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EDITORIAL

As We See It

The Treasury is doubtless somewhat uneasy at the prospect (so it believes apparently) of a large deficit this fiscal year. The disposition during the past year or so on the part of investors to reduce their holdings of savings bonds is not comforting. The fact that the next few years will see billions of these obligations maturing, adds to current worries, no doubt. Here is the background of the current drive to persuade the rank and file to take up large amounts of this class of obligations now and in the future through payroll saving plans. It is, of course, far too soon to tell just how the public will react. Some of the unfortunate features of wartime "selling" of these obligations are again appearing here and there, and the fact is to be regretted. The authorities, however, have in very truth a serious and difficult task ahead of them at best. No one with the good of his country at heart would wish to interfere unduly with carping criticism at this or any other time.

Still there are certain elements in this fiscal situation which the American citizen can continue (even in times of semi-war) to ignore only at his own risk. At the moment, differences of opinion and uncertainty about the future in exceptional degree characterize discussions of many aspects of the current situation. Officialdom continues to predict large deficits. It began to do so a year or more ago. The earlier official forecasts proved exceptionally wide of the mark. Some well informed students in private life go so far now as to doubt whether there will be any cash deficit at all for the current fiscal year as a whole. A few even foresee a cash surplus. Such apprais-

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The Manpower Situation Under Defense Mobilization

By EWAN CLAGUE*
Commissioner of Labor Statistics,
U. S. Department of Labor

Asserting present prosperity, though touched off by mobilization program, has been powered by business investment and consumer spending, Commissioner Clague foresees only a maximum of 20% of our national production for defense purposes. Says we do not have enough materials, plants and skilled manpower for greater defense output without curtailing civilian economy. Advises deferring increase in working hours, but warns if maximum standard of living and high consumption economy is attempted, Soviet Russia may surpass us in war production.

More than a year has elapsed since the outbreak of the war in Korea. But the mobilization demands have not yet fully expressed themselves in their effects upon the domestic economy. The peak influence of the present program, excluding any subsequent enlargement or speed-up, will not be felt until some time around the end of the year 1952. Therefore, the stresses and strains which the nation has experienced thus far are only a reflection of what is to come.


Ewan Clague

Nevertheless, the American people generally are convinced that significant economic effects have already taken place. Prices have risen, production has increased, the unemployment of late 1949 and early 1950 has has been reduced almost to a peacetime minimum. If what we have already experienced is only a token of what is to come then indeed we we are in for a rough time in our economy. On the other hand, why should the comparatively small armament program on which we have embarked rock our economic system so

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*An address by Commissioner Clague before the School of Banking, University of Wisconsin, Madison, Wis., Aug. 27, 1951.

Bull Market Now In Fourth Phase

By ROBERT S. BYFIELD
Member New York Stock Exchange

Economist stresses rise in personal savings forcing institutions to invest, and hence expects high grade bonds and preferreds to continue resumption of their upward trend. As supporting further rise in common stocks, Mr. Byfield cites country's and its leaders' liking of inflation in lieu of deflation, increasing strength of farm bloc, relaxation of credit controls, and continued high rate of capital goods expansion.

The relentless pressure of our inflated money supply upon prices has been obscured during recent months by a decline in the quotations for a considerable number of commodities. Accounts of inventory excesses and subsequent price mark-downs have been obtaining much space and some headlines in the press, thereby crowding out the reports of scarcity which had monopolized public attention and which long since had become monotonous. Furthermore, the early Summer weakness in equity securities seemed to be entirely consistent with the softness in commodities and encouraged some pessimistic predictions as to the possible state of business in many lines this Fall.


Robert S. Byfield

On July 12 we expressed ourselves in these columns to the effect that "stocks had declined primarily because of credit policies rather than because of possible cessation of the shooting war" and that there were "factors which point to the resumption of the bull market." Since then the industrial share averages have risen to 21-year highs and the utilities and rails have firmed up considerably. The upward move in quotations not only seems genuine but at times has been accompanied by an increasing volume of transactions. Accordingly a

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MADE YOUR SPACE RESERVATIONS YET?—There's still time to make reservations for advertisements to appear in the "Chronicle's" Special National Security Traders Association Convention Issue. The convention will be held at Coronado Beach, Calif., from September 30 to October 4.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

United States Steel Corporation—Armand G. Erpf, Partner, Carl M. Loeb, Rhoades & Co., New York City. (Page 2)

International Business Machines Corporation—Orrin G. Judd, Attorney, Judd & Curfein, New York City. (Page 2)

Richardson Company — Laurence H. Lyons, Allen & Co., New York City. (Page 26)

ARMAND G. ERPF

Partner, Carl M. Loeb, Rhoades & Co., Members, New York Stock Exchange

United States Steel Corporation

By and large, the steel industry and its securities have been neglected by the investing public in comparison to their zeal for other groups. Investors, like other folk, follow the fashions and like to make their current stock purchases in issues enjoying the limelight. Frequently there have been rewards for those who have had the originality and courage to turn their attention to the less popular investments.

Armand G. Erpf

The steel industry may prove to be a case in point. The depression years of the 1930's and the war years of the 1940's have contributed to obscure the real position of the industry in our economy. Believers in the boom-and-bust cycle were nurtured on the formula that you buy steel shares when operations are below 50% of capacity and sell them when operations are above 80%; and, although for a time the unsuspecting public bought the shares when they were high and sold them when they were low," this apt formula was quite profitable for a while. But when the shares remained at low prices and operations were at a very high level, the formula went askew. In recent years public opinion has been growing to feel that by some means or other large-scale unemployment cannot be allowed in present-day society; yet the appraisal of steel shares continues on a confused basis, relating to a medley of ideas formerly in vogue.

All in all, if one takes a new slant on the political economy of the United States, if one realizes that the defense program chews up a lot of steel and is here for a long, long time to come, that the business cycle will be better controlled than in the past, and that the steel industry is less cyclical than it used to be since the consumer buys automobiles, refrigerators, household appliances, and tin cans, which are much more stable than the old line business of rails and structurals, then the groundwork has been laid for a conclusion that steel shares in general are in for a revaluation in relation to other groups of investments.

In the case of United States Steel, we have a company with about one-third of the total steel capacity of the United States and nearly one and one-half times the steel capacity of the U. S. S. R. It is the largest and most completely integrated of the steel companies. Its preeminence in ore reserves in this country and abroad is indisputably acknowledged and it has great coal lands and enormous far-flung physical assets. Its plants are the most widely distributed regionally in the United States, ranging from Utah to the new plant to be erected near tidewater in Philadelphia, and from Illinois, where it has the largest single steel plant in the world, down to the Birmingham district of Alabama. It has a very diversified product pattern in which the proportion of light steels has been rising.

The 1951-53 expansion program of United States Steel, although relatively small in relation to its size, is the largest of all the steel companies, amounting to 2,500,000 tons, which will bring total capacity to 36½ million tons ingot capacity. The expansion program, moreover, will round out finishing facilities and improve balance in operations. Thus, the raw material resources and the network of plants constitute a great aggregation of assets and could not be replaced for well above the $67 per share of book value, which, in turn, compares with the current market of only 42. This book value in itself is 70% above prewar, and capital expenditures of the company from 1946 through 1953 virtually will equal the present book value.

U. S. Steel sells at only five times earnings and it should be borne in mind that the accounting of the company is most conservative. In viewing its reported earnings, provision must be made for accelerated depreciation in order to make the figures comparable to the other published earnings reports. Its pension deductions are the highest in the industry and take into consideration current and future liabilities, as well as a substantial provision for the liability for past services incident to the new pension agreements.

The shares are only slightly above the postwar highs established before the outbreak of the Korean War, and the yield, on the basis of 1950 dividends of $3.45, is 8.2%. The company will take care of its expansion program out of its own resources and cash throwoff over the next few years, and the accelerated amortization feature will give new facilities at a quickly written-off book cost, so that when steel operations decline from their present over-capacity levels, it requires no feat of imagination to figure out that the company will shut down its older, high cost plants and operate its brand new, low cost plants at full tilt, enabling it to maintain a good profit level at a lower than capacity operations level. In time, the dividend should be more appropriate to the great asset value and earning power of this company and, therefore, it would appear that a chunk of steel in any portfolio is not a bad idea.

ORRIN G. JUDD

Attorney, Judd & Gurfein, New York City

International Business Machines Corporation

As an attorney, I do not pose as an expert on investments. Like other lawyers, however, I am frequently faced with problems of investment for myself and others, and try to form a sound judgment on the stream of information which pours from so many sources. Perhaps the view of an outsider will be of interest to help let the experts know how the rest of the world thinks.

Orrin G. Judd

International Business Machines Corporation is a stock which appeals to me for several reasons. It has formed a remarkable example of constant growth through many years, and has paid dividends every year since 1916. One who bought it at its high of the 1941-1945 period would have experienced an increase in value from 114 to approximately 220. That represents almost a 100% gain in less than ten years, during which the holder also would have received dividends of $32.56. If he were fortunate enough to have bought it at its 1941-1945 low of 50¼, he would have had a capital gain of more than 300% over the ten-year period.

The practice of paying regular stock dividends is another feature which appeals to me. The cash dividends are low, as the figure above shows. But for professional men, whose income on savings is taxed in their top brackets, or for individuals with high income, whose primary interest is in capital gains, the dividend policy is ideal. The cash yield of the present $4 annual dividend is less than 2%, but this has been quite regularly supplemented by a stock dividend of 5% per year. In seven of the last ten years the stock has paid a 5% stock dividend, and in the other three years it had one 5 for 4 split and one 75% stock dividend. With earnings of over $10 a share for each of the last four years, the stock dividend has been practically covered by earnings, and the market seems to bounce back to its former value shortly after each stock dividend is paid. There are usually arrangements provided for prompt sale of the stock dividends, so that one who needs cash income can realize it.

By retaining the earnings in the company, I. B. M. has been able to finance a continuous expansion with a minimum of borrowing. Debt at present is less than $30 per share. This may give it less "leverage" than a stock with large amounts of bonds and preferred stock ahead of it, but it makes a more conservative investment for one who can't keep an eye on the stock market every day.

Another interesting feature of the stock is that the gross revenues depend primarily on rental of office equipment, which remains in the ownership of the company. The retention of earnings through stock dividends permits financing the construction of more machines, and assures continued growth in earnings. While a depression may result in some cancellations of leases, the effect on income may be less drastic than a wide fluctuation in sales might be. My guess would be that the policy of leasing machines makes for stability of income. My judgment also tells me that increasing salaries for white collar workers in every industry will promote mechanization of all processes that are susceptible of it, and keep the business machine industry busy for years to come.

The field is so highly competitive that no company can be sure of staying at the top. Yet reports of the I. B. M. pioneering work in electronic computers suggest that it will not be left behind in

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End of Inflation?

By ARTHUR M. WOLKISER
Consulting Economist, New York City

In detailed analysis Dr. Wolkiser maintains that rearmament, budget deficits, wage-raising labor policies, rising incomes and reduced production of consumer goods on the one hand, and United States military and financial support of our economically weakened allies on the other, provide the background for continued strength of inflationary forces. Concludes the inflationary trend will prevail until a decision is reached in an inevitable East-West Hot War.

For the first time since the outbreak of hostilities in Korea more than a year ago, we are experiencing at present a let-up in the pressures of inflation. For several weeks now prices have remained relatively stable. Buyers are more reluctant to buy and sellers more eager to sell. Indicative of the change in sentiment are such expressions of purchasing agents that in many lines there exists today a "phony" price inflation propaganda disseminated by sales organizations. The recent "price war" in New York and other department stores and so-called discount sales have been followed by a waiting attitude for still lower prices. And the praise of "safety" and other advantages of government bonds as out-balancing their set-backs from inflation (see A. Wilfred May's letter to the Editor of the New York "Times," June 3, 1951) has replaced the previous emphasis on the latter.


Arthur M. Wolkiser

The outlook for deflation rather than inflation in our economy seems to be fed primarily by two factors: the armistice negotiations in Korea and the oversupply in various consumer lines as our economy swings into full defense production.

One of the most important questions facing the economic and political analyst today is whether, aside from temporary developments, the long-term trend will show further growth of the hitherto prevailing inflationary factors, or whether the present Korean armistice talks presage a let-down in our defense efforts and a consequent increase in the activities of consumers goods industries. The following analysis is devoted to an examination of the economic, military and political factors at home and abroad that will determine the prevalence of inflationary or deflationary forces in our economy in the intermediate and long-term future.

Economic Factors at Home

In this field we are dealing, at least as far as the past and present are concerned, with a rather complete set of available facts understandable even to the layman. Between 1939, the outbreak of World War II, and April, 1951, the American consumer dollar, owing to rising price levels in the United States, has been cut to 49¢, and the wholesale dollar to 42¢.

The rise in prices has been largely due to inflationary forces and not to scarcities of goods. Up to the present there has been no appreciable cutback in civilian production. The American standard of living, as a matter of fact, has never before been so high as at present in spite of a rapidly growing population. Certain lines of consumers goods in hard as well as soft articles even suffer from excess inventories or, conversely, from inadequate consumer purchases. Generally speaking, sentiment has swung from anticipation of shortages and higher prices to the expectation of ample supplies and lower prices, and the tremendous outpouring of producers and consumers goods has seemed to add growing strength to the factors working for deflation.

Inflationary Factors in the Ascendancy

Still, as far as the future is concerned, the burden of the argument of this paper will be to show that the inflationary factors will continue in the ascendancy. The American Government is now placing with industry weekly orders of about $1 billion and actual production for defense with corresponding expenditures are expected to reach that figure near the end of 1951. At that time purchasing power dispensed will meet a relatively smaller volume of consumers goods produced, imparting an inflationary impetus to our economy.

According to Federal Reserve statistics, new orders of department stores have recently been smaller than sales, and these data do not yet include the heavy sales during the "price war" (*Federal Reserve Bulletin*, June, 1951, p. 699). Furthermore, department stores have accumulated more durable goods than soft goods (*Federal Reserve Bulletin*, June, 1951, pp. 698f.), and it is particularly the field of soft goods where inflation will show itself most strongly in a continued inflationary economy.

About the middle of June, 1951, the Department of Commerce reported that consumer buying and new orders placed by business in May, 1951, were appreciably below the peak rate of the first quarter of the year (*Survey of Current Business*, June, 1951, p. 1). Since personal income is still rising, the reduction in consumer expenditures reflects an advance in personal savings and to that extent a decrease in inflationary pressure.

However, we should not, as a matter of course, expect a con-

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The Fare Planes Are Now Banking—Profits!

By IRA U. COBLEIGH

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

Commercial aviation soars to new heights of earning power and passenger-miles.

Last year 17,100,000 people in America, a nation famous for keeping its feet on the ground, traveled on our scheduled air transport planes; and this year some 30% more are doing the same thing. All this revvs up to the biggest year in the history of commercial aviation, and offers a dazzling contrast to a short quarter century ago when only 6,000 intrepid souls essayed altitude transportation, by buying a ticket and stuffing cotton in their ears.

Ira U. Cobleigh

From the early days of slow, small crates, bumpy flights, pasture airports, and safety factors that depended far more on the pilot's skill than such present commonplaces of inventive genius as radar beams, de-icers, instrumental flying and automatic pilots, we now perceive a passenger transport agency with about a 50-50 chance of racking up in 1951 as many passenger miles as Pullman travel—roughly 11 billion, that is. Supersonic progress, indeed!

Several factors account for moving air travel out of the luxury league, and into the mass transportation department. Such as:

(1) **Technological Progress:** You can still ride in the same Pullman you rode in in 1930. But a plane of that vintage is literally "gone with the wind." Benefiting by military aviation research, the air transport plane you board is importantly improved with each passing year.

(2) **Prosperity:** With the highest per capita income ever, thousands who never before could afford air travel now use it and love it.

(3) **Promotion:** Florida, Mexico, Bermuda and other holiday Meccas beckon alluringly, what with special round-trip air rates, and vacation time wasted in travel cut from days to hours. Eastern and National Air Lines have enjoyed a big jump in net, by building up summer Florida travel. Also family half-fare plans have made countless new air enthusiasts.

(4) **Comfort:** Planes are bigger and roomier all the time; good dining service, and stewardesses giving personal attention to each traveler, assay high in customer contentment.

(5) **Greater Necessity for Travel:** Military personnel, businessmen and engineers traveling in a burgeoning defense effort (with a lot of new enterprises widely dispersed), people moving to, or visiting, such fast growing sections as California, Canada, the Northwest or the Gulf South, multiply the travel demand.

(6) **Expanding Capacity and Faster Flights:** New planes are added almost every week. These planes are always bigger, and when jets became standard, timetables may be cut in half.

(7) **America Adores Speed:** We worship the fast ball of Bob Feller, the cannon-ball serve of Bob Falkenberg, the 300-yard bullet golf drive, the gunned-up start from the turning traffic light, the fast horse at Belmont, the lightning quip, and the Super Constellation! We're always in a hurry to get there, and so is the airplane.

Despite all those things that have made and are making the air-transport industry dynamic, it has suffered quite a few financial growing pains along the way, and has offered an erratic record of earnings and dividends on common shares. Consequently air transport shares have tended to remain in the more speculative echelon of the market. Not yet has there emerged in this industry the blue-chip equivalent of Atchison or Union Pacific among the rails. The nearest approach to that type of investment status here is perhaps found in the 6,453,000 common shares of American Airlines.

A M R is the largest domestic passenger system running coast-to-coast from New York to Los Angeles and San Francisco, and serving a southerly arc of important cities including Philadelphia, Washington, Nashville, Tulsa, Dallas, El Paso, Tucson and San Diego. Having carried an extensive plane modernization program well along toward completion, it should now be in a better position to pass along some of the lush current earnings to expectant shareholders who, in 1950, received only two bits a share. The six months till July 1, 1951, landed a net of 90 cents a share (27 cents last year). Complete results for this year should well top the $1.39 for 1950. Lower indicated rates for mail haulage (from 63 cents a ton-mile down to 45 cents) don't hit American very hard, since only about 1/20th of gross is from this source. A M R closed Friday at 15⅜. It's the airline leader, and conceivably could gain market altitude, although oxygen masks for investors here seem hardly necessary just yet.

Eastern Airlines has perhaps the most impressive long-term earnings record, showing annual black figures when most other celestial transport enterprises were wallowing in deficits. This sustained profitability is due, in important measure, to the dynamic leadership of Captain Eddie Rickenbacker who, to borrow a Navy phrase, runs "a tight (corporate) ship." Extraordinarily sound accounting and eagle-eyed cost controls have assured sound financial condition. Eastern's recently placed $100,000,000 order for 30 Super Constellations and 60 Martin 404s, adaptable for jet propulsion, indicates the built-in corporate progressiveness here, and gives augury of a two-hour New York-to-Miami run. E A L common has varied this year from 19 to 25⅞ and might earn between $2.75 and $3 on 2,396,000 shares in 1951.

Second in size, United Air Lines, too, has zoomed, profit-wise. Against a loss for the first five months of 1950, A L showed net operating income of $7,854,000 for the same period this year. By adding a lot of seat capacity through acquisition of 40 new Convair-Liners and 20 DC-6B's this year and next, a trend toward a net figure substantially above the $2.90 per share of 1950 is perceptible. Maybe, too, larger A L dividend checks may make a happy landing in shareholders' mailboxes in 1951.

These are among the leaders, but every one in the trade shows an operating plus so far this year, save Northwest and Colonial; and these are flying their way out of 1950 deficits.

Air transportation is like baseball in that everybody talks about percentages. The significant airline batting average is the percentages of seats occupied, called in the trade the load factor. If only 50% of seats contain fare-paying travelers, nearly every line loses. Somewhere above 60 seems to be the break-even point; and general current operation at around 63% not only is profitable, but is a level from whence the lion's share of any additional passenger revenue can glide comfortably into the net earnings column.

The airlines have now come of age. Whereas, for years they've been classified among the so-called "growth stocks," they have, on the record, been definitely less rewarding to shareholders than the chemicals, the pharmaceuticals or the oils. Perhaps, however, their day is now at hand. With air travel at an all-time high in popularity, streamlined tickets, improved airports, increased motor highway congestion; and with remote points such as Alaska and Canada generating new needs for swift transport, the fare planes may increasingly continue to bank their wings and their profits.

Two With Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert C. Jones and Bernard E. Loechtenfeldt are with Westheimer & Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges. Mr. Jones was formerly with Saunders, Stiver & Co.

Our Foreign Aid Dollars Will Not Come Back

By EUGENE VAN CLEEF

Department of Business Organization, The Ohio State University

Ohio University economist attacks "pump priming" concept of elaborate foreign aid program, and contends it is illogical and unlikely to sustain theory that "our dollars will come back." Warns our population of 155 million cannot support a half-billion people whom Administration seeks to rehabilitate.

Proponents of the idea of giving monetary support to foreign nations argue that our dollars will ultimately find their way home and will serve as a boon to our business. They say, as our friends abroad "get on their feet," international trade supposedly will get a lift. This optimism deserves objective analysis.

Dr. E. Van Cleef

The dollars we send away under the Marshall Plan, the Point Four Program, or other well intentioned movements are largely outright gifts. If they be returned to us via the purchase route, obviously we shall be out of pocket, for they will be our dollars paying for our goods and services. In fact, this situation extended over enough years must lead to bankruptcy, for our wealth is not infinite. There are those who liken these dollar contributions to pump priming. They say, "a little money to help foreign peoples to get on their feet" should stimulate a continuous flow of new production. Unfortunately, the analogy to pump priming breaks down when production continues only so long as priming continues. Current government reports emphasize a greater Western European industrial output today than in prewar days and the implication is that the credit belongs to our economic aid. Of course this implication is difficult to prove. Prewar years in Europe, as here, were depression years and the population of Europe has increased as it has here. We could well have expected an increase in output, aid or no aid.

We engaged in Marshall Plan action to check the spread of Communism and to reestablish, quickly European markets for ourselves. On the surface, it seems as though we have met with some success. However, we cannot say as yet, with finality, that the Plan is a success, for Communism is still a serious threat and our economic aid still pours across the sea. The Point Four Program, basically well founded, has achieved some of its purposes, but instead of attracting the funds of American investors to foreign areas, is expanding into another governmental gift program. Of course, one reason for this undesirable turn of events is the tremendous risk for those who would invest abroad. Too few foreign governments willing to accept Point Four assistance are showing any interest in reciprocating the courtesy by taking steps to reduce the risk to normal levels. Incidentlly we should not overlook some of the ultimate possible repercussions arising from our technical aid to underdeveloped peoples. While we are raising their standards through generous assistance we could expect them gradually to increase their purchases from us. But in the long run some, if not all of these peoples, will become competitors of ours. In fact, our own exporters here and there will lose most of their trade, a few will gain, and others not now engaged in international trade may find new opportunities. We do not object to this turn of events, viewed nationally; we merely note it because we like to envision all of the possible results of our generosity.

Rich as is the United States in natural resources, in persons with initiative and the will to do, we must not forget that our population approximates only 155,000,000 in contrast with about a half billion whom our Administration leaders seem anxious to aid. Our resources must be converted to usable form before they can make an effective contribution to life. It is a fact and not mere opinion that with all the genius we may possess, our small population can not develop the energy necessary to convert these resources for the use of both itself and about half of the rest of the earth's peoples. Any attempt to do so must lead to our own impoverishment without materially raising the standards of others. One of the basic reasons for our current inflation may be found in the failure of our leaders to recognize this fact.

No one is opposed to aiding others to a better life. But such assistance must lie within the limits of practicability. After all, we must admit that our first obligation would seem to be to insure our own survival for our own sakes and as a bulwark against retrogression. About the only gift dollars which may in a sense return to us, and then not in the form of trade, are those we may spend for our national defense here and abroad, and those we may contribute for economic aid abroad in limited special cases, well conceived and carefully calculated by men who fully comprehend the differences in the philosophies of life between foreign peoples and ourselves.

New Reynolds Branch

VINELAND, N. J.—Reynolds & Co,. members of the New York Stock Exchange, have opened an office in Vineland, N. J.

The State of Trade and Industry

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

The aggregate total of industrial production declined slightly last week, but it was modestly above that in the comparable week of 1950. Employment as in past weeks remained high and steady with a mild contraction in initial claims for unemployment insurance noted.

A very moderate drop in steel operations to 99.8% of capacity from 100.4% a week ago reduced steel ingot production to 1,995,000 net tons. This was the first time since the last week in February that steel operations dropped below 100% of capacity. Last week's output was, however, nearly 7% above a year ago.

It is reported the current week that manufacturers who formerly gobbled up tonnage offered at two or three times regular mill prices, as a result of the steel shortage, are beginning to shy away from such high-priced deals, according to "The Iron Age," national metalworking weekly.

The burden of high-priced inventories is partly responsible for this attitude, the magazine notes. Even some firms of considerable means are feeling the financial strain of growing inventory, some of which was acquired at premium prices.

Unbalanced inventories, now the rule instead of the exception, have altered purchasing plans of some manufacturers. There is a tendency to gear procurement of other items to those which are hardest to get, this trade authority notes.

Production restrictions, it adds, have also neutralized the incentive of some manufacturers to go after high-priced material to keep their operations high. Regardless of demand for their products, such curbs artificially regulate the impact they can exert on the supply of basic materials.

Actually, demand in some consumer durable lines (particularly appliances) is disappointing. At least two large makers of appliances plan additional sharp cut-backs in fourth-quarter operations. Despite sales campaigns and lower prices, sizable inventories of finished goods remain.

The Controlled Materials Plan is also putting a damper on the gray market, and finally, the spotlight of Washington investigation is a source of glaring embarrassment to businessmen, whether they are guilty of questionable practice of not, "The Iron Age" points out.

Steel from conversion and foreign sources is still eagerly sought. There is some resistance to high prices, but it isn't being turned down when the price is right.

In their efforts to restore some kind of order during the first quarter some domestic mills have started sending out first-quarter quotas to which customers can apply their CMP allotments. The hardest part of the job is picking a base period which is fair and consistent on all products, concludes "The Iron Age."

While automotive production rose 8% in the week, it was some 23% below the corresponding 1950 level.

A further gain in output was prevented by a one-day loss at Studebaker due to materials shortages and the continuing Reo Motors strike, "Ward's Automotive Reports" stated.

This agency predicted United States plants will produce 362,000 cars and 108,000 trucks in September, with each total representing a decline of 14% below the August estimates of 423,000 cars and 123,000 trucks. The drop is generally attributed to the four fewer working days this month compared with August, according to this trade authority. With car programs pared to 362,000 units this month, manufacturers will end the third quarter having built about 1,167,000 units, some 32,000 under National Production Authority authorizations, "Ward's" predicted.

A settlement of the labor dispute at Kennecott Copper was reached on Friday of last week with the men scheduled to return to their jobs on Saturday. Negotiators for the company and the unions agreed in Washington on a 15-cent hourly wage increase, plus a pension plan costing 4½ cents an hour. The initial pact covered only Kennecott's Utah division, but steps were taken immediately to extend it to all other plants.

The above action indicated an early end of the five-day-old strike throughout the copper industry which has cut off 95% of the nation's copper production. The Anaconda, American Smelting and Phelps Dodge companies were also expected to make speedy settlements.

New business incorporations in July continued at a lessened rate with the number falling 6.2% to 6,386, from 6,810 (revised) during June. This was the third successive monthly drop, bringing the July figure to the smallest since last November with a total of 6,256. Compared with 7,191 corporate formations in July a year ago, the current number shows a drop of 11.2%, Dun & Bradstreet, Inc., states.

During the first seven months of 1951 new stock corporations formed totaled 51,147, a decline of 14.2% from 59,629 last year, but a rise of 1.7% above the 50,307 for the corresponding period of 1949.

Declining moderately for the second consecutive month, business failures were down 5% in July to 665, according to Dun & Bradstreet, Inc. They dipped slightly below the 1950 and 1949 levels of 394 and 719, respectively, but outnumbered the July failures of any other year since 1942. Casualties were above one-half as numerous as those in the corresponding months of 1939 and 1940.

Liabilities involved in July failures fell 7% to $21.1 million, but were 8% larger than those involved in last year's July failures.

Retail organizations accounted for most of the July decrease,

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PORTUGAL—The "Benevolent" Dictatorship

By A. WILFRED MAY

In which the Western Democracies' bed-fellowship with Spain's neighbor is scrutinized.

(An article based on recent on-the-spot observations by the author in Portugal)

Unique in her domestic political form, and activating inconsistencies and ironies in the Western Powers' foreign policies, Portugal stands as a nation of outstanding interest.

A. Wilfred May

The Western Democracies continued displays of opposition to Fascist Spain and its notorious dictator, through its withholding of ECA grants, delays in Export-Import Bank lending, and black-balling from NATO; all highlight their contrastingly favorable attitude toward her next-door neighbor Portugal.

Ensuing from the classification of her dictatorship as of the "benevolent" variety for these several years, Portugal has been supplied with $55 million of ECA funds in 1950-51, having since become disqualified from our international relief rolls only because of her financial strength. In the political-military sphere she has been a member - in - good - standing of NATO, presumably on the philosophy that this dictatorship did not stoop to Franco's World War II's cronyings with Hitler and remained within Britain's friendship orbit.

The Benevolent Dr. Salazar

The "benevolence" of this complex underdeveloped corporative state has since 1926 been "dictated" by its Prime Minister, Dr. Oliviera Salazar, the scholarly, self-effacing, ascetic, and wholly devoted former economics professor, through reforms at all levels. These measures effected by this all-powerful manager of the economy, have ranged from balancing of the budget for the furtherance of capitalism, to steps at the workers' level, such as forced "featherbedding" to bring about full employment.

In sharp contrast to the inflation-producing effects traditionally ensuing from the policies of authoritarian regimes, the monetary system in Portugal has over the past decade been materially strengthened. Whereas in 1939 only 27% of the money supply was backed by foreign exchange, in 1949 (the latest year with data available), 58% of the money supply attained foreign exchange backing. The banking system's gold and foreign exchange assets, minus foreign exchange liabilities, during the decade rose from 1½ to 13 billions of escudos. The nation's recent discharge as an ECA "patient" reflects her strong creditor position.

Further under Dr. Salazar's rule, a network of excellent roads has been built, the merchant navy has been importantly enlarged, cheap hydro-electric power has been created by the Zezere dam, and the former amount of illiteracy has been reduced by half.

Anti-Democratic Debits

On the other hand, to the visitor from a democracy there are evident many signs on the liability side of the ledger. The nation's workers uniformly are very poorly paid in terms of domestic purchasing power, and the gulf between their standard of living and that of the small wealthy minority is very wide indeed—probably as great as the rich-poor schism in neighboring Spain.

Since Spain's continued black-listing from the family of the Democracies of the West (plus Greece, Turkey and Yugoslavia) has largely resulted from British and French labor union agitation incited by Franco's union suppression it is interesting to examine the workers' situation in Portugal to which the unions from abroad have fastened no such opprobrium.

No Unions, No Strikes

All wage contracts between workers and employers, including the fixing of wage rates, are effected with government intervention through the State-sponsored syndicates in which all industrial and agricultural workers are organized. There are no unions, and hence no strikes. The country's constitution *(Political Constitution of the Portuguese Republic)* specifically forbids strikes *(Article 39.* "In their economic relations with each other, neither capital nor labor shall be allowed to suspend operations with the object of imposing their respective claims"). It insures the State's control over labor contracts; *(Article 37.* "Only economic corporations which are recognized by the State may conclude collective labor contracts, in accordance with the law, and those made without their intervention shall be null and void").

The Constitution likewise formalizes other overall restrictions against economic and political freedoms. *Article 34* states: "The State shall promote the formation and development of the national corporative economic system, **taking care to prevent any tendency among its constituent bodies to indulge in unrestricted competition with each other,** contrary to their own proper aims and those of society, and shall encourage them to collaborate as members of the same community."

Giving the nod to State interventionalism, it provides (in *Art. 41)* that: "The State shall promote and encourage community concerns and provident, cooperative and mutual benefit institutions.

Giving its blessing to the restriction of individual liberties under its aegis, the Constitution states (in *Article 8, section 2):* "Special laws shall govern the exercise of the freedom of expression of opinion, education, meeting and of association. As regards the first item, they shall prevent, by precautionary or restrictive measures, the perversion of public opinion in its function as a social force. . . ."

All fitting into a benevolent despotism of the 18th century type, but unique among the 20th century dictatorships, and substantially adding to the democracies' international policy confusions!

Central States IBA Tenth Training Course

CHICAGO, Ill. — The tenth training course in investment banking offered by the Central States Group in cooperation with Northwestern University School of Commerce will open in Chicago on Oct. 1st. Classes will be held three days a week from 3 to 5 p.m. Monday sessions will be held in the Shareholders' Room, 21st floor, Continental Illinois National Bank Building. Wednesdays and Fridays the class will meet in Room 1552 of the Field Building.

Applications for enrollment should be made with the Education Department, Investment Bankers Association of America, 33 South Clark Street, Chicago 3. Checks covering tuition in the amount of $125 per person should be drawn to the Central States Group, Investment Bankers Association of America, and mailed to Lee H. Ostrander, Treasurer, 135 South La Salle Street, prior to Sept. 24th.

Topics for the course are Investment Banking and American Financial Institutions; Instruments of Investment Banking; Basic Concepts of Investment Yield; How to Read Financial Statements and Corporate Reports; Analysis of Major Classes of Securities; Special Financial Problems of the Corporation; Marketing of Securities; Security Buyers and Their Needs.

A Certificate of Achievement will be issued by the IBA to each student successfully completing the course.

With Florida Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Harry S. Myles is with Florida Securities Company, Florida National Bank Building.

With F. S. Yantis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Albert T. Salvesen has joined the staff of F. S. Yantis & Co., Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange.

Why Is United States Industry So Productive?

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

Professor Slichter lists as five important factors in America's high productivity: (1) security of person and property; (2) lack of social stratification; (3) rapid growth of population; (4) large and influential middle class in U. S.; and (5) urge in U. S. on part of industrial managers to make money rather than enjoy wealth. Stresses encouragement to private business promotion and investment as means to increase productivity.

With less than 7% of the world's population, the United States produces almost 40% of the world's goods. The immediate explanation for the extraordinary productivity of American industry is the use of large amounts of power-using equipment per worker and the use of efficient methods of management and types of management organization.

Prof. S. H. Slichter

Not only does the United States produce nearly 40% of the world's goods, but it also produces almost 40% of the world's energy. So there is a close relationship between the use of energy and output per worker. The United States has also pioneered in managerial methods, such as the development of staff organiations to help the line organization and the invention or development of new business methods and types of business organizations, such as mail order houses, chain stores, super-markets.

But why does the United States use more energy per worker than other countries and why has the United States pioneered in developing new managerial methods and new types of business organizations? These are the questions that must be answered in order to explain why the small number of people in this country produce nearly 40% of the world's goods. The answer to these questions is found in a combination of conditions. Each of these conditions is found in some other countries. Why then have not other countries developed the same high productivity as the United States? For the simple reason that in few other countries does one find *all* of the conditions that have made for high productivity in the United States. In other words, what makes the United States different is the combination of conditions found here.

Five conditions have been particularly important in explaining the high productivity of American industry. They are:

(1) *Security of Person and Property*—Many other countries provide security of person and property, but in large parts of the world, especially in the Near East and the Far East, the insecurity of property prevents savers from investing their savings in productive plant and equipment and causes them to hoard precious metals or jewels or to invest in land. Thus the growth of the productive capacity of these regions is retarded.

(2) *The Lack of Social Stratification*—The starting of new businesses in the United States is not restrained by class lines which prevent or discourage large numbers of young men from attempting "to rise above their station." The lack of social stratification also encourages the children of all classes in the community to aspire to professional, technical, and managerial careers, thus making competition in these fields more intense. It is interesting to observe that the normal number of business births in the United States is about 200,000 a year.

(3) *The Rapid Growth of Population*—This is not a unique condition, and a mere rapid growth of population does not assure prosperity as the condition of Puerto Rico or India reminds us. But in the United States the rapidly growing population had abundant natural resources to develop. During a large part of the 19th century the population of the United States grew as much as one-third in a decade. Population growth is much slower today than in the past, but the rapid growth of the last century is still an important economic influence because the attitudes that it helped to create among businessmen still persist. The rapid development of the country, made possible in part by the growth of population, produced a persistent shortage of men and materials in relation to markets. This shortage helped to make managers and business owners eager to increase the capacity of their enterprises, and thus helped make them willing to try improved methods and equipment.

(4) *The Large Middle Class in the United States*—One of the conspicuous contrasts between the United States and the countries of South America and Asia is the large middle class. This is attributable to several conditions, such as (a) the fact that the land in the North and Middle West was adapted best to cultivation in small owner-operated farms and (b) the scarcity of labor in relation to natural resources that produced from the very beginning of the country high wages for labor. The kinds of markets made possible by the farm owners and the well-paid workers had important effects on technology. These people were not rich but they provided a good market for semi-luxuries. This meant that there were great rewards for anyone who could get his costs down to where he could meet the needs of the large middle class. If anyone doubts the importance of the middle class, let him reflect on the kind of markets that exist in South America or Asia where the population is divided between a few very wealthy (mostly land owners) and a large number of persons who can afford only a bare subsistence. Incidentally, the large middle class helped create the kind of markets in which low margins are more profitable than high margins because they make possible such large volume. Small margins are one of the distinctive features of the American economy.

(5) *The fact That Industry in the United States Is Largely in the Hands of Men Who Desire to Make Money Rather Than to Enjoy Wealth*—A principal cause for widespread poverty and economic stagnation in many parts of the world is the fact that the rich are pretty well satisfied with what they have and prefer to enjoy wealth rather than incur the cares and worries of increasing it. This is especially true in some parts of the world where the property of the well-to-do consists largely of land and where the land owners have no ambition to improve the operation of their estates. When the wealthy are satisfied to enjoy what they have rather than to increase their incomes, the demand for labor is bound to be low and hence the wages of labor are low.

In America, on the other hand, most industry is in the hands of people who are eager to increase their wealth and who are willing to go to considerable trouble to make money. The owners and managers of industry in the United States are not a leisure class—they are a money-making class. This is conspicuously true of the farmers but it is also true of retailers and manufacturers.

This drive to make money, to increase one's wealth, explains the receptivity of the American businessman to innovations, his willingness to scrap equipment before it is worn out, to use technological research in business. It explains why the American economy on the whole is highly competitive. Finally, the eager pursuit of wealth explains why the demand for labor is strong and why wages are high.

In order to keep the productivity of the American economy high it is important to keep the economy highly competitive and to make it more competitive. It is competition, the desire to undersell the other fellow, to expand one's market faster than one's rivals increase their markets, that makes industry progressive, eager to improve its methods and its products. In order that competition may be stimulated (1) steps should be taken to encourage competent and experienced executives to start enterprises of their own; (2) educational opportunities for exceptionally able young men should be increased; (3) legal restraints on price-cutting should be avoided (the recent Supreme Court decision limiting the effectiveness of the Miller-Tydings Act is a step forward); and (4) concerns should not be discouraged from striving to grow larger simply because they are already large.

*Summary of remarks by Professor Slichter before the School of Banking, University of Wisconsin, Madison, Wis., Aug. 29, 1951.

Public Relations Are Human Relations

By EDWARD M. HEFFERNAN
Trust Officer, Ann Arbor Trust Company, Ann Arbor, Mich.

Mr. Heffernan, in discussing public relations programs of banks, points out good public relations must start with the Board of Directors and the President and extend down to the lowest clerk. Stresses need of having employees become integral part of program if it is to be one of human relations. Says bankers and trust men must be leaders in their communities and make banking and trust business an integral part of our society. Calls for judicious use of advertising and publicity.

