected to be received up to 8:30 a.m. (PDT) on Aug. 28.

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 $1,590,000 of bank loans and the balance added to general corporate funds. **Offering** — Postponed.

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 about Aug. 27, with rights expiring about Sept. 11. **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.

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. (8/21)**
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.

Trad Television Corp.
Aug. 7 (letter of notification) 2,000,000 shares of common stock being offered for subscription by common stockholders of record Aug. 9 in ratio of eight shares for each nine shares held, with an oversubscription privilege; rights expire Aug. 27. **Price** — 10 cents per share. **Underwriter** — None. **Proceeds** — For working capital, etc. **Office**—1001 First Avenue, Asbury Park, N. J.

United Canadian Oil Corp., Washington, D. C.
July 31 filed 1,000,000 shares of common stock (par 10 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.

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.

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.

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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.

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.

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.

★ **Workers Finance Co. of North Bergen, N. J.**
July 26 (letter of notification) $150,000 of 6% cumulative deferred 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. To be sold privately.

Prospective Offerings

● **American Box Board Co. (9/11-12)**
Aug. 7 it was reported that early registration of about $5,000,000 10-year first mortgage bonds is expected. **Probable Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Proceeds**—To redeem outstanding 4½% debentures.

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.

● **Atlantic Oil Co., Ltd. (Canada)**
Aug. 7 it was reported company expects to file a registration statement with the SEC late this month covering approximately 1,150,000 shares of common stock. **Probable Underwriter**—Reynolds & Co., New York.

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.

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 Telephone Co., Chicago, Ill.**
Aug. 14 company announced it plans to offer early in September to holders of its common stock (other than Central Electric & Gas Co.) an additional 26,000 shares of common stock. **Price**—About $10.25 or $10.50 per share. **Underwriter**—None, but participating dealers in securities will be compensated.

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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.

● **Continental Can Co., Inc.**
Aug. 7 it was reported that the company may offer a combination of securities later this year. **Probable Underwriter**—Goldman, Sachs & Co., New York.

Delaware River Development Corp. (N. J.)
June 20 FPC decided to issue a one-year preliminary permit to the corporation for investigation of the proposed development of a hydroelectric project on the Delaware River in New Jersey, Pennsylvania and New York, estimated to cost $47,000,000. Early last year, it was announced that the proposed project would be financed through the issuance of $28,200,000 of bonds, $14,100,000 of preferred stock, $4,700,000 of convertible common stock and 100,000 shares of no par value common stock.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 oustanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

★ **Derby Gas & Electric Corp.**
July 16 corporation received SEC authority to issue and sell $900,000 of debentures to mature July 1, 1957 (to be placed privately with an institution) but reserved jurisdiction over the proposed issuance of approximately 12,500 additional shares of common stock (latter to be offered to public pursuant to a negotiated transaction). To be selected through competitive negotiation. Probable bidders: Allen & Co.; Union Securities Corp.; Smith Ramsay & Co.; Hincks Bros. and Paine, Webber, Jackson & Curtis (jointly). **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.

● **El Paso Natural Gas Co.**
Aug. 10, it was announced that stockholders will vote Sept. 18 on increasing the first preferred stock from 100,000 to 300,000 shares, the second preferred stock from 200,000 to 300,000 shares and the common stock from 3,800,000 to 5,000,00 shares; also to authorize an increase in the aggregate principal amount of bonds issuable under the company's indenture of mortgage, dated June 1, 1946, from $157,00,000 to $300,000,000. **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.

● **International Refineries, Inc., Minneapolis, Minn.**
Aug. 14, it was announced company will finance the construction of a $7,000,000 oil refinery near the cities of Duluth, Minn., and Superior, Wis., by the public sale of securities. **Underwriters** — Eastman, Dillon & Co., New York, and First Southwest Co., Dallas, Texas.

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.; 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

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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.