Public Relations are really Human Relations. And trustmen and bankers probably have as great an opportunity to practice human relations as any other one group of people in the country. Think of the many instances in which trustmen have been asked to act *in loco parentis*, or in some other close personal and confidential capacity for a person or an entire family. Yet trust companies and banks leave much to be desired in the opinion of the general public. A recent survey shows that even today about 25% of the public apparently lacks complete confidence in banking institutions and is strongly in favor of government ownership. And whenever a politician today wants to place the stigma of disrepute on his opponent, he shouts, "He's merely a tool of Wall Street!" So strong is the feeling of the public against the epitome of the banking and financial world.

E. M. Heffernan

Let each banker and trustman think back to the situation confronting all banks and trust companies after the economic collapse of 1929. People had little or no confidence in their emporium of marble and brick. There were runs on the banking departments and much trust business disappeared. And who was responsible for this fear and doubt? Certainly not the customers. There was some cause for it. If bankers and trustmen are honest with themselves, they can blame only themselves and the whole fraternity of bankers. In those days, the banker was up on a pedestal and he didn't even come down to associate and to talk with his customers — the very people whose business kept him up there! He was a little tin God and condescended to grant an audience to his public only when absolutely necessary. So probably bankers and trustmen themselves alone are responsible for the fact that public opinion of financial institutions struck rock bottom in the early 1930's.

Since 1933 banks have started to earn back some of the public's confidence—something they never should have lost. Even with all of the money and effort that has been expended by both banks and trust companies, these institutions have done little more than scratch the surface in selling their many worth-while services to the public. One reason that more progress has not been made is because there probably are still too many individuals in banking circles who just don't seem to understand human nature. All of us have heard some banker or trustman referred to as a "stuffed shirt" or a "cold fish." Only a short time ago a business associate of mine commented about a bank president of mutual acquaintance, "You've got to be the President of the United States—or, at least, the next of kin—to get in to see him." It is that very feeling that must be overcome before we are going to make much progress. With apologies to Shakespeare, it's too often a case of "In nothing is he chang'd, but in his garments."

One sure way to influence the public is by a good Public Relations program. Its value has been proved through its use by many other types of business. And the banking and trust businesses actually are no different than any other business. Both have commodities to sell, even though these commodities may be services. In fact a good Public Relations program is much more important in the case of a company having such an intangible product as service to sell and distribute. Public Relations is a long-range study and program of understanding your fellow men. It can't be superficial or routine, but, on the other hand, it must be a true and sincere recognition of the other person's feelings. And to be 100% successful, you can't practice it only from nine to five. You've got to live it—all day—at all times—and in all contacts with your fellow man.

Must Start at Top

Like any other policy, Public Relations, because of its very nature, must start with the Board of Directors and the President. It should pervade the whole atmosphere of the organization—down to the lowest clerk. And to keep it rolling, it is necessary to indoctrinate each new employee so that he will immediately sense it. No officer, including the President, should consider himself too important to participate actively in the program. We all know it takes only one to upset the applecart. And we have all heard about the attitude of one stuffy banker upsetting and nullifying all the good work done on public relations by the rest of the staff. In fact, I personally know of a situation where a bank is spending considerable money on a public relations man and a program; and it's like throwing money down the drain. The public relations man has no backing within his own bank and the top executive officers undo daily any good will he can possibly build up. My brother is also a personal friend of that bank's public relations man. He commented only last weekend, "Poor Bill is just knocking his head against a stone wall over at the National Bank." Then he added, "You don't realize how lucky you are." "Why?" I asked. "Oh, he goes overboard trying to build up the bank as a friendly place to do business. Yet, that boss of his goes around snubbing people every day. Why I, myself, have had several business dealings with him and when I meet him outside of the bank, I'm never sure whether he knows me." Such a program, in order to be successful, must have the full cooperation of the entire staff, particularly the officers. No officer should be too busy with the operational details of the banking and trust departments to devote time to anyone

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The Wholesale Commodity Price Outlook

By HERBERT DOWNWARD*

Commodity Editor, Business Statistics Organization, Inc., Babson Park, Mass.

Referring to recent decline in commodity wholesale prices, Mr. Downward ascribes it to: (1) extent of postwar rise; (2) end of panicky buying which followed Korean war outbreak; (3) heavy consumer debt commitments; and (4) large volume of consumer goods. Holds further price reductions possible, unless international situation worsens. Reviews outlook for building materials, foodstuffs, fuel, grain, livestock and textiles.

The present chief concern of buyers, sellers and processors of wholesale commodities is whether the long postwar climb has ended or whether there will be a marked resurgence of inflationary forces in the not-too-distant future. There would appear to be some grounds for the first alternative; for wholesale commodity prices, as measured by the Bureau of Labor's comprehensive index, have been on the downgrade for some two months. As of August 21, this index stood at 176.8% of the 1926 average, down 4% from the 1951 high of 184.2. The significance of the decline lies not in its extent, which has been only nominal, but in its scope. Not only the comprehensive index, which is comprised of some 900 commodities, but each component group recently was down from its 1951 high. Farm products, for instance, are down 6.3%; textile products, 8%; building materials, 2.3%; all commodities other than farm and food products, 3.6%; grains, 8.5%; livestock, 2.6%; metals and metal products, 1%.

Herbert Downward

In the case of individual commodities, declines from the 1951 highs have been sharp in a number of instances. A few figures may be of interest. One of the most drastic drops has occurred in natural rubber, which is an imported commodity. This item recently was some 33% under its 1951 high price of 78 cents a pound. Linseed oil has tumbled to the tune of 34.9%. Hides are down 18.5%; butter, 6.9%; cocoa beans—another imported item—8.1%; lard at Chicago, 10.4%; No. 2 yellow corn at Chicago, 5.5%; hogs at Chicago, 10.2%; wheat at Kansas City, 9.5%; cotton at New York, 28.5%.

A number of recognizable factors have been responsible for this reversal of wholesale commodity price trends. Among them are the following: (1) The extent and duration of the postwar rise in themselves injected considerable potential vulnerability into the over-all price structure. In this connection, there is an old, familiar saying, "whatever goes up must come down." (2) The excessive and panicky buying all along the line that followed outbreak of war in Korea on June 25, 1950, resulted in such a heavy accumulation of inventories that they have not yet, in many instances, been reduced to normal levels. New buying naturally has fallen off sharply. (3) Large segments of the population now are so deeply involved in making payments on new homes, television sets, automobiles, and many other items that they are temporarily out of the market, as far as any major commitments are concerned. High prices and stiffer credit regulations are not helping this situation. (4) Despite the burden of the expanding defense program, production of most civilian goods continues in large volume. (5) The Korean outlook is more favorable, apparently at least. (6) Seasonally heavy marketing of bumper U. S. crops.

With most of the factors mentioned above still operative, and with heavy marketing of livestock, cotton, rice, corn, soybeans, and certain other farm products scheduled for the weeks immediately ahead, the comprehensive wholesale commodity price index may well be pulled down somewhat further before stabilizing or developing renewed strength.

Whether a substantial resurgence of inflation is to be expected depends, in my opinion, almost entirely upon international developments. Should Russia decide on all-out war this year or next, more inflation would be inevitable, despite government controls. But if not, the odds are that wholesale commodity prices, in general, have shot their inflation bolt, for the present at least. Over the near term, supply, demand, seasonal, and weather factors, will largely determine the price course of individual commodities. Sharp fluctuations either way are possible in a number of instances.

It may be helpful at this point to offer a few comments on the situation prevailing in each of the seven major commodity groups which are under constant study by the Commodity Department of Business Statistics Organization.

Building Materials

Total expenditures for new construction in July amounted to $2,790,000,000—an increase of 3.3% over June and 3.5% above July, 1950. This brought the total for the first seven months of 1951 to the huge figure of $16,691,000,000, which was 13.8% above the $14,661,000,000 put in place during the corresponding period of 1950. Private industrial construction continued to be a strong bulwark in July; expenditures in this field amounted to $191,000,000, up 7.9% from June and 127.4% above July of last year. Private homebuilding, however, failed to show the usual seasonal increase and was about 30% under last year's record rate. This situation undoubtedly reflects the various restrictions on building imposed by the government in an effort to conserve essential raw materials for the war effort and to check inflationary trends. It is probable, in this connection, that private home starts will continue downward during the months ahead. Nevertheless, the construction industry as a whole will fare unusually well this year.

A number of building materials, especially metals and metal products, will continue in the narrow-to-tight supply category during the months just ahead. Brick and cement also will be none too plentiful, although actual shortages probably will be averted. Prices of most building materials should be well maintained; some items may firm, metals and metal products particularly. Changes in either direction, at least over the immediate future, are unlikely to prove drastic.

Foodstuffs

With general sentiment inclined to be optimistic as regards the economic situation and with improved demand in some categories, downward pressure has eased on a number of foodstuff prices. In some instances, notably canned corn, canned peas, and flour, there already has been some resurgence of strength. It is too soon, however, to conclude that food prices in general have reversed the downward trend which began late last winter. We do not believe that the broad adjustment to lower levels has fully run its course. On the other hand, declines would appear to be fairly well spent in most instances. We doubt that even an early favorable conclusion to the Korean truce talks would result in other than moderate additional price easing in this group.

Fuels

The Iranian oil situation continues to be the biggest cloud on the fuels horizon. If no workable settlement is reached between England and Iran, or if Russia should move in, the impact upon the domestic petroleum industry could be severe, especially in the case of heavy fuel oil, which has wide industrial use. Meanwhile, supplies of the latter will continue to be none too plentiful, in contrast to rather cumbersome stocks of the lighter oils, which are used mainly for home heating purposes. Supplies of hard fuels, with the possible exception of coke, should easily suffice during the months ahead. As far as the longer term is concerned, the outlook favors higher prices for hard fuels. Some nearby price concessions are possible in the case of distillate oils and kerosene. It is quite likely that upward pressure on petroleum prices will increase in the months ahead, especially if the worst happens over in Iran.

Grains, Feeds and Livestock

Although official August 1 indications of grain output in this country have been revised downward from earlier estimates, crop prospects generally still are very much on the bright side. The total wheat outturn may be somewhat below the average of recent years, but will be large in any event. Given favorable weather, we are likely to have our fourth largest corn crop this fall. In addition, indications are that output of hay, rice, rye, and barley will be up from 1950 levels, all of which were high. These indicated bumper grain crops, plus generally substantial carryovers of old-crop supplies, mean that the United States may very well be faced with some surpluses. In that event, it is hard to see how prices of items even in comparatively short supply can climb very high without the stimulus of brisk exports or an expansion of the shooting war. Most grain prices, with the probable exception of corn, appear to be pretty well shaken down. Over-all cattle values may trend moderately lower in the weeks ahead, owing to expected heavy marketings of grass cattle; well-fed cattle, however, could move somewhat higher. Hog prices will be under downward pressure this fall, as marketings of the large spring pig crop increase along seasonal lines.

Industrial and Miscellaneous

Over-all industrial production last month dropped moderately, reflecting, for the most part, vacation shutdowns in soft goods industries and automobile production curbs. Indications are that the Babsonchart Index of the Physical Volume of Business dropped further this month, and that the broad trend will continue to favor somewhat lower levels during the months immediately ahead. High inventories in many categories, consumer resistance to inflated prices, previous heavy buying on credit terms of all types of civilian goods, failure of the rearmament program to get rolling in high gear, as well as other factors, will put a rather firm brake on the industrial machine. Nevertheless, demand for many industrial materials will continue brisk and broad. Prices, in general, should be well maintained; but some individual items may firm, reflecting higher costs or changing supply-demand ratios.

Metals

Focus of attention in metals markets during recent weeks has been the announcement that, beginning October 1, all industries using steel, copper, and aluminum will operate under CMP — Controlled Materials Plan. The purpose of the order is to spur defense production, avoid duplicate orders for these strategic metals, and encourage more orderly marketing generally. Supplies of copper, lead, and zinc continue to lag behind demand, and largely for the reason that U. S. ceiling prices are too low to attract the needed volume of imports. Demand for most items in this group will continue heavy, as manufacturers vie for relatively short supplies. Production and distribution costs have risen appreciably, in some cases substantially, during the past year. So far, they appear to have been better absorbed than many in the trade expected. There is no assurance, however, that these higher costs (and they still are climbing in a number of instances) will not force some boosts in present ceilings. Copper, lead, and zinc, especially, are favored candidates for higher prices in order to attract imports in adequate volume. At any rate, prices of most metal items should be well maintained, with quicksilver a probable exception.

Textiles

The entire textile industry, which has been in the doldrums for an extended period, is anxiously scanning the horizon for a break in the clouds. Perhaps the brightest hope lies in the fact that soft goods do not last indefinitely, that inventories are being reduced, that production cutbacks are in effect in many instances, and that an expected supply stringency in some types of durable goods will leave more money available for consumers to spend in other channels, particularly textiles. Just when a revival will come is anyone's guess, but I shall go so far out on a limb as to forecast at least a beginning of an upturn by October of this year. Most textile raw materials are in ample supply. Prices of textiles as a group, may average somewhat lower over the near term. But if all-out war should occur in the months ahead, the price trend would be upward. Incidentally, many textile bargains are on the market right now, affording a buying opportunity that may not soon be repeated.

Conclusion

The foregoing remarks present in a more or less general way, my views on wholesale commodity price prospects, over the near term at least. The most important point to remember is that the threat of additional drastic price inflation is not of sufficient importance to cause any immediate worry. But, as pointed out before, the one big "IF" in the picture is Russia. If, by some miracle, she decides against all-out war with the Western democracies, and our government comes to its senses in the matter of profligate spending of public funds, the dollar may regain some of its lost buying power. If, on the other hand, Russia plays the fool and openly engages in all-out war for world dominion, then the inflation potential in this country, despite all controls, would mount rapidly and eventually would burst its bonds. Meanwhile, should the domestic and international situations continue about as at present, there would appear to be little danger of serious deflation, since, with a Presidential election year coming up in 1952, the Administration is very vitally interested in keeping everybody happy in order to obtain as many votes as possible to perpetuate its incumbency. Thus, it could hardly tolerate a general price collapse and a resultant depression.

*An address by Mr. Downward at Babson's Summer Business Conferences, New Boston, N. H., Aug. 29, 1951.

Harris, Upham Opens New Branch Office

Harris, Upham & Co., members of the New York Stock Exchange, have opened a branch office at 604 Fifth Avenue, New York City, under the management of Jerome H. P. Boucher, Manager, and Edward Oppersdorff, Assistant Manager. Associated with them as registered representatives will be Jay E. Eddy, Jr., James M. Crosby, Francis A. Farr, Ralph D. Kaufman, William L. Cooney, James A. McCabe, Mary P. Neville, Edward C. Sheehy, and Edward W. Sheldon.

Dealer-Broker Investment Recommendations and Literature

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

Airline Industry—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

Dividend Payers Below Ten—List of ten issues—H. E. Herrman & Cohen, 14 Wall Street, New York 5, N. Y.

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

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

Insurance Stocks—Reprint of talk on insurance stocks in relation to their eligibility for purchase by savings banks in the State of Maine—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y. Also available is a tabulation of the operating results for the six months ended June 30, 1951 of **Insurance Stocks.**

Manual of Sugar Companies—1950-51 edition—$2.00 per copy—Farr & Co., 120 Wall Street, New York 5, N. Y.

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

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

Realty Bond Index — August issue — Amott, Baker & Co., Incorporated, 150 Broadway, New York 7, N. Y.

Selected Stocks — Discussion of undervalued issues—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Steel Industry and the eight leading companies—brochure—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

* * *

Aero Supply Manufacturing Co., Inc. — Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

American Screw Company—Memorandum—Chas. A. Day & Co., Inc., 199 Washington Street, Boston 8, Mass.

Burry Biscuit Corporation—Analysis—Richard E. Kohn & Co., 20 Clinton Street, Newark 2, N. J.

Central Public Utility 5½s of 1952—Progress report—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

C. I. T. Financial Corp. — Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Commonwealth Natural Gas Corp. and the **Natural Gas Industry** — Analysis — Scott, Horner & Mason, Inc., Krise Building, Lynchburg, Va.

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

Investors Diversified Services, Inc.—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Jessop Steel Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is an appraisal of the future possibilities of **Speculative Rail Stocks.**

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

Pabco Products, Inc.—Bulletin—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Pittston Company—Analysis—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Placer Development Limited—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Radioactive Products, Inc.—Latest data—Greenfield & Co., Inc., 40 Exchange Place, New York 5, N. Y.

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

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

Solar Aircraft Co.—Brief analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in the same issue are suggested portfolios of **Reasonably Priced Common Stocks** and portfolios for limited fund stock buyers.

Southern Union Gas—Memorandum—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

Sugar Production—Lamborn's chart of sugar production in continental United States and areas supplying the U. S.—Lamborn & Co., 90 Wall Street, New York 5, N. Y.

Talon, Inc.—Data in current issue of "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. In the same issue are data on **Jacob Ruppert** and **Crowell-Collier.**

Towmotor Corp. — Memorandum — Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Transamerica Corp.—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

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

Walt Disney Productions—Analysis—Butler, Moser & Co., 44 Wall Street, New York 5, N. Y.

NSTA Notes

HARK YE! HARK YE!

E. W. Snyder

"I can truthfully say that the $48 I spent for that ad last year (N. S. T. A. Convention issue —Ed.) has been returned to me not less than 40 to 50 times over as a result of certain situations which were brought to my attention and upon which I was able to do a pretty good job of retail distribution. As of now, I honestly cannot afford not to be represented in the Convention Issue."—Everett W. Snyder, E. W. Snyder & Company, University Building, Syracuse 2, N. Y.

HAROLD B. SMITH
Pershing & Co., 120 Broadway, N. Y.
Members New York Stock Exchange

RALLY Behind HAROLD

HELP HIM FINISH THE JOB

On Advertising for the "Chronicle's" N. S. T. A. Convention Supplement

A star performance on your part will hit an all time high and help the treasury of not only the National but also all Regional Associations.

COMING EVENTS

In Investment Field

Sept. 6, 1951 (New York City)
Security Traders Association of New York Fall Bowling Season opens 5:30 to 8 p.m. at City Hall Bowling Center.

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

Sept. 14-16, 1951 (Hot Springs, Va.)
Southeastern Group of Investment Bankers Association annual conference at the Homestead Hotel.

Sept. 20, 1951 (Omaha, Neb.)
Nebraska - Iowa Investment Bankers Annual Frolic at Omaha Country Club. Cocktail party September 19 at Blackstone Hotel, Omaha.

Sept. 21, 1951 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Philmont Country Club.

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

Sept. 25, 1951 (New York City)
New York Curb Exchange golf tournament and dinner at the Sunningdale Country Club, Scarsdale, N. Y.

Sept. 30-Oct. 4, 1951 (Coronado Beach, Calif.)
National Security Traders Association Convention opens at Coronado Hotel.

Oct. 1, 1951 (Chicago, Ill.)
Central States Group of the Investment Bankers Association-Northwestern University School of Commerce 10th training course in investment banking opens.

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.

Jerome Solomon With John E. Miller Co.

John E. Miller & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, have announced that Jerome J. Solomon has become associated with them as a registered representative.

In Wall Street for some 30 years, Mr. Solomon was a registered representative with Dreyfus & Co. and had previously been with Abbott, Proctor & Paine. From 1947 to 1950 he was associated with the Kings County Buick organization.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Robert J. Burkhard has joined the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Exchanges.

With Blyth & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — John R. Ingham, Jr. is associated with Blyth & Co., Inc., 75 Federal Street.

Selecting Investments in 1952

By ERNEST SHARPE*

Investment Analyst, Babson Reports, Inc.

Mr. Sharpe contends investment problem next year will be different from one faced this year, and investors should act according to changing conditions. Holds stock prices will go higher as whole, but investor must exercise proper judgment in selecting stocks. Recommends airlines, building supply, drugs, electrical equipment companies and suppliers of important raw materials and utilities, and advocates purchase of listed stocks, particularly of companies supplying necessities.

This afternoon, our appraisal of the investment scene will be limited to the problem of "Selecting Securities in 1952." Stating it that way suggests the problem next year will be a different one than is faced this year. Without a doubt, it will be. The basic rules for selecting securities should not change within the space of a year but the financial and economic climate in which investors must exist is as changeable as New England's weather. Next year, added to all the usual business and profit uncertainties, we can expect still to be facing the threat of global war. These are certainly times that should convince the investor of two fundamental truths often ignored by the obstinate. The first is the necessity for adjusting to change. The second is the wisdom of knowing what he can and cannot control among the many influences affecting his investments. During these last 20 years some stiff-backed Boston trustees have gone on conscientiously protecting dollars for their client, while the purchasing power of those dollars dropped from 100c to 45c. And there are still more investors than you would believe who consistently "buck the market" or refuse to recognize good news now because they expect a depression some day. The purchasing power of the dollar, the direction of the market, the performance of corporate managements — these are things beyond the control of the individual investor. The realistic investor will not waste his time puzzling out reasons why business or market conditions are not to his liking.

Ernest Sharpe

Our success in selecting securities for next year will depend upon the correctness of our answers to three questions. First, "Will stock market prices go higher?" I think they will and in a moment I'll give some reasons. Second, "Which industries offer good opportunities to the investor?" Third, "Which particular stocks from these industries should we select?"

Stock Averages Will Go Higher

My personal opinion is that the stock market averages can and will go higher in 1952. One reason I think so is that they are not particularly high now, not considering the present dollar's lower purchasing power, and the much larger assets underlying the shares. Comparisons that have been made lately with the highs of 21 years ago are not valid unless we make adequate allowance for the very wide differences between 1930 and the present.

Not only is the stock market still at a reasonable level, it also derives sturdy support from several million income-minded investors who in other years would probably have been holding bonds. But now they find that only in the stock market can they secure, with a minimum of supervision, the 5% return they require. I do not think many of these income-minded holders of common stock will be panicked by the inevitable short-term down-swings that may occur during the general upsurge.

*An address by Mr. Sharpe at the Babson Summer Business Conferences, New Boston, N. H., Aug. 30, 1951.

One of the most potent reasons I can give for expecting higher prices in the stock market is the continuing upward pressure being exerted on our general price structure. Most selling prices, as you all know, are a composite of raw material and processing costs; to which is added, the going rate of profit. These prices are generally flexible only in the area of the profit rate. Lately, some profit margins have been squeezed hard but such cut-backs can be carried only so far. Heavier taxes are now coming along to push the prices back up. Most wages appear to have a floor under them, but no ceilings above, due to the weakness of our Administration and the strength of organized labor. Political unrest in many of the world's large producing areas causes shortages of badly needed raw materials at the same time it incites rearmament expenditures, both acting to keep material prices at present high levels. So, since taxes, wages and raw material costs (which together probably make up 90% of most selling prices) are relatively rigid, I see little hope for lower prices. Instead, in line with growing world unrest and the expansion of our defense effort, I expect we will again see a higher general price level next year. I assume the stock market average will be no exception.

Industries Offering Investment Opportunities

In seeking an answer to our second question, "Which industries offer good opportunities to investors?" we needn't try to cover the entire field. From six attractive industries, we should be able to select as many individual securities as can be handled with ease. The six fields I would choose to comb are the airlines, building supply, drugs, electrical equipment, the natural resource group and, mainly for income purposes. the utilities.

Airlines are now in the best year they have ever had. Next year's traffic should be even larger, profits will be excellent and dividends, while conservative, could be enough better to start another boom in the group. From a long-range view, this is still one of the most promising industries for growth. American, Eastern and United should all achieve investment status someday, and I would select from among these three, with my first choice American.

Makers of building supplies have been worrying about the home construction boom coming to an end. I suspect that long after it does, a lot of them will still be earning nearly as well as they are now. There are some 40 million dwelling units in the U. S. and many of them will be needing repair or renovation during the next few years. Paint stocks such as Sherwin-Williams or Devoe & Raynolds offer good income and some appreciation possibilities. Celotex is a common stock on the way up. It should improve both in quality and price during the 'fifties. Flintkote common is another that investors can own during 1952 for the generous return and longer range price gains.

Drugs, both ethical and proprietary, seem to offer as much promise as any of the investment opportunities now available. Discovery and promotion of valuable new products are giving the industry more vitality and diversification each year. Market prices of the leaders in this group have been pushed up by investors but many are still quite attractive for the long-haul. Squibb, Bristol Myers and Sterling Drugs are my preferences at present prices.

The larger electrical equipment manufacturers should keep very busy, supplying either civilian or military markets, for several years at least. A great deal of electronic equipment will be required by the Armed Forces and for the war production effort. Also, when we recall that 96% of the homes in the U. S. have radios but less than 15% have TV sets, it's plain that the TV market is still little more than scratched. General Electric, R. C. A., Master Electric and the more speculative Noma Electric are all attractive at current prices. I would choose among them in the order named.

Natural resource companies producing oil, gas, metals, coal and timber are still very good to hold as hedges against further inflation, and for income. Common stocks like Texas Co., Gulf, Eagle Picher and Island Creek Coal should be favored over the more speculative shares but there are many others that may be held.

Investors who want income more than action will buy heavily in this last group, utilities. Earnings bases of most operating units in this industry have been broadened considerably in the past ten years by an unprecedented expansion to fill the country's growing power requirements. Current dividend rates, conservative in most cases, appear reasonably certain to continue and may increase. Consumers Power, Columbus & Southern Ohio and Pacific Lighting are all good-grade commons that will return an average of about 6%. I would hold any or all of them without worrying.

Because of time limitations, I have touched only briefly on the prospects for each group of selections.

Proven Rules of Investment

Some of you will not be content to let others choose for you the stocks you buy next year. To help those of you who will want to do your own selecting, here are a few suggestions, proven rules of investment you might call them — rules by the way that many of us in the advisory field occasionally try to side-step, not always with happy results.

The first rule, a safeguard, is to choose only from among listed stocks, preferably those on the New York Stock Exchange. This assures that you can follow your investments closely and will have a ready market for them if sudden sale is called for.

Next, another limitation, confine yourself to the "necessity" stocks, those of companies supplying products or services the public cannot for long do without. For example, companies concerned with raising the standard of living are a good bet for the future.

Try to pick the leaders of each group. You will miss the "sleepers" by following this rule but also you'll avoid a lot of headaches and losses. There are thousands of experts constantly turning over the "likely-looking rocks" among securities, seeking the unusual. Very few are successful at it, in fact many of them are so engrossed with their search among the unknowns that they overlook, or refuse to believe, obvious values sitting in plain sight.

When income is the main consideration, insist on at least 15 years of uninterrupted earnings and dividends. Of course you will want to see evidence of growth in operations and of the maintenance (at least) of an adequate profit margin. Don't buy a dying horse even if it does have a good blood line.

Diversify, of course, both among industries and securities. If you have $1000 to invest, spread it over 3 or 4 stocks in as many different business fields — if $5000, divide it by ten — $25,000 by 20 or so. Unless you have a great deal of money and time, or can afford a full-time investment manager, you should not try to follow more than 20 stocks at a time.

Another proven rule for continuing success in the market is to recognize and correct your mistakes as soon as possible. Don't freeze your losses by wishful thinking about what might have been or could be. Sell your mistakes quickly; keep your portfolio alive and working.

Even if you're fortunate enough not to make glaring mistakes, "weed out" your portfolio each year and sell those that are not likely to rise much further in price or that seem to be losing ground within the industry.

Last, get all the advice you can, from as many different sources as you can, but don't follow any of it blindly. Remember, those are **your** hard-earned dollars you will be investing in 1952. Be sure you get the type of stocks you want to live with through good times or bad.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Henry C. Von Elm, President of the **Manufacturers Trust Company, of New York** has resigned as President and has been elected Honorary Chairman of Board of Directors. Mr. Von Elm has served the Manufacturers Trust Company for 48½ years and in all executive capacities, advancing successively through Assistant Secretary, Vice-President, Chairman of the Executive Committee, Vice-Chairman of the Board, Chairman, and President. He will continue as a Director and member of the Executive Committee. His office as before will be at the Main Office of the Bank, and he will continue active in the affairs of the institution.

Henry C. Von Elm

H. C. Flanigan has been elected President and Chief Executive Officer of the Manfacturers Trust to succeed Mr. Von Elm. Mr. Flanigan joined the bank as Vice-President and Director in 1931 and has since filled the position of both Vice-Chairman and Chairman of the Board of Directors. He graduated from Cornell University as a Civil Engineer in 1912 and took post-graduate work in Germany for the following two years. He is a Trustee of Cornell University and a member of the Saratoga Springs Commission. He also serves on the board of various corporations.

* * *

The election of Robert L. Riedel, as Assistant Vice-President and Auditor of the **Marine Midland Trust Company of New York** was announced on Sept. 5 by James G. Blaine, President, following a meeting of the Board of Directors. A graduate of Cornell University and Harvard University, School of Business Administration, Mr. Riedel was formerly a bank examiner with the Federal Reserve Bank of New York and more recently Assistant Cashier of the First National Bank of Boston.

* * *

Announcement is made by **Marine Midland Corporation** of a formal offer to be made to acquire the **National Chautauqua County Bank of Jamestown, N. Y.** subject to approval of supervisory banking authorities of its consolidation with the **Union Trust Company of Jamestown.** Purchase of the capital stock has been approved by the Board of Directors of Marine Midland Corporation subject to acceptance by holders of at least 75% of the stock of National Chautauqua County Bank. A joint announcement was issued by Charles H. Diefendorf, President of Marine Midland Corporation, and John D. Hamilton, President of National Chautauqua County Bank in the matter. It is stated that operations of the consolidated bank will be conducted from the present office of the National Chautauqua County Bank and that the branch offices of both banks will be maintained. All personnel, staff, officers, and members of the respective boards of directors will continue to serve the consolidated bank. Deposits of the combined banks will aggregate more than $30,000,000 and capital funds will approximate more than $3,000,000. Marine Midland Corporation, it is added, presently owns substantially all of the capital stock in each of 13 Marine Midland banks, all of which are located in New York State.

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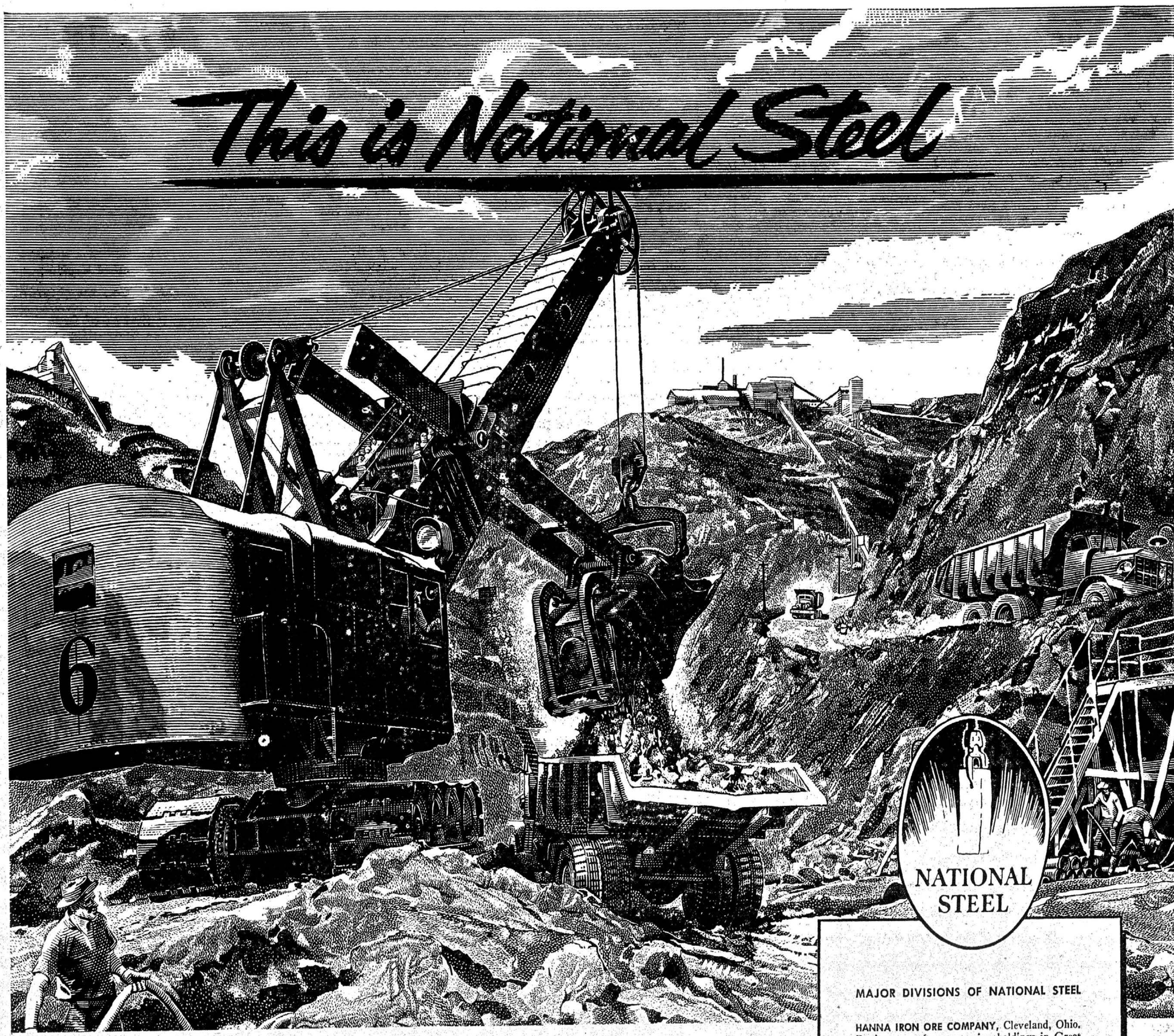
Donald R. Hassell, former "Journal-American" financial writer, has joined **The Hanover Bank of New York** as public relations and advertising representative. A veteran of 25 years' newspaper and publishing experience, Mr. Hassell joined the "Journal-American" in 1942. He previously was with the "Herald-Statesman," Yonkers, N. Y., and other Westchester and New Jersey newspapers. In 1938 he was official correspondent for the Macmillan Melville Bay-Greenland Expedition.

* * *

John Harding Roberts, assistant Vice-President of the **South Brooklyn Savings Bank of Brooklyn, N. Y.** died on Aug. 26. He was 49 years of age, and had been associated with the bank since he was 16 years old. In indicating Mr. Roberts' activities the Brooklyn "Eagle" of Aug. 28 said in part:

"Since 1935, Mr. Roberts had served as a member of the Bankers' Forum Committee of the New York Chapter, A.I.B., and was Chairman of the New York State Savings Bank Committee on Administrative Procedure. He was also a member of the Savings Banks Committee on Public Information. It was further stated that he was active also in the Long Island Historical Society,

Continued on page 16



Iron ore—basic ingredient of steel—comes from National's own mines

Iron ore is the fundamental ingredient in the composition of steel. A continuing supply of the right grades of ore is essential to large-volume steel production.

Hanna Iron Ore Company is the ore producing division of National Steel. It owns extensive iron ore properties and operates large mines in Minnesota, Wisconsin and Michigan. From them, a steady supply of this vital raw material flows into the furnaces of National Steel.

And, to insure an abundant supply of this basic steel-making material in future years, National Steel is participating in the development of the great new iron ore field in Labrador-Quebec which is estimated to contain more than 400 million tons of high-grade ore.

Hanna Iron Ore Company is one of the principal subsidiaries which comprise National's completely integrated operations . . . make National Steel one of America's largest and fastest growing producers of steel.

NATIONAL STEEL CORPORATION

GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

MAJOR DIVISIONS OF NATIONAL STEEL

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

GREAT LAKES STEEL CORPORATION, Detroit, Michigan. The only integrated steel mill in the Detroit area. Produces a wide range of carbon steel products . . . is a major supplier of all types of steel for the automotive industry.

WEIRTON STEEL COMPANY. Mills at Weirton, West Virginia, and Steubenville, Ohio. World's largest independent manufacturer of tin plate. Producer of a wide range of other important steel products.

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

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

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

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

Pennsylvania Brevities

Pennsylvania Power & Light Co. Files Additional Common Stock

ALLENTOWN — Charles E. Oakes, President of Pennsylvania Power & Light Co., stated last week that the company's schedule of capital expenditures from 1951 through 1955, earlier projected as costing $82 million, would be revised upward to about $143 million in order to meet requirements of the greatly accelerated defense program and growing demand for electricity. From 1945 through 1950 approximately $130 million was spent in additions to plant.

It is contemplated that expansion of facilities will cost approximately $12,700,000 for the balance of this year. The company plans to raise about $13,500,000 through the issuance of 542,484 additional common shares which will be offered to present stockholders, via rights, in the ratio of one new share for each seven held, effective Sept. 18 and expiring on October 3. The registration statement names Drexel & Co. and First Boston Corp. as joint managers of the underwriting group. Price will be filed by amendment.

Shares not taken by stockholders will be offered to employees on an installment purchase plan with a limit of 150 shares to any one person.

Mr. Oakes said that further sales of securities over the next four years would be necessary in order to raise approximately $88,500,000 of the $143 million scheduled to be spent. Capital expenditures over the 10-year period following the close of World War II will exceed $280 million and will more than double the company's plant facilities of 1945.

Electric power use in the company's service area in Eastern Pennsylvania has shown consistent and substantial increases and commercial, residential and farm classifications have reflected a greater rate of growth than that of the country as a whole.

* * *

Penna. Leads in "Quickies"

Up to July 16 the Defense Production Administration had granted a larger number of fast amortization certificates, and in greater dollar volume, to Pennsylvania industries than to any other state in the Union.

The Keystone State led the country with 248 certificates representing a total of $1,068,000,000. Jousting for second place were Ohio with 246 certificates totaling $527,000,000, and Texas, whose fewer (126) certificates nevertheless covered $801,000,00 in amortizations.

This week the DPA announced the granting of 109 additional certificates to firms throughout the nation whose applications were processed just before Defense Mobilizer Charles Wilson authorized a 60-day moratorium on the issuance of fast write-offs. Eleven of the 109 were to Pennsylvania companies.

The effect of the amortization certificates is to enable grantees to charge off capital expenditures necessitated by defense work over a five-year period instead of the usual 20 to 25 years. The substantial income tax relief thus afforded is considered a spur to production.

* * *

Roberts & Mander Auction

The assets of Roberts & Mander Corp., a former manufacturer of "Quality" gas ranges, will be sold at public auction at the company's plant, Hatboro, Pa., on Oct. 3. The sale will include real estate, equipment, fixtures, machinery, tools, dies, jigs, repair parts, inventory, work in progress, customers' lists, advertising matter and good will.

The company ceased production about a year ago when a striking union refused to accept management's offer to meet its demands on a "to-the-extent-able" basis. Several subsequent attempts to effect a reorganization failed. Proceeds of the sale are expected to net stockholders slightly in excess of $2 per share.

* * *

Old-Timer Resumes

With the declaration of a dividend of 20 cents per share on its common stock, payable Oct. 1 to holders of record Sept. 7, Curtis Publishing Co. resumes common payments after a lapse of 18 years. Company officials said that rising costs, increasing taxes and other uncertainties make it inadvisable to attempt to establish a regular rate at this time, either in amount or frequency.

* * *

U. S. Leather Goes Underground

Because of the success of its subsidiary, Kata Oil & Gas Co., in drilling several producing gas wells in the Leidy Dome, Clinton County, Pa., U. S. Leather Co. is in the process of selling its ten tanneries and retiring from the leather business. Upon completion of the several transactions involved, U. S. Leather will devote itself entirely to natural gas and oil production. Analysts have estimated the value of assets to be liquidated at approximately $15 per share on the common stock, indicating a market appraisal of about $8 per share for the mineral developments and prospects.