• **Missouri-Kansas-Texas RR. (8/21)**
Bids will be received by the company at St. Louis, Mo., up to noon (CDST) on Aug. 21 for the purchase from it of $1,500,000 of equipment trust certificates, second series 1951, to be dated Sept. 1, 1951 and to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Niagara Mohawk Power Corp.
June 6, company applied to FPC for a license for a proposed new project estimated to cost $22,611,000. On Jan. 26, company had announced that it probably would sell late this year or early 1952 about $15,000,000 of additional common stock to finance part of its $150,000,000 construction program scheduled for 1951, 1952 and 1953. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.

• **Niagara Mohawk Power Corp.**
Aug. 6, it was announced that it is anticipated that permanent financing will be undertaken early in 1952, but that definite plans for such financing have not been formulated. Short-term bank loans amounting to $35,000,000, plus depreciation accruals and retained earnings, are expected to finance construction requirements in 1951. Of the $35,000,000, $15,750,000 had been borrowed up to June 30, 1951. Construction expenditures of $165,000,000 are anticipated for 1951, 1952 and 1953. Probable bidders for bond financing: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.

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 Rig & Reel Co.**
Aug. 1 A. Sidney Knowles, Chairman and President, announced that the directors have approved in principle a plan to offer a modest amount (not exceeding $300,000) of common stock for subscription by common stockholders. The proceeds would be used for working capital. Formal announcement of the offer of rights is expected in the near future.

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.

• **Pennsylvania Water & Power Co.**
July 25, stockholders approved issuance of 78,507 shares of cumulative preferred stock (par $100). Proceeds will be used for expansion program.

Aug. 7, it was reported company may issue and sell $8,000,000 to $10,000,000 of first mortgage bonds. Probable bidders may include: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co. Proceeds will be used for expansion program. Financing not considered imminent.

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 Lynchr, Pierce, Fenner & Beane and 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 Colorado Power Co.**
Aug. 9 it was announced company plans to offer to its stockholders of record Aug. 16 an additional 30,970 shares of common stock (no par) on the basis of one new share for each 22 shares held, with an over-subscription privilege; rights to expire on Aug. 30. **Price**—$9 per share. **Proceeds**—To retire bank loans or reimburse the treasury for expenditures for plant additions and improvements.

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.

• **Ultrasonic Corp., Cambridge, Mass.**
Aug. 15, stockholders were scheduled to vote on increasing authorized common stock from 200,000 to 400,000 shares. Early registration is expected with offering likely next month. **Probable Underwriter**—Emanuel, Deetjen & Co., New York. Proceeds will be used in connection with acquisition of S. A. Woods Machine Co., Boston, Mass.

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.

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 26 it was announced 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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Sterling's Role as International Currency

dollar receipts from the EPU in settlement of the sterling area's payments surplus with the OEEC countries were only $17 million in April-June, compared with $76 million in the previous quarter. As a result of these and other unfavorable influences, the dollar surplus of the sterling area as a whole fell off abruptly during the second quarter of this year, as shown in the accompanying table.

Sterling Area Net Gold and Dollar Surplus (+) or Deficit (—)*

Quarter ended	Millions of dollars
1949-December	— 31
1950-March	+ 40
June	+180
September	+187
December	+398
1951-March	+360
June	+ 54

*Excludes ERP and other dollar assistance to the United Kingdom and Ireland. Source: *United Kingdom Balance of Payments 1946 to 1950* (Cmd. 8201), page 25, and *The Times* (London), dated July 5, 1951.