* * *

Those Thirsty Pennsylvanians

Last week the State Auditor General's Department announced the payment of $2,603,200 from the liquor license fund to 999 communities in 55 Pennsylvania counties.

The money is a 100% return of the annual collection on local liquor licenses. The law provides that such funds be distributed in the localities where the licensees are situated, none being retained by the State.

* * *

Pleasant Pickle

PITTSBURGH — H. J. Heinz, 2nd, President of H. J. Heinz Co., told annual meeting that first fiscal quarter sales of company were $46,866,594, over 6% above the 1950 period and the highest for any quarter in the company's history.

* * *

Supermarkets Here to Stay

PHILADELPHIA — Samuel Friedland, Board Chairman of Food Fair Stores, told stockholders that company intends to build more new supermarkets in the next 12 months than in any previous year, barring possible government restrictions. The company has purchased or leased approximately 30 new sites for stores.

Acknowledging the effect of price curbs on profit margins, George Friedland, President, said that increased sales from the supermarket type of store tended to offset the pinch. He believes that volume in the fiscal year recently ended will approach, if not exceed, $250,000,000, compared with the $205,643,640 reported the previous period.

* * *

Baldwin to Make Jets

PHILADELPHIA — The Baldwin-Lima-Hamilton Corp. has received a contract to manufacture a "continuing supply" of the turbine end of the Wright J-65 jet engines. The amount of the contract was not disclosed.

* * *

Hamilton Watch Co.

Hamilton Watch Co. of Lancaster, Pa., has purchased all the outstanding stock of Ralph W. Biggs Co., Stamford, Conn., which will be operated as a wholly owned subsidiary. The Connecticut company manufactures watch cases.

* * *

Cutting a Rug

PHILADELPHIA — Artloom Carpet Co., Inc., announces a 10% reduction in prices for wool and blend carpets, effective at once. This follows a previous cut of 13% to 20% effective July 31 and a reduction in the price of some cotton carpets effective Aug. 21.

James Lees & Sons, also carpet manufacturers, reduced prices an average of 10% last week.

* * *

Harrisburg Steel Expands

J. T. Simpson, President of Harrisburg Steel Corp., announces the acquisition of the Boiardi Steel Corp. of Milton, Pa. The latter company has an annual capacity of 50,000 tons of steel bars, angles and shapes, and is expected to add about 35% to Harrisburg's sales and profits.

The transaction involves the retirement of $810,000 obligations of Boiardi and the exchange of 19,500 shares of Harrisburg common for all of Boiardi stock.

Mr. Simpson said that Harrisburg's present backlog represents six months' production and that incoming orders exceed the current rate of production.

* * *

Bethlehem Steel's Smash Hit

ALLENTOWN — Bethlehem Steel Co. has invaded the Lehigh Valley area with a two-ton "flattener" designed to convert junked automobile bodies into scrap at a single drop.

The device is the first of its kind in the country, according to report. The overhead release of a 4,000-pound chunk of armorplate instantly reduces an automobile chassis into a compressed mass, eliminating the former lengthy process of dismemberment by use of acetylene torches. At the company's Bethlehem plant giant shears trim the block of scrap to open-hearth dimensions.

To date, Bethlehem has purchased 1,000 of a local dealer's 5,000-car inventory and intends to acquire the remainder. A single automobile body produces an average of one ton of high-grade steel scrap.

* * *

Gibbs & Hill have received a contract from U. S. Steel Co. for the design, engineering and construction of a 60,000 kw. electric generating station to supply Steel's Fairless Works at Morrisville, Pa.

* * *

Sun Oil Spends

PHILADELPHIA — Approximately $72,000,000 will be spent by Sun Oil Co. this year and next for new construction, refinery modernization and oil field development, according to Robert G. Dunlop, President. Through the end of last year Sun's postwar program had topped $200 million.

About $40 million is earmarked for expansion of refinery facilities at Marcus Hook, Pa.

The propulsion machinery for the Navy's new atomic-powered submarine will be built by Westinghouse Electric Corp. of Pittsburgh.

* * *

If the recommendations of the SEC's Public Utility Division are accepted, preferred stockholders of Philadelphia Company will receive slightly greater distributions than the present dissolution plan calls for. The Division's recommendations, however, are advisory rather than mandatory and oral argument on the proposed changes will not be heard for several weeks.

Edmund C. Byrne V. P. Of Byrne and Phelps

Byrne and Phelps, Inc., 70 Pine Street, New York City, have announced that Edmund C. Byrne has been elected a Vice-President of their firm.

Two With Waddell & Reed

(Special to The Financial Chronicle)

DETROIT, Mich. — Ralph H. Cochrane and George E. Strobel are now with Waddell & Reed, Inc.

Joins King & Co.

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Gerald G. Posthumus is with King & Company, Michigan National Bank Building.

In New Location

Alfred Hecht

Hecht & Co., members of the New York Stock Exchange, announced that as of Sept. 4th they will make their office with W. E. Hutton & Co., 14 Wall Street, New York City. Telephone REctor 2-3300.

Lawrence Mullen With G. H. Walker & Co.

ST. LOUIS, Mo.—G. H. Walker & Co., investment bankers, 503 Locust Street, members of the New York Stock Exchange, announce that Lawrence M. Mullen Jr. has become associated with them as a registered representative.

Before World War II, Mr. Mullen was associated with A. G. Edwards & Sons, investment brokers, as a customers' man.

Mr. Mullen obtained an A.B. degree in Economics from St. Louis University in 1938. While employed by McDonnell Aircraft Corp. in 1943, he attended the Advanced Management Training Course given at the Harvard Graduate School of Business Administration.

During World War II, Lt. (jg) Mullen served as Supply and Disbursing Officer for the Eleventh USN Construction Battalion at Subic Bay, Luzon, Philippine Islands, and as Assistant Disbursing Officer at the Philippine Sea Frontier in Manila. At the present time Lt. (jg) Mullen is Officer in Charge of VSCU 9-10, a Naval Reserve Volunteer Unit comprised of Supply Officers living in and around the St. Louis area and meeting at the Naval Air Station, Lambert Field.

For the past five years Mr. Mullen has been with Loan Guaranty Division of the Veterans Administration as the Assistant Chief of the Loan Service and Claims Section. He has also been a member of the faculty of the School of Commerce and Finance, St. Louis University, where he has lectured evening classes in the Departments of Economics and Finance.

Problems of Federal Taxation

By ROY BLOUGH*
Member, Council of Economic Advisers,
Executive Office of the President

In support of Administration's proposal for $10 billion tax increase, Dr. Blough points out: (1) increase is essential to balanced budget; (2) higher taxes will curb inflation; and (3) government expenditures can be cut only slightly. Says Administration's tax program will not damage the economy, and denies it will lead to inequitable distribution of tax burden.

The Federal tax system in the fiscal year that ended last June produced about $49,000,000,000 of net tax revenue. This was the largest dollar amount of tax revenue for any year in the nation's history. The collections will undoubtedly increase as the volume of national income rises.

Roy Blough

The expected revenue under existing law falls far short of the amounts required to balance the defense budget. Beginning with April of this year there has been a budget deficit of increasing size, and expenditures will continue to mount rapidly.

Last January the President proposed legislation to increase annual tax revenues by $10,000,000,000 as a minimum program from both fiscal and inflation-control viewpoints. A bill providing a much smaller amount has passed the House of Representatives and is now being considered by the Senate Finance Committee.

Arguments Against $10 Billion Tax Increase

Several arguments have been used by persons who oppose the $10 000,000,000 tax program.

First, it is argued that the President's program calls for more revenue than will be needed. But with rare exceptions economists outside the Government, as well as those working for it, agree that if anything the $10,000,000,000 is much too small. The deficit is rapidly rising. If the President's program is passed quickly, the budget may be balanced during this fiscal year. Even with the passage of the program, however, the outlook is for a substantial deficit in the fiscal year 1953.

Moreover, taxation is the backbone of any anti-inflationary program. When government adds funds to the income stream through spending, it must withdraw funds from the income stream through taxation, or inflationary pressures will result. Other methods of reducing or suppressing inflationary pressures are likely to be uncertain and temporary in their effects unless they are supported by an adequate tax program. In view of the growing defense program, an adequate tax program is one that yields a substantial surplus of revenue for retiring the debt.

Second, some persons argue that expenditures should be reduced rather than taxes raised. I am for cutting expenditures wherever possible, but since the overwhelming bulk of expenditures is to meet defense and war related costs, it is not safe either to count on or to wait for expenditure cuts to solve the problem. Moreover, even if substantial expenditure reductions are actually realized, the revenue surplus resulting from the tax increases will be very desirable. Also, if tax decreases could then be made, that would not annoy the taxpayers.

Tax Program Will Not Damage Economy

Third, some persons argue that if taxes are increased further, they will damage the economy. Some of those same persons said that taxes were above their economic limit in 1929 and in 1939. The large tax increases since those dates have been accompanied by rapid growth in the economy. Capital investment has expanded. The level of living has risen. Business profits after taxes have greatly increased.

The weight of evidence is all in favor of the view that the Administration's $10 billion tax program does not approach the economic limits. Taxes do not create the economic burden of the defense program; their function is to distribute it. The economic burden of the defense program will undoubtedly be much lighter than was the economic burden of the war.

During 1944 purchases of goods and services by the Federal, State, and local governments amounted to 45% of the gross national product. To be sure, we made the mistake of financing only about half of these costs by taxation, but the economic burden was there just the same. It was not an unbearable load.

In the second quarter of 1952 purchases of goods and services by Federal, State, and local governments are expected to amount to about 25% of gross national product, as compared with the wartime 45%. I have seen no persuasive evidence that the economy will be damaged by finally distributing the cost of this load now through taxation. Not to cover the cost by taxes, however, would present a clear inflationary danger.

The political ceiling to taxation is likely to be so far below the economic ceiling that we scarcely need worry about raising the general level of taxes too high for the good of the economy. We should, of course, be on the lookout for signs that specific tax rates are being put too high.

Distribution of Tax Burden

Fourth, some persons argue that the President's program does not properly distribute the tax burden. Considering the different objectives which a tax program must try to achieve, I believe the President's program is a sound and reasonable one. The personal income and excise tax increases that are proposed in the President's program would draw the bulk of the increased revenue from the persons who have the bulk of the income and do the bulk of the spending. However, there is room for sincere difference of opinion about how the tax burden should be distributed. Persons who object to the distribution in the President's program would be more logical if they proposed alternative methods rather than objecting to the size of the program.

About 42% of the tax revenue produced during the past fiscal year came from the personal income tax. It is in many ways our best tax. It is measured by net income, which is the best practical test of ability to pay taxes thus far devised. The income tax exempts or taxes lightly those persons who are near the subsistence level; it recognizes that families of different size have different abilities to pay taxes, and it is imposed at progressively higher rates on the larger incomes.

But the public is due for a rude awakening if it thinks the progressive income tax is uniformly imposed on incomes of all kinds. Under the pressure of special-interest lobbies, Congress has granted an increasing number of exemptions from the regular progressive rate scale. A few of these may be appropriate; many surely are not and are really tax loopholes. Almost all of the loopholes discriminate against wage and salary earners.

One method of giving special tax favors is to allow certain kinds of ordinary business income to be taxed as capital gains. Another method is to grant special depletion allowances to mineral industries although the original purposes of such allowances may in no way apply. Large amounts of income may thereby be entirely exempted from tax. Still another method is to permit the partnership and corporate income of a businessman to be split among his children, thereby reducing the rates of taxation. The tax exemption of interest from State and municipal securities is an old privilege that is growing in importance.

Some State Legislatures have been considering a proposal calling for an amendment to the Federal Constitution that would limit income taxes to 25% of incomes. A powerful lobby has been vigorously pushing this proposal. Adoption of such an amendment would have highly unfortunate effects. It would tie the hands of the Federal Government, which alone can carry out many vital functions. Chronic Federal deficits would be made virtually inevitable in periods of heavy spending. The Federal Government would be forced to rely heavily on excise and sales taxes. This would result in a grossly unfair tax distribution. It might well pave the way for future depressions by destroying consumer purchasing power. It would add to the fiscal difficulties of State and local governments, since some of their most lucrative tax sources would be largely diverted to the Federal Government.

*Excerpts from address by Dr. Blough before the University of Wisconsin School of Banking, Madison, Wis., Aug. 21, 1951.

Clarence J. Aal With Bache in Florida

PALM BEACH, Fla.—Clarence J. Aal will make his new quarters in Bache & Co.'s Palm Beach office, 271 South County Road, as a Registered Representative.

Clarence J. Aal

Mr. Aal has been a member of the Wall Street community for the past 35 years. During this time he has had a varied experience in most every phase of the securities business and more recently was a partner in his own over-the-counter firm.

In line with the firm's policy of perfecting and correlating the operation of all its branches, Mr. Aal has spent the past month in the main office in New York getting acquainted with Bache & Co.'s many facilities and services.

Joins Waddell & Reed

(Special to The Financial Chronicle)

LINCOLN, Neb. — George E. Myers is with Waddell & Reed, Inc., Barkley Building.

Gloomy Outlook for Foreign Investment Under United Nations

By PAUL EINZIG

Citing British experience with Anglo-Iranian Oil Co.'s properties in Persia, Dr. Einzig lays blame on United Nations' policy of non-aggression against small nations, permitting latter to plunder foreign investors.

LONDON, Eng.—Persia's truculent and arrogant attitude in the dispute over the confiscation of the property of the Anglo-Iranian Oil Co. forces one reluctantly to reach the conclusion that in matters of foreign investment the system set up by the United Nations is liable to do a great deal more harm than good. The ideal pursued by the authors of the United Nations is to safeguard small nations against aggression by more powerful countries. In practice the result is that small and weak nations are encouraged to treat non-aggressive Great Powers with contempt, on the assumption that the system and principles of the United Nations Organization would in all circumstances protect them from the consequences of their impudence. The worst elements of extreme nationalists derive the maximum of encouragement from the assurance that they can now plunder foreign investors and foreign enterprise with impunity.

Dr. Paul Einzig

This means that the outlook for those willing to risk their capital for the development of backward countries — whether through private investment or government-sponsored loans—is now even worse than it was during the inter-war period. In the 'twenties and 'thirties many billions of dollars of American and British capital went down the drain because of unfavorable world-wide economic conditions, aggravated by many debtor countries through extravagance, incompetence or corruption. Many loans were defaulted upon. But at any rate the defaulting debtors did not try to make virtue of dishonoring their pledges. In the 'fifties the state of affairs is totally different. Now it has become a matter of supreme virtue for debtor countries to snap their fingers at their creditors. It is no longer a painful necessity to repudiate debts which the debtors are in any case unable to pay. It is now the patriotic duty of debtor Governments to refuse to pay, irrespective of their capacity to pay, and to pass confiscatory legislation victimizing foreign investors and foreign enterprise.

The public in such countries has been worked into a "patriotic" fever, demanding the assumption of control over foreign enterprise. Any honest Government which tries to honor its pledges is liable to be turned out of office by election result or revolt, and the Ministers responsible for pursuing an honest policy are liable to be assassinated. Any Government which wants to remain in office has to comply with the demagogic demand that it should plunder foreign investment and enterprise. Although Persia is the most striking instance of this tendency, there are other countries where the movement has reached or is threatening to reach advanced stages. Nor is it confined to past investment. The same arrogant approach characterizes also the attempts to obtain new money.

The story goes round in London that the International Bank received from the Persian Government the following application: "We want $250 millions. We have not decided for what purposes we shall use it." When the bank replied that it would be prepared to consider applications indicating the schemes for which the loan is needed, it received a reply on the following lines: "We now want $500 millions, and we still have not decided for what purpose we shall use it."

Any Government of the "nationalistic" small countries which observes even the ordinary forms of courtesies in dealing with Governments of the democratic Great Powers is liable to be accused of weakness and to be forced to give way to a Government which satisfies the mob by word and by action that it is not afraid of the Great Powers. They take great care not to insult the Soviet Union or its satellites, for that would be a different story. But under the protection of the United Nations charter they feel they can afford to insult and injure the Governments which are likely to observe the rules laid down by the United Nations.

It is high time the United Nations ceased to serve as a protection for such action. Its timid and hesitant attempt at expressing even disapproval should be replaced by firm action. It should not be considered the fundamental task of the United Nations to uphold the *status quo* at all costs, no matter how unreasonable that *status quo* may be. Egypt has proved herself unworthy to be left in charge of a vital international waterway, because (a) she abused her control for purposes inadmissible under international law; (b) by aiming at the assumption of full control over the Sudan against the wishes of the Sudanese, she has showed herself aggressive and imperialistic; and (c) she is not strong enough to defend the Suez Canal. Even the irregular troops of Israel were able to inflict defeat on the trained and organized Egyptian Army, although they had to fight at the same time Syria, Iraq and Jordan. Had it not been for British intervention the Israeli Armies might have seized the control of the Suez Canal and might have conquered a very large part of Egypt. Clearly a nation which is unable to resist even such negligible forces is not entitled to claim the right to control one of the main international arteries of commerce and communications.

It is to the interest of both the United States and Britain to bring to an end the petty tyranny of small aggressive nations. It is bad enough to have to put up with truculence on the part of Soviet Russia and Communist China. When it comes to having to face a similar attitude on the part of Persia and Egypt it is time to call a halt. If this sort of thing can happen under the United Nations charter then clearly something must be wrong with that charter.

Roger Neal Opens

YAKIMA, Wash.—Roger A. Neal is engaging in the securities business from offices at 400 South 30th Avenue.

Mutual Funds

By ROBERT R. RICH

Fund Managers' Viewpoints Reflect Uneasy Situation

The diverse viewpoints of mutual funds' portfolio managers on the short-run business and market outlook, as they await the critical test of the economy's response to the rearmament program, reflects the present uneasy economic situation and the conflicting attitudes of the business community.

The mutual funds' investment policies range from the optimism of a fully-invested portfolio to the pessimism of a portfolio in which holdings of common stock were completely liquidated.

The tentative and somewhat conflicting appraisals of the business and market future—by the mutual funds' portfolio managers—with the counterpart conflicts to be found in the discussions of businessmen concerning the prospects for our economy—are not the results of basic disagreements but rather the partial and incomplete product, at present, of active and tireless research and evaluation of what lies ahead for economy. One of the most important questions now being weighed is whether the plant capacity of the economy in the last five years has so expanded that it can absorb rearmament production, still leaving excess capacity for civilian capital goods and consumer production.

A fully invested position is being maintained by Diversified Funds, T. J. Herbert, Vice-President and portfolio manager, declared.

"We believe," he said, that the current dislocations in our economy are temporary in nature and that the basic outlook is for a continuation of high level overall business activity and a maintenance of high consumer spending power.

"In our opinion, the basic outlook continues to be inflationary."

Harold X. Schreder, Group Securities, commented: "We're sitting at an investment traffic light and the light is yellow. We don't know whether it will turn red or green next, but the fact that it has been green for two straight years suggests the logic that it might turn red, if only for a short period before turning green again—which we positively think it will do."

Mr. Schreder said that each of the five major market breaks since 1920 were accompanied by a different combination of economic events—high commodity prices, high stock market prices, inventory accumulations, credit restrictions and the like.

"Today," he stated, "you have present, in part at least, most of these various factors. Conversely, however, you have five things today which you never had before at previous major breaks: (1) the existence of heavy peacetime rearmament expenditures; (2) the good financial position of most corporations; (3) the strong liquid asset position of individuals; (4) present price-earnings ratio only at half the level that existed before previous market breaks; (5) stock yields twice what they were at previous breaks in the market."

Mr. Schreder said that he hoped individual investors would be wary of forming opinions on the future course of business, based on an inadequate or partial survey of business conditions.

It's very important now, Mr. Schreder remarked, for investors not to be swayed by judgments based on only one isolated factor, such as inventory accumulation, without regard for other offsetting factors in the economy.

In a special statement to the "Chronicle," Henry J. Simonson, Jr., President of National Securities & Research, said, "We are continuing a constructive institutional investment policy, maintaining the view that a reasonable backlog of bonds and preferred stocks seems prudent for the investor, but that the portfolio should also have adequate investment representation in common stocks in order to benefit from the relatively high income available and to have some partial hedge against a continuing decline in the purchasing power of the dollar.

"Business activity will continue at an accelerated rate during the remainder of this year, due to defense expenditures reaching the production stage in larger volume. Further appropriations for military and foreign aid appear inevitable."

Mr. Simonson concluded that, "Continued high corporate earnings and liberal dividend disbursements may be expected. However, the degree of such earnings and dividends will of course be tempered by the final action of Congress on the pending tax bill."

Wellington Fund, in its interim investment report, regarded the present economic readjustment as mainly the result of an accumulation of a surplus of civilian goods, in spite of the overbuying by the public earlier in the year.

"We expect this readjustment in consumers goods to be temporary with national production and heavy industry remaining at a high level," stated Rawson Lloyd, Vice-President and Director of Investment Research.

Business Deteriorating

The studies and research of Institutional Shares, Ltd. indicate that the fundamental underlying business conditions have been deteriorating for some months, the company announced in a special report to shareholders.

"We anticipate," the report said, "at some time in the near future at least a temporary decline of real proportion in the market value of stocks in general. After economic conditions start to deteriorate, there is usually a lag of time before the market turns down to more realistic levels and this is what appears to have been taking place."

The top-heavy inventory situation, the public's reluctance to accept today's prices, the prospects of declining earnings due to taxes, reduced volume and less efficient operatoin, the decline in dividend expectancy and the ever present threat of more chaotic international complications, were some of the reasons Institutional Shares presented in support of its thesis that the market, at present levels, is vulnerable.

"All of the above, during the last few months, have been reflected by a steady decline in the ratio of spending and profits to the amount of the capital and bank loans of business," the fund concluded.

Delaware Fund commented that the "price uncertainty that has transpired between January and August of this year has been a reflection of the undoubted overproduction of many manufactures, including capital items. Classically, this over-production should by now have led to a cut-back of operating schedules that would have made a sharp dent in the Federal Reserve Board's index of industrial production and a visible bulge in unemployment figures.

"If the indigestion is being cured without these unpleasant medicines, it is because of the totally artificial stimulation of the national defense effort.

"To many this, being artificial, seems untrustworthy, and these observers expect a further relapse. We don't deny the possibility that the patient is not entirely cured, but we do not expect that he will require, at least in the near future, any extended hospitalization."

The most defensive action taken was that of Technical Fund which, a few weeks ago, in its first major policy change since 1948, liquidated its entire holdings of common stocks.

COMBINED NET ASSETS of the 10 Keystone Custodian Funds at market values on July 31, 1951, amounted to $213,128,100, an increase of $3,373,500 over the $209,754,600 reported on July 31 a year ago, it is disclosed by the annual reports of Keystone Funds B3 and S4 made public today.

The net asset value per share of the Low Priced Bond Fund B3 on July 31, 1951 was $17.90 compared with $17.65 at the close of the last fiscal year on July 31, 1950. The total net assets of the Fund were $39,184,293 on July 31, 1951, compared to $38,932,741 at the close of July, 1950. The number of shares outstanding for the same period was 2,188,803 on July 31, 1951 and 2,205,892 a year ago.

The report of the Keystone Low Priced Common Stock Fund S4 shows the net asset value per share on July 31, 1951 was $6.40 up from $5.24 per share for the 12 months ended July 31, 1950. The report shows total net assets of the Fund on July 31, 1951 of $10,591,937, compared with assets of $16,870,921 a year ago. The number of shares outstanding on July 31, 1951 was 1,655,521 compared with 3,220,830 on July 31, 1950.

THE $100,000,000 mark in total net assets of Dividend Shares was crossed on Aug. 28, climaxing an increase in assets from $82,490,705 on Oct. 31, 1950, the end of the last fiscal year. It was the first time the fund had crossed the hundred million mark since the company's incorporation in 1932.

According to a simultaneous announcement by the Calvin Bullock management, approximately 50,000 stockholders of Dividend Shares will benefit by a waiver of one-half the quarterly management fee with respect to any excess over $100,000,000 of the average market value of net assets quarterly.

As a result, the management fee will remain at ⅛th of 1% quarterly up to $100,000,000, and will be 1/16th of 1% quarterly on the excess above that figure.

KNICKERBOCKER FUND reports total net assets of $15,366,332 on July 31, 1951 and a net asset value of $6.22, compared with $13,767,130 total net assets on Nov. 30, 1950 and a net asset value per share of $5.60.

BULLOCK FUND, reported to be a "growth" fund, announced total net assets on July 31, 1951, amounted to $11,655,165, equal to $23.72 per share. On May 31, 1951, according to the company's semi-annual report for the six months ended on that date, total net assets were $11,412,856, or $23.25 a share.

Assets in the form of cash and high-grade bonds accounted for 16.38% of total net assets; common stocks 83.40%; and preferred stocks 0.22%.

Investment purchases during the three months ended July 31 included 1,500 shares of Glass Fibers, Inc.; 1,100 Minnesota Power & Light; 1,000 Seaboard Air Line R. R.; 1,000 Sylvania Electric Products; 5,000 Texas Eastern Transmission; 1,000 United Gas Corp.

Sales included the elimination of all holdings of common stocks in a number of corporations: 500 Delta Airlines; 3,000 Electric Bond & Share $4.20 certificates; 1,300 Fairchild Engine & Airplane; 1,700 Raytheon; 2,300 Safeway Stores.

Largest group holdings of common stocks dollar-wise were oil and gas shares, representing 14.49% of total net assets; steel, 7.70%; utilities, 6.62%; railroads, 5.88%; retail trade, 5.23%.

Largest holdings of individual common stocks dollar-wise were Lily Tulip Cup shares, constituting 2.99% of total net assets; Standard Oil of New Jersey, 2.33%; International Paper, 2.14%; Illinois Central R. R., 2.02%; United Aircraft, 2.00%; Boeing Airplane, 1.69%; Texas Company, 1.66%; Wheeling Steel, 1.66%; Rock Island R. R., 1.65%; Southern Pacific Company, 1.64%; Skelly Oil, 1.51%.

DELAWARE FUND climaxed a $5,000,000 increase in its resources in the past 12 months to become a $10,000,000 institution on Aug. 29, W. Linton Nelson, President, announced.

Mr. Nelson reported that the once "all-Philadelphia fund" which was started with less than $500,000 and a handful of shareholders back in 1938 now has grown into a nationally-owned institution with net assets of $10,044,522 and more than 2,000 shareholders throughout the country.

The mutual fund executive attributed the rapid growth of Delaware Fund in recent years to a growing realization on the part of the investing public that money put to work in common stocks will produce more dollar income than any other medium. He recalled that original shareholders in Delaware Fund who paid $15 a share for their stock in 1938 had received a total of $20 a share in cash distributions to June 30, last, and their shares at the close of business yesterday, had a net asset value of $17.23.

"We are finding," he added, "that more and more people are turning to mutual funds to obtain common stock ownership. Delaware Fund, for example, has upwards of 70% more shareholders today than it had a year ago. We look for a continuation of this trend."

THE APPOINTMENTS of Guy Lemmon as administrative officer of the home office investment department of Investors Diversified Services and Harry T. Newcomb as corporate counsel of Investors Diversified Services was announced this week.

Mr. Lemmon was formerly in charge of the company's Chicago corporation finance office. Before World War II he was President of Hecker Products Corporation, now known as Best Foods. During the last war he served as Coordinator of the War Bond "Task Force," as liaison between the U. S. Treasruy Department and a group of leading New York advertising agencies in furthering the sale of "E," "F" and "G" bonds.

Mr. Newcomb was formerly general attorney of The Chesapeake and Ohio Railway Company. Before joining the C. & O. Railway Company, he was associated with the law firm of Sidley, Austin, Burgess and Smith in Chicago and later served as secretary and general counsel of American Buslines there.

THE COMMON STOCK Fund of Group Securities, Inc., reports the number of stocks held has been increased to 65 by the elimination during the past quarter of the Chicago, Rock Island & Pacific Railroad Company common stock and the purchase of the common stocks of Commonwealth Edison Co., Consolidated Edison Co., Electric Auto-Lite Co., Johns Manville Corp., Pullman, Inc., and Liggett & Myers Tobacco Company.

Of the 65 issues owned, all are "reported to be dividend-payers." It is said that 63 have paid dividends for 10 years or more and 30 have paid dividends continuously for 25 years or more.

INVESTMENT CHANGES since June 30, last, by Wellington included some trimming of its substantial holdings in the chemical, chemical fiber and oil stocks following their sharp advance. The Fund's report observed that this action restored previous investment ratios of those groups. The principal reductions were in Allied Chemical & Dye, American Cyanamid, Union Carbide & Carbon and Victor Chemical Works in the chemical group; in American Viscose and Celanese among the chemical fibers; and in Continental, Phillips, Shell, Socony-Vacuum, Standard Oil of Ind., Standard Oil of N. J. and Texas Co. among the oils.

Other common stock changes since June 30, last, included reductions in Certain-teed Products, Standard Brands, Goodyear Tire & Rubber, American Optical, Ohio Edison, Consolidated Natural Gas and Columbus Gas System. Pennsylvania R.R., U. S. Pipe & Foundry, Northern States Power, American Brake Shoe, Continental Illinois Bank and Sunshine Biscuit were eliminated.

The principal common stock purchases, according to the report, were in issues considered behind the market and included American Tobacco, Bethlehem Steel, Colgate - Palmolive - Peet, Continental Casualty, General Electric and Humble Oil with a new investment in New England Telephone & Telegraph common.

Other purchases, mainly additions to previous holdings, included: G. C. Murphy, Spencer Chemical, Thompson Products, Gulf States Utilities, N. Y. State Electric & Gas, American Natural Gas and United Gas.

TRUSTEES of Eaton & Howard Balanced Fund declared dividend of 25 cents a share payable on Sept. 25, 1951, to stockholders of record Sept. 14, 1951, constituting the 78th consecutive dividend payment on Balanced Fund.

Trustees of Eaton & Howard Stock Fund declared dividend of 15 cents a share payable Sept. 25, 1951, to stockholders of record Sept. 14, 1951, which is the 80th consecutive dividend payment on Stock Fund.

A GAIN of 87% in net assets for the first six months of its current fiscal year was reported by Value Line Fund, which stated net assets now are at a new high of approximately $7,050,000.

GROWTH COMPANIES reports the following changes in portfolio were made in August. Lincoln National Life Insurance and Ferro Corp. were eliminated. Holdings of McBee Co. were reduced. Additional purchases were made in A. O. Smith, Pure Oil, Savage Arms, U. S. Plywood, Grayson Robinson and General Electric.

New investments were made by the Fund in H. H. Robertson, Ekco Products, U. S. Gypsum and U. S. Foil "B".

On Aug. 30, last, Growth Companies had in its portfolio the stocks of 47 companies and the portfolio had a market value of $870,356. Cash and receivables on that date amounted to $120,728.

Started on Aug. 1, 1950, with assets of $256,500 all in cash and an initial offering price of $9.00 a share, Growth Companies, closed the month of August, 1951, with net assets of $997,420, equal to $11.77 a share on the 84,709 shares outstanding.

REPUBLIC INVESTORS Fund has shown a 200% gain in total assets during the 17 months under E. W. Axe & Co., Inc. Management. At the same time the net asset value per share increased 30%.

THE SECURITIES and Exchange Commission on Aug. 24 received application from Founders Incorporated, Minneapolis, Minnesota, in which the company asked for an order declaring that it is primarily engaged in a business or businesses other than that of investing, reinvesting, owning, holding or trading securities.

Such a finding by the Commission would entitle the company to an exemption from the Investment Company Act of 1940.

Founders owns 1,000,000 shares (40.1%) of Gamble-Skogmo, Inc., which operates a chain of more than 500 retail stores and engages in wholesaling of merchandise. The company has acquired, or is about to acquire, the entire capital of F. S. Rasco & Company, owner and operator of variety stores.

The SEC has given interested people until Sept. 7 to request hearing upon the application.

Phillips Co. Exhibit At County Fair

Wall Street is going to the County Fair and, with the help of marionettes, attempting to explain its "mysteries" to John Q. Public. This unorthodox approach to weighty financial matters may be viewed in the B. G. Phillips and Company tent at the Nassau County Fair, Mineola, L. I., from Sept. 11 to 15. For the benefit of those who are not already familiar with Mutual Fund investments, the marionettes will depict, in serio-comic fashion, the advantages of this rather recent financial development. Thus an ancient art will meet the modern Colossus for what is believed to be the first time.

B. G. Phillips and Company, with offices at 44 Wall Street, is an investment house which specializes in Mutual Funds, although it handles all types of investments. In addition to the Nassau County Fair, it will exhibit the Mutual Fund Marionettes later in the month at the 1951 Westchester Better Homes Exposition, White Plains, Sept. 25 to 30.

With Shields & Co.

John J. A. McNamara has become associated with Shields & Company, members of the New York Stock Exchange, in their Hotel Biltmore office, New York City.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jerome Goldsmith has become associated with Cantor, Fitzgerald & Co., Inc., 224 North Canon Drive. Mr. Goldsmith was formerly with Fewel & Co., Daniel Reeves & Co., and Morgan & Co.

Motor Thruways Built Over Railroad Tracks

By ALEXANDER WILSON*

Writer discusses advantages advanced for building elevated toll bridge highways over railroad tracks. A theoretical statement of a traffic innovation that may promote greater motor car mobility, especially in thickly settled districts and which may increase railroad revenues.

A suggestion to build toll system elevated express thruways in the air spaces over railroad right-of-ways, restricted to passenger automobiles, is attracting public attention.

Alexander Wilson

Some of the advantages advanced by its proponents may be briefly summarized:

(1) All the ground level thruways in New Jersey, New York and elsewhere cause condemnation of taxable property in each community traversed.

(2) When a right-of-way is acquired for a ground level thruway, the acquired property becomes *tax exempt, depriving each locality of income.*

(3) The maintenance, policing and illumination of ground level thruways is also considerable and more costly than an elevated highway.

(4) Conversely, if thruways are built as elevated roads over existent railroad tracks, they would be taxable, as is all railroad property, and communities would not suffer from the elimination of their present realty taxes.

(5) Railroad corporations could finance and manage elevated thruways more efficiently than local and state politicians.

(6) It is possible that toll thruways built over the tracks of the bankrupt Long Island Railroad would help to (a) rehabilitate and realize solvency for this road, and (b) relieve the dangerously congested arteries in the intensively developed and populated sections of Long Island which for want of space will not permit any further construction of additional traffic arteries.

(7) It would be interesting to see what effect a conversion of the present Third Avenue Elevated Railway as a motor thruway would have on north and southbound traffic on the east side of Manhattan, now that the demolition of this age-old structure is projected.

In fact, proponents of thruways wonder why the old Ninth and Sixth Avenue Manhattan Elevated Railway structures were removed and not used for motor highways. At the present time, new surface and elevated highways are imperatively needed to keep pace with the enormous growth of population, automobile and transportation requirements in the congested centers of our country.

Surface thoroughfares, highways, streets and intersections would be much safer for vehicular traffic and the public, if thousands of automobiles could be routed over elevated thruways.

The Physical Side of the Picture

Some idea of the public roads in use at the end of 1949 may be gleaned from the World Almanac, viz:

	Miles of Road
State Control	571,753
Local Control	2,360,586
Federal Control	70,170
Total Mileage	3,002,509

Motor thruways built over railroad tracks may provide the solution which 56,038,000 drivers of 49,103,275 registered cars are seeking in order to facilitate traffic. Railroad lines in U.S.A. totaled 225,100 miles Jan. 1, 1950 and railroad trackage 397,000 miles.

At the rate automobile production is progressing (8,002,782 new cars and trucks were built in 1950), it does not require any stretch of the imagination to picture the mass congestion of vehicular traffic in the next five or ten years for instance.

The rapid dieseliation of railroad motive power will minimize the smoke nuisance to railroad thruways automobile traffic.

At the end of 1949 there were 28,964 steam locomotives and 10,888 diesel electric engines in operation on Class I roads. It will be only a matter of time when most of the steam locomotives will be replaced with the more economical operating diesel engines. There are 1,500 railroad tunnels in this country, with an aggregate length of about 320 miles, and 190,000 railroad bridges with an aggregate length of 3,750 miles.

Do Toll Automobile Roads, Tunnels and Bridges Pay?

The automobile highway toll roads (like the Pennsylvania Turnpike, Hendrick Hudson Parkway, etc.) are profitably operated and in a period of time, will pay off the entire cost of their construction. The suggestion outlined above for the railroad to build passenger car thruways over their tracks should receive serious consideration as soon as conditions become more peaceful and normal and when War Defense demands for steel and other materials will not be as urgent as during these hectic times. The railroad situation with its multiferous problems is such that the industry must find new revenues and new operation wrinkles immediately if our great transportation systems are to survive and to be operated on a profitable basis.

It is obvious to any fair-minded person that the railroads cannot make a living at present passnger and freight rates with continuing increasing costs for labor, materials and supplies.

The earnings figures show that passenger traffic is a losing business and costs the railroads $400 to $600 million yearly which the freight business is carrying.

The railroads must find new revenues outside of their passenger and freight income if they are to prosper.

Answers Objection that RR.s Would Be Inviting Further Competition

To the objection which may be advanced, that railroads would be inviting further passenger car competition if they build overhead toll highways—proponents say that the transportation systems would have the same amount of competition anyway *without receiving tolls,* if private automobiles travel over public thruways.

Other Additional Revenues

As additional forms of revenue, it may be feasible for the railroad to operate pipe lines on the overhead thruways to convey oil, natural gas, telephone and telegraph wires, pneumatic mailing tubes and perhaps conveyor belts for packages. These big pipes might be placed on both sides of the speedway instead of building the usual railings.

To ascertain what thruways have come to mean, the railroads should lose no time in looking into the possibilities for future enhancement.

The New Jersey Turnpike

The following description of New Jersey's newest highway published in the September issue of "Fortune" is of timely interest.

The New Jersey Turnpike, a $250 million modern speedway enterprise, 118 miles in length, from the George Washington Bridge on the Hudson River to the $44 million Delaware Memorial Bridge from Deepwater, N. J. to Pigeons Point, Del. (near Wilmington, Del.) with speed limits of 60 to 70 miles per hour will open for business on or about Nov. 15. The full length toll is expected to be $1.75 for passenger automobiles and a minimum charge of $4.75 for trucks. Seventeen entrance and exit ramps will allow local as well as through traffic to use the new road. The 300-foot right-of-way along its 118-mile route, necessitated the purchase of farms and industrial land, the moving or demolishment of 500 buildings, the relocation of freight yards and five large storage tanks of the Esso Bayway Refinery at Linden, N. J. besides acquiring houses for dispossessed tenants. The New Jersey Turnpike Authority estimates that 7,600,000 vehicles will use the Speedway in 1952 and 15,200,000 by 1962. The New Jersey Turnpike will connect with the $450,000,000 New York Thruway and the $70,000,000 Pennsylvania Turnpike (covering Philadelphia, Harrisburg, Pittsburgh) to the Ohio line. The construction of this gigantic enterprise was financed by the issuance of revenue bonds to institutional investors and will not cost New Jersey's taxpayers a dime as the construction cost will eventually be paid for out of tolls and concession fees. Howard Johnson restaurants and Cities Service Co. gas stations have already secured concessions to serve the patrons of this Speedway.

What Our Railroads Have Done For U. S. A.

If there is one thing the people of the United States should do for their railroads which are beset with competition and problems on every hand, it would be to support the railroad industry, whole heartedly and generously.