Although the strength of sterling as an international currency has been greatly reinforced by the $1,445 million addition to Britain's reserves since hostilities began in Korea, it should be noted that the United Kingdom has incurred in the process a very substantial increase in its sterling liabilities. As indicated above, the increase in Britain's reserves has been primarily attributable (apart from ERP assistance) to the gold and dollar surplus of the Overseas-Sterling-Area countries, which have accepted, in exchange for this surplus, credits to their sterling balances in London. In addition, the Overseas Sterling Area's sterling balances were augmented during 1950 by net payments of £179 million from countries outside the dollar and sterling areas. Mainly as a result of these transactions, the sterling balances of the Overseas Sterling Area increased last year by almost £400 million in spite of the £225 million surplus in the current account of Britain's balance of payments with her sterling area partners. It seems probable, moreover, that there has been a further substantial growth in the Overseas Sterling Area's sterling balances in the first half of 1951. This striking growth in Britain's sterling liabilities may well lead to heavier demands upon the United Kingdom's export capacity, already seriously strained, or alternatively to heavier conversion of balances for purchases in dollar markets.

Even more serious, the great expansion in world, and particularly United States, demand for primary commodities has brought in its train a rapid deterioration in Britain's terms of trade. Prices of Britain's imports, which already had moved sharply upward after devaluation, increased another 24% during 1950, most of the rise being attributable to a 46% increase in raw material prices. Although Britain's internal price level has been sheltered against much of this external pressure by government subsidies, the cost-of-living indicators began to move upward after warfare began in Korea, and wage rates, which had been almost steady since devaluation, also rose significantly. Export prices have increased by only a fraction of the rise in import prices, and Britain therefore has had to export an increasing volume of goods in order to pay for even the existing volume of imports. Between 1949 and 1950 the index of the physical volume of British imports remained steady at 114 (1947=100), but their cost increased by 400 million pounds to 2,374 million. Despite a 16% rise in the quantity of Britain's exports, the merchandise trade balance remained unchanged between the two years, and it was only because of a doubling of net earnings on "invisible" items that the country's balance-of-payments surplus on current account increased from 30 million pounds in 1949 to 229 million last year.

Although a deterioration in Britain's balance-of-payments position of more than 300 million pounds between 1950 and 1951 has thus been allowed for, it is still a question whether the government's forecast will not prove over-optimistic. Imports, it is true, were running fairly close to the government's forecast during January-June. Commodity prices, moreover, have recently shown a downward tendency, which has retarded the rise in Britain's import prices. At the same time, export prices have continued to rise with the consequence that in June there were signs that the deterioration of Britain's terms of trade might at least temporarily be halted. On the other hand, Mr. Gaitskell estimated late in July that, despite the fall in primary commodity prices, British imports might exceed the government's original estimate for 1951 by well over 100 million pounds. Moreover, the nationalization of the Anglo-Iranian Oil Company by Iran has injected an element of uncertainty into the government's forecast of net "invisible" earnings and in his recent statement to Parliament the Chancellor estimated that 1951 net earnings might reach only 400 million pounds. In addition, the value of exports in the first half of this year was running at an annual rate somewhat lower than the original target figure, though their volume, during January-May at least, was about 4% higher than the 1950 average. Mr. Gaitskell has, therefore, called upon Britains' exporters to raise their sales target to 1,600 million pounds in the second half of this year, compared with the 1,300 million achieved in January-June.

The prospects for achieving such an increase in exports remain obscure. A strong buyers' market seems to exist, it is true, for a considerable range of British exports, despite the rise in their prices during the early months of 1951. Whether the new export target can be achieved would seem to depend primarily on the ability of British industry to expand output, and of the Government to curtail domestic expenditure through its fiscal and monetary policies as well as its direct controls. During January-May, indeed, industrial production reached the government's target figure, and raw material supplies have recently become more plentiful. On the other hand, private consumption expenditures seem to be running somewhat above the corresponding 1950 levels, and the full impact of the expanded rearmament program has yet to be felt by the domestic economy. As defense production gets into full swing, it would, therefore, not be surprising if the country experienced difficulty in expanding exports to the required level.

The deterioration of Britain's terms of trade, the transformation of her over-all balance of payments from a surplus to a deficit, and the large rise in her external sterling debt, however, should not obscure the elements of strength in the position of sterling as an international currency. Over much of the non-sterling world, sterling remains relatively scarce, and the British Government has consequently found it expedient to relax further its exchange controls, thus increasing sterling's usefulness as an international currency. Moreover, the gold and dollar reserves are now about 60% higher than a year ago and almost three times as high as at the time of devaluation. Finally, the pressure of rearmament on these reserves is being cushioned by continuing United States assistance under the Mutual Defense Assistance Program.