For of all the construction agencies extant, the railroads have done more than any other agency in the last century to populate and build up the thousands of hamlets, villages, towns and cities that go to make up this prosperous country.

We must not forget that the railroads made possible the great industrial and financial development of our country.

Without its vast pioneering railroad system, America would not be the world's wealthiest and most powerful nation today. It is no exaggeration to say that the railroads of the United States are the backbone of the nation's entire business anatomy.

*Writer of the following "Chronicle" articles: "Why a New League of Nations Will Not Insure Permanent Peace," and a "Reply to Critics" of this article, also "Peace by Force in an Uncivilized World," "Are Americans Isolationists?" "The Failure of the White Man's Civilization," "How President Truman Can Regain his Lost Prestige," "Is Capitalism the Cause of Wars?" "A Critical View of American Politics," "Straight From the Shoulder Advice to Gov. Dewey," "Can America Prosper Without Foreign Trade?" "A Plan for Solving the British Crisis," "The 'Sun' That Was," also "The Widow's Mite and The Indispensable Penny," "A Defense of Man's Right to Intellectual Freedom" and "What Did They Use For Money?"

Continued from page 10

News About Banks and Bankers

the Bankers Club of Brooklyn, New York Financial Advertisers and the Advertising Club of New York.

* * *

The election of Ralph W. Crum as a Vice-President of the **First National Bank of Miami, Fla.** was made known on Aug. 23 by Clement B. Chinn, President of the bank, it is learned from the Newark "Evening News" of Aug. 23. Noting that Mr. Crum was President for 11 years of the former **United States Trust Co. of Newark, N. J.**, the "News" also said in part:

"Mr. Crum was named a Vice-President of National State Bank when that institution absorbed United States Trust last December. Under the merger the main office of United States Trust became the Federal Square office of National State and at the same time five branch offices of United States became National State offices."

Mr. Crum, it is added, started his banking career with the National Bank of Commerce in New York, later the Guaranty Trust Co. He was Vice-President of Passaic National Bank for eight years and Vice-President of the Passaic County Bankers' Association prior to his election as President of United States Trust, Jan. 5, 1940.

* * *

Announcement was made on Aug. 22 of the merger of the **Lackawanna Savings and Loan Association of East Orange, N. J.,** into the **Gibraltar Savings and Loan Association of Newark, N. J.** The announcement stated that hereafter the combined associations will be known as the Gibraltar Savings and Loan Association with total assets of over $13,000,000 and with offices at: Main office, 1029 South Orange Avenue, Newark, N. J., and Lackawanna Office, Main and Sterling Streets, East Orange, N. J. The Newark "Evening News" reports that:

"William Wepner, of Westfield, a founder and the President of Gibraltar for many years, will head the consolidated association, and Elmer E. Lee, also one of the founders of Gibraltar and for many years its Secretary, will be Secretary and Treasurer. Frank P. Litter, Executive Vice-President of Gibraltar, will be First Vice-President, Harvey J. Young, formerly President of Lackawanna, Second Vice-President, in charge of East Orange.

* * *

The Philadelphia National Bank of Philadelphia, Pa., announces that after 49 years of service, Reuben B. Hall, Vice-President in charge of the Foreign Department, has retired under the pension and retirement plan of the bank. The bank's foreign department will hereafter be under the supervision of T. Graydon Upton, Vice-President, who has had wide banking experience abroad as well as in the United States.

* * *

John Koenig, Jr., President and director of the **Colonel Surety Co.,** an affiliate of the **Pennsylvania Co. for Banking & Trusts of Philadelphia,** died on Aug. 25. He was 40 years of age. In its issue of Aug. 24 the Philadelphia "Inquirer" said:

"Mr. Koenig, recently elected President of the company, began his career in 1926 with the Peoples Bank & Trust Co. and later became an authority in the field of mortgage lending on new construction. He was a member of St. Mark's Methodist Church, Broomall; the Home Builders' Association of Philadelphia and Suburbs and the Mortgage Bankers Association.

* * *

Advices to the effect that the **Liberty State Bank & Trust Company, of Mt. Carmel, Pa.** has changed its title as of Aug. 6 to the **Liberty State Bank, of Mt. Carmel,** were contained in the Aug. 25 announcement issued by the Board of Governors of the Federal Reserve System.

* * *

Election of Paul Ryerson as Vice-President and Chairman of the Trust Committee of **First National Bank of Minneapolis, Minn.** was announced on Aug. 30 by Arthur H. Quay, President, following a meeting of the bank's directors. In his new position, Mr. Reyerson will succeed Alfred K. Wilson, who has served as Vice-President and Chairman of the Trust Committee since 1941. Mr. Wilson, for reasons of health, has requested that he be relieved of certain of his responsibilities. He will continue active in the bank, however, as a Vice-President in the Trust Department and as a member of the Board of Directors. In 1919, Mr. Reyerson joined the staff of the Minneapolis Trust Company, later consolidated with First National Bank. He became an Assistant Trust Officer in 1923, and since 1941 has served as a Vice-President and Trust Officer. He attended Carleton College and received a law degree from the University of Minnesota.

* * *

As of Aug. 22 the capital of the **First National Bank of Tuskaloosa, Ala.** was enlarged from $450,000 to $600,000 through a stock dividend of $150,000.

* * *

The American National Bank in St. Louis, Mo. reports its capital as having been increased as of Aug. 6, from $400,000 to $480,000, as a result of the sale of $80,000 of new stock.

* * *

A change in the name of the **Montana Bank & Trust Co. of Great Falls, Mont.,** a State member, to the **Montana Bank,** was made as of Aug. 1, according to the August 25 weekly announcement of the Board of Governors of the Federal Reserve System.

* * *

It is announced that the new capital of the **Bank of California National Association, of San Francisco,** is now $10,200,000, having been increased from $8,500,000 effective Aug. 7. The enlarged capital was brought about by the sale of $1,700,000 of new stock sale of $1,700,000 of new stock, details of which were given in our issue of July 19, page 252. Besides increasing the capital, the sale of the new stock, resulted in an addition of $1,700,000 to the surplus, raising it to $13,200,000.

* * *

As a result of a stock dividend of $500,000, the **Old National Bank of Spokane, Wash.,** increased its capital as of Aug. 20 from $1,500,000 to $2,000,000.

J. Earle May Adds

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—Peter F. Zwingman is with J. Earle May & Co., 601 Bryant Street.

With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Fred R. Johnson is now associated with Schwabacher & Co., 1001 Jay Street. Mr. Johnson was formerly with Davies & Mejia for many years.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

A number of events have combined to attract increased attention towards bank stocks during the past two weeks.

The initial spark which helped to increase trading activity was the publicity attending the consolidation negotiations between the Chase National Bank and the Bank of Manhattan. Even though the legal problems which arose as a result of the discussions prevented the combination of the two banks, the event revived old merger rumors among other institutions and started a few new ones.

In this same connection; the early passage of a bill in Congress which would facilitate the merger of national and state banks, is a good possibility. At present, laws governing the consolidation of national banks provide that dissenting stockholders have the right of appraisal and may receive cash equivalent to their equity. This provision has, in a number of cases, prevented national banks from taking over state banks which could otherwise have been merged. Thus a law which would eliminate this provision could provide a stimulus towards additional mergers or consolidations.

These factors have brought increased trading activity to the bank stock market. The stocks which are likely candidates for mergers or consolidations have, in most cases, responded to these developments. Some institutional buying in selected issues has also been noticeable. The result has been that there is considerable variation in the yields available on the different issues because of changes in price.

The current market price, the indicated annual dividend, current yield and price range for the year so far are shown in the following tabulation of seventeen New York and four large banks in other cities.

	Current Price	Indicated Annual Dividend	Current Yield	1951 Price Range High	1951 Price Range Low
N. Y. City Banks—					
Bank of Manhattan	29¾	$1.40	4.71%	34	27⅝
Bank of N. Y. & Fifth	333	14.00	4.20	340	323
Bankers Trust	45	2.00	4.44	48½	42½
Chase National	36¼	1.80	4.97	40	35⅜
Chemical Bank	43⅝	2.00	4.58	45¾	40
Corn Exchange	67½	3.00	4.44	72½	60¼
Empire Trust	132	3.00	2.27	133	103½
First National	1,280	80.00	6.25	1,295	1,210
Guaranty Trust	283½	14.00	4.94	298	278
Hanover Bank	91¼	4.00	4.38	98	83
Irving Trust	20½	1.00	4.88	21⅜	18¼
Manufacturers Trust	55	2.40	4.36	55½	50
Morgan, J. P.	248	10.00	4.03	267	237
National City	46¼	2.00	4.32	49⅞	43⅛
New York Trust	103¼	4.50	4.36	104	92
Public National	47¼	2.25	4.76	48¾	41
United States Trust	241	14.00	5.81	255	235
Banks Outside N. Y. City—					
Bank of America	28	1.60	5.71	28¼	25¼
Continental Illinois-Chi.	88	4.00	4.55	94¾	86¼
First National-Boston	46	2.25	4.89	50	44¾
First National-Chicago	250	8.00	3.20	271	230

During the past two weeks, Public National, Chemical Bank and National City have moved up between one and two points. Large gains of from two to five points have been recorded by Bankers Trust, Corn Exchange, Hanover Bank and New York Trust. Even larger gains have been established in some of the higher priced issues

Chase National and Bank of Manhattan have reacted from the prices these shares attained after the favorable reception given to the consolidation talks. Chase is lower by about one point and Bank of Manhattan by over four points.

Among the four banks outside of New York City only First National of Chicago shows any significant change in price during the past two weeks with a gain of about seven points.

First National of Boston has been trading around the current price which is near the low for about a month. The announcement of Wednesday that the Bank will offer 375,000 additional shares of stock on a basis of one new share for each five now held, provides one reason why the stock has not acted better in the current market.

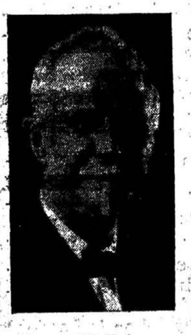
Over the next few months the market action of bank stocks will be watched for possible indications of future merger moves by the major New York City institutions. Most of them are now at the point when any spectacular move would give evidence that merger or consolidation discussion were underway.

Real Estate Outlook for 1952

By ROGER W. BABSON*

Mr. Babson answers queries regarding prospects of real estate values in coming year. Predicts, on the whole, real estate values will follow trends of inflation, but warns of difficulties and risks in holding real estate as investment.

Land is basic. It is human to want to own land — in the form of one's home, a good income property, or a refuge in the country. Remember that the amount of land is fixed. There is today substantially no more of it than there was thousands of years ago and there will be no more a thousand years from now. The interest in real estate naturally leads to a great many questions, and this is an appropriate time to discuss them.


Roger W. Babson

What Would be the Effect of Further Inflation on Real Estate Values? — Generally there would be further increases in land prices, in spite of already-high levels, except for rent-controlled properties which would suffer from increased costs and taxes.

What Would be the Effect of World War III? — First impact would be to deaden the real estate market. Later, inflationary forces would strengthen values. Some exceptions, such as service stations and fringe retail locations, would be depressed.

Will Restraints on Real Estate Financing and New Construction, and Control of Rents, Get Worse in the Twelve Months Ahead?— Not unless we have World War III. If defense activity increases greatly, some areas may be recontrolled and control might be extended to certain commercial locations. If a downtrend in business develops, restraints are more likely to be eased.

Should I Build a Home Now?— If your present home is costly or inconvenient, or if you feel you should give your family a better one, regardless of present costs, go ahead. But you should be able to do much better later on, possibly as early as in the next 18 months, if the war scare diminishes. Certainly, do not build one now to rent.

Should I Remodel and Modernize Now?—Again it, depends on how bad your need is — costs are likely to be lower sometime ahead, barring a total war, but your own living comfort may more than offset the small price advantage you would gain by postponing.

Should I Have a Small Subsistence Place in the Country in Case of Bombing? — Yes. We consider this is a good kind of insurance— not necessarily on investment that could later be sold at a profit. If you do not wish to put money into such a purchase, make the necessary arrangements for your family and yourself to have access to such a place in case of bombing.

Should I Buy Any of the Following Now: — Duplex? Office Building? Retail Business Property? Service Station? — No — unless there are very special circumstances. This is a better time to think about selling, than buying. Current high prices may turn out to be near the peak of the boom. Possible exceptions might be: (1) a duplex if you plan to live in part of it and obtain income from the other part; (2) a service station at a strategic location on one of the new major roads being opened; (3) good growing timber lands. As to all of these, it might be remembered the management of real estate takes hard work and experience; success depends on the energy and ability of the owner. You must also look into local trends, which can often run counter to the country-wide trends. Each section is a "market unto itself."

Should I Own Some Land With Part of My Funds? — If you wish. This ties in with my remarks in the two previous questions. It would serve to diversify your investments, provide a refuge for your family in emergencies and, if well chosen, make some money for you. But it should be a moderate amount in relation to your whole estate, and should carry itself from rents, crops, or woodland growth.

Should I Sell My Home to Take Advantage of Current High Prices? — No—unless you are planning to sell it anyway within the next few years, or know you can buy another to advantage. Experience shows it pays to carry your home property on a long-term basis rather than to try to trade in and out on the swings.

Should I Sell My Rental Business Property That Is Paying Me a Good Return? — It depends. In the larger cities there is a trend toward decentralization which is likely to continue for many years. Business may be growing away from you. Looking ahead to a lower volume of business, some retail outlets will be abandoned. You may have been enjoying a larger **net** income during the last few years than will be possible in periods ahead when you will have to do more renovating and modernizing to meet competition. It is true that if you have a good location in a smaller city or town, you are likely to continue to have a good return, but rental business property may be "peaking" both in yield and in demand.

Should I Increase My Insurance Coverage? — Many property owners do not carry enough insurance to protect themselves adequately against loss by fire, etc., at today's inflated values. Most fire insurance policies are renewed every three years; and most are renewed at the same amount notwithstanding that values have soared since the policy was first taken out.

Do You Expect a Raise in Mortgage Rates in the Next 12 Months? — Yes. We look for greater difficulty in obtaining mortgage money. Rates have already gone up in many parts of the country and, with increasing competition for money between the government, municipalities, corporations, and lending institutions, mortgage money is likely to be scarcer and cost more.

Don't You Think That Real Estate Is Outstanding as an Investment and as an Inflation Hedge? — The past record shows that real estate values in general follow the long-term inflationary trend; but the rises come in spurts and there are long periods between these inflation spurts when real estate does poorly. Remember that to make money on real estate it must be bought like stocks, **when cheap.** The hazards in real estate ownership that must be met are: (1) location trends; (2) adverse phases of the building cycle; (3) too high original cost; (4) tax injustices; (5) lack of moral principles in governing bodies, tenants, etc.; (6) lack of personal energy and ability to manage the investment successfully. However, if wisely chosen, in moderate amount, and if you "keep after it," real estate can do well for you. This especially applies to well-protected woodlands which grow during **depressions** as during **prosperity.** Furthermore, the cutting of timber exceeds the present growth.

*A talk by Mr. Babson at the Babson Summer Business Conferences, New Boston, N. H., September 1, 1951.

Oppenheimer to Admit

Oppenheimer & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Sept. 13 will admit Leon Levy to partnership.

E. Y. Denham & Co.

LOGANSPORT, Ind.—Eugene Y. Denham has formed E. Y. Denham and Company with offices at 1101 East Broadway, to engage in the securities business.

Petroleum Industry Earnings in 1951 Forecast at New Peak

Chase National Bank survey of 30 oil companies shows increases in production and consumption, as well as higher income and dividends for first six months of 1951. Earnings for entire year may set all-time high.

The petroleum industry in the United States showed increases in demand, crude production, income and dividends for the first six months of 1951 as compared with a like period of 1950, according to the mid-year financial survey of 30 oil companies prepared by the Petroleum Department of the Chase National Bank of New York. The 30 companies comprise about two-thirds of the petroleum industry in the United States.

If present conditions hold throughout the remainder of the year, according to the Bank, it is estimated that the gross operating income for the 30 oil companies may reach an all-time high of $18 billion compared with the $15.3 billion for 1950. Net income of the group amounted to $999 million for the first six months of 1951, an increase of 41.5% over the first half of 1950. For the same period, the combined gross operating income of $8,674 million was 23.6% greater than the amount reported for the first six months of 1950.

Crude production of the entire United States petroleum industry during the first half of 1951 increased 20.2% over the like period of 1950, while the demand for all oil products increased 12.8%. Although crude oil prices remained firm, domestic prices for refined products during the first six months of 1951 were 12.4% higher than for the same period of the previous year.

Cash dividends declared by the 30 oil companies on their common stock during the 1951 period amounted to $349 million, an increase of 27.8% over the first half of 1950. This outlay represented some 35% of available earnings. According to the survey, dividends for the entire year of 1951 should be in excess of the $679 million declared in 1950.

Although actual figures for capital expenditures are not available, the Petroleum Department of the Chase anticipates that the combined outlay for property, plant and equipment should be substantially more during 1951 than the $1,894 million spent by the 30 companies during 1950. This belief is based on estimates supplied by several companies. As of July 16, the Defense Production Administration had approved 124 refining projects for the entire industry for rapid tax amortization, representing a proposed investment of nearly $600 million.

With earnings substantially in excess of dividends, only a few companies are expected to require funds from outside sources for financing capital expenditures in 1951. Present indications are that commitments have been made since the first of the year to borrow more than $200 million from banks and insurance companies. Actual borrowings by the 30 oil companies during 1950 amounted to $152 million.

Quinby Co. Opens Delaware Branch

ROCHESTER, N. Y.—H. Dean Quinby, Jr., President of Quinby & Co., Inc., of Rochester, N. Y., has announced the appointment of Walter R. Heed as manager of the company's new Wilmington office at 407 Delaware Avenue.

Walter R. Heed

Mr. Heed, a long-time resident of Wilmington, was graduated in 1940 from the Wharton School of the University of Pennsylvania and immediately entered the Navy. After serving at sea in both the Atlantic and Pacific, he was released to inactive duty in 1946 with the rank of Lieutenant-Commander

His civilian business experience covers various positions in advertising and sales promotion in the du Pont company between early 1946 and July of this year.

Phila. Bond Club To Hold Field Day

PHILADELPHIA, Pa.—Investment bankers from New York, Boston and Baltimore have been invited to attend the Field Day of the Bond Club of Philadelphia, to be held Sept. 21 at the Philmont Country Club, Norbert W. Markus, Smith, Barney & Co., President, announced.

Their presence, he added, would lend an inter-city atmosphere to the Club's annual golf and tennis tournaments which will feature the day's program. Mr. Marcus said that the program also would include bridge and backgammon tournaments.

The affair will wind up with a dinner and entertainment. Lawrence Stevens, Hemphill, Noyes, Graham, Parsons & Co., Chairman of the Committee on Arrangements, said that the attendance this year, because of the out-of-town guests, is expected to set an all-time high.

Stetson & Co. to Be Formed in New York

Stetson & Co., members of the New York Stock Exchange, will be formed on Sept. 17 with offices at 60 East 42nd Street, New York City. Partners will be Charles P. Stetson and Eugene W. Stetson, Jr., who will hold the firm's exchange membership. Charles P. Stetson has been a partner in J. & W. Seligman & Co.

With L. F. Rothschild

Dudley A. Anderson, Sidney W. Farnsworth, Jr., and Walter W. Hess, Jr., have joined the sales department of L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Railroad Securities

Comparative Transportation Ratios

To a considerable degree what uncertainty does exist as to the future status of railroad securities centers around the ability of the industry to offset, through operating economies, the impact of increased wages and fuel and material costs. One of the best indications of progress along these lines is the trend of transportation costs in relation to gross. For one thing, the transportation costs represent 50%, or more, of all operating expenses. Secondly, as they represent the actual cost of handling and moving the traffic they are not, as are maintenance expenses, subject to scrimping or inflation to conform to management whims.

In view of the importance of transportation costs in the railroad picture it seems to us that a comparison of the performance of the major railroads in the current year should be of value to those interested in railroad securities. In the tabulation below we show transportation ratios for 45 individual roads and for the Class I carriers as a whole for the first six months of 1951 compared with the like period of the preceding year. In connection with this tabulation it should be borne in mind that for an interim period of this nature it is not feasible to compare the ratio of one railroad with that of another individual carrier—there are too many seasonal factors to be considered in the industry. Some railroads normally make all of their money in the last half year while others have their best season in the winter months. Nevertheless, the interim figures are of value in indicating how the individual road is doing this year in comparison with its own performance in 1950.

Although there has been much said about the inability of the carriers this year to absorb the increased labor costs it will be noted that for the Class I carriers as a whole the transportation ratio for the six months was off modestly. In other words, transportation costs were absorbing a smaller share of each revenue dollar this year than they were last year. As is usual in the industry, the record of the individual roads varied greatly. This is one of the reasons why it is impossible to speak of railroads as a single investment problem.

Of the 45 roads covered in the following list three had transportation ratios unchanged from a year earlier, 14 reported higher ratios, and 28 had lower ratios in the 1951 interim. Seven of those that were up and ten of those that were down showed changes of less than one point. There were, then, 25 that reported changes of a point or more. Of these, seven were adversely affected by current conditions, having had an increase in transportation ratios. The two poorest comparative records were Nickel Plate and Central Railroad of New Jersey.

On the other side of the picture there were nine roads that cut their transportation ratios by more than two points and another nine that cut their ratios between one and two points. The best relative showing was that of Denver & Rio Grande Western, followed closely by Western Pacific. Cuts in their transportation ratios amounted to 4.7 and 4.1 points, respectively. Next in line were Soo Line, Great Northern and Chicago & Eastern Illinois each of which was able to cut three or more points from its ratio.

TRANSPORTATION RATIOS

	First Half Year 1951	1950	Change
Atchison, Topeka & Santa Fe	33.1%	33.1%	----
Atlantic Coast Line	37.2	38.7	—1.5
Baltimore & Ohio	40.6	41.3	—0.7
Boston & Maine	43.0	43.0	----
Central of Georgia	43.5	45.7	—2.2
Central RR. of New Jersey	46.1	43.9	+2.2
Chesapeake & Ohio	33.9	33.1	+0.8
Chicago, Burlington & Quincy	36.3	37.0	—0.7
Chicago, & Eastern Illinois	38.1	41.1	—3.0
Chicago Great Western	33.4	32.3	+1.1
Chicago, Milwaukee, St. Paul & Pacific	44.3	45.5	—1.2
Chicago & North Western	48.1	47.5	+0.6
Chicago, Rock Island & Pacific	39.2	38.0	+1.2
Delaware & Hudson	38.0	40.5	—2.5
Delaware, Lackawanna & Western	45.8	45.2	+0.6
Denver & Rio Grande Western	32.7	37.4	—4.7
Erie	41.1	41.3	—0.2
Great Northern	37.0	40.4	—3.4
Gulf, Mobile & Ohio	30.6	32.3	—1.7
Illinois Central	37.9	37.3	+0.6
Kansas City Southern	29.6	29.9	—0.3
Lehigh Valley	40.0	41.6	—1.6
Louisville & Nashville	38.5	40.2	—1.7
Minneapolis, St. Paul & S. S. Marie	42.6	46.2	—3.6
Missouri-Kansas-Texas	38.0	36.9	+1.1
Missouri Pacific	38.9	39.3	—0.4
New Orleans, Texas & Mexico	32.9	31.6	+1.3
New York Central	47.1	46.7	+0.4
New York, Chicago & St. Louis	35.5	33.1	+2.4
New York, New Haven & Hartford	43.6	42.3	+1.3
Norfolk & Western	30.1	31.5	—1.4
Northern Pacific	39.5	42.1	—2.6
Pennsylvania	44.3	44.5	—0.2
Reading	40.5	40.6	—0.1
St. Louis-San Francisco	37.5	38.0	—0.5
St. Louis Southwestern	31.1	31.2	—0.1
Seaboard Air Line	34.0	35.3	—1.3
Southern Pacific	38.4	37.9	+0.5
Southern Railway	35.5	36.3	—0.8
Texas & Pacific	33.2	35.5	—2.3
Union Pacific	35.8	35.7	+0.1
Virginian	21.9	23.5	—1.6
Wabash	40.8	42.1	—1.3
Western Maryland	31.3	31.3	----
Western Pacific	28.1	32.2	—4.1
Class I	38.8	39.2	—0.4

Business Order Backlog on a Steady Decline

Business Survey Committee of National Association of Purchasing Agents says decline in industrial production in July and August exceeded anticipations. Says buying policy is being reduced to shortest possible procurement range.

The August report of the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases of the Winchester Repeating Arms Company, New Haven, Conn., gives indication that the expected slide-off of industrial production during July and August has been sharper than previously anticipated. Backlogs of orders have now had a steady decline for six months. Production has been dropping for three, but does not yet match the drop-off of new orders. There is still a sizable gap between these two important manufacturing factors. However, purchased industrial materials inventories are declining about in step with the lowering of new business and production, and continued conforming inventory adjustments are planned.

Robert C. Swanton

The price situation, the report says, is confused by the new law and OPS regulations but is on the soft side. Employment is high, but labor unrest is spreading. Buying policy is being reduced to the shortest possible procurement range.

Normally, anticipation of a brisk pickup in fall business would find August inventories on the rise, with lengthening forward commitments. Neither of these are in evidence in the survey, and inventory and material controls may be partially responsible. Any sharp increase in the fourth quarter, of civilian and defense demand, could create a wild scramble for materials; international events or defense plans can change the picture. While purchasing executives are not expecting a bust, such optimism as is found in the August reports seems to be based on the expectations of the numerous business forecasters, rather than on currently favorable factors.

Commodity Prices

The effect of the latest regulations on price formulas is not apparent in the current industrial materials price structure. Buyers believe that many price increases are being held back by lack of demand and keen competition for the available business. Anticipated rollbacks have been little in evidence, as producers await clarification of the regulations on new pricing structures. Uncontrolled commodities and soft goods continue to sag, as supply and demand seek a buying level. Considered together, these factors create an uneasy and cautious market situation.

Inventories

Inventories declined again in August, the fourth consecutive month of stock reductions. Production cutbacks due to material shortages, regulations and lower demand are the principal causes. The first quarterly period under CMP has not been very helpful —was not expected to be. Fourth-quarter allotments are hoped to be more realistic. Viewing the six months of falling orders, the present pricing confusion, and a possible unfavorable consumer buying reaction if a cease-fire agreement is reached in Korea, inventory managers are putting extreme pressure on further inventory liquidation.

Employment

Total industrial employment has maintained high levels for the past three months. In August, there were many more payroll separations than in any month since March, 1950. However, most of these have found employment in expanding defense plants where skilled workers are in demand. Many more plants are running short time, due to lack of orders and materials. The undercurrent of labor unrest is stronger. Many small wildcat strikes are reported. Several large work stoppages may be imminent.

Buying Policy

The range of future commitments has narrowed somewhat in the last two months. The predominant policy has a 90-day limit, with 65% of these within the 60-day bracket. The much-talked-of upswing in fall business is not reflected in August purchasing coverage. Buying is conservatively geared to the current trend of slow business, inventory reduction, and CMP allocations.

Specific Commodity Changes

A few "ups," many "downs," mark the August commodity reports. No definite future trend in either direction is indicated.

Higher in price were: Bearings, cornstarch, fuels, grinding wheels, machine tools, nickel, high speed steel.

Reported down: Alcohol, used cars, babbitt, brass mill scrap, clothing, packaging, burlap, cotton bags, cotton linters, electrical appliances, sugar, hides and leather, lumber, mercury, vegetable oils, wastepaper, rosin, soap, tallow, textiles, tin.

In scarce supply: Heavy acids, aluminum, bearings, brass and brass scrap, steel, castings, chlorine, cobalt, copper, electrical equipment, forgings, pig iron, lead, plywood, nails, nickel, kraft paper, pipe, sulphur, tin, wire, zinc.

Col. John P. Crehan Opens Own Office

OKLAHOMA, CITY, Okla. — John Patrick Crehan, U. S. Army, retired, formerly manager of the Oklahoma Division, for Waddell & Reed, Inc., announces the opening of his office at 1108 Colcord Building, to deal in investment securities. Col. Crehan, a career officer in the U. S. Army, retired in 1947, and has established residence in Oklahoma City where he served at the time as instructor to the 45th Division, Oklahoma National Guard.

Establishment of Col. Crehan's own office was previously reported in the "Chronicle" of Aug. 16.

Two With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert J. Hoffman and Frank T. Mittauer have become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Hoffman was previously with Hill Richards & Co. Mr. Mittauer was with Francis I. du Pont & Co.

A. W. Morris

A. W. Morris, partner of A. W. Morris & Co., Los Angeles, California, passed away on Aug. 22.

What to Do About Idle Funds in 1952

By E. LAFAYETTE QUIRIN*
Director of Research, Babson's Reports, Inc.

Mr. Quirin divides idle funds into four categories, viz: (1) cash in savings banks; (2) checking accounts; (3) actual cash; and (4) plain jewelry, diamonds or solid silver in safety vaults. Warns against temptations to speculate with idle funds, but advises holding backlog of municipal, government and other high grade bonds and reasonably priced preferred stocks. Points out value of idle funds to business concerns.

It is wise to divide idle funds into four categories. The first category, and the largest in amount, could be least accessible but most productive in terms of temporary earning power. There could be some relatively minor risk about cashing-in part of these funds. Allow for this by distributing part of each category in different places and different securities. In this respect it is proper to consider that one can hold funds idle without necessarily counting on the entire value of the fund being available or needed at once in the emergency. For instance, Europeans and Russians, who mostly used jewels and diamonds to help them escape from the Nazis and Communist gangs, quickly discarded the thought of obtaining absolutely full value when converting such jewel funds into transportation and livelihood. In still another type of emergency you would not need all the funds at once.

E. Lafayette Quirin

There are some funds which must remain idle without any possible shrinkage of the dollar amount. If you can afford some loss in principal, though not much, then you can buy some convertible bonds or convertible preferreds, though there are very few. In doing so, some of these should be listed on a Stock Exchange and others not listed. Securities that are known by over-the-counter brokers might easily be disposed of when others, traded on the Stock Exchange, might suffer more if the Stock Exchange were closed. If you do not wish to suffer any loss in dollar value you can place funds in various Savings Banks. Do not confuse a Savings Bank or a Savings Department of a Trust Company with deposits in the Federal Savings and Loan Association. We consider that in a time of emergency or serious depression, depositors in Federal Savings and Loan Associations might have to wait a long time to get their funds. Of course, there are also government bonds; and a good part of one's idle funds naturally has to go in this type of security because it is the biggest single and uniform type of investment today.

The next category should be in checking accounts. These can be of fairly substantial size. They will not bear any interest, and considering the Federal Deposit Insurance System, should be pretty well protected if your checking accounts are at member banks.

The third category of idle funds should consist of cash. This can be in smaller amounts than the checking accounts and should be in both paper money and hard coin. The paper money denominations should be $10, $5 and $2's. In case of an emergency it might be difficult to get rid of $20 or higher denominations. On the other hand, the $1 bills are of too low purchasing power. Unfortunately, as to hard cash the only convenient amounts are half dollars and dimes. Some of you may be interested to know that dimes can be packed better than half dollars.

The fourth category of idle funds should be in plain jewelry such as 18 carat gold or diamonds or solid silver. Remember that a simple square of solid silver would give you about 2 times the value per troy ounce that you have in silver coin. On the other hand, it doubtless would be less acceptable in trade.

Now as to each of these four categories of idle funds: the larger part in securities and Savings Banks and bearing income; the next larger part, bearing no income, in checking accounts; then the cash; and then the jewels. Each category should be divided into parts and placed in more than one locality. By choosing more than one bank for deposit and safety boxes, and in different localities, this supplies you with choices of locality when withdrawals become necessary. It permits a greater privacy in your action. But keep your safety box keys constantly at hand. Remember that Savings Banks, as well as Trust Companies, are under the supervision of state governments. The decision of a Governor to close all banks in a state can happen in an emergency in such a state. Consequently convenient bank and safety deposit boxes in adjoining states should be considered in addition to one in your own state. For those who are particularly prudent, savings deposits in still other and more distant banks can also be considered; the banking can be done by mail directly or through the agency of your local bank. Even relatively small amounts in distant banks could become remarkably handy in case of an emergency.

This applies to your checking accounts also. To have at least one alternate out-of-State bank in an area safe from bombing is wise. In this area we are near Canada. This offers still another type of alternate locale and further diversification as to governmental controls. However, the complications of inheritance and estate matters at one's death are offsetting detractions to placing funds in Canada.

With whom to impart the secret of your hiding places for cash is important, but not too vital, since the amounts are presumably not very large. However, the places should not be written down except when at your safety deposit box, and then the slip should be stuck inside the box with scotch tape or with the gummed flap of an unused envelope. This is to prevent your accidentally removing it and losing it.

Finally, since the larger savings deposits and checking account funds are for an emergency or for later investment, be sure you can reach them, either personally or by mail. This means that you must keep a record at home of the exact addresses and amounts. When you travel, carry a condensed record of part of these deposit places with you, and a spare pocket check book of an alternate bank, with a code as to your manner of signature at that bank. Otherwise you might easily forget which sample of your various signatures was given to each bank. Also, make yourself known to some official of each bank and keep a note of his name. That may be very handy later.

As to choices of nearby banks, we leave that to you, but have one of them be a bank with underground vaults and underground safety boxes. Some distant banks whose managements have been confidentially investigated will be mentioned to those who desire them.

Should You Have Idle Funds?

On fairly frequent occasions one must reconsider whether some funds should remain idle. We are assuming that the decision to have some funds idle has been made. With this in mind, it is important to resolve that temptation will be avoided that would suddenly freeze the idle funds. For instance, an investor who follows the stock market too closely might resolve today to have some funds idle for a specific emergency, but a few days from now might suddenly find himself with the temptation to buy a stock which seemed to be going places. Looking back on types of errors which people make, this is probably the most frequent one. The investor says to himself, "Of course these are idle funds and for a special emergency, but the need won't be within the next three weeks, consequently I shouldn't miss this fleeting opportunity." A call to the broker and the funds are suddenly frozen. But they need not be frozen even then if the investor who has suddenly become a speculator in this respect, decides at the time of purchase that he will sell with a gain or loss on a specific date. In other words, the error in principle of having succumbed to the temptation to buy the stock or invest the funds on a temporary basis, that error can be mitigated and completely erased if courageous action is subsequently taken. However, a person whose character was weak enough to deviate from the decision to hold funds idle, is likely to be weak enough also to fail to undo the error. Hence the way to keep funds idle is to keep them idle and immediately available.

Now, where or how is this to be done. It is wise to reconsider frequently not only where to keep the funds but also where to keep separately your evidences of ownership of such funds. This is a very important point. The evidence of ownership, of course, is a written record. For unregistered bonds only you have such a record. The broker from whom you bought them might supply the information. Unless you were alive to initiate tracing the numbers of destroyed unregistered bonds it is not sure that your executors and heirs would be aware of your ownership of them. Ownership of such coupon bonds might be recorded at the point of collection of the last coupon. The thought to bear in mind is that if you do not keep good records and valid evidence of your ownership of idle funds you may be considerably upset in time of need and financially incapacitated for the emergency you had in mind when and if it arises.

If you wish to be especially prudent regarding your records you can buy a photo copying machine such as are sold for moderate office use. Their cost varies from $50 to $100. This gives you duplicates of your records so that your personal records can be kept in duplicate at your office, or your office records at home. This is a good protection in case of fire, but not in case of an atomic bomb. It is wise also to tell a close friend who does not live in your neighborhood that you keep such evidences of ownership, and where. Thus, if something happens to you and your wife, the friend can tell the children. Advising a friend that you keep records and where does not mean telling him the details or amounts and what the records say. You must be sure to date those records, otherwise your executors and heirs may be uselessly confused as to the exact status of your idle funds. Thus there is a two-fold problem concerning both the location of funds and the evidences of ownership. Each factor must be considered in relation to yourself, your family and your habits.

Business and Idle Funds

Although the subject of idle funds is not appealing to most businessmen and investors, events of 1951 so far have justified the policy of having some funds idle. In a discussion of "What to Do About Idle Funds in 1952?", the circumstances of the business boom, heavy inventories and high prices for stocks and bonds deserve attention. Businessmen who refused to accumulate heavy inventories last winter have been enjoying a considerable amount of freedom from worry in noting that their idle funds have not suffered loss in value, such as some inventories have. Moreover, some of the idle funds have been yielding at least a little income. As to common stocks, a broad average of stock prices including all groups and speculative issues shows very little gain in the course of the last 12 months. This is notably so in the motors, the rails and the utilities.

It should be emphasized that this topic did not involve the question of keeping all funds idle, but only a fair portion of funds to insure one's ability to grasp opportunities in business and investments when and as they appear, or in case of an emergency. The larger part of one's assets should remain at work. Up to last winter the holding of some funds idle meant a gradual loss of purchasing power as commodity and security prices were rising. Since then, however, there has been no loss in purchasing power and some gain. Thus the part of one's assets held in idle funds is already becoming more important than such idle funds seemed to be heretofore. Also, business, investment and real estate profits will be more difficult to make henceforth than in the last decade. With idle funds available in 1952 there will be more opportunities than in 1951 as some properties, businesses and investments are offered for sale at relatively low prices compared with the high hopes of last winter. On another point also, idle funds in 1952 will be more important. This applies to people who have financial liabilities to settle. As the boom in business and securities diminishes, one's liabilities loom larger and more difficult to meet. Thus, idle funds will be much more pleasant to contemplate.

Idle Funds Kept in Securities

Aside from having some of the idle funds in cash, commercial bank checking account, and in savings banks, one can also consider as an additional backlog such funds as are invested in municipal bonds, other high-grade bonds, and in reasonably priced convertible preferred issues. The advantage of having a small portion in the last mentioned type of security is to add considerably to the yield and profit potential of the idle fund portion, offsetting the lack of income from cash and checking accounts. Of course, that portion of the funds invested in municipals, high-grade bonds and good convertible preferreds is not so immediately available as the portion in cash, checking accounts and savings banks. However, if one plans to have a sufficient amount of immediately available funds, then one can rely on having sufficient time to liquidate the invested funds before a new need were to arise for cash. The year 1952 may well offer new and attractive opportunities, especially if the Federal Government's receipts from income taxes in the fiscal year beginning July, 1952 are to be much lower as a result of lower business profits from now on. With government spending then at a new high, and low tax receipts, a new inflation by government deficits might develop.

*A talk by Mr. Quirin at the Babson Summer Business Conferences, New Boston, N. H., August 31, 1951.

Elsesser Named by Customers' Brokers

Alfred Elsesser, of Kidder, Peabody & Co., has been nominated for the Presidency of the Association of Customers' Brokers for the 1951-1952 term.

Alfred Elsesser

Annual election and dinner of the Association is to be held at Miller's Restaurant, 144 Fulton Street, New York, Wednesday, Sept. 19, at 4 p.m.

Nominees for other officerships and members of the Executive Committee are as follows:

Vice-President: Marshall Dunn, Wood Struthers & Co.

Treasurer: T. Alvah Cowen, Peter P. McDermott & Co.

Secretary: William Specht, Hay, Fales & Co.

Executive Committee (term expiring 1955):

Nicholas Novak, Drysdale & Co.

Edward Strong Wilson, Reynolds & Co.

Nicholas E. Crane, Dean Witter & Co.

Walton Ferguson, Cyrus J. Lawrence & Sons.

(Term expiring 1952):

Daniel F. Davison, Hayden, Stone & Co.