Our Reporter's Report

Things change quickly in the financial world, as witness the complete turnabout in the case of last week's offering of $15,000,000 of Michigan Consolidated Gas Corp.'s 25-year first mortgage bonds.

At the time the books were opened things were slow, and the Street looked upon the successful group's bid as equivalent to buying for "inventory" on the theory that the market would catch up ultimately and create a demand for the issue.

The close of last week found only a bare minimum of the bonds spoken for and the syndicate was prepared to carry it for a spell. But suddenly the picture changed and virtually the entire issue moved out at the start of this week.

Dealers report a few bonds around but with the holders in no rush to sell. The break came when one large Canadian insurance firm took down a sizable block of the bonds, which were offered on a 3.38% yield basis.

This was the signal for other smaller insurance firms, particularly those in New England, and corporate pension funds to reach out for the bonds.

So it developed that an issue which was expected quite widely to be hanging around dealers' shelves for several weeks turned into a decidedly satisfactory operation.

A Really "Hot" One

The Province of British Columbia's $35,000,000 of serial debentures placed on the market today was tagged for quick delivery to investors lucky enough to get down for a few bonds.

According to reports in dealer circles bankers handling the big offering were literally swamped with orders. And it was said that indications pointed to little better than "token" allotments.

Part of the proceeds will be used by the Provincial government to pay off outstanding treasury bills, with the balance going toward financing of its road and bridge construction program.

National Distillers

National Distillers Products Corp.'s forthcoming offering has all the preliminary indications of a quick success. Interest is widespread even though potential buyers can do little better than guess at the price and other details.

The company has projected the sale of a block of 500,000 shares of $100 par convertible cumulative preferred stock and underwriters are prepared to bring the issue to market next Tuesday provided nothing happens to make for a change in plans.

Potential buyers are confident that the conversion will be set close enough to the market to make the privilege attractive. Funds raised will be used to pay existing loans and for additional working capital.

New Pipe Line Issue

Another of those increasingly popular pipe line issues looms ahead in the form of $45,000,000 of new first mortgage bonds filed by the Tennessee Gas Transmission Co., with the Securities and Exchange Commission.

Slated to mature in 20 years, which would make the issue fit nicely in many portfolios, the bonds will be put up for competitive bids in due course.

Proceeds will be used to pay off outstanding notes floated by the company for the purpose of financing expansion of its vast natural gas transportation system.

Seaboard Air Line

It will be interesting to see what bids the Reconstruction Finance Corp. receives for its block of 102,273 shares of common stock of Seaboard Air Line Railroad next Tuesday.

This block of stock is among other securities, including $5,785,872 of general mortgage 4½% bonds, and 9,543 shares of series A $100 par 5% preferred stock, which will be up for bids.

There has been considerable market activity in the common since RFC's call for bids on its block, and bankers naturally are a bit anxious over the possibility of finding themselves holding an "umbrella" over speculators who have acquired the stock in the open market.

FINANCIAL NOTICE

THE COLUMBIA GAS SYSTEM, INC.

EARNING STATEMENTS FOR THE TWELVE MONTHS ENDED JUNE 30, 1951

The Columbia Gas System, Inc. has made generally available to its security holders corporate and consolidated earning statements for the period July 1, 1950 through June 30, 1951, such period beginning after the effective date of the Corporation's Registration Statement for $110,000,000 principal amount of 3% Debentures, Series A Due 1975, filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended. Upon request addressed to the Corporation at 120 East 41st Street, New York 17, N. Y., copies of such earning statements will be mailed to the Corporation's security holders and to other interested parties. Such earning statements are made generally available to security holders in accordance with the provisions of Section 11(a) of the Securities Act of 1933, as amended.