Joseph Cabble, Abraham & Co.

Albert F. Frank, Ladenburg, Thalmann & Co.

The slate was submitted by the Nominating Committee, composed or Beatrice M. Bougie, Chairman; Alfred Vogel, Secretary: Edgar Ehrenthal; Frank Saline, James M. Leopold & Co.; Adrien Frankel, Seligman, Lubetkin & Co.; Ralph Rotman, Harris, Upham & Co.; Jack Denefield; Walter Pendleton, James Hughes.

Newlin Director

The White Motor Co. of Cleveland announces the election of E. M. Newlin of Philadelphia as a director. He succeeds Maynard H. Murch, Cleveland, who recently resigned as a director.

Mr. Newlin, a graduate of the Massachusetts Institute of Technology, has been associated with H. M. Byllesby and Co., Inc., of which he is a Vice-President and a director since 1921.

He is a director and Chairman of the Executive Committee of Air Associates, Inc., and was a director and Chairman of the Executive Committee of Sterling Motor Truck Co., Inc., which was recently acquired by the White Motor Co.

With Shaver, Cook

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — William O. Babb and Floyd N. Shaver have been added to the staff of Shaver, Cook & Grobert, Florida Theatre Building.

Canadian Securities

By WILLIAM J. McKAY

Along with the industrial and agricultural expansion in Canada, noted in these columns during the last several weeks, there has been a notable upward surge in the demand for Canadian securities. According to a recent despatch of the Canadian Press from London, British newspapers called attention to the strength of Canadian securities on the London Stock Exchange and financial commentators agreed that something like a boom is in the making.

Singled out as a favorable Canadian equity, Canadian Pacific has risen this year from 43¼ to 63⅜. The latter quotation is the highest this year.

According to the London "Financial Times" the demand for Canadian securities was described as having "gone through the roof and beyond." The London "News Chronicle" also has noted that many investors are backing the view that Canada is a good place in which to put money.

Among other Canadian shares displaying strength in London is Anglo-Newfoundland, which has risen from a low this year of 63 to 87/6; Brazilian Traction, up from a low of 37 to 46; Calgary and Edmonton, now 125 compared with 57/6; Canadian Western Lumber, 72/9 against 41/9; and International Nickel 79 against 69.

The upward movement of Canadian stocks is attributed by British financial commentators partly to the stimulating influence of recent discoveries of oil and iron ore in Canada, opening new opportunities of development, and to a tendency by British investors to avoid the possibility of dividend limitation in Britain, as proposed by the Labor Party Government.

The prices for Canadian securities in London are at premiums of about 12% over prices in Montreal and Toronto. In the case of Canadian Pacific, the premium is as high as 18%. Explaining this, the London "News Chronicle" said: "This is because no switching is allowed to an English resident holding Canadian securities. The moment he sells a Canadian security he is bound to turn over the proceeds to exchange control and the dollars raised in this way are then used by the British Government to pay off the interest-free loan raised in Canada during the war."

The revival in Britain of speculative interest in Canadian Pacific Railway shares is significant, inasmuch as these shares are widely dealt in on the world's leading security exchanges and for a number of years found their broadest and most active market on the New York Stock Exchange. Yet, it was British capital and financial backing which made the building of this great continental rail empire possible, and Canadian Pacific shares have had a steady and uninterrupted market on the London Stock Exchange throughout the periods of greatest economic distress and depression in the securities markets.

Perhaps the activity and upward surge in Canadian Pacific as well as other Canadian shares is based on the prospective heaviest grain harvests in Northwestern Canada this year. Canadian Pacific has for years been the heaviest transporter of Canadian grains and since the bulk of the Canadian wheat crop is exported, the shipments involve a long haul, the most profitable railroad traffic. This year, it is expected that the railroad lines in Canada will experience one of the greatest crop movements on record. According to the Winnipeg "Free Press" in its preliminary estimate of Prairie grain production, 556,000,000 bushels of wheat, the heaviest wheat crop in the history of Western Canada, will be produced this year. "Given a month of good harvest weather, farmers will reap 11,000,000 bushels more wheat than the all-time high of 545,000,000 in 1928," the newspaper says. Last year's crop was 427,000,000 bushels.

As to other grain crops, the indicated Prairie oats production is 332,800,000 bushels, compared with 254,000,000 in 1950.

The Prairie barley crop will yield 242,700,000 bushels against 157,000,000 last year.

Rye production is up about 75% from last year with a prospective Prairie total of 19,615,000 bushels against 11,200,000 produced in 1950.

Production of flax is estimated at 9,890,000 bushels, compared with 4,300,000 last year.

Thus, there is ground for the renewal of worldwide interest in Canadian Pacific and other Canadian securities of the same class.

F. X. Coleman Joins Gregory & Son, Inc.

Francis X. Coleman has joined Gregory & Son, Incorporated, 40 Wall Street, New York City, as Manager of the Municipal Bond Department, the firm announced yesterday. Mr. Coleman has been with Granbery, Marache & Co. and prior to that was assistant Vice-President of the American Trust Company and the National Bronx Bank of New York.


Francis X. Coleman

Joins A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Henry N. Cassell is with A. M. Kidder & Co., 203 South Palm Avenue.

Joins John Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Duane R. Brenne has joined the staff of John G. Kinnard & Co., 71 Baker Arcade.

Can't Depend on Well-to-Do for Tax Revenue!

September issue of National City Bank of New York "Monthly Bank Letter," pointing out progressive income tax is already taking heavy toll of large incomes and if all income above $25,000 is taken, yield will be less than $1 billion, says needed tax revenues must be obtained from lower ranges of income.

In an article entitled "Who Pays the Taxes?" published in the September issue of the National City Bank of New York's "Monthly Bank Letter," in which the results of recent surveys of the current tax burden are discussed, there is sharp criticism of the view that more taxation should be borne by the rich and well-to-do.

"The present spending program of the government is such that everybody in the country will inevitably feel the weight of taxation, says the 'Bank Letter.' "The bills cannot be paid by just the rich or even the moderately well-to-do. In fact, the progressive icome tax is now taking away such a large proportion of the larger incomes that if the government expropriated all taxable income over $25,000 a year it would yield less than $1 billion a year over present taxes.

"Corporate taxes are already so high as to greatly distort corporate operations, encourage extravagance and inefficiency, and to discourage initiative.

"If we are to pay the costs of the present tremendous spending program without inflation, taxes will have to be increased where the bulk of the money is. This is in the lower ranges of incomes. It is there that the greatest increases in real wages have taken place. In greatly increasing the tax on all ranges of incomes everybody wants to be fair and just. This makes it all the more important that the studies as to where the burden now rests should be analyzed for such help as they may give, but with understanding of their limitations. These studies furnish no exact basis on which to rely in determining tax policy.

"The undoubted heavy burden of taxation at present on almost every group of the population indicates the need for seeking taxes which have a somewhat different incidence and impact than the individual and corporate income taxes on which we have been relying so heavily. . . .

"All these considerations also place a heavy question mark on every proposal for additional government expenditures and every present extravagance. Only by keeping expenditures under control can we find any real solution of the tax problem or assurance of preserving the value of the dollar."

Rent Control Accentuating Housing Shortage

Study concludes in seller's market more liberal credit is absorbed in price leading to reduction in housing standards. Asserts rising incomes causes shifting of families into larger and better quarters, absorbed by "undoubling" as well as newly established households.

Rent control has contributed in a variety of ways toward a shortage of rental housing, Dr. Ernest M. Fisher of the Columbia University Graduate School of Business reports in a study made public this week by the National Bureau of Economic Research.


Ernest M. Fisher

Dr. Fisher analyzes data bearing upon the effects of rent control on the market for rented dwellings and apartments in a monograph published by the National Bureau, "Urban Real Estate Markets: Characteristics and Financing."

The economist also presents for the first time comprehensive evidence indicating that, under certain market conditions, the liberalization of credit terms easily tends to become capitalized in higher prices for homes, with a consequent reduction in housing standards.

In the years 1938-41, FHA-insured borrowers in each income class, with three exceptions in two years, paid higher prices for new homes than for existing dwellings in the price ranges in which more liberal credit terms were available, he finds.

All income groups below $10,000 in 1938, all income groups in 1939, and every income group below $7,000 in 1940 and 1941 borrowed a greater amount to purchase new homes than existing ones. For example, in 1938 borrowers in the $2,000-$2,499 income class paid $656 more for new homes and borrowed $878 more. If purchasers of new homes had paid the same average price as those who bought existing ones, $4,272, and borrowed the maximum proportion, 90%, their loans would have averaged $3,844; actually their loans averaged $4,107.

The extension of the maximum term of mortgages on new homes from 20 to 25 years has had a similar effect, Dr. Fisher reports. With a longer term in which to repay, and the loan permitted to be a larger proportion of the market value, borrowers on new homes paid a price which was higher, in relation to their anticipated income, than borrowers on existing homes, Dr. Fisher finds. This was true in every year, and for all income groups under $5,000, with a single exception in 1940.

In a buyer's market, when there is opportunity to choose from a number of homes of about the same price and quality, more liberal credit probably raises housing standards, Dr. Fisher concludes. But in a seller's market, such as prevailed after the contraction of the '30s, when choice is restricted and the seller virtually dictates sales terms, more liberal credit is likely to be absorbed in price with probably a reduction in housing standards, he says.

Further evidence of this tendency appeared with the liberalization of the partially guaranteed GI home mortgages, he notes. The maximum amount the Veterans' Administration was authorized to guarantee or insure, essentially in lieu of a down payment, was increased from $2,000 to $4,000 in December, 1945. The average amount of these mortgages increased from $4,561 in the last quarter of 1945 to $5,985 in 1946 and to $6,111 in 1947. The increases of 31% in 1946 and of 34% in 1947 were greater than those of all recorded mortgages, all FHA home mortgages and all non-insured mortgages, yet there was no evidence of a difference in grade or quality of home to explain the differential.

Effects of Rent Control Are Analyzed

Rent control legislation, which appeared in all Western European countries and in the United States during and after both world wars, has produced a train of effects in the markets of this country, Dr. Fisher's investigation shows.

Setting a maximum limit on rents during a period of rising incomes naturally reduces the proportion of tenant income spent on shelter. Consequently, Dr. Fisher says, one of the early effects is likely to be a shifting of families into larger and better quarters and a rapid absorption of existing vacancies, especially in the better housing accommodations.

Since the price of alternative quarters cannot be raised, they can be acquired for a rent that may be no more, and even less, than the proportion of family income previously spent for rent. Under these conditions, Dr. Fisher continues, residential leases, becoming a conspicuous bargain, are rapidly bought up.

Those who acquire them are newly-formed families, newly-established households, families "undoubling," families migrating from one area to another, and families and households spreading out into more adequate space. Some may be seeking to reduce the proportion of income spent on rent, but many seek an improvement in their housing standards.

Space Shortages Occur First in Accommodations for Middle Income Groups

Hence when the increase in income is widespread, space shortage seems likely to occur first in accommodations for middle income groups. Concurrently, vacancies in the lowest rent groups are likely to increase. However, as vacancies disappear in the middle rent ranges, occupancy increases in both the higher and lower rent ranges. The cheapest and least desirable accommodations are ordinarily the last to fill up.

In New York, after 1941, the dollar difference between actual rental income and the scheduled income declined consistently for all classes of apartment buildings with average monthly rents of $30 and over, Dr. Fisher notes.

Apartment buildings with monthly rents averaging under $30 showed an increase in this difference during 1942 and 1943, but later it declined. Perhaps because the industrial boom came to New York late in the defense program, the measure of vacancy by dollar value rose from 7% in 1939 to 9.3% in 1941 and then declined to 1.1% in 1945. In Macon, Ga., and Tacoma, Wash., this measure fell to 1.3 and 2.1%, respectively, in 1941 and virtually to zero in 1942.

Economic Characteristics of Urban Real Estate Markets Are Described

Dr. Fisher's study defines the economic characteristics of private property in urban land and improvements and describes the instruments of real estate finance. It discusses the market in which homes are bought, sold or exchanged and studies the means for financing home ownership.

Other sections are devoted to the market for residential leaseholds, the market for investment in commercial and residential fees and the markets for miscellaneous types of land and improvements. Housing and leasing experiments by limited dividend corporations, foundations and life insurance companies are studied. Statistical series on deeds and mortgages recorded and on foreclosures are surveyed in an extensive appendix.

Britain Needs Trade With East

By RT. HON. SIR HARTLEY SHAWCROSS*
President of Board of Trade, Great Britain

Stressing Britain's vital dependence on foreign trade, Sir Hartley explains why British East-West trade pattern must be maintained, despite objections in the United States. Says Britain has curbed exports of war materials to Iron Curtain nations, but must continue to supply them with textiles and other materials, even if they may be of military value. Cites partial dependence of Britain on Russian grain and raw materials, and points out normal pattern of British trade differs from that of United States.

The vital importance of our export trade is, I am afraid, still not always sufficiently appreciated by all of our own people. And often it is greatly misunderstood abroad. But it is a matter which must always greatly affect our trading policy. I know it is a hackneyed truism to say we export to live. But the significant truth of truism is not always realized. 60% of our foodstuffs come from abroad; so do vast quantities of raw materials without which the life and industry of the country could not go on. We can only pay for these things by our export earnings; at present we are not earning enough. When the balance of payments figures come to be published next they will show a deficit, especially serious on the dollar side. To meet that situation we shall have on the one hand to scrutinize every cent of our dollar expenditure and on the other to build up our exports still further, a stern task in the face of our rearmament program and one which will involve still greater effort, restraint and sacrifice on the part of our people, whose effort, restraint and sacrifice is already beyond praise.

H. W. Shawcross

Question of Export Markets

And there is the question of the markets to which we export. In the present unbalanced condition of the world currencies the more we can export to America—and with her vast productivity America is a difficult market for us—the more we can buy from her. Moreover, the Americans have substantial reserves of gold with which to buttress their balance of payments if necessary. Our reserves, despite increases in the second half of 1950 and the first part of 1951, are in real terms much less than in prewar times and by themselves are inadequate to cope with violent swings in our balance of payments. Here are the problems which our American friends and allies do not have. It must be difficult for them to understand how very different is our economic and strategic position to their own. Our little island has 10 times more people to the square mile than in their vast continent and for raw materials we are almost wholly dependent on imports. They can trade with what countries they choose—or, indeed, with almost none, for their vast resources provide almost all their needs. But the economic strength of this country, with its dense population and highly developed manufacturing industry has been founded on a vigorous trade with all parts of the world. It is only in that way we have made good the lack of continental resources available to the United States—and to the Soviet Union. This question of our pattern of trade has been the subject of much misunderstanding between ourselves and the Americans. We can neither of us afford that. For on understanding and confidence between the British Commonwealth of Nations on the one hand and the United States on the other, civilization and our free way of life may well depend. There are plenty of people who will exploit misunderstanding between us and exacerbate difficulties. People of goodwill on both sides of the Atlantic must work to dissipate them.

I speak as one who knows and loves America; as one who, if he did not enjoy the privilege of being a British subject—and it remains a great privilege—would be glad to be an American. And I beg our American friends to realize that if we have trading relations with Communist countries as well as with them it is no indication of disloyalty to the common cause of freedom and democracy and peace which our countries are pledged to defend.

U. S. Must Recognize Normal Trade Pattern

Just as the Americans recognize that trade between Japan and Communist China is a normal pattern in the Far East, so trade between Eastern and Western Europe has always been a regular and important feature of Europe's economy. It has made available to the West the great grain resources of Eastern Europe, timber from the forests of Russia, coal from Polish mines, food from the farms of Hungary, Poland and the Baltic States. In return, Eastern Europe has secured raw materials which it lacked and manufactures from the industries of Western Europe. To deprive each part of Europe of the resources of the other will not put an end to Communism; it may merely depress the economic welfare of both parts without giving either side any relative advantage. Indeed, the need for that trade was expressly recognized in the Marshall Plan.

For example, in his message to Congress in December, 1947, presenting the European Recovery Program, President Truman said:

"Both the report of the 16 nations and the program now submitted to Congress are based on the belief that over the next few years the normal pattern of trade between Eastern and Western Europe will be gradually restored. As this restoration of trade is achieved the abnormal demands on the Western Hemisphere for food and fuel should diminish."

Unfortunately, that expectation has not been realized. Despite our efforts immediately after the war to restore the old, and after all, the natural pattern of trade, in the hope that the Soviet Union would join with us in the peaceful rehabilitation of the world, we have had it harshly forced upon us that the Communist countries are not yet prepared to cooperate with us and that on the contrary their vast array of military strength constitutes a potential threat to the peace. Accordingly, since the spring of 1949, important as our trade with Eastern Europe is, we recognized the need to impose security restrictions on what we exported; we have not only shown ourselves willing to cooperate in achieving a common policy to this end, we have in fact taken a leading part in Europe in getting such a policy accepted. We decided not to send beyond the Iron Curtain certain material which might later be turned against us or our friends. And the original list of strategic goods which we refused to export has since been modified and increased, always in close consultation with our American and Western European friends, as circumstances have changed and in the light of our knowledge of Soviet war production. The list of things totally embargoed includes 250 items. That should prove that we are fully alive to the need to control the export of strategic goods. Of course, it is not easy to decide what goods are of sufficient strategic importance to justify the prohibition of their export. On the one hand it is obvious that we should not send arms and ammunition—and we don't. At the other extreme, it can be argued that almost anything can be used in war, even textiles can clothe soldiers or medicinal drugs be used in military hospitals.

Our policy has been to prevent the export of things which are important principally for war production and things which embody advanced technical knowledge that would be useful in war. Certain kinds of scientific instruments and machine tools are obvious examples. Our embargo list covers this field. Then there are the things which are used primarily to satisfy normal civilian needs but which, particularly if supplied in large quantities, could contribute significantly to military potential. These we export to the Communist countries of Europe only in limited quantities to meet reasonable needs. Rubber is the obvious example of that. It has a hundred and one uses in civilian life but it also has direct or indirect military value and so we limit the quantity we export. Why, our American friends sometimes ask, do we not prohibit all these exports? The answer is clear enough. In existing circumstances we cannot without quite disproportionate damage and dislocation do without the things we get in return for them—we come back to the basic reality of our export trade. I say nothing of the question whether the imposition of an economic blockade would assist in the pacification of Europe. I simply observe that our aim, like that of the United States, is the pacification of the world: not the exacerbation of existing difficulties. We want to find a way of living in peace and normal relationships with all the world. But I put the matter now purely as one of economic and strategic common sense. Whilst we shall certainly do nothing to increase the relative strength of a potential enemy we should be foolish indeed to impose restrictions on our trade which weakened our own strategic and economic position. Consider what we get in return. In 1950 we imported from the Soviet bloc 690,000 tons of coarse grain, well over a third of our total imports. That provided the grain ration for at least a quarter of our animal population. We imported 220,000 standards of softwood—almost a quarter of our total imports and essential not simply to house building but for export and general industrial needs. Ten percent of our total supplies of bacon come from there and many other things—mining timber essential for coal production, chemicals, oils and fats and a wide range of other things. These imports have undoubtedly added to our economic and strategic strength. They are things we can hardly do without. But where else can we obtain them? We have to keep a careful eye on dollar expenditure and I think there are some of them which our friends could not supply without imposing on themselves rationing or other restrictions on consumption difficult to contemplate except in time of general war. No doubt in time of general war it would be a matter of common interest to our allies to find these additional supplies and to make it possible for us to pay for them. But this is not general war. And so we are left with Eastern Europe as the only available source of supply.

On the other hand we cannot expect these sources of supply to be maintained if we do not, on our side, supply to these countries things which will be useful to them. A vast range of our exports—motor cars from Coventry or jewelry from Birmingham—they have not attempted to buy despite their low standard of living. In fact with the sterling they earn from their sales to us they have mainly bought raw materials from the sterling area, such as rubber and wool, tea and jute together with restricted quantities of machinery and industrial equipment from the United Kingdom, not of a kind or quantity, as we think, having any significant strategic importance. But the commodity on which they spend most sterling is rubber: we have therefore accepted in the last timber contract that we made with the Russians a clause which entitles the Russians to decrease or suspend deliveries of timber if they are unable to buy rubber with the sterling they earn by selling us their timber. This does not mean that supplies of rubber to Russia will increase nor does it mean that there is any change in our ban on rubber to China.

British Trade Position Differs From United States

Our position is wholly different in East-West trade as in many other matters from that of the United States because of the importance of this trade to us. America had not and did not need to have any significant trade with the Soviet: it means little or nothing to her to discontinue the imports of furs, caviare and crab. With us things are quite different. We obtain from the Soviet bloc essential foods and raw materials—and we believe that in these trade exchanges we get as good as we give economically and strategically.

We are always ready to discuss these matters with our Allies as indeed we have constantly done. But we do ask our friends in the Atlantic Community to put themselves in our place. What would they do? Would it help the Community if Britain were deprived of these essential things? Would it make us strategically strong if war comes or economically stronger to resist communist infiltration?

This is not a matter which ought to be settled by the laying down of unilateral conditions or by the denial of supplies essential to our wellbeing. It is pre-eminently one for frank, but friendly discussion between Allies. For at the end of the day the success of the Atlantic alliance must depend on understanding and confidence between our countries. If we are partners—as we must indeed be—we must treat each other as partners. Harsh or unilateral action: the failure on either side—and there have have failures on both sides—to understand the other's point of view, his special difficulties, and lack of confidence, is something inimical to partnership.

We in this country are making a tremendous effort in defense of freedom and of peace. In relation to our size and to our resources the rearmament program we have undertaken imposes a heavier burden on our people than has been shouldered by any other country. And we, certainly, are carrying our program out. So also in America. Fundamentally, our people here and in the Commonwealth, and the people of the United States, think alike, believe in the same things, cherish the same ideals. Our enemies would divide us. We must stand the more closely side by side, determined if needs must to join once more together in defense of the free world we have both done so much to build up.

*A speech by Sir Hartley Shawcross at Luncheon in Truro, England, to mark opening of the Cornish Industries Fair, August 15, 1951.

Much to the Point!

"One phase of this subject [Social Security] . . . is the propriety of using receipts of Social Security taxes for general purposes of the Government. . . .

"Since the Government has fundamentally only one source of revenue, taxes, its obligations can only be liquidated out of tax money. The Treasury can sell bonds, but these can only be redeemed out of tax money. Therefore, in order to redeem the certificates issued to the 'fund' (representing the receipts of Social Security tax money) it is necessary again to raise by taxes the funds required to pay off the certificates. Whether the money so used is taken out of current tax receipts or future tax receipts does not alter the facts.

"The Social Security Act provides for the availability of funds in the trust as follows: 'All amounts credited to the trust fund shall be available for making payments required under this title.' But the amounts 'credited' to the trust fund constitute principal or corpus of the trust, and this is represented by Government obligations. In order to make such 'principal' available for the payment of Social Security benefits, that which represents the principal must be sold or redeemed; if such instruments are merely sold, they must at some future time be paid in order to liquidate the debt evidenced by them."—Godfrey N. Nelson, New York "Times."

Mr. Nelson here seems to spell out vital facts which should by now be obvious, but do not seem to be.

World Bank Operations On Business Basis

By SIMON ALDEWERELD*
Assistant to Treasurer, International Bank for Reconstruction and Development

World Bank official reviews purposes and history of the international institution, and stresses policy of conducting its operations on business basis. Reports loans authorized now exceed $1.1 billion, covering projects in 22 countries. Reveals nature of supervision of loans made by Bank, and reports favorably on practical results thus far of Bank's operations.

The International Bank is a curiosity among international organizations. It is a curiosity in that it is a business organization rather than a political organization. It has contributed and is contributing to the economic development of its member countries. It is not dependent on budgetary appropriations either from the United Nations or from any of its member countries, including the United States, but can pay its own way and has even been able to accumulate a substantial surplus.


S. Aldewereld

Let me for a moment refresh your memories about the origin of the Bank. It and its sister organization, the International Monetary Fund, were founded as the result of the United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, in July, 1944.

The Fund, as you know, was designed to take care of short-term balance-of-payments difficulties; the Bank's purpose, generally speaking, is to finance the reconstruction and development programs of its members and to help to restore conditions favorable to private international investment.

The Bank is organized along the following lines:

Its highest authority is the Board of Governors. Each member country appoints a Governor, who is generally its Secretary of the Treasury. The Board of Governors has delegated most of its powers (including all the powers to enable the Bank to conduct its normal lending and borrowing business) to the Executive Directors. The Directors usually meet once a month at the Bank's Washington headquarters. There are at present fourteen Directors. Five are *appointed* by the five nations having the largest capital subscriptions, nine are *elected* by the Governors of the remaining members, for two-year terms. Voting power of member nations is proportionate to their capital subscriptions and therefore to their economic resources.

The conduct of the Bank's business is the responsibility of the President, who is ex-officio Chairman of the Executive Directors. The Bank's operating staff consists of some 400 persons, recruited from approximately 30 nations.

Loans are made and money is borrowed only after a recommendation by the President to the Executive Directors has been approved by them. The staff is organized in various departments, the most important of which are: the Loan Department, Economic Department, Legal Department, and the Treasurer's Department.

In addition, there are the Secretary's, Public Relations, Marketing and Administration Departments.

Forty-nine countries are members of the Bank. With the exception of Czechslovakia, none of the Iron Curtain countries are members. The more important countries which have not joined the Bank are Switzerland, Argentina, Spain and Sweden. Sweden is likely to become a member very shortly.

The Bank's capital is derived from shares subscribed by member nations, in proportion to their relative economic resources. Total subscribed capital is in excess of $8 billion.

Only 20% of this subscribed capital is paid-in capital. This is the only part of the Bank's subscribed capital which may be used for loans. And, of this, only 2% is paid in the form of gold or United States dollars immediately available for lending; 18% is paid in the currencies of the various member nations and can be used for loans only with the consent of the particular nation whose currency is involved.

The remaining 80% of the Bank's subscribed capital is in the nature of a guarantee fund, subject to call by the Bank only if it is ever needed to meet the Bank's own obligations.

What I have said up to now is something you can read for yourselves in reference books and publications. Now I come to what is much more interesting and what is not to be found in any publications—What policies have been developed during the last five years, how these policies have expressed themselves in the shape of money loaned and bonds sold, what has been achieved by our member countries with the help of the Bank's money, and where it stands today.

Policies of World Bank

To start then with the Bank's policies. They fall under three main heads: Lending Policy, Financial Policy, Supervision Policy.

In many respects there is a similarity between the International Bank's approach to a proposed loan and the way any sound banker lends his money. I have found very often that since the Bank is a specialized agency of the United Nations, people think that its actions are determined by the interplay of political pressures. This is not true. Our lending business is based on sound banking principles. Just like any of you we carefully check the creditworthiness of the prospective customer and whether the purpose for which he wants to use the money is sound from a business point of view and practical from a technical point of view. You will understand that passing judgment on the creditworthiness of a whole country is a difficult proposition. We need for this purpose expert economists—not the armchair type, but men who in addition to a theoretical background have a wide practical experience. We also need technical experts to investigate the soundness of the proposed project.

There are many cases where it is possible to see immediately that the scale of the proposed loan is beyond the means of the country concerned, or that it is national pride rather than economic need which is at the back of the proposal, or what the plans are too vague for us to form any judgment.

In such cases there is no need for us to go further. The papers tell their own story, and we tell the applicant that we do not feel justified in going any further with the proposal as it stands.

In many cases the proposal appears to offer possibilities. Then we really give it the works. A team of experts goes into action on the spot. Not only do they consider the technical merits of the proposal and make an assessment of the creditworthiness of the applicant country, but in addition to this they consider the relative priority of the project in the economic development of the country. This is a problem a private banker is not normally called upon to deal with.

Let me mention that our borrowers are not always member countries. Any individual or organization can apply for a loan, but the Bank can only lend if the government or the central bank of the member country in which the project is to be located is prepared to guarantee the loan.

You will see from what I have said and what I am going to say later that the Bank tries to do a businesslike job and that we try to avoid making loans which later may prove to be a cause of regret for both the borrower and ourselves.

Extent of Bank's Operations

I cannot tell you what the amount of loans is which we have turned down, but I can tell you how much we have lent. Up to now we have made loans for a total of over $1,100,000,000. Of this amount, our borrowers so far have received only some $700,000,000. In a moment you will understand why.

To give you a general idea of the kind of things for which we have lent money: electric power and transportation projects account for nearly $300,000,000 each, agricultural projects for nearly $100,000,000 and irrigation and flood control projects and communications projects for between $25,000,000 and $50,000,000 each. The balance of our loans has been granted for general reconstruction and industrial development.

The projects financed with the aid of these loans are located in 22 countries, stretching from Iceland to Chile, from Mexico to Thailand. Some are by any standard very large operations, others relatively small.

There are, for instance, the projects of the Brazilian Traction Light and Power Company which involve the supply of electric power and telephone services to an area about the size of France, and which represent a total investment of more than $250 million. At the other end there is for instance, a loan recently granted to Nicaragua for the purchase of agricultural machinery and equipment which amounts to only $1,200,000.

The terms of the loans vary according to the kind of projects financed. Nearly three-quarters of the money lent is in the form of long-term loans of 25 years or more, the balance being lent for shorter periods.

So much for the principles on which our lending policy is based and the amount and kind of loans we have made.

You will, of course, be interested to know what we charge for making these loans. In order to explain this I have to say something about the Bank's borrowing policy.

The amount of capital funds which have been made available to date for lending is about $760,000,000. I have already said that we made loans amounting to over $1,100,000,000, and that our borrowers have received some $700,000,000. The reason for this difference is that contrary to what happened usually in the past in international lending, the Bank, in accordance with its Charter, and as a matter of sound business practice, does not make the proceeds of the loan available when the loan is signed but only makes them available to the borrower as and when they are needed to meet the requirements of the project. The proceeds of a loan is, therefore, disbursed over a rather extended period.

At the same time, however, the Bank has not borrowed on the basis of its rate of disbursements but rather on the basis of its commitments. We have from time to time sold bonds in various financial centers in the United States and Europe in the aggregate of nearly $350,000,000. The bulk of the money was raised in the United States by selling the Bank's direct obligations; we borrowed recently $14,000,000 worth of sterling on the London market and have from time to time raised Swiss francs in Switzerland in a total of some $26,000,000. I should mention in this connection that we need currencies other than United States dollars because our borrowers are free to spend the proceeds of our loans wherever the most favorable source of supply may be situated. The bulk of our borrowing is at 25 years; the balance has a shorter maturity.

System of Charges

To complete the picture of our financial operations I must say something about our system of charges. In the first place, we charge the same in any given case, whether the funds come out of capital or out of borrowed funds. In the second place, as is true in any other banking business, there is a small margin in our favor between the rate at which we lend and the rate we have to pay for our borrowings. In the third place, we invest part of our undisbursed funds in short-term government securities. In the fourth place, our borrowers pay a commitment charge, at present at the rate of ¾% per annum, on the undisbursed balances of their loans. You will be interested to know that all these factors taken together have resulted, after meeting administrative expenses, in net earnings of some $43,000,000 which has been credited to the general reserve. In addition, the Bank charges a special commission of 1% per annum on the amount of loans outstanding in order to build up a reserve against defaults. The amount standing to the credit of this reserve is now about $21,000,000. Thus the total reserves of the Bank are approximately $64,000,000, which is nearly 10% of what our borrowers owe us.

Supervision of Bank's Loans

Now I would like to tell you something about the supervision of the Bank's loans. We carry out supervision not only because the Bank's Articles of Association require us to do so, but also because we in the Bank feel that handling other people's money as we do we must make sure that the funds and the goods and services purchased with these funds are properly used.

Our supervision system consists of two stages. We control in the first place the disbursement of the proceeds of the loan; in the second place, we supervise the use to which Bank financed goods are being put. We call this first stage the supervision of disbursements and the second the supervision of end-use. To use a medical expression—the supervision of disbursements could be defined as the pre-natal care and the supervision of end-use as the post-natal care; the happy event in this case being the disbursement of the funds.

Let me first explain to you in general terms how we supervise the disbursement of the proceeds of our loans. We agreed with the borrower on the specific goods which are necessary for the project. The Bank will only disburse funds when the borrower submits documentary proof that he has either spent money for these goods, or that he needs the money for such goods. Generally speaking, this documentary proof consists of invoices, bills of lading, suppliers, receipts, etc. The Bank, after it has satisfied itself that the documents are in order will make payment. You will see that a Bank loan is in effect a gigantic documentary letter of credit and that our work is more or less what every commercial bank does when making payments under a letter of credit. You will be interested to know that many of the transactions in which the Bank is interested are financed in the first place through commercial letters of credit. Let me give you an example: The Bank recently granted a loan for $18,000,000 for an irrigation project in Thailand and will finance the purchase of the necessary construction equipment. The orders for this equipment are being financed through documentary letters of credit. In such cases there is no need for us to see the documents since they are checked as a matter of routine by the commercial bank. The procedure used in such cases was worked out about four years ago with the Bankers Association for Foreign Trade. Under this procedure the commercial bank issues a report to the effect that it has made an investigation of the documents and has found them to be in order. The beneficial effect for the Bank is that we can handle a relatively large volume of business with a very small staff. [It would take too long to give you the technical details of the procedures. If you have some questions later, I will be glad to tell you more about this aspect of our work.]

This system of disbursement supervision enables us to insure that the proceeds of the loan are spent on the goods which are required for the project.

However, we still have to make sure that these goods are used for the project and do not rust in the jungle, and this leads me to the second aspect of supervision—that of end-use. When we had to organize our end-use supervision we considered several possible methods. Generally speaking, we saw as one extreme the possibility of stationing our representative at the site of each project to check what was going on and to keep us constantly informed of developments. We saw as the other extreme a system under which the borrower would inform us regularly about the progress made and under which we would rely exclusively on these reports. We realized that both of these systems had their advantages and disadvantages. The first system, that of stationing a Bank representative at the site of the project, would not only be expensive in personnel but there would be the additional risk that our representative might be drawn into the position of taking responsibility for technical decisions which, of course, should be taken by the borrower. On the other hand, we also felt that we should not rely exclusively on written reports submitted by our borrowers. We have, therefore, adopted a policy which lies between the two extremes I just mentioned. Under this policy we rely to a certain extent on information submitted by the borrower, but also send our own experts from time to time to visit the project to verify the accuracy of the developments mentioned in the reports. Working in

*An address by Mr. Aldewereld before the School of Banking of the South, Louisiana State University, Baton Rouge, La., Aug. 21, 1951.

the way I just described we need a relatively small staff consisting of engineers and financial experts. This staff is occasionally supplemented by consultants hired on a temporary basis.

Information Required of Borrowers

You will ask what is it we want to know from our borrowers? The answer is that we are interested in essentially the same things that the management of any well-run organization wants to know for the efficient management of its own affairs. Let me give you an example; I have already mentioned the loan to the Brazilian Traction Light and Power Company which we are financing. This, as you know, is a Canadian company with its head office in Toronto, while the projects are being carried out by subsidiaries located in Brazil. The management in Toronto, of course, has to know what is happening in Brazil—whether the progress of the project in a physical engineering and construction sense is going according to schedule, whether the expenditures both in foreign exchange and in local currency are in accordance with the original estimates and whether the financial resources of the company, as a whole, are likely to be sufficient not only to complete the project itself but also to cover the company's other expenditures. These are exactly the same questions in which we are interested. Therefore, when I first went to Toronto to discuss our supervision plans with the company's management, the people in Toronto told me that it would be no trouble at all for them to submit the information because it was already being submitted to them as a matter of routine.

It is, however, not always as simple a matter as this. It is, as you know, in the nature of the Bank's business to finance projects in undeveloped countries. We have given loans to organizations in such countries which have sometimes been in existence for only a few years and which are suffering from growing pains. It is quite natural therefore that sometimes such an organization may not have all the information we require readily available. In such a case, we may advise the borrower to improve certain existing internal controls or, if these controls do not yet exist, to set them up.

I am very glad to say that good progress has been made and that those of our borrowers who originally had inadequate controls have realized, some sooner and some later, the need for an improved system to control their own operations. It is, for instance, gratifying to observe that in several cases, borrowers have told us that they have extended our system of controls to operations which are not financed by the Bank and that they also intend to continue this system after our supervision is finished.

Let me give you some examples of the results obtained to date in our supervision work. In one case we saw about eight or nine months in advance that if nothing was done, construction of a steel mill might be delayed or even halted because of a shortage of local funds. We talked to the borrowers and very soon thereafter, they raised enough additional equity money in the local market to meet the anticipated shortage. The particular project I am referring to went into production two months ago.

In another case, we saw that because of rising wages and prices in the borrower's country, the scheduled expansion of a hydroelectric system might be endangered if no steps were taken to make more local currency available. Here again we talked to the borrowers and as a result, the problem was solved.

Practical Results of Loans

I have spoken to you about the main policies and procedures of the Bank and before I close my remarks I would like to tell you something of the practical results which our loans are making possible all over the world. I shall speak now not of what I have read in reports, but what I have seen for myself.

A few weeks ago I happened to be in Belgium on official business and represented the Bank at the official inauguration of a new cold rolling mill in the Liege area. When I was there two years previously all that was visible was a hole in the ground. Every month since then the reports told us about progress made and our inspectors confirmed that these reports were correct. But reports and conversations with other people had given me no real impression of what I saw when I arrived. There was the most modern mill of its kind in Europe—an example of American know-how adapted to European conditions. I saw tinplate which is better and cheaper than any available from other European sources being produced in a continuous process at a speed of some twenty miles an hour.

I have seen in Brazil that with the aid of the Bank the course of whole rivers is diverted as part of the vast scheme for supplying cheap power in the Rio and Sao Paulo areas. I have seen textile mills and many other factories in these areas which would never have been built had this cheap power not been available.

I have seen in India teams of enormous tractors financed by the Bank making available for cultivation land which was covered by jungle or infested with weeds which could not be eradicated in any other way. If at the same time you see in that country millions on the borderline of starvation you see how this work in which the Bank helps is really a matter of life and death.

In this way the Bank's work in countries all over the world is contributing in a tangible way. Factories are constructed, roads and bridges are built, more food is produced and transported.

All this is evidence that the Bank is serving the purpose for which it was founded. As people see how the Bank's money is translated into practical benefits in this way, the confidence of private capital in international investment is beginning to grow. Our objective will be fully achieved when no one comes to us for any more loans because all the money needed can be found in the private market. We are a long way from this yet, but a good start has been made.

FHLB Notes on Market

Public offering of $92,500,000 Federal Home Loan Banks 2.20% series D-1952, consolidated notes, non-callable, dated Sept. 14, 1951 and maturing May 15, 1952 was made on Sept 5 through Everett Smith, Fiscal Agent. The notes are priced at par.

Proceeds from the offering, together with current funds of the Banks, will be used to pay off $100,000,000 series H-1951 2% consolidated notes maturing Sept. 14, 1951.

Upon completion of the present financing, outstanding consolidated obligations of the Federal Home Loan Banks will have been reduced to $497,000,000 from the $504,500,000 now outstanding.

Delivery of the notes will be made either at the Federal Reserve Bank of New York, the Federal Reserve Bank of Chicago, or both, at the option of the subscriber.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A short-term market that continues to be holding an even keel despite firm-to-tight money and a long-term sector that is edging into new high ground for the move in some instances, give the Treasury obligations a more confident tone. Although volume and activity have not expanded appreciably yet, it is expected in many quarters that the growing interest in government securities will bring about greater activity and a better trading market in the near future. Refunding of the called and maturing issues, by the Treasury, with 11-month 1⅞% certificates, was in line with expectations.