THE COLUMBIA GAS SYSTEM, INC.
by F. H. CRISSMAN,
August 15, 1951. *Treasurer*

FINANCIAL NOTICE

The United States Leather Company

27 Spruce Street, New York

August 14, 1951

To the Holders of Class A Convertible Preferred Stock:

You are hereby notified that the Company will redeem all of its Class A Convertible Preferred Stock outstanding on the books of the Company on October 2, 1951 (redemption date), by the payment in cash for each share of such stock to be so redeemed of an amount consisting of Fifty Dollars ($50.00). All rights of the holders of such stock as stockholders of the Company, except the right to receive the redemption price upon surrender of the certificates for the stock so redeemed, shall cease and terminate from and after the redemption date, or prior thereto, if and when the Company shall deposit the redemption price for all such stock to be redeemed with Bankers Trust Company pursuant to the provisions of the Certificate of Incorporation of the Company.

The right of holders of the Class A Stock called for redemption to convert their shares into Common Stock shall not cease and terminate until the close of business on September 17, 1951 which is the fifteenth day prior to the redemption date. The transfer books will not be closed with respect to the transfer of the Class A Stock from August 14, 1951 through September 17, 1951, inclusive. The transfer books with respect to the transfer of Class A Stock will be finally closed at the close of business on September 17, 1951.

You may present your stock for redemption at **Bankers Trust Company, 46 Wall Street, New York, N. Y.,** on October 2, 1951, and thereafter, subject to the provisions of the Company's Certificate of Incorporation and New Jersey law.

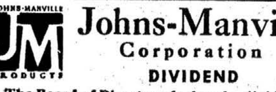
By order of the Board of Directors,
I. M. STICKLER, *Clerk*

DIVIDEND NOTICES

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held August 14, 1951, declared a dividend of 75 cents per share on the Class A Convertible Preferred Stock payable September 1, 1951, to stockholders of record August 24, 1951.

C. CAMERON, *Treasurer.*
August 14, 1951.



DIVIDEND

The Board of Directors declared a dividend of 75¢ per share on the Common Stock payable September 11, 1951, to holders of record August 27, 1951.

ROGER HACKNEY, *Treasurer*

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on August 15, 1951, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable October 1, 1951, to stockholders of record at the close of business on September 17, 1951.

EDWARD FRAHER, Secretary.

CARLISLE CORPORATION

The Board of Directors has declared a dividend of 10 cents per share on the outstanding capital stock of the Corporation, payable September 5, 1951 to stockholders of record August 20, 1951.

FURBER MARSHALL, *President*

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 30c per share has been declared, payable September 13, 1951, to stockholders of record at the close of business August 27, 1951. The transfer books of the Company will not be closed.

J. E. REEVES, *Treasurer*
August 13, 1951.

Manufacturers of AE **WALL & FLOOR TILE**

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents a share on the Common Stock, payable August 31, 1951, to stockholders of record on August 24, 1951.

G. W. THORP, JR. *Treasurer*
August 10, 1951.

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Just in case anybody is afraid of the big bad wolf, Patman, forget it, turn over children, and go to sleep.

Rep. Wright Patman (D., Tex.) is chairman of a Joint Economic subcommittee which is supposed to make a monetary study. Mr. Patman, the other day, announcing this, his course of monetary hearings would be postponed until some time after the new session of Congress meets in January, came pretty close to telling the whole world what he thinks the monetary subcommittee "court" he heads should rule.

It should rule that the Federal Reserve System is too gosh darned independent and should be taken over by the Administration.

To understand how a fellow like that gets to head a subcommittee on that subject one has to understand that in the processes of more or less orderly government some freak things happen. This is one of those freaks.

The origin goes back to the war between the Treasury and the Federal Reserve. When the tension was at its highest, both parties managed to enroll some violent partisans on the Hill. Senator Paul H. Douglas (D., Ill.) was head of the Federal Reserve forces, and Senator Joseph C. O'Mahoney (D., Wyo.) actual head but not front man for the Treasury forces.

Sentaor Joe was threatening to nick Patman on the Reserve Board. He made plans for it and pretty well committed himself to Patman when the Reserve Board and the Treasury, who really belong to the secret financial lodge in spite of their differences, met in the chapel of the lodge, so to speak, gave the secret handclasp, and made up.

Meanwhile Patman, who sounds as though he were frothing at the mouth whenever the Reserve System comes up for discussion, had got his promise to preside over a series of "get the Reserve System" hearings—a procedure, incidentally, NOT aided or abetted by the Treasury.

The fact that Mr. Patman sounds as though he would like to sponsor legislation to turn the Reserve System over to the Administration, and heads a subcommittee to "inquire" into monetary problems and come up mysteriously with an answer in favor of subordination of the Reserve System, is a matter regarded as of little practical significance.

In the first place, even if the subcommittee could be handled by Mr. Patman, which is not the case, the Joint Economic committee is in itself a freak without the added benefit of any one with curious ideas heading it. The JEC is not legislative committee. It cannot originate and pilot legislation through either House. If it gets an idea, it has to persuade a legislative committee (like the Banking or Finance committees) to adopt the legislation and pilot it through Congress.

There is no record of any noticeable legislation having been inspired as such, directly or indirectly, by the Joint Economic committee, which has remained nothing more or less than a platform from which ideas, mostly curious, and propaganda, even more unusual, can be howled.

But Mr. Patman cannot handle his own subcommittee, which includes Rep. Jesse P. Wolcott (R., Mich.) and Senator Douglas, neither of whom will allow the monetary hearings to be turned into a drumhead court organized for the purpose of promoting the legal rape of the Reserve System.

Because of the unimportance of the JEC, it is customary for the chairman of the full committee or of a subcommittee, to have a field day with hearings. If for instance, some industry is on the pan for raising prices, it is the chairman who calls the bigwigs of the industry into open hearings and calls them bad things in polite language for their conduct.

The committee is so unimportant that other members are usually too bored to hang around except for a half hour or so, or too tired to bother to challenge the chairman when he is having fun developing his particular line of political merchandise.

Even if conditions in the money market make it tough for Treasury financing come next January and February and the dough is really rolling out to pay defense contractors and the Treasury needs a lot of money it is having a hard time getting, it is not expected that the Administration would stand behind an open drive to cut down the Federal Reserve System by legislation. There is no reason to believe that new, like old, seductions of the Reserve System, in a real pinch, need have the benefit of clergy.

* * *

It is expected that there will be no announcement of new members of the System's Board of Governors until two vacancies are filled simultaneously. There is one pending vacancy, that left by the resignation of M. S. Eccles. M. S. Szymczak is expected shortly to leave, having obtained permission to accept a post with a member bank under special legislation.

When men have been found to fill both vacancies, they probably will be filled at the same time.

* * *

The fundamental problem of how to reconcile "a pretty good" tax bill with a lousy one may be one of the big problems of Sept. 1951. There is every reason to believe that the Senate Finance committee will come up with a fairly respectable bill. It will probably increase excises some.

It is probable that the Committee will not go beyond 50% on the corporation income tax rate, versus the House approved 52%, and the Senate committee, if it digs the excess profits tax scalpel in at all, will cut shallow. In place of the "soak the rick" 12½% surtax, the betting is that the Senate committee will favor a straight increase percentage wise in the personal income tax, something like 3% in all brackets.

Between such a bill, if it develops, and the House bill, there is little room for compromise and trading. It may be that the House, which tacitly recognized that it evaded the job of raising taxes by a 75% "soak the rich and corporations" bill, will tacitly extend the recognition by accepting the Senate bill.

If not, there will be some hot doings in the conferences between the Senate Finance and House Ways and Means committees.

* * *

Note that the OPS recanted the several price rollbacks proclaimed under the old DPA law, which would not have been possible under the new law, as reported in this column last week.