Although the near-term obligations continue to get the bulk of the volume, the high-income issues are showing signs of competing much more favorably with them as time goes along. Income is rapidly becoming a very important force again and this is resulting in larger purchases of the taps and the longest eligible obligations. The Vics, the 1959/62s, the September 1967/72s and the 2¾s of 1960/65 seem to be sharing the spotlight.

Dealers' Inventory Profits

The same old combination, that is, moderately increased buying orders and slightly decreased liquidation, continues to have a favorable effect upon the government market. Volume is still on the light side, which means activity is not too sizable, but apparently enough to indicate to certain money market followers that a better trading market is quite likely to be witnessed with the passing of time. Although it is reported that positions of dealers and traders are on the light side, there are more than passing indications that these same operators have fairly good-sized inventories that are now showing them rather important profits. If the market continues to show a buoyant tone, and trading limits become a bit more pronounced, as some are inclined to believe they will, there will probably be a greater tendency to trade these positions. This should have a beneficial influence upon the market for Treasury obligations, especially in the longer end of the list.

Emphasis on Income

Demand for the higher income government obligations continues to expand, although there have been no important changes in the make-up of the buyers of these securities. Pension funds lead the parade as has been the case recently. It is evident that private pension funds are going to assume greater importance in the longer end of the government list. Acquisitions by others than private pensions funds seem to show United States Government trust accounts to have been among the larger buyers of the restricted obligations. It is reported there were no particular favorites, and purchases were pretty well spread-eagled over the whole list of tap bonds. It is indicated funds have been piling up in these accounts and it evidently was decided to put some of them to work in the marketable Treasury obligations.

Fire and casualty companies which have been small intermittent buyers appear now to have larger amounts available for the purchase of the higher-income governments. Life insurance companies, outside of the large ones, have been on the buy side of the market again with commitments not too substantial, but evidently modestly greater than has been in evidence recently.

Bank-Eligibles in Demand

The bank-eligibles continue to get more attention from the shortest to longest despite tight money conditions. There has been a rather consistent demand for the near-term issues from the large deposit institutions, with some of the smaller banks supplying a not to be discounted amount of competition. Corporations continue to move out of the lower-income issues into the longer-terms, that is, the tap bonds, with the earliest eligible ones and the Vics getting the play. The out-of-town banks continue to concentrate their purchases mainly in the longest eligible obligation, even though this buying has not been too substantial. The market for the 2½s of September 1967/72 is still thin and it does not take a great deal of volume to move prices in either direction. Nevertheless, out-of-town banks continue to make slow but sure progress in picking up not-too-large amounts of this bond at prices that are considered satisfactory to them. Price changes on little or no volume appear to have very minor, if any, effect upon these buyers.

Partial Exempts Accumulated

The partially-exempts, although on the scarce side, are still under accumulation by nearly all of the money-center banks. It is reported that small lots of the last three maturities have been appearing quite regularly, and all of these have been going into strong hands at what have been considered fancy prices, that is, at quotations that were better than what was being posted in the market.

The increase in savings deposits that is being witnessed is having a more than token influence upon Treasury issues. These institutions are being given more time by this development in which to make adjustments in their investment policies. At least temporarily, if not for a longer period of time, it is removing the threat of important liquidation by these banks.

With Craigmyle, Pinney

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Edwin L. Bemis has become connected with Craigmyle, Pinney & Co., 128 East Park Avenue, South.

With Douglas Hammond

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Alex Rubin has joined the staff of Douglas A. Hammond, 5327 Lakewood Boulevard.

Governors of World Bank and Monetary Fund to Hold Meeting

Will convene in Washington on Sept. 10. Canadian Minister of Finance to preside.

The Sixth Annual Meeting of the Boards of Governors of the International Bank for Reconstruction and Development and the International Monetary Fund will be held at the Shoreham Hotel, Washington, D. C., during the week beginning Monday, Sept. 10, 1951. Douglas C. Abbott, Canadian Minister of Finance and Chairman of the Boards of Governors, will preside. The opening session will convene at 11:45 a.m. on Monday, Sept. 10, and will be open to the public.

Hon. D. C. Abbott

The Governors are for the most part the Finance Ministers or heads of the Central Banks of their respective countries. They include John W. Snyder, Secretary of the Treasury of the United States; Hugh Gaitskell, Chancellor of the Exchequer of the United Kingdom; Rene Mayer, Minister of Finance of France, and Sir B. Rama Rau, Governor of the Reserve Bank of India.

At 4:00 p.m., Sept. 10, Eugene R. Black, President of the International Bank, will present the Bank's Annual Report to the Board of Governors; and at 10:30 a.m., Sept. 11, Ivar Rooth, Chairman of the Executive Board and Managing Director of the Fund, will present the Fund's Annual Report. Both these meetings will be open to the public. During the rest of the week the Governors will meet in closed session to discuss the matters on the agenda and the Annual Reports. The closing meeting of the two boards, which will be open to the public, is expected to be held on Friday, Sept. 14 at 3:00 p.m.

Many distinguished leaders of banking and other investment institutions from both the United States and abroad will be guests at the Annual Meeting as in previous years.

Public Utility Securities

By OWEN ELY

Standard Gas & Electric

Standard Gas & Electric's portfolio may be valued approximately as follows:

	No. of Shares	Price	Value (Millions)
Philadelphia Company	5,025,000	21½	$108
Wisconsin Public Service	2,000,000	*16	32
Oklahoma Gas & Electric	1,210,000	21	25
Net Cash Assets			1
			$166

*Estimated minimum price.

Under the plan filed with the SEC Feb. 28, 1951, the company proposed to retire each share of the prior preference stocks with the following packages of securities:

	—No. of Shares of Common Stock— Wisconsin	Oklahoma	*Duquesne
$7	4.3	2.9	2.1
$6	4.0	2.6	1.7

*Standard Gas would receive about 1,000,000 shares of Duquesne from Philadelphia in a preliminary distribution—slightly more than needed for these exchanges.

Oklahoma, selling around 21, is the only one of the three stocks shares of which are held by the public. The potential price of Wisconsin Public Service may be estimated at 16-18 (based on the recent earnings of $1.62 a share and the dividend rate of $1.10). The stock of Duquesne is estimated to be worth between 22 and 27 (as explained below). Based on these prices, the estimated range of breakup values for Standard Gas $7 prior preference stock would be $176-$194 (the stock is currently around $167), and $155-$171 for the $6 stock (selling recently at $148). Of course, the terms of the plan might be improved, which would raise these estimates.

As indicated above, Standard's holdings of Philadelphia Company make up nearly two-thirds of its total portfolio. Does the recent price of 21½ for Philadelphia Company common reflect anticipated breakup value? Using the valuation of $22-$27 for Duquesne Light mentioned above, Philadelphia Company's holdings would be worth about $126-$154 million. The 51% interest in Pittsburgh Railways can be valued at $4 million (the stock sells around 7 on the Curb). The company also owns about $6 million Equitable Gas debentures and has about $2 million in cash, making a total portfolio value estimated at $138-$163 million. Philadelphia also owns $27.5 million of new Duquesne 4% preferred (which it acquired at $100 a share from Duquesne last August). but this is earmarked to retire the $24,557,000 6% preferred stock and $1,730,000 Consolidated Gas 6% preferred (guaranteed by Philadelphia).

The SEC staff has rejected the retirement proposal as inadequate. The plan included payment of $3.50 a share in cash for each share of the Philadelphia 6% preferred, but judging from the current market price of the preferred, around 61, the company may have to pay about $8 in cash (the value of the new Duquesne 4% preferred is estimated at 53 based on the current price of the $3.75 preferred). This would require about $4 million cash, and if the company also has to redeem the $5 preference stock at the call price of 110, this would require $6 million cash, or a total of $10 million. The company also has a bank loan of $16 million outstanding, which makes the total priorities $26 million. Deducting this figure from the estimated portfolio value leaves a range of $112-$140 million, equivalent to about $21.50-$27 per share on the common stock. The present market price of 21½, therefore, seems reasonable.

In the past there have been many estimates of the potential earning power and market valuation of Duquesne Light. How are the earnings working out? In the 12 months ended June 30, the company earned $1.90 (estimated) on the 5,750,000 shares which will be outstanding when the Standard Gas plan becomes effective. In 1949, the company saved $1,850,000 in taxes by filing a consolidated return, but the annual report indicated that "a major portion of these reductions will not occur in 1951, and none will recurt thereafter." Federal taxes for the 12 months ended June 30 were about 2½ times as large as in the previous period and included a substantial EPT.

The company's rate increase went into effect early in February, 1951, amounting to nearly $8 million. There has been no final decision by the Pennsylvania Commission as yet, and if it eventually approves less than the full increase, it can require the company to refund the excess. No amount is being escrowed. The figures for June include only a little over one-third of this annual increase, but with EPT now applying the company would not retain a very large portion of the increase when the higher rates become effective for a full year. On a rough estimate, perhaps 25 cents more might be carried down to net which would bring earnings up to $2.15. Considering pending higher tax rates and other adjustments, "normal" earnings might be estimated at about $2. On this basis, and taking into account the fact that the proposed $1.50 dividend will probably be free of the 4 mills Pennsylvania tax, a price range of 22-27 seems reasonable.

Over the longer range, particularly when the company is relieved of excess profits taxes and the big construction program is completed, these estimated values could probably be increased somewhat. The company has benefited considerably from its progress with the five-year $112 million development program to modernize generating equipment; 80,000 kw. were added at Phillips Station in the latter part of 1949 and 80,000 in September, 1950; 95,000 kw. will be installed in December of this year at El Rama, and a similar unit will follow in 1952. However, the company may not obtain as much benefit from reduced fuel costs as first anticipated because of the constantly increasing demands for more power. The company recently contracted (along with Cleveland Electric Illuminating and five other companies) to furnish the output of 100,000 kw. to TVA for use at Oak Ridge.

Stock Option Study Reveals Cautious Use

Analysis of practice since liberalization of tax law shows absence of consistent pattern. Recently filed plans cover longer period, with increasing proportion specifying 10 years. Few companies help finance executives.

Stock option plans for compensating executives follow no consistent pattern, according to Arch Patton of McKinsey & Co., management consultants, 60 E. 42nd Street, New York 17, N. Y. McKinsey & Co.'s intensive study of the little more than 100 plans of listed companies filed since the liberalization of the stock option tax law in 1950 discloses a wide variation in the amount of stock offered, the option period, the option price and other provisions:

(1) As a general rule, big corporations, and those restricting the offer to a few executives, required a smaller percentage of their outstanding stock for optioning purposes.

(2) Five per cent was the most popular proportion of outstanding shares set aside for executive option in the group studied. 26% of the companies set aside 2% or less; 22% set aside 3% to 4% of their stock; one-fifth set aside 6% to 8%, while 11% of the companies offered 8% of their stock or more for option to executives.

Recent Plans Cover Longer Periods

(3) Option plans filed in recent months cover longer periods, with an increasing proportion specifying 10 years. None extended over 10 years, apparently following an informal opinion of the Stock Exchange that 10 years is long enough. About half of the plans studied called for a five-year option period, almost a quarter called for seven years, with the rest specifying eight or 10.

(4) Three out of four companies priced the stock optioned so as to take advantage of the new tax law which classes profits on options at 95% or more of market value as capital gains. Approximately 40% chose 95% of the market, while 35% chose full market price. The rest—one company in four—set the price at 85% of the market, apparently because they were including lower echelon executives. The new tax law provides that profit on an option given at 85% is taxable as income on that part of the profit between 85% and 100% of market value, and as capital gains on the portion over 100% of market.

(5) One-third of the plans included less than 15 executives, one-third covered between 15 and 50, while the rest included more than 50 executives. Maximum number of shares offered to a single participant was higher in plans involving a few top men only. One-fourth of the companies offered 40% or more of the optionable stock to one man; an equal number restricted individual options to 5% or less. The rest fell in between.

Incentive Spread Over Times

(6) An increasing number of plans provide for cumulative exercise of options to spread its incentive value over the life of the option itself. A number of 10-year plans, for instance, specified that not more than 10% of the option could be exercised each year, cumulatively. One-fourth of the plans studied had some such provision.

(7) Very few companies made specific plans for helping their executives to finance exercise of the options. Several provided for payroll deductions. Only 5% provided for lending money to executives when they take up the options. However, 5% restricted the amount of stock optioned to a percentage of the executive's annual salary. This percentage varied from a low of 35% to a top of several years' salary.

Continued from first page

Bull Market Now In Fourth Phase

reexamination of our earlier opinion appears in order.

Textbook Credit Inflation

Until about mid-February 1951 we witnessed what was undoubtedly a textbook case of credit inflation. There was a simultaneous expansion of central bank credit, a monetization of Federal debt through Federal Reserve System bond purchases, a marked growth of bank loans, a rise in industrial and private inventories of goods and finally an inevitable jump in commodity prices.

First Three Phases

If we consider that the bull market commenced at the low point of June 1949, its initial phase terminated with the Korean outbreak one year later, and the second phase with the change in Federal Reserve policy in March 1951 when government bond prices were unpegged. The third phase, speaking creditwise, was short, having lasted merely from March to July, when the tightening up process began to be cumulatively effective. For example, Standard & Poor's Index of U. S. Treasury bonds which had stood at 107.7 in early February dropped to 103.7 by June, and domestic municipals from 140.5 to 127.7, while Moody's AAA corporate bonds during this period increased their yield from 2.69% to 3.00%. Perhaps this period should be considered as one of mild reaction or even stabilization. Stock prices backed and filled. Certain groups in government and business who felt the impact of credit stringency more than others began to be rather vocal and their protests reached all too receptive ears in Washington. Prospects of a cease-fire in Korea which seemed bright in June and July stimulated the "lending as usual" advocates.

The Current Fourth Phase

At this point, somewhere in July, the fourth and current phase of the bull market began. Prospective buyers of shares again found themselves in a period of rising bond and preferred stock prices and credit expansion. The relatively gloomy days of March, April, May and June could be forgotten. Washington had had a gentle dose of deflation and did not like it. A possible Korean cease-fire proved a political excuse. Regulation W was revised to loosen up consumer credit. Wage-price regulations were altered with the result that the prices of manufactured goods may be more easily raised to reflect the increased costs of doing business. A defense housing bill has been enacted which, among other things, weakens Regulation X by reducing sharply minimum down payments for houses costing $12,000 or less and expands the government's mortgage insurance powers by $1,500,000,000. Another characteristic of the present phase of the situation is an effective rise in personal net savings (gross income less taxes), which in the second quarter of 1951 was 8.9% of disposable income on an annual basis, seasonally adjusted. This figure is higher than at any time since 1946 when it was 7.6 and is in sharp contrast to the low of 2.2 in the third quarter of 1950, obviously representing the backwash of the post-Korean spending spree. Mutual savings bank deposits recently stood at a new high and the institutional pressure to invest is growing. We should expect high grade bonds and preferreds to rise further. Already the yield on Moody's AAA corporates has dropped from the July figure of 3.00% to 2.92%, while Standard & Poor's domestic municipal index has risen from the recent low of 127.9 to 132.4 and U. S. Treasuries from 103.7 to 105.2.

That Bond-Stock Sequence

Last Spring there ensued a considerable amount of discussion in professional financial circles as to whether the abrupt decline in high grade bonds and preferreds did not presage an eventual downturn in various categories of more speculative securities, including common stocks. The bond-stock sequence had been considered axiomatic ever since the creation of the Federal Reserve System. In some previous cases, as in 1928 and 1929, interest rates rose, bond prices declined and credit was severely contracted. Yet the stock market continued to rise for 16 months because the public simply had great faith in common stocks and continued to buy.

About all we may conclude today regarding the operation of the bond-stock sequence in the March-July period of 1951 is that stocks hesitated or backed and filled. Falling bond prices acted as a brake but we can scarcely say they threw the stock market into reverse. The picture is not clear, but in matters of this kind it seldom is. Perhaps the answer is that stock yields are still high, far higher than in periods when a decline or collapse followed. For example, Moody's 200 stock average shows a yield of 6.20%, compared with a yield of 6.17% in June, 1950 and 7.04% in May, 1949 just before the bull market began. Stocks have advanced but so have earnings, while dividends are up from $3.08 to $4.15.

At any rate the present situation is more orthodox, relatively speaking, than that which terminated last March. At least we have the renewed leadership of high-grade bonds to follow without the benefit of "pegging."

The Future Trend

While we cannot predict the future, we have much to guide our thinking in a close observance of recent events. Let us make a list and attempt to find out whether it indicates a continuation of a trend, a new trend or a reversal:

(1) Washington is far more afraid of deflation than of gradual inflation.

(2) The farm bloc is stronger than ever and is in position to resist any move to tamper with price support legislation.

(3) There is extreme difficulty in cutting down non-defense spending.

(4) Credit controls have just been relaxed and there is no prospect of tightening them up once more short of all-out war with the Soviets.

(5) Escalator clauses in industrial wage contracts are gaining rather than losing in favor.

(6) There is an unwillingness to place credit restraints on the various government lending agencies such as the FHA, the VA, the

FNMA and the Export-Import Bank.

(7) There is no disposition to tax "where the money is" and to cease trying to soak the rich and the corporations.

(8) Capital goods expansion must continue at a high rate for the time being.

(9) Our presently rapid growth of population is an anti-inflationary factor of considerable importance.

Some Documentation

These statements may be sweeping abstractions but they can be fully documented. There is the case of Senator Maybank and his associated friends of high cotton prices. They are worried about the quotation for cotton which has receded from its recent March, 1951 high. There is the case of Senator Lehman who wants to appropriate funds for Niagara power development even though private utilities will do it for free and pay taxes on their earnings forever after. There is the case of Mr. Charles E. Wilson, the President of General Motors, who thinks wage escalator clauses are not inflationary under certain circumstances. There is the case of Senator Fulbright who, after having headed a much needed investigation of the RFC, sees no reason to abolish it. There is the case of Kennecott Copper which seems not too unwilling to grant substantial wage increases and other fringe benefits to its employees. Why not, since that corporation pays an excess profits tax which soon is to be raised to 82%. And so it goes. What it all adds up to is just this. The country and its leaders still like inflation. In its early stages it's kind of fun, and few people have figured out the cost which, though huge, is concealed.

Risks

Even so, there are risks that purchasers of common stocks must assume, which cannot be ignored. When the ascending phase of our rearmament program comes to a peak and the maintenance phase begins, the need for large capital goods expansion will be over. At that point the economy may be overbuilt, at least temporarily, and a reaction in business unavoidable. Much depends upon the time factor and how long in advance the stock market will discount the peaking-out process. The 1952 election in November is a complicating factor. For the time being, however, inflationary forces are still in the ascendency by a wide margin and holders or prospective buyers of common stock must guide themselves accordingly. The chief hazard in a period of currency depreciation like the present is the danger of mistaking temporary setbacks such as we are apt to experience from time to time for definite reversals of trend. After all, with the Dow Jones Industrials nearing 270 a 25-point drop amounts to less than 10%. Under present conditions, with the public becoming more and more common stock conscious, average yields could drop to say 5%, which would be about 2% higher than the return from AAA corporate bonds. At that point quotations might still be considered statistically reasonable.

Hutchins & Parkinson Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.— May Noonan is with Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges.

With Inv. Research

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Donald R. Gilmore is with Investment Research Corporation, 53 State Street.

Labor Leaders Denounce Communism

In Labor Day addresses both William Green, President of the American Federation of Labor, and Philip Murray, President of the Congress of Industrial Organizations, voice opposition of organized labor to Kremlin's aim of destruction of free enterprise system. Murray attacks Taft-Hartley Act and calls for its repeal while Green denounces Congress's failure to impose severer price controls.

In radio addresses over the National Broacasting Company network on Labor Day, Sept. 3, William Green, President of the American Federation of Labor, and Philip Murray, President of the CIO, strongly denounced

William Green

Philip Murray

Communism and pledged Labor's support of the defense program against aggression.

Speaking on this topic, Mr. Green said:

"This year, our celebration is clouded by the fact that the ideal of Labor Day is under attack on two sides—by external aggression and by internal regression.

"The external attack comes from one source, and one source only, namely Soviet Russia. The leaders of Soviet have wiped out the last vestige of freedom for labor within their domain. The Communist dictatorship has enslaved its workers to the State. Under the Red regime the free voice of labor is silenced, its free will paralyzed. Strikes are forbidden on pain of death, protests are punishable as a crime. Millions of workers are imprisoned in slave labor camps under sub-human conditions. Yet Soviet Russia dares to pose as a 'people's government' and proclaim itself the defender of the oppressed in other lands. Never was a greater mockery and a more bitter distortion of the truth attempted.

"Today Communism is bankrupt. It has failed the people so completely that it dares not let them compare their conditions with those prevailing in the free world beyond the Iron Curtain. In desperation, the leaders of the Kremlin are reaching out beyond their borders to seize the wealth of their neighbors. They have come to the conclusion that the Communist way of life cannot coexist with the free way of life. They are determined to conquer the entire world, by infiltration and subversion if possible, but even by war, if necessary.

"History is replete with the attempts of tyrants to subdue the world to their dictatorial will. In each case, the would-be conqueror of civilization was himself vanquished. So will it be with Stalin!

"The recurrence of tyranny and aggression in a world struggling to be free is perhaps nature's way of testing man's love of independence and his determination to be self-governing. Through the ages, people have been forced to work for and to sacrifice for the good things of life. We inherit the love of freedom, but each generation must earn its enjoyment of it.

"But there is a limit to our endurance. We cannot stand idly by and allow the international Communist conspiracy to take over the free nations of the world, one by one. We know from experience that the violation of the borders of any free land by the forces of dictatorship is an invasion of our own freedom and a threat to our own security. In self-defense — and self-defense only—America stands committed today to halt and repel any further Communist aggression.

"We made our first stand in far-off Korea, as the agent of the United Nations, and we have maintained it against great odds. Despite the tragic loss of life and the vast expense incurred by our intervention, Korea may go down in history as one of the most courageous and successful exploits for the protection of world peace.

"Already we can count three major and tangible results. The Communist aggressors in Korea have been halted and driven back. In the meantime, we have achieved substantial progress in building up a full-scale defense program powerful enough to deter aggression at any danger point. Finally, no new aggression has been attempted by Soviet Russia or her satellites since their Korean invasion bogged down.

"In fact, the Communists have now stopped publicly brandishing the sword and have adopted the new tactic of pleading for peace. No matter how deceptive the Soviet peace appeals may be, no matter how treacherous their motives, the fact remains that they never would have changed their tune unless they realized their chances of victory by aggression had collapsed. The Communists don't cry quits when they are ahead. By the same token, we in America cannot afford to relax our efforts or to diminish the scope of the defense program merely because we have won the first skirmish in the struggle against Communist aggression. On the contrary, we must forge ahead with reinforced determination to complete the job of protecting world peace and security.

"The workers of America are concentrating on that goal and will not pause until it is won. On this Labor Day all Americans can take pride in the achievements of free labor during this defense program. They have fulfilled their appointed tasks faithfully and loyally, surpassing all previous production records.

"But the danger to America does not come only from external sources. Our people, and especially the workers of our country, are being simultaneously subjected to aggression from within. That aggression stems not from Communism, but from the opposite extreme, Toryism. Every household in America is now experiencing the damaging effects of Toryism. The cost of living has reached an all-time high. Every housewife knows what that means. It means lower standards for the American people.

"In the months ahead inflation is bound to become even worse. The purchasing power of the dollar bill will diminish day by day. And when the security of the dollar is imperilled, our free American way of life is likewise in jeopardy. Who is responsible for the failure to halt the disastrous inroads of inflation? The answer is clear to every citizen who reads the newspapers. The Tories in Congress, from both political parties, teamed up to prevent effective price controls and deliberately subjected the American people to unjustifiable profiteering."

Murray Attacks Taft-Hartley Law

President Philip Murray of the CIO, in addition to denouncing Communism used the occasion of his address to attack the Taft-Hartley Act, saying:

"In time of peace, Taft-Hartley is a bad law. In time of national emergency, when sound labor-management relations are essential to the country's welfare, Taft-Hartley is a dangerous law. It should be repealed—the sooner the better, in the national interests.

"Corporate greed is directly responsible for the fact that you, the American consumer, will be paying higher taxes and higher prices than you should. In Washington, the special-interest lobbies prevented an anti-inflation law that would have held prices down. In just the same way, they have been largely successful in getting a tax law that puts the average man's taxes up, and the rich man's taxes down.

"The profits of big corporations have been climbing upward, almost without exception. During the same period, the cost of living has been rising just as steadily. Today, it stands at an all time high—and there is danger that living costs will move on to even loftier peaks. Each rise in the cost of living brings untold hardships to millions of Americans, whose income it nibbles away. It is tragic that a majority of the 82nd Congress has refused to enact laws to curtail economic hardship for the great number of low income families.

"The CIO, I am proud to say, worked with other fair minded organizations to seek legislative remedies for this malignant process of inflation. We did so not only in the interest of our own members, but for the other millions of Americans who do not have the protection of militant, democratic trade union organizations.

"In this country of ours, with its tremendous technology and its rich resources there are ten and one-half million families trying to eke out an existence on incomes of $2,000 a year or less. These ten and one-half million families clip no bond coupons; they don't get dividends from common stocks; they don't buy new homes and new cars. In fact, they don't buy even enough food for a decent diet.

"America should not tolerate a condition where ten and one-half million families are forced to live on a $2,000 a year income—which is nothing more than a starvation income.

"To the family on a starvation income, and to other families in the lower income levels, words and slogans can't take the place of decent food and clothes and adequate shelter.

"There are vociferous orators abroad in the land who are trying to smear every program for human betterment. Their instrument is hate and hysteria. Sometimes their slogans are anti-Semitic, or anti-Negro or anti-Catholic; sometimes they malign organized labor, or the aims of the Fair Deal. Whatever device the demagogues use, it is aimed to spread fear and suspicion and distrust.

"We must not heed this call to division and despair. We must reaffirm our belief in the fundamental freedoms and liberties which have made America great. America has benefited because our people have always practiced freedom of speech, freedom of thought, freedom of religious worship, freedom of assembly.

"But today in America, the demagogues and the peddlers of hate are endangering these basic freedoms. For their own selfish, reactionary purposes, they are seeking to launch a tidal wave of abnormal fear—fear of ourselves, fear of the liberties that have made America both strong and democratic.

"You can find some of these demagogues in the Senate of the United States and in the House of Representatives. It is no accident that their records show a consistent opposition to progressive, forward-looking legislation. They have no programs for bettering the lives of human beings.

"Rather, the demagogues hope that the excitement and suspicion which they sow will cloak their do-nothing records. They oppose the Fair Deal program because that program is aimed at promoting economic security, strengthening civil rights, and helping the general good and welfare of all the people.

"Labor in America has always fought for the strengthening of civil liberties and the expansion of the protection we offer to the rights of minorities. We know that the guarantees of the Bill of Rights cannot be neglected, or they will crumble away.

"Each case of discrimination against any of our citizens because of race, color or religious belief is grist for the Kremlin propaganda machine. We have a duty to ourselves and to our friends overseas to keep our house in order.

"Workers know the benefits of democracy, freely practiced. We have a task to show that democracy can work for us in America and for other peoples in other lands.

"At home, we must build our defenses. We must stabilize our economy, and spread the burden of sacrifice equally among all groups in the population. We must carry on our historic campaign against expanding monopoly—and we must always seek to promote the welfare and security of the people of this country.

"Abroad, we must continue our program of help—both economic and military—to other free peoples. Through the European Recovery Program, the North Atlantic Treaty, and the Point Four Program to develop backward areas, we are showing that America is truly concerned about the welfare of people everywhere, and the defense of freedom and its institutions. It is that recognition of the needs of human beings for a better life, which may tilt the scales most heavily in favor of democracy as it fights the ruthless challenge of unprincipled Soviet-inspired Communism.

"Union members have recognized, since the birth of this nation, that cooperation brings strength. Through our labor unions we have practiced democratic cooperation, and we have been proud of our great contribution to the constant progress of our nation.

"Through the same principles of democracy, friendship and united action, our America can meet and defeat the challenge of propaganda and aggression that is being felt in every section of the world.

"On this Labor Day 1951, the men and women of the CIO pledge once again their full support to the cause of peace and democracy — which will triumph over the evil forces that threaten our free world."

Samuel Dobkin Opens

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Samuel Dobkin is engaging in a securities business from offices at 5327 Lakewood Boulevard.

Joseph M. Gross Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph M. Gross is engaging in a securities business from offices at 527 North La Cienega Boulevard.

Securities Salesman's Corner

By JOHN DUTTON

High Federal Estate Taxes Create New Business Opportunities

Capable life insurance men are cashing in on one of the best opportunities they have ever enjoyed in the history of their business. The heavy increase in Federal estate taxes during the past 15 years has opened the door to any salesman, who is qualified to bring the facts before the hundreds of thousands of men and women who need help regarding this vital matter of providing the necessary liquid assets they will need to pay death taxes, when that time eventually comes about.

Some individuals are able to meet at least part of these costs through the purchase of life insurance. However, there are many who cannot obtain life insurance protection. They are barred because of advanced age, or some impairment of their health. Many are therefore in serious danger of having their estates wrecked, and a lifetime of effort dissipated, because they will not have sufficient *liquid* assets to pay up Uncle Sam. If such is the case, it will force the disposition of property which they had always believed would have been a source of protection for their family after their death.

Federal Estate Taxes Yesterday and Today

Net Taxable Estate	—Federal Estate Tax— Jan. 1, 1935	Present Tax
$100,000	$5,600	$20,700
150,000	14,100	35,700
200,000	17,600	50,700
300,000	33,600	81,700
500,000	68,600	145,700
750,000	120,600	233,200
1,000,000	181,600	325,700
2,500,000	646,600	998,200

Notice that even the man with a modest net taxable estate of $100,000 must today face a Federal inheritance tax bill of $20,700. Added to this amount would also be included the costs of settlement legal fees, etc. In some states there are additional state inheritance taxes which also must be paid. It is possible that total costs which the family of this man might have to pay would run as high as one-fourth of the value of the net estate itself. This is a greater amount than was paid in Federal taxes by the man whose estate was valued at $200,000 in 1935.

Or think what could happen to a man who had a sole proprietorship and owned a business valued at $560,000 for inheritance tax purposes. After he deducted his $60,000 exemption, the Federal estate tax on the valuation of $500,000 of his net estate would compel his family to raise $145,000 in cash to pay the taxes due. What if the business was not in a sufficiently liquid position to advance this money to his heirs? It might have to be sold at a sacrifice in order to settle the estate.

In your community you may know some individuals who have acquired non-liquid assets such as timber holdings, large farms, acreage, closely held business firms and real estate. They think they are o. k., but possibly they have no idea of what can happen to their loved ones if they should die. Many people do not realize that there has been such a tremendous increase in death taxes.

Set Up an Estate Protection Fund

Liquid assets are the only answer when estate costs must be met. This means that in addition to life insurance a sound program of liquid securities can furnish additional protection, provided it is set up properly. Not only will the family have protection, but the income received during the lifetime of the owner of the securities can be used for living expenses and the family's general welfare. There are opportunities in using gift exemptions. There are possibilities for estate tax savings in setting up a program which includes the marital deduction rights. However, this must also be undertaken after due study of the entire situation has been effected by a competent lawyer. Gifts made to heirs, even when subject to the gift taxes, can also bring about substantial tax savings.

It is not within my ability or the scope of this column to go into detail regarding this intricate subject. However, for those securities men who would like to take up this field of work the opportunity seems to be an excellent one. A contact with a good lawyer can be helpful. Study of the inheritance laws, coupled with information obtained from some of the investment funds, can also be used as educational material. There is an abundance of information on this subject. The opportunity for performing a very worthwhile service, plus the possibilities for substantial business rewards, seem to be very promising.

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The Security I Like Best

any new developments. Moreover, it has long emphasized the world market, and should benefit from any improvement in foreign economies.

With mostly non-union labor, the company may be vulnerable to labor organizers, but it has long had a generous labor policy which should prevent any unrest.

LAURENCE H. LYONS
Allen & Company, New York City

Richardson Company

Richardson Company represents an equity in a large fabricator of plastics, particularly with industrial applications. The company has shown steady progress since its incorporation in Ohio on March 1, 1898, and its research department is constantly introducing new products to the field.

Laurence H. Lyons

Battery containers, molded products, sheets and rods, marketed under the trade name of Plastok and Insurok, are among the more important products. A new sheet plastic for table tops, counters, etc., was introduced under the trade name of Plastok in 1950.

Richardson serves the airplane, air conditioning, automotive, business machines, electrical equipment, food machinery, oil well equipment, paper mill machinery, radio and television, soft drinks, steel mills, textile machinery, vacuum cleaners, and many other industries.

In brief, the company today is one of the leaders in precision plastics engineering, and is recognized as a low cost producer. Prospects are considered excellent for a good volume of business related to the armament program, and there should be no serious reconversion problem in operating the plants.

In 1945 the company introduced a decentralization program and since that time three new plants are in operation. Plants are located at Melrose Park, Ill., New Brunswick, N. J., Indianapolis, Ind., Ogden, Utah, and Newman, Ga. The wholly-owned Richardson Company of Texas operates a plant at Tyler, Texas.

The company is well managed and has an excellent sales force, constantly on the alert for new markets for its products. The company has enjoyed a good earning record, and after providing for a two-for-one split in 1950 and a 25% stock dividend in December, 1950, earnings were as follows per share:

1941	$1.53
1942	1.50
1943	1.56
1944	1.46
1945	1.71
1946	1.86
1947	2.95
1948	3.35
*1949	1.57
1950	3.95

*The decline in earnings in 1949 was due to an over-supply at that time of finished storage batteries and as a result, activity in the storage battery industry fell to a level which was the lowest in 10 years, and thus caused an extremely poor demand for its products.

For the six months period ending June 30, 1951, earnings were equivalent after taxes to $1.25 per share. The President in his letter to stockholders on May 11, 1951, stated: "The excess profits tax exemption of the company will be of the order of $2,150,000."

The company enjoys an excellent balance sheet and as of Dec. 31, 1950 ratio of current assets to current liabilities was almost three to one; notes payable as of the end of 1950 amounted to $1,500,000 and earned surplus $5,756,619. The company's capital stock consists of 497,063 shares of $12.50 par.

In the last 36 years dividends have been paid in every year but one, and at present the stock is on an indicated $1.40 annual rate. In line with its past dividend policy the company often supplements its dividend with an extra at the year's end. In summary, Richardson, on the basis of its past record, represents a semi-investment commitment combined with excellent expansion and growth possibilities.

With Inv. Service Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Yale H. Estes and John S. Jones are with Investment Service Corporation, 650 Seventeenth Street.

Joins Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, Maine—Leon R. White has become associated with Lincoln E. McRae, 449 Main Street. He has recently been with J. Arthur Warner & Co., Inc.

With Paul C. Rudolph Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—David T. Anderson, Eugene T. Gable, Harold E. Munroe and Charles N. Trout has become associated with Paul C. Rudolph & Co., 127 Montgomery Street.

Continued from first page

As We See It

als as these are, obviously, in conflict with official predictions, and, of course, are predicated upon the assumption that we shall not become involved in any full scale war during the period in question. It is probable that many of them have their roots, in part at least, in a persistent belief that hostilities in Korea will come to a halt or nearly so within the next year at any rate.

But over and above and quite apart from these uncertainties and these differences in opinion, a number of clear facts present themselves. One of these is this: Whether war comes or not, whether fighting ceases in Korea or not, and regardless of the turn of any of the other events which now seem to be in question, the citizen of these United States in the current year will either be taxed far more heavily than there is any need for or will have to take up in one way or another or in one form or another a great deal more of the obligations of the Federal Government than should be the case. Assuming official plans come to fruition in reasonably complete degree, and accepting official forecasts as generally accurate, each of us directly or indirectly will be called both to pay such taxes and to absorb such debt.

Inescapable Conclusion

This conclusion flows inescapably from the fact that the budget as now planned calls for billions of wasteful, useless spending, the funds to meet which must be obtained from somewhere. There is not the slightest prospect of elimination of any substantial part of this profligacy from this year's budget. The fact is that Congress, often at the instigation of the Executive branch, goes on quite irresponsibly to enter into commitment after commitment for the years ahead which render it difficult if not impossible to reduce a number of future budgets into conformity with our economic status and ordinary prudence.

This utter indifference to fiscal sanity permeates Congress, taken as a body, as well as all elements in the executive branch of the Government from the White House down. Indeed, the situation is even worse than is thus indicated. The rank and file of the people share, if they do not inspire, this indifference. Scorn for principles of sound fiscal management distilled from centuries of experience is in the air. With deep regret be it said, the virus appears to have attacked not only the usually rather thoughtless or ignorant elements in the population, but full many a businessman who should know better, and a very large proportion of the economists of the country, of all others, who should be well aware of the teachings of history on the subject.

In Defense Operations, Too

Contrary to the professions of many timid observers, the disease ravages defense as well as civilian operations. There never was on the face of the earth so expensive a fighting force as that which represents the United States of America. A good deal of this, of course, is the inevitable result of the fact that we rightly insist upon equipping our men as well and as fully as may be, and upon servicing them in the field in as full a degree as circumstances permit. No one in his right mind would raise his voice against this, but it does not require any particular acumen to see that sheer waste in our defense operations from induction to mustering out simply staggers the imagination. Were it not for our magnificent production capacity—the product, incidentally, of a system many would now discredit—it would be quite impossible to absorb the cost of the sheer waste that now takes place.

It has, of course, long been the habit of many fiscal commentators to clothe defense expenditures with a mantle of untouchability, as though those who plan or execute military operations were either sacrosanct or above the errors and the foibles of ordinary mortals. They are neither, of course, and we have no hesitancy in saying that we—even we, in all our wealth—cannot afford the profligacy which goes with military operations in this country. Nor have we the slightest hesitancy in pointing to the corresponding waste in what is now known as foreign aid, and in the administration of all the agencies now engaged in "welfare economics"—a term which more often than not clothes with a certain respectability what used to be called "the pork barrel." We repeat: Whatever the coming 12 months may otherwise bring forth, they will without question impose burdens upon the American people which will serve the general public no good whatever.

No Antidote

A second certainty is that no amount of "pay as we go" philosophy, even if, as now seems doubtful, it is given practical effect, can possibly prove to be any sort of antidote for the fiscal profligacy in which we now regularly indulge. And to this second certainty, we may add as a sort of corollary, the observation that no type of financing any deficit which may occur can possibly prevent or make good the harm which waste and political handouts must inflict upon us. At the moment we are apparently in danger of falling again into the error of supposing that wide sales of defense bonds will "prevent inflation" and turn evil into good. The notion is basically nonsensical, of course, and our postwar experience should long ago have taught us so.

Protests against fiscal mismanagement, we must admit, appear quite fruitless in these days, but they must be made and be continued until the situation which gives rise to them is corrected.

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End of Inflation?

tinued increase of savings in terms of personal income. This becomes evident when we consider the frequently and abruptly changing character of consumer purchasing power between the second quarter of 1950 and the second quarter of 1951.

	1950			1951	
	2nd Quar.	3rd Quar.	4th Quar.	1st Quar.	2nd Quar.
Gross Natl. Prod. (bill. of $)	271.6	283.9	300.3	313.9	329.0
Personal Saving (bill. of $)	9.8	5.7	15.8	10.1	19.8

We may remember that the third quarter of 1950 witnessed the scare-buying of consumers after the outbreak of the Korean war and that the later rise and subsequent decline in personal saving was due to changes in sentiment dictated by corresponding anticipations of scarcities. Modern economies operate under the strain of tremendous psychological forces. The impact of political, economic or military events all over the world creates sudden mass actions of unstable nature.

During the swing into full defense production during the second half of 1951, i.e., at a time of decreasing production of consumers durable and soft goods, a new wave of scare-buying may well impart another inflationary impetus to the prices of consumers goods the effect of which may be temporarily delayed by price ceilings and black markets. In all probability, the Korean armistice talks will result in a reduced tax program while the need for huge defense outlays to counteract new Russian threats will rise. Such developments would strengthen the inflationary psychology in the economy and reduce the consumer's inclination to save.[1] Federal, State and local budget policies will add their share.

While the cash receipts of the Federal government during the fiscal year 1951 just concluded will exceed its cash expenditures by about $7 billion, the last quarter of the fiscal year has shown the budget in the red. In addition, the deficit is likely to grow in view of the tremendous rise in government expenditures planned during the fiscal years 1952 and 1953 for which so far no plans for appropriate tax measures have been forthcoming. As a matter of fact, it is generally conceded that if the spending plans should be approved by Congress, a revolutionary change in tax concepts would be necessary to arrive even at a reasonable distance from outlays.

Present Types of Taxes Inadequate

On June 27, 1951, John W. Snyder, Secretary of the Treasury, appeared before the Senate Finance Committee. He predicted a deficit of almost $10 billion for the 1952 fiscal year (beginning July 1, 1951) on the basis of recently revised expenditures for the period of $68,400,000,000. (Expenditures for fiscal 1951 just ended were $44,200,000,000.) On the same date, Mr. Staats, Assistant Budget Director, estimated expenditures for fiscal 1953 at between $80 billion and $90 billion. Upon being questioned whether it was possible to raise $90 billion in taxes, Mr. Snyder stated that such an amount could not be produced from "the present type of taxes." Is it possible that at this point Mr. Snyder had his tongue in his cheek by thinking of inflation as a form of "taxation"?

Be this as it may, there are certain local government expenditures that add to the inflationary impetus. For instance, in many cities of the United States transit fares have reached a point beyond which they cannot be increased without adversely affecting passenger revenues (letter by Robert F. Wagner, Jr., President, Borough of Manhattan, New York "Times," July 3, 1951). The only alternative is deficit financing for transit, whether or not the deficit may be offset by certain advantages accruing to the community as a whole.

Whatever one may think of the recent step taken by the U. S. Treasury in permitting the return of interest flexibility to government issues, it is also true that this agency has recently marketed a series of deficit financing issues in the short-term market. Secretary Snyder explained and justified this policy with the anticipation by the Treasury of unusually heavy drains due in the months ahead in connection with the rearmament program.

Largely unobserved by many students of economic developments, who always discuss the amount of purchasing power in existence and availability of credit, there has during recent years taken place a tremendous rise in the velocity of circulation. Since the end of World War II deposit turnover has increased from 18.2 and 9.7 in 1945 to 26.5 and 14.6 in April, 1951, for New York City and other reporting centers, respectively. This rise has been paralleled in other countries. It is one of the least controllable inflationary forces since its magnitude depends entirely upon the will of the deposit holders (*Federal Reserve Bulletin*, June, 1951, p. 665, and Twenty-First Annual Report of the *Bank for International Settlements*, 1951, pp. 53ff.).

Labor a Strong Factor for Inflation

Another inflationary factor that has become increasingly difficult to control is the sequence of higher wages, a shorter work-week and rising costs of production. The newspapers report almost daily strike settlements in which peace is restored by granting reduced hours at a weekly wage in force before the strike began. The Wage Stabilization Board has under consideration several thousand applications and has so far already breached in several cases its formula for limiting wage increases to a 10% rise over January, 1950. Further increases granted by the Wage Stabilization Board or permitted outside of its jurisdiction foster inflation along two routes: first, by a tendency for price increases as a result of higher costs, and second, by lifting wage payments and thereby money incomes. Incidentally, many wage agreements carry escalator clauses permitting wages to rise with the cost of living. Since excise taxes are included in the price quotations used for the computation of the cost-of-living index, such taxes become the basis for higher wages and thus, instead of being of a restrictive nature, add to the forces of inflation. Recent legislation has permitted price increases in cases of higher costs.

An aggravating factor is the continued decline in the labor reservoir as a result of an increase in the defense-production part of our economy. Our labor force, including men in the Armed Services, has recently grown at nearly double the normal rate. Between April, 1950, and April, 1951, the actual increase has been a little more than a million against a normal of between 600,000 and 700,000. During the same year, despite the recent obnormal growth of our labor force, unemployment has been reduced by more than 50% and is now only 1.7 million, i.e., in the neighborhood of the generally assumed number of unemployables. As our rearmament program expands, the labor shortage will be accentuated by the fact that defense production consumes a considerably higher number of labor hours per ton of material than does the manufacture of civilian goods.

The labor-force factor as an ingredient in the trend toward inflation is so difficult to control because, on the one hand, it is tightly knit into the political pattern of our national life, and, on the other hand, in a democratically organized economy labor cannot be subjected, except under the gravest and most immediate threat to the nation's security, to allocations as regards line of production and place of employment.

To stretch the labor force, the reduced work-week often serves to bring back the number of working hours per week to the number of hours previously worked at a considerable rate increase for the hours that now constitute "overtime." Thus it is expected that of the annual rise in wage and salary payments within the next 12 months of $20 to $25 billion only about one-half will be the result of larger employment, while the rest will come from inflationary wage increases (estimate of Professor Slichter of Harvard). And a large part of the labor force, particularly the white-collar people, have not yet, or not yet fully, participated in the wage and salary increases so far accorded the more aggressively organized segments of our labor force.

In order to grasp the full power of the inflationary forces to be released through rising wages and salaries and the decrease in the labor force as a percentage of requirements which provides the demand-and-supply background, we cannot overstress the important difference between the conditions prevailing at the beginning of World War II, on the one hand, and the present situation on the other. At the end of the 1930s we had an unemployed labor force variously estimated at between 10 and 14 million people while, as previously stated, we are now scraping the bottom of the reservoir.

The "inflationary gap," i.e., the excess of consumers purchasing power over available consumers goods, has been estimated at $17 billion for the fiscal year 1951 (National Industrial Conference Board). Even assuming a saving of $9 billion, consumers would still have $8 billion with which to bid up prices. As the years go by and our defense effort approaches higher levels the inflationary gap is bound to grow.

The previously mentioned Annual Report of the Bank for International Settlements, 1951 (p. 56), draws attention to "the marked differences between, on the one hand, a full-scale war economy and, on the other, an essential peacetime rearmament effort, as launched in the autumn of 1950." While in theory the Bank's view is well taken, it seems that, as far as our economy is concerned, the difference between cold and hot war tends to be disappearing. Since we are forced to increase our defense activities at the expense of our non-defense production and services, this difference between cold and hot war in any case ceases to be one of category and becomes merely one of degree. True, the inflation resulting from a continued cold war effort will probably cause a slower process of inflation than the hot war which may finally yet ensue. However, as an offsetting factor, it is also true that the power of restraint over the inflationary forces in a democracy during a cold war are weak as compared with a period of hot war.

Military Factors

National defense in the first year of the Korean war has cost our nation something less than $25 billion. The second year of our defense effort is scheduled to cost us $50 billion more in actual expenditures. However, according to Senator Joseph C. O'Mahoney, Chairman of the Senate Military Spending subcommittee, the military spending budget, which is not identical with actual expenditures, will rise from $60 billion as now envisaged to $80 billion in fiscal 1952. This would compare with $90 billion a year actually spent at the peak of World War II.

As anybody can see, the growth of our military spending program assumes, even at this stage of limited or cold war, the aspects of a cancerous growth reminding one of the almost daily increasing estimates for military expenditures during World War II. It may be well worth while to recall at this point that, according to best military information, Soviet Russia today is still arming faster than our own country and is ahead of us in certain phases of airplane construction as a matter of inventive genius. The Russians possess stockpiles of atomic bombs sufficient in size and power to damage seriously our cities and industrial installations.

Military Support of Europe Necessary

In addition, students of European developments should realize that sooner or later we shall have to provide for Europe and possibly the Far East a large part of the sinews of war in manpower and equipment that these nations themselves, important for our own salvation in a showdown with Russia, will hardly be able to provide in view of their weakened economic, military and political situation.

The need for such further huge expenditures on the part of the United States for its European Allies is evident from the fact that "For the fiscal year 1951-1952 the U. S. defense expenditure is put at $52 milliard (billion), or about 18% of the estimated national income, while the total public expenditure (Federal, State and local authorities) is expected to absorb $92 milliard, or about 30%—which is a smaller proportion in relation to the national income than several European countries have in recent years collected as revenue to meet their public expenditure. . . . In Western Europe the proportion of defense expenditure to the national income for 1951-52 is not expected to exceed 10% except in the United Kingdom; but several European countries will have a hard task to meet the increased outlay from current revenue, considering that they are already collecting some 30 to 40% of the national income before the new rearmament effort has begun." (Bank's report, 1951, p. 57.)

The need for our bolstering Western European manpower and equipment was confirmed to the present writer by his experiences on a recent trip to Europe. Time and again men and women explained to him that they would prefer the occupation of France by Soviet Russia to another war. In connection with our build-up of the North Atlantic Treaty Organization under General Eisenhower as Commander-in-Chief of European military forces, there has been constant stress from official and officially-inspired sources in the United States and abroad to the effect that "the French will fight again." Reports of gallant fighting by the French units attached to, or being part of, the United Nations forces in Korea have been interpreted as implying the presence of a great fighting spirit in the average Frenchman. No slur, of course, is implied here upon the character, courage, and the great traditions of the French army and the French nation as a whole. However, the Frenchman, suffering as always from low wages and rising cost of living aggravated by an economically little educated class of entrepreneurs, may be excused for not trying to add to his difficulties as he sees them.

Taking all these factors into consideration, the peak of our cold-war effort, if we fully understand the historical task thrown upon us, may in effect far exceed that of World War II, and the possibly unavoidable hot war with Russia might not exceed by very large additions the cold-war peak.

International Economic Factors

The United States, through its foreign trade and overseas capital investments, has for a long time been influencing and in turn been influenced by developments abroad.

In recent decades this interconnection has, as a result of American ascendancy and the decline in the political and economic power of the European countries and their world-wide dependencies, become ever more potent. A milestone in history was passed when after World War I our country ceased to be on balance an international debtor and became an international creditor instead. Ever since, the United States in more than one sense has increasingly determined the course of world events. While the relationship between domestic

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[1] The Federal Reserve Bulletin of July, 1951, forecasts an expansion of the privately held money supply during the second half of 1951 adding to inflationary pressures.

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End of Inflation?

and foreign economic activities represents on an overall basis a much smaller factor in our country than in Great Britain, no study of the future prospects for inflation or deflation in the United States (as well as abroad) can avoid a discussion of international factors.

Inflationary Influence of U. S. on Europe

The truth is that developments in the United States sweep almost the whole world before them. Just as an example to what extent this has been the case in recent years, we quote the following passage from the Annual Report of the *Bank for International Settlements*, 1951, p. 34, a passage which also points out the inflationary character of this influence:

"There can be little doubt that the countries which in the autumn of 1949 sought to hold down prices by an increase in subsidies, etc., did so in the expectation that world-market prices, as expressed in non-devalued currencies (i.e., principally in dollars) would decline or that at all events there would be no rise (this having been the case after the devaluations in the autumn of 1931). But a rather pronounced business boom, with rising prices, got under way in the United States, this development being already apparent in the spring of 1950 (i. e., well before the outbreak of the conflict in Korea), so that price movements in the countries which had devalued were not only subjected to the effect of the devaluation itself but also received an additional impetus from the rise in American prices. The consequence was that, far from bringing the re-establishment of a natural equilibrium a step nearer, the attempt at income and price stabilization in the countries which had devalued led to a growing disparity between the price and cost levels at home and abroad—a position which could not be maintained indefinitely."

This inflationary impetus exerted by the United States found in Europe an economic body still weak from the recent war effort and its aftermath. Besides the attempts at income and price stabilization just mentioned, European countries employed other artificial means of buttressing their economic position. The new inflationary push apparently was too strong to be counteracted effectively by these measures. Thus, the Bank report continues (p. 35):

"The survival of these various artificial 'props,' indicating a lack of balance in the economy, lends support to the suspicion that a fair degree of inflationary pressure survives in the individual countries. Certainly, there has been improvement in comparison with the days of the 'inflationary gaps' immediately after the war . . ., but complete equilibrium between the money volume and the supply of goods and services had not yet been re-established in all countries by the middle of 1950. Inflationary forces were still making themselves felt in labor relations, on the commodity markets, and in the field of foreign trade. Production had risen well and the rise was continuing but, in spite of some recent improvements, the reserve position was still weak in most European countries; nor was the insufficiency confined to the reserves of monetary authorities —it was rather a general feature; as a rule, stocks of materials were on the low side in relation to the rise of production; full employment meant that there were no reserves of manpower and in vital lines of production there was often a lack of industrial capacity.

"It was in such a situation, already characterized by great strain on resources in most of the national economies, that the conflict in Korea supervened in the middle of 1950."

As for the present situation and the need for huge armaments, the Bank's report points to the continued inflationary dangers by stating (p. 55):

"Now, with increased rearmament expenditure, the danger is not only that in a number of countries the additional outlay for armaments may reduce the volume of goods and services available for the satisfaction of civilian needs but also that the process of diverting productive power into military output will tend to weaken the economy and, in particular, to jeopardize the advance which has already been made towards the adoption of practical methods of a more normal and effective character in the monetary and commercial fields."

Some voices in Europe have recently warned against additional sources of inflation from United States spending in Europe. Thus, the Economic Commission for Europe, a United Nations body which meets in Geneva, Switzerland, in its "Economic Survey of Europe in 1950" calls for upvaluation of European currencies in order to offset, by raising prices of European exports in dollars, the increased prices of raw materials that European countries have to import.

This is not the place to discuss the lack of validity in the ECE report which has been presented in excellent form by the June, 1951, *Monthly Letter* of the National City Bank of New York. The proposal has been mentioned here merely as illustrating the fear of certain European circles of a progressive European inflation fostered by American dollar expenditures.

In fact, European countries sharing in the Marshall Plan have been able between 1947 and 1950 to reduce the deficit in their balances of payments from $8 billion to $1 billion primarily through American grants and loans; American purchases of certain raw materials in overseas dominions and dependencies of Great Britain and other European countries, and discriminations in the sterling area against purchases in dollar markets.

Counteracting, at least temporarily, the great inflationary potential arising from the increase in European reserves is the growing probability of large trade deficits as a result of huge import needs under the rearmament program.

Inflation in France

Thus, France, which showed a trade deficit for January, 1951, of $12.6 billion; for February of $2.7 billion; for March of $13.5 billion, and for April of $16.5 billion, has increased this deficit for May and June, 1951, to $35.6 and $32.5 billion, respectively.

In view of the fact that during the first year after the beginning of the Korean War, the price level in France has risen to a considerably higher plateau, it will, in the opinion of qualified observers, be very difficult to lift exports sufficiently so as to even come near eliminating the trade deficits. France seems to have lost, to use the words of an article in a London magazine, the first round in the new fight with her old enemy, inflation (*The Banker*, June, 1951, pp. 326ff.).

The higher French price level and the continued trend toward further inflation is in part explained by the huge fiscal and social security expenditures that in 1950 absorbed more than 30% of the national income. The rearmament burden that is now being superimposed upon an already economically weak position promises to contribute to further inflationary pressure. In the traditional fight between sound monetary and fiscal policies on the one hand and inflation on the other, the latter has in France's long history always been victorious. Now, after the all but crushing deprivations of war and occupation, strong must be the politician indeed who would advocate restrictive or even deflationary monetary and fiscal policies.

In addition, the very American propaganda, through example and instruction, for higher productivity will during the next two years strengthen the tendency towards increased investments in the civilian sector of the French economy, paralleling the recent record increase in United States civilian investments, and reducing the otherwise available volume of consumers goods[2]. Part of this huge demand for investment goods in France, if it cannot be stopped by some miracle, will have to be provided for through inflationary expansion of credit. Both, the diversion of productive power from consumers goods to investments in plant and other long-term facilities and the creation of artificial purchasing power will strengthen the inflationary viruses pervading the already weakened body economic of the French Republic.

Inflationary Investment in Italy

The great need of European countries to improve and widen their industrial power without inflation, if possible, but with it if necessary, is further illustrated by the case of Italy.

About the middle of July, 1951, the Cabinet of Premier Alcide de Gasperi handed its resignation to the President as a concession to the Cabinet's critics who, pointing to the growing crisis in the mechanical and engineering industries, the low productivity of Italian industry, and the chronic unemployment of almost 2 million Italians, have demanded for some time a more vigorous and bolder investment policy even at the risk of some inflation.

Inflation Weakens Great Britain

Our most important European Ally, Great Britain, also shows continued tendencies toward inflation. To quote a recent article in the *London Economist* (July 7, 1951), ". . . important is the fact that the balance of payments of the United Kingdom itself with all other countries, including the sterling area, has moved sharply from surplus to actual deficit. And internally, prices and wages appear to be rising faster even than the government bargained for. The difficulties will not be short lived." And the New York "Times" of July 22, 1951, similarly discussing Britain's continued difficulties, points to the American influence in that country's inflationary trends when it says: "None of the internal or domestic economic troubles that Britain is going through are traceable to her own rearmament program. This is only getting started. . . . It is true, however, that the impact of American stockpiling, in so far as it has raised world prices, has made the terms of trade worse for the United Kingdom, although the gold reserves of the whole sterling area have risen as a result."

For us Americans with a constantly rising standard of living, war or no war, who have never experienced the devastating effects of an occupation, it may be hard to understand the abandonment born of desperation by most European nations of a large part of their traditional economic and financial acumen in favor of an improved standard of living even if they will have to pay for the latter by later reverses and sacrifices. And it seems an almost hopeless task to ask our European Allies to assume new burdens of rearmament and to expect them to adhere at the same time to such sober economic, political and financial standards as we in the United States, with our much better basis for such policies, are unable to follow.

The deeper problem of all European countries can be stated in one sentence: "World requirements of both basic foodstuffs and industrial raw materials have expanded greatly since the end of the second world war without being matched by a corresponding increase in production." (*Bank for International Settlements*, Annual Report, 1951, p. 77.)

The last discussed two factors, our spending of huge funds abroad and the inclination of European nations to expand their economies on the basis of these reserves or by inflationary means, taken together, will aggravate during the next few years the inflationary trend abroad aided by inflationary policies in the United States, and vice-versa. Developments in the United States along these lines are further fostered by certain political factors to which we have now to turn our attention.

Political Factors at Home

First among these factors is the 1952 national election. The threat to a continuation of a Democratic Administration in Washington from a Republican-Dixiecrat coalition is serious. It has already induced Mr. Truman to interfere in the political affairs of certain states with the purpose of reducing the power of antagonistic members within his own party. This struggle for power will, as usual, make expediency rather than basic soundness the lodestar of executive acts.

Continued American rearmament, with or without peace in Korea, will be necessary in anticipation of a possible military showdown with Russia. Such program is bound to bolster American prosperity, part of which, as a result of inflation, will be apparent rather than real.

Truman and Congress Fearful of Deflation

Mr. Truman's Administration, despite its advocacy of a high-tax philosophy, is shying away from concentrating new taxation in the income brackets where the large bulk of customers, spendable income now lies. In addition, every day brings new proof of the Administration's disinclination to apply restrictive measures to all sectors of the American economy in order to stem the mounting tide of inflation.

The danger to our economic system from the unscrupulous power grab of the labor bosses to whom a vote-conscious Administration caters is magnified by a vote-conscious Congress fostering further inflation in the agricultural segments of our economy through prohibition of rollbacks and similar controls. The constantly rising spiral of wages, industrial prices and farm prices is firmly anchored in the so-called parity legislation with strong inflationary implications.

In his recent book *"Joe Tumulty and the Wilson Era,"* John Morton Blum says, "Never in American history has a national crisis been severe enough to overcome partisan rivalries." If we interpret the word "partisan" broadly, this statement is borne out by present developments in Washington. On July 15, 1951, the New York "Times" commented as follows on Congressional inaction and the consequent confusion:

"Congressional inaction on controls has caught about half of the food processors in the United States between the general price freeze of January and the increased prices permitted on due proof of increased costs, a formula withdrawn when controls were not renewed on July 1.

"A survey yesterday showed that the uncertainties of the situation are preventing price reductions that might otherwise be put into effect.

"The uncertainty is further complicating the loan applications of food processors who seek to finance the inventories they must acquire during the forthcoming harvest season."

On July 16, 1951 the New York "Times" economic editorialist, Edward H. Collins, in an article "Meat Control: Politics Over Economics" blasted the Administration's politics-as-usual attitude as follows:

"The greatest single source of friction between Congress and the Administration is to be found in the beef control program. This program also typifies better than any other, perhaps, the politically slanted approach of the Administration to the whole problem of rearmament."

Mr. Collins, who is known for his economic conservatism, goes on to make a good case for the necessity of implementing price controls of scarce articles with rationing, and to conclude: "There is no evidence of any awareness of these fundamental principles in the program of the Office of Price Stabilization."

We could mention here a whole list of further economic difficulties caused by lack of understanding or politically induced neglect if we would impose upon the patience of the reader.

In attenuation of, if not as an excuse of, the political attitude of Administration and Congress the following may be said: It is axiomatic that every democratic government is highly sensitive to the wishes and whims of the population. The Truman Administration, just as the Roosevelt Administration before it, in reality and despite all its protestations to the contrary, prefers an inflationary atmosphere to an economic stability which, for its very existence, would require deflationary periods to offset periods of inflation. Washington — and this includes Congress—thereby probably only reflects the general temper of the people who still remember the catastrophe of large-scale unemployment all though the 1930's and are afraid of seeing even a small dose of deflation, however necessary for permanent economic health.

Keynes' Theories in Command

In addition, modern economic systems with their huge social expenditures, with their expansion of public controls and their constantly growing bodies of government employees, are almost, as it were, self-inflationary in nature. The theory of economic progress being facilitated by an atmosphere of inflation has been fostered and made respectable by John Maynard Keynes. It does not overlook the fact that limitless inflation would wreck a government as it has wrecked them all through history. But a constant dose of presumably controlled inflation is considered by modern statesmen as a favorable ingredient of economic and social progress.

Consequently, should, against what has been said above, now or later, prices begin to decline and the first signs of a serious deflation appear, our government would step in to the tune of many billions of dollars to stem the rise of unemployment that might develop as a result of sudden fears of a downward spiral in sales and employment, unjustified as such fears might prove later on to have been in view of the continued cold or a later hot war.

International Political Factors

As regards the international aspects of power politics, the United States and Russia seem to

2 The master plan of the ECA just announced for an all-our "production assistance drive" in the Marshall-aid nations of Western Europe will accentuate these tendencies.

find themselves in the vortex of a strife for world hegemony comparable to similar historical battles. Thus, the Anglo-Dutch War, starting in 1652, proved the beginning of the esclipse of the Dutch and the final rise to power of the English people from 1715 on. Before that time England had defeated the Spanish Armada and, thereby, eliminated another top world power.

The expansionary forces of capitalism and Soviet socialism must some day collide in a death struggle, all the propaganda of a possible peaceful coexistence to the contrary notwithstanding.

The doctrines of Marxism-Leninism-Stalinism are in the last anlysis based upon the expectation of an inexorable decline of capitalism and the ascendancy of Soviet socialism all over the world. Whatever we may think of the economic, political and social errors contained in the theories underlying those doctrines, the intentions of the Soviet head of State and his henchmen derive unbounded support from them. The whole Russian and satellite hierarchies are equally animated by their expectation of this particular brand of Messianic Age.

Korea Only One of Many Trouble Spots

These men and their flocks consider a relatively small setback such as that suffered in Korea as nothing but one of the many interruptions on their road to final victory. As a matter of fact, far from being a disadvantage in the ultimate sense, this defeat will be used by them for a regrouping of their forces following Lenin's slogan *reculer pour mieux sauter*.

In execution of Lenin's word, the Soviets probably hope to lull the American people into the anticipation of an armistice also along other fronts of the ideological battle between West and East. The sense of relief presently felt by us over the progress of the Korean armistice negotiations may be the welcome precondition for the Soviets to test our economic and military preparedness at many other spots. The Vietnam versus Vietmin battle in Indo-China, the struggle in Iran, the conflict between East and West in the Near East, troop concentrations on both sides of the India-Pakistan frontier, distrust and disagreements even among the Western Allies as to German rearmament, bases in Spain and similar questions, provide the Soviet Union with more and better dynamite than a continuation of the Korean war would have given it.

Finally, our official policy of "containing" Soviet Russia wherever she steps over her accepted political boundaries, forces us to fight political and military actions thousands of miles away from our own frontiers. Soviet Russia and her satellites, on the other hand, enjoy the geographic advantages of a strategy at the periphery of their own territories. This disadvantage for the West imposes on us additional production, expenditures and sacrifices.

When all the points presented above are taken into consideration, the outlook for the United States and its Allies in the continued struggle for ideological and physical victory over the forces of the East spells inflation rather than stabilization or deflation, for many years to come.

Retires From Firm

Kenneth F. Dietz retired from partnership in Seskis & Wohlstetter, New York City, on Aug. 31.

Continued from page 5

The State of Trade and Industry

falling to 340 failures from 390 in the previous month, while new manufacturing and wholesaling casualties numbered about the same as in June.

The East North Central, West North Central and South Atlantic States reported large drops from July, 1950, failures.

Building permits issued in 215 cities during the month of July had a total valuation of $415,571,892, according to Dun & Bradstreet, Inc. This was a rise of 7.9% over the June figure of $385,041,042, as against a seasonally expected drop of about 10.0% for the period. Compared with the July, 1950, total of $524,978,208, there was a decrease of 20.7%, marking the sixth successive month to show a decline from the year-ago level.

Building plans filed in New York City last month were valued at $45,557,735. This represented a drop of 11.5% from June with $51,458,270, but a gain of 22.7% over the corresponding 1950 month with $37,123,541.

Steel Output Scheduled to Decline 1½ Points In Current Week

Pressures for steel shows no signs of abating, "Steel" magazine, national metalworking weekly, currently reports. Steelmakers are being pressed increasingly by consumers to accept orders for shipment after the turn of the year. From some consuming directions the mills could book business into third quarter next year were they so disposed since various buyers have been given the green light by the National Production Authority to order that far ahead. Except for some high-rated military directives, however, the steelmakers are accepting no business for entry after Dec. 31 other than limited tonnages from regular customers, and these latter for first quarter delivery only, this trade journal adds.

It is unlikely the mills will enter much tonnage for next year until fourth quarter scheduling is out of the way, this publication asserts. Their reluctance to become booked far ahead is understandable in the circumstances, what with substantial Controlled Materials Plan fourth quarter tonnage still uncovered.

A flood of complaints from steel consumers that they are unable to cash in their CMP tickets for steel brought a denial from high National Production Authority officials that too many tickets were issued, this trade paper notes.

Important development pricewise in the steel markets last week is seen in an announcement of an increase in structural steel shape prices by Phoenix Iron & Steel Co., concludes "Steel." This increase, approximately $26 per ton, becomes effective Sept. 1. After that date the company will price and invoice in terms of a single "base price" which will include additional charges heretofore separately stated, plus applicable standard extras. The charge is based on an official interpretation by the Office of Price Stabilization in response to a company request for a specific ruling. Otherwise, the steel markets are unchanged except for increases in delivered prices to reflect the rise in freight rates effective Aug. 28.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 98.3% of capacity for the week beginning Sept. 4, 1951, or a decrease of 1½ points from a week ago.

The current week will be the second in a period of 27 weeks when production failed to exceed 2,000,000 tons.

This week's operating rate is equivalent to 1,965,000 tons of steel ingots and castings for the entire industry, compared to 99.8%, or 1,995,000 tons a week ago, and 101.1%, or 2,021,000 tons a month ago. A year ago it stood at 98% of the old capacity and amounted to 1,890,000 tons.

Electric Output Approaches High Level of Week Ended August 18

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 1, 1951, was estimated at 7,145,609,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week came within striking distance of the previous high level of 7,164,469,000 kwh., recorded in the week ended Aug. 18.

The current total was 69,075,000 kwh. below that of the preceding week; 686,223,000 kwh., or 10.6% above the total output for the week ended Sept. 2, 1950, and 1,601,696,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Advance Further in Latest Week

Loading of revenue freight for the week ended Aug. 25, 1951, totaled 838,587 cars, according to the Association of American Railroads, representing an increase of 9,189 cars, or 1.1% above the preceding week.

The week's total represented a decrease of 78 cars, or .01% below the corresponding week in 1950, but an increase of 91,376 cars, or 12.2% above the comparable period of 1949.

Auto Output Shows Further Mild Gains

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 139,553 units, compared with the previous week's total of 138,797 (revised) units, and 188,072 units in the like week of 1950.

For the United States alone, total output advanced to 132,209 units from last week's revised total of 131,949 units. In the like week of last year output totaled 178,385 units. Canadian output in the week totaled 7,344 units compared with 6,848 units a week ago and 9,637 units in the corresponding 1950 week.

Total output for the current week was made up of 103,534 cars and 28,675 trucks built in the United States and a total of 4,612 cars and 2,732 trucks built in Canada. In the previous week, Canadian output totaled 4,485 cars and 2,363 trucks against 7,079 cars and 2,608 trucks in the like 1950 week.

Business Failures Record Highest Level in Four-Week Period

Commercial and industrial failures rose to 164 in the week ended Aug. 30 from 130 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were at the highest level in four weeks and exceeded last year's total of 143, they were below the 174 which occurred in 1949 and were down 28% from the prewar level of 229 in the comparable week of 1939.

Wholesale Food Price Index Declines for Third Successive Week

Wholesale food prices dipped for the third successive week with the Dun & Bradstreet wholesale food price index reaching $6.89 on Aug. 28. This 4-cent drop was larger than the other recent declines and brought the index to the lowest level since mid-July. The figure was 3% above the $6.69 for the corresponding date a year ago.

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

Wholesale Commodity Price Index Hovers Around Year's Lowest Level

The daily wholesale commodity price index compiled by Dun & Bradstreet, Inc., was virtually unchanged last week at the lowest levels that have prevailed so far this year. On Aug. 28 the index was 298.83 as compared with 299.79 a week ago and 285.45 a year ago. The all-time high of 329.66 was reached on Feb. 17, this year.

Wheat prices generally remained firm in the Chicago grain markets the past week. Continued strength in wheat prices was based to some extent on export business although there was no large-scale or sustained buying activity. Trading in the futures market was marked by interest in the more distant contracts rather than those for near-by delivery. Arrivals of cash wheat were beginning to increase appreciably.

Prices of other grains were fairly steady during the week of mixed trading.

While closing prices were somewhat lower than the week before for corn, oats, and rye, positive price movements in either direction were largely lacking.

A moderate volume of flour to cover fill-in needs was ordered by bakers. Activity remained limited largely to a replacement demand. Offerings for mid-September shipment at a discount under later shipment did not stimulate current buying interest.

Increased interest in the raw sugar market by refiners was reflected in increased prices. Although the total volume of trading remained limited, it was anticipated that the drop in refined stocks which occurred in recent weeks will result in a greater demand for raw sugar from the refiners. The present price increases developed in both the spot and futures markets.

The volume of trading in both the coffee and cocoa markets was very light. Prices generally continued to be firm during the week. Although inquiries were limited, there was no effort to induce an increased demand by price concessions.

Livestock prices were steady to slightly higher although a dip in hog prices occurred as receipts rose sharply.

There was virtually no change in wool prices during the week with trading in the Boston market at an unusually low level. There was some expectation that an increase in demand from the present seasonally low point would occur soon. The drop in prices at the opening of the Sydney market was less than had been previously anticipated. Further strength in this market will likely accompany the entrance of United States buyers which is customarily expected later in the season.

Trade Volume Stimulated by Fall Buying Rises Slightly

Preparations for the Labor Day holiday and the reopening of schools resulted in a slight increase in retail volume during the period ended on Wednesday of last week. Back-to-school supplies and apparel continued to attract considerable attention. Holiday food specialties were in large demand. Total retail volume was close to the corresponding year-ago level, Dun & Bradstreet, Inc., reports in its current trade summary.

Promotional sales of Fall dresses, sportswear, and children's wear generally brought a very favorable response from consumers the past week. Coats sold well in scattered areas of the country; dresses in nearly all price brackets were in large demand. Hosiery, lingerie, and accessories were often among the best sellers.

Where they were offered, price reductions stimulated consumer buying considerably.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 3% below to 2% above a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England +1 to +5; East and Pacific Coast —1 to —5; South +2 to +6; Middle West and Northwest —1 to +6; Middle West and Northwest —1 to +3; Southwest —3 to —7.

Although the over-all volume of wholesale trade declined very slightly in the week, it was slightly above that in the corresponding 1950 week. The number of buyers visiting the major wholesale centers was about 19% below a week ago and about 14% below a year ago. Re-orders for various Fall specialties increased moderately, and special promotional merchandise continued to be sought by buyers.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 25, 1951, decreased 3% from the like period of last year. A decline of 4% (revised) was recorded in the previous week from that of a year ago, and a decrease of 7% is shown for the four weeks ended Aug. 25, 1951. For the year to date department store sales registered an advance of 4%.

Retail trade in New York pointed upward last week with estimated sales volume showing a gain of 7% above the pre-Labor Day period of 1950.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 25, 1951, declined 4% from the like period of last year. In the preceding week a decrease of 6% (revised) was registered under the similar week of 1950. For the four weeks ended Aug. 25, 1951, a decrease of 8% was recorded below that of a year ago, and for the year to date volume advanced 7% from the like period of last year.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

You saw some more rally in the past week. The industrial averages went up about four points, while the rails, though also advancing, continued to show a strange reluctance to follow along in more than spirit.

* * *

I'm pointing out the disparity between the two averages as something to mull over. According to the Dow theorists this spread between the two has significance. How important this will be we can leave to the lads with the slide rules and the charts.

* * *

I'm well aware that we have had sharp gains in many stocks during the past two weeks. I'm also aware that some of this was at the expense of the shorts. If it gives you any satisfaction I'll state here that two weeks ago I felt that the gumption was out of the market. Based on the market's subsequent performance, I was wrong.

* * *

While I'm in this I-Will-Tell-All mood let me also add that I can see the market getting itself into a corner out of which it can jump daily five or more points. The ammunition for this is already there. It has to do with war orders, superimposed on an inflationary base. But because I see it the chances are there are plenty of others who also see it. It can be seen in the volume of buying that has been going on during the past few weeks. It can be seen in brokers' buying for the public. This type of buying can be directly responsible for an explosive market. The elements are there. All it needs is something to touch it off.

* * *

That's the bullish side of the picture. It can be seen by anybody. It can be seen in earnings statements.

* * *

What can't be seen in earnings figures is the psychological undercurrent based on numerous things, all tied to the international situation; the war in Korea; the peace meeting in San Francisco; the Iranian oil rhubarb and what will the Reds do about all this.

* * *

The newspaper stories, presumably quoting reliable sources, are full of double talk or are guessing. Our own leaders, diplomatic as well as military, tell us little except what they think is good for us or what they think we should be told.

* * *

This paternalistic attitude is understandable, but from a stock market viewpoint, it all makes for a dangerous situation. I would prefer to be long of stocks most of the time. I also know there are times it is wise to disregard optimistic statements and either stay out of the market or, other things being equal, go short.

* * *

If you've gathered from all this that I'm not kindly disposed to this market, you'll be right.

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

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

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Continued from first page

The Manpower Situation Under Defense Mobilization

severely—can't a prosperous expanding economy like ours take in its stride a mobilization which at its peak will require only 15-20% of our national production? By contrast, in World War II, we at one period were devoting about 50% of production to war demands.

What is the explanation of this apparent contradiction? In brief it is that the mobilization program has not been solely responsible for the business boom of 1950-51. The demands of the civilian economy, both business and consumers, have played the greater part to date. The problem of the future is simply this, what sector of the economy must give a little in order to accommodate the demands of the mobilization program?

Economic Developments Since Korea

To understand the nature of this problem it is necessary to sketch in brief outline the economic developments since Korea. The economy was already in a business revival when the outbreak in Korea occurred. The most noticeable immediate effect was the rise in prices, particularly of raw materials. People can recall the spectacular jumps in the prices of rubber, wool and the nonferrous metals. At the same time the consumers got alarmed and swept the shelves of the retail stores in a Nation-wide buying spree. So retail prices also firmed up. All this had its influence upon public thinking. Thus the original legislative program of the President called only for production controls, but the tide of public opinion was such that the Defense Production Act, by the time it was passed by the Congress, contained both wage and price controls.

After the first flurry of buying, things quieted down a little; bumper farm crops helped to keep food prices level, and so the Consumers' Price Index of the Bureau of Labor Statistics was slowed down in its rise. But the entry of the Chinese into Korea in November set off another consumer buying flurry, which, coupled with seasonal factors, sent retail prices sharply upward—the Index rose about 3 points a month for three months. Prices of manufactured goods and of raw materials also rose further; the spot market prices of 11 raw foodstuffs topped 400 (August 1939=100) in February 1951, the Wholesale Price Index of the Bureau of Labor Statistics crossed into new high ground, the Consumers Price Index went above 180 (1935-39 average=100).

This was the situation when the "price freeze" was clamped on in late January. The result of the freeze, taken in conjunction with a number of other policies and factors, was that many prices receded from their peaks. Spot market prices are nearly all considerably below their 1951 highs, and wholesale prices have been declining for several months. Consumers' prices continued to advance slowly, but the net change was very small. From February to July the increase in the Consumers' Price Index was less than 1%, which is close to reasonable stability. In July the index declined slightly for the first time in 16 months.

Wages in the meantime were rising, following prices up. Most of normal annual wage-setting by collective bargaining took place in the first half of 1950, before Korea. There were increases in many industries, but these were generally modest in amount. However, in the second half of the year a new development occurred—widespread reopenings on contracts already made. The reason for this is interesting and important.

The Cost-of-Living Wage Adjustments

Three years ago, in May 1948, the General Motors Corporation signed with the United Automobile Workers (CIO) and some other unions an agreement which provided, among several novel features, that the wages of the workers would be adjusted every 3 months on the basis of the rise or fall of the Consumers' Price Index of the Bureau of Labor Statistics. This idea of escalation was not new in the United States, but the whole combination of factors in the agreement made it unique. Furthermore, the importance of the company and the unions gave this contract publicity such as few agreements between labor and management have ever had. However, it did not become popular with labor and management generally—in fact, it was denounced by some businessmen and labor leaders. When the contract was renewed in May 1950, there were still only a handful of firms and unions which had copied the idea of automatic escalation.

Then came Korea, and almost overnight the attitude changed. With the upsurge in prices after Korea and particularly in the late autumn, there was a rush to tie wages to the Consumers' Price Index. By the end of 1950, over 1,500,000 workers had their wages tied to prices by means of such contracts; by the early summer of 1951, there were over 3,000,000.

Meantime, the Wage Stabilization Board in early 1951 had to formulate a policy on wages in conjunction with the price freeze. It is sufficient here to indicate that their final decision was (a) to limit wage increases to a pattern closely related to the rise in the Consumers' Price Index since January 1950, and (b) to recognize automatic escalation within the limits of the over-all policy. This policy was finally cemented in the recent decision of the Board to apply these principles to all wages subject to stabilization. Wages have now been fully and closely tied to consumers' prices, with the further proviso that productivity increases (in wages) are permitted if they do not require a price increase.