In the light of the new legal prohibitions against OPS setting ceilings or proclaiming price rollbacks which do not reflect costs, Eric Johnston's wonderful "profits standard" is for a long time to come as dead as a dodo. The Economic Stabilizer some months ago conjured the formula that before an industry could get relief from an oppressive price ceiling it would have to prove that its profits were less than 85% of what amounted to an excess profits tax base. This was considered too complicated and dreamy to work out in practice. However, the new DPA law for all practical purposes makes it obsolete, strictly one of a building full of bureaucratic freaks, even though the final DPA act did not expressly repeal the profits standard as the House proposed.

* * *

Rep. George Meader (R., Mich.) has stated perhaps as clearly as any one the case for the joint budget staff to investigate Administration requests for expenditures. This is the proposal of Senator John L. McCellan (D., Ark.), chairman of the Senate Expenditures committee.

"A David without a sling stood helpless before a $56 billion Goliath last week," said Rep. Meader.

"Seven members of a House Appropriations subcommittee shouldered the terrific burden of assuring 428 other members of the House and 150 million American people that $56 billion of proposed Defense department expenditures are justified as a necessary drain on the American economy.

"These seven members were standing up to a huge organization with thousands of officials, military and civilian, devoting their full time to the presentation of self-serving statements and documents, inundating the subcommittee with a plethora of testimony and charts and statistics which the subcommittee was unable to digest, to say nothing of being able to challenge.

"Under such circumstnaces the Congress is at the mercy of the Executive branch of the government, particularly on such a vital activity as national defense in a time of crisis. What if the Defense department had asked for $80 billion instead of $56 billion? Would the committee have been able to challenge and resist the request?" Rep. Meader asked.

"The Congress needs fact-finding investigators to squeeze the water out of these appropriations."

* * *

Note: When war with Russia is almost a certainty—that is when the military needs to justify appropriations for the domestic military establishment and, on the other hand, when a Congress skeptical of Europe's contribution is approached to appropriate $8.5 billion therefore, that is the time when we were never doing better and have got the Reds licked already.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I never realized Ben was so interested in Obsolete Securities!"

Business Man's Bookshelf

Activity on Over-the-Counter Markets—Irwin Friend—University of Pennsylvania Press, 34-36 Walnut Street, Philadelphia 4, Pa.—paper—85c.

Consumer Credit Today—Proceedings of the Consumer Credit Conference—College of Commerce and Business Administration, University of Illinois, Urbana, Ill.—paper.

Financial Institutions — Erwin W. Boehmler, editor; Roland I. Robinson, Frank H. Gane, and Loring C. Farwell—Richard D. Irwin, Inc., Chicago, Ill.—fabrikoid—$7.35.

Financing Defense—Federal Tax and Expenditure Policies—Albert G. Hart and E. Cary Brown—The Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—cloth—$2.00.

Five Percent, The — Beardsley Ruml and Theodore Geiger—National Planning Association, 800 21st Street, N. W., Washington 6, D. C.—paper—50c.

Positioning of Securities on the Over-the-Counter Markets—Wilis Winn—University of Pennsylvania Press, 34-36 Walnut Street, Philadelphia 4, Pa.—paper—85c.

Steel Trails to Santa Fe—L. L. Waters — University of Kansas Press, Lawrence, Kans.—Cloth—$4.00.

Utilities — New analyses of 17 utilities showing opportunities still available in undervalued stocks—also available are new ratings reports on **15 Electric Equipment, Radio and Television; 44 Chemical, Drug, Liquor; 37 Motion Picture and Insurance;** and **45 Food Stocks**—special introductory offer including four weekly editions of ratings and reports with special situations recommendation, supervised account report, two fortnightly letters and four weekly supplements, plus 48-page edition on Electrical Equipment, Radio and Utility Stocks and Commentary on New 1951 Taxes — $5.00—Dept. CF-5, Value Line Survey, 5 East 44th Street, New York 17, N. Y.

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