Production and employment have also advanced to prosperity levels during the past year. Unemployment, which reached a postwar peak of 4,700,000 in February 1950 had fallen to about 2,000,000 in the summer of 1951. Even with spotty unemployment in some areas, such as Detroit and some of the shoe and textile towns in New England, the national picture today is one of high production, nearly full employment, comparatively stable prices and slowly rising wages, with some of the wage increases being of the catching-up kind.

Prosperity Powered by Demands of Private Economy

The most significant point about all this is that, while it may have been touched off by the mobilization program and the Korean War, it was powered by the demands of the private economy, namely, by businessmen investing and by consumers spending. Despite all the discussion about government spending and unbalanced budgets, the Federal Government came out of the fiscal year ending June 30, 1951 with a substantial cash surplus. So in terms of its own direct spending, government has been a mildly deflationary influence during the past year, not an inflationary one.

Of course, government activities and policies have an indirect effect upon the private economy. They can and do influence the activities of businessmen, wage earners and consumers. Businessmen were encouraged to expand their capital investments, not only by direct government invitation but also by the prospects of the market. This has been the heaviest private investment year in our history. Investment creates a demand for both labor and materials. Employment in the construction industry reached an all-time peak in the summer of 1951. Consumers too expanded their demand, partly by spending a somewhat higher proportion of their incomes and partly by extending their consumer credit. Thus both businessmen and consumers increased their demands upon the economy at a time when government was also raising its demands (even though the latter were more than covered by government income). The result was that total demand exceeded the available supply of goods and prices went up to make the balance.

During the past six months something like a temporary balance has been achieved, but it is an unstable and precarious one. It might be upset either on the up or down side. We might pause for a moment to consider the latter possibility. Inventories are now high, some industries are having trouble with their sales, higher taxes are about to be imposed, people are becoming more cautious in their spending. If the Soviet peace offensive is actively pushed, if international tensions relax, if our mobilization program is reorganized downward, then of course the economy might slide into a mild and temporary recession of the 1949 variety.

But at present the probabilities seem stronger in the opposite direction. As indicated earlier, the mobilization demands are far from their full peak. Actual spending on this program is scheduled to increase from a rate of $1.5 billions a month to $4 billions a month—an annual rate of $30 billions. Stated another way, our mobilization demands will increase within the next two years by about 10% of the national income. This is a very large "bite" to take out of an already peak-level economy. Some of this, of course, we can get out of increased production, but we do not have enough materials, plants and skilled manpower to get it all without curtailing the civilian economy.

Our Manpower

At this point it is necessary to analyze one factor which we have passed over lightly so far, namely, manpower. In the period of accelerated defense preparation that lies ahead, our manpower resources will be subjected to greater strains than at any time since the end of World War II. By the end of 1952, about 12 million persons, or more than one out of every six in the American labor force, will be engaged in work connected with the National defense effort. During this period, in order to minimize inflationary pressures, we also will have the task of providing the manpower needed to maintain production of civilian goods at the highest possible level consistent with available material supplies.

At the present time, we are relatively close to meeting our military manpower goals. In the 12 months following the outbreak of the Korean War, the net strength of the armed forces of the U. S. more than doubled, and was brought to a level only a few hundred thousand short of the announced goal of about 3½ million for the end of fiscal 1952. it will be necessary to replace large numbers of reservists and other personnel scheduled for release during the current fiscal year, as well as to make the planned additions to net strength. However, under the Universal Military Training Service Act of 1951, the pool of young men qualified for military service has been expanded to the point where scheduled needs can be met without undue strain.

In contrast, we are still a long way from meeting peak manpower needs for defense production and supporting activities. It has been estimated that this program at its prospective peak will require about 8,500,000 men and women. These overall manpower needs can be met within the framework of a free labor market by labor force expansion, by shifts of employed workers from nondefense to defense work, and by maintaining the unemployment at its current low levels. However, we may expect to encounter real difficulties in meeting the labor requirements of particular industries, occupations, and areas where defense hiring will be concentrated.

Between the end of 1950 and the end of 1952, normal growth of the labor force, because of population increase, veterans finishing school, and the postwar uptrend in the employment of women, should provide a net gain of almost two million workers. We may anticipate, in addition, a net inflow of close to 1½ million "extra" workers because of additional increases in the labor force participation of adult women, youth, and the handicaped and older workers. Past experience indicates that labor force expansion of this magnitude can readily be accomplished in a period of expanding employment opportunities, provided that the hiring standards and training practices of industry are revised to make fuller use of older workers, women, and other reserve groups.

As the rearmament program gains momentum, further cutbacks in civilian metal-using industries, such as automobiles and television, and in nondefense construction will provide additional manpower for defense needs. Between the fourth quarter of 1950 and the fourth quarter of 1952, it has been estimated, reductions in the number of workers directly or indirectly engaged in the production of civilian goods will yield, on a net basis, about 3½ million workers for defense activities. In such industries as transportation, mining and basic steel, this shift would involve little, if any, dislocation in employment as output is redirected from civilian to defense uses. In certain of the consumer durable-goods industries, however, dislocations of workers, already experienced on a comparatively small scale, may be intensified.

For the fourth quarter of 1952, we have projected unemployment at 1½ million, ½ million less than in the corresponding period of 1950, and about equal to current levels adjusted for seasonal factors. This unemployment level contrasts with the low point in unemployment of about ½ million during the full mobilization period near the close of World War II. However, we may anticipate continuing labor surpluses in a few areas where prospects for employment expansion are unfavorable. This problem can be minimized if the availability of surplus labor in different areas is taken into account, wherever feasible, in placing defense orders and locating new defense facilities.

Increasing Hours of Work

One other factor can be kept in reserve—the increase in hours of work. As of July, 1951, industry was still working only about 40 hours on the average, as shown by the Bureau of Labor Statistics' reports on Hours and Earnings. This means that there was some overtime beyond 40 hours in some plants and in some industries. However, it is still small as compared to World War II, when average working hours rose to about 46 per week at certain periods of time. Each additional hour of work in manufacturing industries is equivalent to an additional labor force of about 400,000 men. Consequently, we could obtain the equivalent of 2 million or more workers in manufacturing by moving to the 48-hour week and obtaining a net weekly average of 45-46 hours.

This program, however, should be held in reserve for emergencies. British experience in World War II shows that over a period of a few months in time of crisis the labor force can work longer hours without too much loss in productivity per hour. However, over longer periods of time, increased fatigue and absenteeism cut down the output until finally the longer hours will produce no net result. Great Britain found it necessary to cut back the 64 and 72 hour weeks to a maximum of 54 hours. The great advantage of longer hours is that it can be used flexibly and specifically to meet temporary bottlenecks. So it should be the last resort for a full war emergency. The preparatory mobilization period, such as we are in now, should be used to expand the labor force, to train workers for higher skills, and to put machinery and equipment in shape for the full emergency. When that time comes, increased hours of work can yield significant results in increased output.

Contest a Race of Production

This is the short-run problem. In the long run, the contest between Communism and Capitalism may turn out to be a race for production, not a contest of military strength. If no world war breaks out in the next two or three years, then the defensive strength of the Western nations may be such that a period of military stalemate could exist for 20 years or more. During that period the question would be which side would grow relatively stronger. Could the present tremendous lead of the United States and the Western nations in production and standard of living be maintained? Or will Communist output gradually creep up?

The answer to this question will be found in the future productivity of the labor forces of the free nations. In the United States in the past productivity in manufacturing industries has been known to increase at a rate of 3% per year. That is, the output of industry could be increased 3% each year with the same amount of labor hours. This incerase is due not only to the skill, training and experience of the workers, but also to the capital equipment installed and the enterprise and initiative of management. Can the United States in the future maintain this rate of productivity?

Conversely, can the Soviets and their allies increase at a faster rate than this? There is plenty of evidence that the Soviets have kept down consumer goods production and maintained a low standard of living in order to obtain a maximum reinvestment of capital. In other words, they are putting a large proportion of their output, perhaps nearly a third, into capital goods for future production. This could result in substantially increased output in future years despite a very low level of productivity of the Soviet worker today. It will not do, therefore, for the American nation to rest on its present laurels in the production field. We now have the most highly productive labor force in the world and the best equipped industry. It will be necessary, however, for us to maintain past rates of performance if we are to keep the lead we now enjoy.

The history of the world has always been that free labor and a free enterprise system have always out-produced slave labor and controlled enterprise. It can be done again if sound production policies are followed. We must maintain a high production economy, which means primary attention to new capital investment and to the training and development of our labor force to its highest potential skills. Under those policies the standard of living will take care of itself—there will be goods and services to provide a reasonable supply of butter along with the guns. On the other hand, if we attempt to maintain at all hazards a short-run maximum standard of living and a high consumption economy, there is great danger that the Communist economy of Soviet Russia would eventually catch up and surpass us. After the crisis of the next two or three years, the primary attention of the American people must be directed to this major problem.

Old Law Firm Dissolves Will Be Continued by R. Robinson Chance

Announcement was made on September 1st by Frederick Snow Kellogg of Montclair, and R. Robinson Chance of Summit, of the dissolution of the law firms of Kellogg & Chance, Jersey City, and Chance & Kellogg, New York.

R. Robinson Chance

The partnership records and affairs were taken over by Mr. Chance, who will continue the practice of law at 48 Wall Street, New York City, and 1 Exchange Place, Jersey City.

Mr. Chance is First Vice-President of the Hudson County Bar Association and Vice-President of the Pulverizing Machinery Company of Summit, New Jersey. He is a member of the Hudson County, New Jersey and American Bar Associations, a member of the Judicial Conference and of the General Council of the New Jersey State Bar Association. He was formerly President of the Roselle Borough Council, Roselle Borough Attorney, and a director of the Union County Taxpayers' Association.

The retiring partner, Mr. Kellogg, was at one time the partner of Honorable William H. Speer, former Hudson County Circuit Court Judge and lately a Vice-President and General Attorney of the Public Service Corporation. Mr. Kellogg is and has been General Counsel of the New Jersey Manufacturers' Association and its affiliated corporations for many years.

Kellogg & Chance has been one of the oldest law firms in Jersey City, having been formed March 15, 1917. It traced its origin directly to Honorable Joseph D. Bedle, one time Governor (1875-78) and Justice of the Supreme Court of New Jersey (1866-1880).

W. A. Johnson Opens

WAKEFIELD, R. I.—W. A. Johnson is engaging in the securities business from offices on the Post Road.

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who enters the bank with a problem.

A couple of concrete examples will illustrate this point. Mr. Merl McHenry, Vice-President and Trust Officer of the Bank of America, relates an interesting story in a recent issue of "Trusts and Estates."

"As time went on, Betty Maze (an attractive, vivacious widow, with a substantial trust) indicated her satisfaction with the Bank by bringing in first one friend and then a second, each of whom established a healthy trust. The Trust Department began to feel very proud of themselves. 'It just goes to show,' chortled one Trust Officer, 'that sound investment recommendations and good, all-around administration really pay off.' But the rude awakening came when a Vice-President, thanking the voluble Miss Maze for her sales assistance, voiced the hope that the details of her account were being handled to her entire satisfaction.

"'You mean investments, taxes, income checks and that sort of thing?' The Vice-President nodded. 'Oh, they're being handled all right,' said Betty, airily dismissing the fundamentals of the trust business with a toss of her blond head. Then, her face lighting up with enthusiasm, she added, 'But if you really want to know what I enjoy most about your service, it's dealing with Mr. Everett. I like him and so do my friends. He seems so interested in our affairs and so friendly. Why he even takes us out to the elevators himself!'"

In our own trust company, the President, Earl H. Cress, took time out one day about three years ago from a very busy schedule to talk with two GI's. They had started a business about a year prior to that time and then found themselves in serious financial difficulties. The veterans did not know Cress, nor did he know them. However, they had heard of his willingness to help people with financial problems. As many others in the community already had found out, they had come to the right place. He not only listened to their problem that afternoon, but he spent several other hours with them and finally found the solution for a successful work-out of their difficulties. And there was nothing that the trust company, in its official capacity, could do in the way of rendering services to the GI's—at that particular time. Since then, however, both young men have been successful in other fields of endeavor and the trust company has sold one of them a house; made a mortgage loan to the other; rented a safe deposit box to one; is currently discussing the establishment of a living trust to provide for the education of the children of one GI; and the chances are excellent that both of them eventually will name the trust company in their wills! They have told us at various times, "We're going to do as much of our business with you as is possible."

Such incidents as these are bound to restore the confidence of the public in banks and trust companies.

Employees, an Integral Part of Program.

Public Relations, like charity, begin at hime. Therefore, the employees of the banking institution should become an integral part of the program. And education is the medium used to train the bank staff. This is extremely important because they represent the bank or trust company in the eyes of the public. **Little incidents, involving employee and customer, can determine the future of your bank. A teller who throws a passbook or money on the counter certainly does not make a friend of the customer. A secretary or receptionist in the trust department who treats a customer in a lackadaisical manner, leaves a feeling of doubt in that person's mind about the handling of his trust or estate business. Training is essential in building up a smart, courteous and efficient staff of employees. And at the same time, the management of a bank is developing one of its best sales forces. A large number of the bank's customers is retained, or new friends made, because of the impressions created by its employees. Even such seemingly little things as how an employee answers the telephone may make the difference between a satisfied or a dissatisfied customer.**

The education and training of employees should not be a one-way proposition. Management must expect to give, as well as to take. It should look upon the entire staff, including officers, as a team comprised of human beings. Even the lowest-paid clerk, or more commonly referred to as "low man on the totem pole," has all of the same human reactions as the President or one of the Board members. Everyone has hopes and aspirations, which, with proper cultivation and assistance, they would like to see materialize. And they can and will, if management will nurture them. There are any number of ways that management can help. First, it can provide pleasant and attractive working quarters and conditions. Yet, too often we have found in the past that management's contribution stopped there. Of course, even conservative bankers and trustmen have been forced to recognize other changes in our social and economic lives. They now offer higher compensation—not just a nice position with lower-than average pay in return for many intangibles, including what management used to think of as prestige. Those days are gone! The public is no longer fooled by, nor does it give recognition to, the flimsy and somewhat nebulous advantage of "working for a banking institution"! **Banks and trust companies also are making their staffs aware of the fact that they are part of a team. Many incentive plans and suggestion awards are given to the employees, as well as to the officers, for their contributions to increased business. The employees, too, are being taught how to deal with the public. It certainly took the banking fraternity a long time to recognize the fact that their customers have much more contact with the employees than they do with the officers! Employees are offered retirement plans, hospitalization plans, courses at local universities or through the A. I. B., advancements and social programs outside of banking hours.**

A customer phoned the other day and said, **"You've really got an amazing Real Estate Department." "I'm so glad to hear that. Did you see anything that appealed to you?" "Oh, there were a couple of houses," she said, "that I liked. Mr. Long showed me most of the likely possibilities." I was quite pleased with her satisfaction of our service. Then she went on: "But you know the nicest thing that happened?" I hung on to the phone. "What was that?" "It was Mr. Long's secretary. Johnny was**

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quite unhappy when we arrived and Miss Oliver took him right in tow while Mr. Long and I planned our itinerary. When we were ready to leave, Johnny was armed with a pad and pencil and was showing us all the wonderful pictures he and 'Miss Olly' had drawn."

Are Bankers Actually Leaders?

One thing has always baffled me personally about bankers and trustmen. They look upon themselves as leaders in their communities. Yet, actually how many of them are leaders in the true sense of the word? Don't many of them follow, rather than lead? Don't many of them wait until something becomes well entrenched in our economic and social life before inaugurating it in their own institutions? Perhaps it's the nature of the beast. Perhaps it's that staunch, solid conservatism coming to light. Or might we say rearing its ugly head. Something can be so solid that no one can penetrate it — not even the customer who pays the freight. The late Helen Hokinson aptly depicted the typical banker—in the eyes of the public —when, having to leave a Board meeting, he remarked, "If any new ideas come up while I'm out, my vote is 'No!'"

Fortunately there are enough progressive and aggressive bankers and trustmen who can look into the future and can see what must be done to make the banking and trust business an integral part of our society—and at the same time profitable. They know that "Nothing will come of nothing." They do not stop with granting their employees only those things discussed above and which they are more or less forced to give them—just to keep enough employees on their payrolls. They continue to educate their staffs. They are finding ways of creating and maintaining that enthusiasm which is so essential to progress. They are adapting their internal systems to more favorable working conditions—and which to the amazement of the cynics, usually provide greater profits. They are alert to the appearance of their banks and trust companies—making a friendly and warm feeling in place of the cold and stoical edifices of the past. Not only the employees, but the customers as well, will appreciate this new and attractive appearance. They recognize accomplishments of the employee. There is nothing that wins over any human being more quickly than recognition. And it doesn't matter whether you're talking about the President of the United States, the President of the Bank, or anyone of your employees. They have a perfect organizational setup where every member of the staff knows the why and wherefore of his particular job. And they include in this organizational chart as many titles as is practicable. That is recognition not only of the employee, but of a fundamental human trait—we all like to see our names in print and we all like to have the feeling of some authority. They have staff meetings where every employee may be heard, either directly or through one of their superiors in the chain of command. And they will respect this chain of command. But there must be created a feeling of sincerity and mutual respect all the way from the top down. Management asks for suggestions and is not always dictating with no explanation for certain actions. How often have you heard some bank employee say, "I don't know what it's all about. It just came out in a bulletin the other day." All in all, management makes the employee feel that he is a full-fledged member of the first team!

You probably are beginning to doubt my original premise that a successful banking institution is a give-and-take proposition. We have been talking only about the giving of management. I can assure you that a public relations program, properly operated, will repay you many times over, in rich dividends. You will have an enthusiastic staff — well indoctrinated in the importance and essential nature of the banking and trust business. You will have a staff that is congenial — both among themselves and with the customers. You will have a neat, intelligent and efficient staff. You will have a staff comprised entirely of human beings—not robots or cogs in a wheel—all of whom are potential bank executives. You will have a staff which is selling your bank and trust services every day of the week — every week of the month—and every month of the year. You will have a staff which has gained for your institution an assured and respected place in your community, an assured place for banking in our society and a profitable operation. Perhaps these benefits can best be illustrated by a comment in the 1949 Annual Report of the Girard Trust Company of Philadelphia. "Most banks and trust companies have the same general services to offer, they have the same kind of dollars to lend, and generally the same lists of securities from which to choose investments. The only way in which one banking institution can excel others is in rendering better service; better service, in turn, can be rendered only by better personnel."

In addition to educating your staff, you should review your services and the charges made for these services. Make sure that you are offering to your community all of the services which it needs. And you should know your costs so that you can charge a reasonable fee, allowing for a moderate margin of profit. The banking and trust business is no longer exclusively for the few. Almost everyone has some use for one or more of the many valuable services offered by our banking institutions. And I mean literally every person in this country — rich or poor, black or white, young or old! Don't be afraid to advertise your charges. Generally speaking, you are rendering inexpensive worthwhile services and people will gladly pay as they do the doctor, the dentist, the attorney — or for their life insurance policy. In fact, it is a good idea to have a fixed schedule of fees. Then, everyone can see what they are and they will know that they are being treated the same as everyone else. Banking and trust business is no longer of the tailor-made variety for the chosen few—it's got to be made available to everyone and on the same basis to both Mr. and Mrs. John Smith and Mr. and Mrs. Jonathan Van Asterbilt, IV. I should like to quote briefly from a letter which our company received only recently from a new customer:

"I was very much pleased with the kind consideration which your company has given to our small affairs. I had somehow formed the impression that trust companies were the concern only of moneyed people, and am delightfully surprised to find that the reverse is true. Thank you for your intelligent interest."

The Customer as Phase of Program

Another important phase of your public relations program is your customer. There is no more important person who enters the bank or trust company. He is the person who pays the salaries to the officers and employees and the dividends to the stockholders. And he, too, is a human being and has the same feelings and reactions as your employees. He likes to be treated as such whenever he enters the bank. Nothing makes a person feel more at home than to have a staff member greet him, with "Good afternoon, Mr. Brown!" And recognition of a customer's accomplishments likewise is a "must" in any good public relations program. Take time out to send him a note when he is elected to an office in a civic organization or when he receives a promotion in his work. Also recognize other members of his family and treat them likewise. Banking and trust business is very personal and confidential and should be treated accordingly. Acknowledge additional business which you receive from a customer — and you're bound to get more business if customers in each department are treated as human beings. A satisfied customer is better than any salesman you can hire. We know that to be a fact. He can truthfully speak from experience and becomes a rooter for your institution. You finally have arrived at the point of assured success when you have customer endorsement!

It's so easy to have a satisfied customer and thereby increase your business. The following example will illustrate how it can be done. Inasmuch as we render purely fiduciary services, my illustration will exclude banking services, although the same thing is true in connection with those services. Mr. and Mrs. Arthur Jones (fictitious for this purpose) had a safe deposit box with the Trust Company. "Everyone was so pleasant when we came into the Trust Company," they told the Vice-President, in making a mortgage loan application. "We just like to do business with your company." They were granted a loan and the President acknowledged the new business in a personal letter to them. This impressed the Jones considerably and a short time later a friend of theirs came in to inquire about a loan on their recommendation. Later, Mrs. Jones inherited some money from her uncle and they came in and paid off their mortgage. At that time Mrs. Jones made the comment to a girl in the cashier's department, "I'm going to miss seeing you so often. I've certainly enjoyed our visits." A few months later, Mr. and Mrs. Jones were introduced to one of the Trust Officers in the Personal Trust Department to discuss investments. There were subsequent meetings and the outcome was the establishment of a living trust with investment in our contract fund, which is similar to a common trust fund. At one of these meetings, Mr. Jones said to the Trust Officer, "Will you please thank Mr. Cress for his very nice letter when I was elected President of the Red Cross." The Trust Officer replied, "Well, let's go right in and you can thank him personally." "Oh, we don't want to bother him. You can just tell him," said Mr. Jones. "Let's find out if he's busy; I know he'd like to see you both," said the Trust Officer. The Jones met the President and were much impressed with the informality and graciousness of the visit. It was only a short time later that the Trust Officer was meeting with the Jones' attorney and life insurance underwriter, working out an estate plan for them. Needless to say, the Trust Company is appointed in their wills, receiving appointments as Trustee and Executor, as well as nomination as guardian. Once again they received a letter from the President in recognition of the new business. Recognition is the key word throughout this whole story and it was very much appreciated by the Jones. And they will continue to receive copies of the Trust Company's quarterly bulletin. There is little doubt that the Trust Company has both a good customer and a valuable salesman in the Jones.

You'll continue to get more and more customers, like the Jones, if you follow through on your public relations program. In every community there is a certain turnover in poulation—perhaps more in some communities than in others. But whenever a person moves into your community, send him a letter welcoming him to your city. Whenever any one of us is in a strange place, we crave recognition or an indication of friendship. There's hardly a person who has ever been at Times Square in New York City — the crossroads of the world — who hasn't watched faces passing him, thinking and hoping that he may see someone whom he knows. And people whom we may know only slightly in our home communities seem much closer when we meet than on a vacation trip—perhaps only 500 miles away from home. So it is with every new person in your community. They will appreciate any gesture of friendliness. And I know that it is well worthwhile because our institution follows that practice and you would be amazed at the number of new residents in our community who do business with our Real Estate and Mortgage Departments, together with our Safe Deposit Box Department. Usually you have won and earned a respected customer who eventually will be doing business with other departments in your bank or trust company.

Education of Public Is Vital to Program

Then there is the larger number of older residents who still are not doing business with your institution. That, I believe, is primarily a case of education. "You can teach an old dog new tricks!" —with proper treatment. Education of the public is a vital part of any overall public relations program. Expose this group, too, to a well-planned educational program. This part of your public probably will be your hardest nut to crack. Yet, there has been something lacking in your contact with this group. Let them know, first, what you do; that you want to do business with them, and that you can render them a real worthwhile service. That is particularly true with "Trust Services," too. It is only in recent years that trust men have learned that the public actually knows very little about what a trust company or a trust department does. It is another indication of "taking too much for granted." And keep driving away at this educational program. It must not be sporadic. You never know when a person is going to find himself in need of your services.

Let the public know that your institution is civic-minded and is an important factor in your community. Have your officers and employees participate and become active in various projects in the community. As Mark Brown, President of the Harris Trust and Savings Bank in Chicago, so aptly described it at a recent trust conference, "The Trust Officer should get out from behind his desk more often and meet the public. In that way, he will get to understand people and they, in turn, will better understand both the Trust Officer and trust services." The public gradually will formulate its own opinion of your bank or trust company, and I can assure you that it will be favorable.

Use of Advertising and Publicity

Another way to influence the public is through the judicious use of advertising and publicity. This can take the form of a straight institutional type of ad which again explains your services. Then you can lend the use of your lobby or windows to the promotion of local industries' products. Also, have a good working relationship with the press. The power of the press is known to everyone. Perhaps there is no other group of people that can do more to influence the public—one way or the other. Give them news about your institution—and the people in it. That will let the public know that your bank or trust company is composed of human beings and, therefore, you are more likely to understand their problems. Don't make the press seek out news about your company. Give them advance notice of worth-while news items. Don't only give out that news which you think will benefit your company. After all, the press is also human and they can figure you out in short order. Don't be afraid to tell the public what happens in your bank. They are much more interested than you imagine. One of our leading citizens made an interesting comment to our President within the past year. "I want to tell you frankly, Earl," he said, "I now have an entirely different impression of your company. After working with some of your officers on a few projects and reading about the activities of both your people and the company, I've come to the conclusion that you've really got an outfit here that you can be proud of."

You then have public acceptance of your institution. Provided, however, that your Public Relations program is well planned, consistent and continual. And your customers, your community and your institution will prosper. Each one needs the others to succeed. And you will enjoy it more than you can realize. Only those who have tried it can appreciate the great satisfaction to both the bank and its customers. Cooperation, teamwork and persistence will bring an unlimited stream of customers who, in turn, will provide rich dividends for your institution.

As Bulwer-Lytton once said, "A good heart is better than all the heads in the world." Yes—it's so easy to have a successful Public Relations program because, I repeat, Public Relations are only Human Relations!

John Tittle With Stein, Roe, Farnham

CHICAGO, Ill.—John M. Tittle, Chicago investment counsel for the past 14 years, has become associated with the firm of Stein Roe & Farnham. Mr. Tittle has also been elected Assistant Secretary of The Stein Roe & Farnham Fund, Inc., mutual investment trust.

Prior to forming John M. Tittle & Co. in 1937, he spent seven years in investment banking with Bonbright & Co. and Lawrence Stern & Co. He is a graduate in Commerce of Northwestern University.

Thurston Co. Formed

RICHMOND, Va.—William Purcell Thurston has formed Thurston & Co. with offices in the Mutual Building to conduct a securities business.

H. R. Brown Opens

SALT LAKE CITY, Utah—H. Ross Brown, Jr., is engaging in the securities business from offices at 431 South Sixth Street.

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)	Sept. 9	98.3	99.8	101.1	98.0
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 9	1,965,000	1,995,000	2,021,000	1,890,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Aug. 25	6,220,250	6,240,850	6,204,600	5,699,430
Crude runs to stills—daily average (bbls.)	Aug. 25	¶6,500,000	6,470,000	6,396,000	6,197,000
Gasoline output (bbls.)	Aug. 25	21,592,000	21,526,000	21,539,000	20,263,000
Kerosene output (bbls.)	Aug. 25	2,254,000	2,497,000	2,540,000	2,272,000
Distillate fuel oil output (bbls.)	Aug. 25	8,761,000	8,593,000	8,174,000	7,559,000
Residual fuel oil output (bbls.)	Aug. 25	8,763,000	8,442,000	8,858,000	8,543,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 25	115,934,000	116,668,000	121,156,000	105,793,000
Kerosene (bbls.) at	Aug. 25	29,504,000	28,923,000	26,959,000	24,829,000
Distillate fuel oil (bbls.) at	Aug. 25	85,543,000	83,113,000	76,938,000	65,841,000
Residual fuel oil (bbls.) at	Aug. 25	46,753,000	47,166,000	44,957,000	41,697,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 25	838,587	829,398	819,875	838,665
Revenue freight received from connections (number of cars)	Aug. 25	680,216	666,622	673,492	693,005
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 30	$257,381,000	$188,893,000	$267,571,000	$342,486,000
Private construction	Aug. 30	160,049,000	87,412,000	158,404,000	222,705,000
Public construction	Aug. 30	97,332,000	101,481,000	109,167,000	119,781,000
State and municipal	Aug. 30	68,756,000	76,590,000	83,085,000	97,357,000
Federal	Aug. 28	28,576,000	24,891,000	26,082,000	22,424,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 25	10,800,000	10,290,000	10,270,000	11,005,000
Pennsylvania anthracite (tons)	Aug. 25	827,000	712,000	737,000	952,000
Beehive coke (tons)	Aug. 25	127,700	*140,200	150,200	149,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Aug. 29	279	268	232	288
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 1	7,145,609	7,076,534	7,003,209	6,459,386
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 30	164	130	171	14[illegible]
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 28	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Aug. 28	$52.69	$52.69	$52.69	$46.61
Scrap steel (per gross ton)	Aug. 28	$43.00	$43.00	$43.00	$40.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 29	24.200c	24.200c	24.200c	22.230c
Export refinery at	Aug. 29	27.425c	27.425c	27.425c	22.425c
Straits tin (New York) at	Aug. 29	103.000c	103.000c	106.000c	102.000c
Lead (New York) at	Aug. 29	17.000c	17.000c	17.000c	14.000c
Lead (St. Louis) at	Aug. 29	16.800c	16.800c	16.800c	13.800c
Zinc (East St. Louis) at	Aug. 29	17.500c	17.500c	17.500c	16.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 4	99.19	98.94	98.02	102.17
Average corporate	Sept. 4	111.25	111.07	110.34	116.2[illegible]
Aaa	Sept. 4	116.02	115.82	115.04	120.84
Aa	Sept. 4	115.24	114.85	113.89	119.6[illegible]
A	Sept. 4	110.34	110.15	109.60	115.6[illegible]
Baa	Sept. 4	104.31	104.31	103.80	109.2[illegible]
Railroad Group	Sept. 4	107.80	107.62	107.09	112.00
Public Utilities Group	Sept. 4	111.25	111.07	110.15	116.80
Industrials Group	Sept. 4	115.04	114.85	114.46	120.0[illegible]
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 4	2.55	2.57	2.63	2.34
Average corporate	Sept. 4	3.10	3.11	3.15	2.84
Aaa	Sept. 4	2.85	2.86	2.90	2.6[illegible]
Aa	Sept. 4	2.89	2.91	2.96	2.6[illegible]
A	Sept. 4	3.15	3.16	3.20	2.8[illegible]
Baa	Sept. 4	3.49	3.49	3.52	3.21
Railroad Group	Sept. 4	3.29	3.30	3.34	3.0[illegible]
Public Utilities Group	Sept. 4	3.10	3.11	3.15	2.8[illegible]
Industrials Group	Sept. 4	2.90	2.91	2.94	2.6[illegible]
MOODY'S COMMODITY INDEX	Sept. 4	452.0	456.2	467.1	469.[illegible]
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 25	188,010	187,002	181,072	211,07[illegible]
Production (tons)	Aug. 25	225,800	223,617	231,788	228,11[illegible]
Percentage of activity	Aug. 25	94	93	97	100
Unfilled orders (tons) at end of period	Aug. 25	516,856	568,311	537,591	645,49[illegible]
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Aug. 31	148.8	148.0	148.2	132.[illegible]
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	Aug. 18	26,808	29,270	26,927	24,25[illegible]
Number of shares	Aug. 16	774,361	845,551	769,249	739,100
Dollar value	Aug. 18	$35,137,547	$37,156,123	$34,542,153	$32,232,11[illegible]
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 18	23,728	26,550	22,682	25,67[illegible]
Customers' short sales	Aug. 18	208	312	604	13[illegible]
Customers' other sales	Aug. 18	23,520	26,238	22,078	25,534
Number of shares—Total sales	Aug. 18	660,242	736,740	625,726	729,70[illegible]
Customers' short sales	Aug. 18	7,100	10,167	22,166	4,85[illegible]
Customers' other sales	Aug. 18	653,142	726,573	603,560	724,850
Dollar value	Aug. 18	$27,167,703	$30,339,739	$26,161,921	$27,433,501
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 18	178,420	217,730	174,960	223,030
Short sales	Aug. 18	------	------	------	------
Other sales	Aug. 18	178,420	217,730	174,960	223,030
Round-lot purchases by dealers—					
Number of shares	Aug. 18	318,560	312,010	318,500	271,430
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Aug. 28	176.7	*176.7	177.6	167.[illegible]
Farm products	Aug. 28	188.7	*188.6	189.9	179.4
Grains	Aug. 28	180.7	181.0	177.2	167.7
Livestock	Aug. 28	258.3	262.5	264.0	249.4
Foods	Aug. 28	187.3	*186.0	185.9	176.1
Meats	Aug. 28	278.7	278.5	275.3	263.8
All commodities other than farm and foods	Aug. 28	165.8	*165.9	166.9	156.4
Textile products	Aug. 28	168.1	168.1	172.6	150.9
Fuel and lighting materials	Aug. 28	137.8	137.8	137.7	134.8
Metals and metal products	Aug. 28	188.2	188.1	188.2	174.8
Building materials	Aug. 28	221.7	*221.7	224.2	216.3
Lumber	Aug. 28	341.2	*341.2	350.2	†
Chemicals and allied products	Aug. 28	140.0	*140.0	139.8	124.6

*Revised. ‡Not available. ¶Includes 466,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of July	72,698	67,454	63,518
Stocks of aluminum (short tons) end of July	11,369	11,997	15,529
AMERICAN GAS ASSOCIATION — For Month of May:			
Total gas (M therms)	3,719,134	4,472,654	3,338,000
Natural gas sales (M therms)	3,452,166	4,151,361	3,031,500
Manufactured gas sales (M therms)	129,947	165,362	183,400
Mixed gas sales (M therms)	137,021	155,931	123,100
AMERICAN PETROLEUM INSTITUTE—Month of May:			
Total domestic production (bbls. of 42 gallons each)	207,914,000	200,508,000	173,687,000
Domestic crude oil output (bbls.)	191,268,000	183,800,000	159,441,000
Natural gasoline output (bbls.)	16,640,000	16,702,000	14,229,000
Benzol output (bbls.)	6,000	6,000	17,000
Crude oil imports (bbls.)	16,051,000	15,319,000	13,618,000
Refined products imports (bbls.)	11,097,000	*10,978,000	10,135,000
Indicated consumption domestic and export (bbls.)	218,506,000	*213,372,000	197,844,000
Increase—all stocks (bbls.)	16,556,000	13,433,000	‡404,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of July:			
New England	$29,215,614	$27,022,408	$31,062,528
Middle Atlantic	77,700,220	88,833,880	87,269,536
South Atlantic	64,846,220	38,567,089	44,119,420
East Central	80,544,082	94,152,446	118,101,739
South Central	57,522,360	52,246,490	99,571,771
West Central	24,420,424	22,799,198	47,404,159
Mountain	11,930,748	9,395,993	13,793,725
Pacific	69,392,224	52,023,538	83,655,330
Total United States	$415,571,892	$385,041,042	$524,978,208
New York City	45,557,765	51,458,270	37,123,541
Outside of New York City	370,014,127	333,582,772	487,854,667
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of July:			
Manufacturing number	130	129	151
Wholesale number	66	66	73
Retail number	340	390	343
Construction number	74	71	65
Commercial service number	55	43	62
Total number	665	699	694
Manufacturing liabilities	$7,790,000	$5,014,000	$8,533,000
Wholesale liabilities	4,456,000	6,234,000	2,640,000
Retail liabilities	4,778,000	7,434,000	5,251,000
Construction liabilities	2,666,000	3,085,000	1,619,000
Commercial service liabilities	1,398,000	1,006,000	1,495,000
Total liabilities	$21,088,000	$22,773,000	$19,538,000
COAL EXPORTS (BUREAU OF MINES) — Month of June:			
U. S. exports of Pennsylvania anthracite (net tons)	475,131	413,838	344,618
To North and Central America (net tons)	312,337	292,641	334,046
To South America (net tons)	28	1,803	------
To Europe (net tons)	162,766	119,394	10,572
To Asia (net tons)	------	------	------
To Africa (net tons)	------	------	------
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) to Aug. 16	538,468	------	454,636
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of July	767,282	818,714	606,878
In consuming establishments as of Aug. 4	1,370,446	1,754,427	1,307,194
In public storage as of Aug. 4	674,909	1,082,818	5,188,941
Linters—Consumed month of July	90,460	96,289	114,981
In consuming establishments as of Aug. 4	172,186	212,947	207,761
In public storage as of Aug. 4	49,746	75,400	163,701
Cotton spindles active as of Aug. 4	20,871,000	20,910,000	20,518,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Aug. 4	23,183,000	25,136,000	23,007,000
Spinning spindles active on Aug. 4	20,871,000	20,910,000	20,525,000
Active spindle hours (000's omitted) July	9,241,000	8,677,000	7,284,000
Active spindle hours per spindle in place July	410.8	514.3	408.1
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of May (000's omitted)	25,466,691	25,940,310	22,394,246
Revenue from ultimate customers—month of May	$451,676,900	$456,778,900	$407,411,300
Number of ultimate customers at May	45,711,427	45,501,032	43,684,250
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of July:			
Contracts closed (tonnage)—estimated	223,795	207,966	341,952
Shipments (tonnage) estimated	202,408	257,066	165,515
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of July:			
Deliveries (number of cars)	5,290	9,644	3,464
Backlog of orders at end of month (number of cars)	144,810	147,725	67,084
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSN.)—Month of July:			
Total number of vehicles	492,311	*617,685	706,702
Number of passenger cars	381,407	*482,029	595,067
Number of motor trucks	110,239	*134,818	111,238
Number of motor coaches	665	838	397
PORTLAND CEMENT (BUREAU OF MINES)—Month of June:			
Production (bbls.)	21,984,000	21,925,000	20,001,000
Shipment from mills (bbls.)	24,935,000	24,894,000	24,749,000
Stocks (at end of month—barrels)	16,439,000	*19,390,000	15,298
Capacity used	99%	96%	93%
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—Month of June:			
Total operating revenues	$855,753,244	$888,715,928	$779,182,389
Total operating expenses	677,684,976	693,802,498	588,763,307
Operating ratio	79.19%	78.07%	75.56%
Taxes	$96,568,337	$102,888,968	$84,293,231
Net railway operating income before charges	63,930,048	74,936,575	90,025,721
Net income after charges (est.)	50,000,000	50,000,000	75,000,000
ZINC OXIDE (BUREAU OF MINES)—Month of May:			
Production (short tons)	19,050	17,857	19,688
Shipments (short tons)	16,656	17,934	19,589
Stocks at end of month (short tons)	13,562	11,168	15,743

*Revised figure. ‡Decrease all stocks.

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Arkansas Power & Light Co. (10/9)
Sept. 5 filed $8,000,000 of first mortgage bonds due 1981. **Undewriter**—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 and other corporate purposes. **Bids**—Expected to be opened about Oct. 9.

Briddell (Charles D.), Inc., Crisfield, Md.
Aug 23 (letter of notification) 10,000 shares of 5% cumulative preferred stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To pay in part for construction of new plant.

Central Telephone Co., Chicago, Ill.
Aug. 28 (letter of notification) 26,500 shares of common stock (par $10), to be offered for subscription by common stockholders (other than Central Electric & Gas Co.) on basis of one share for each three shares held, with an oversubscription privilege. **Price** — $10.50 per share. **Underwriter**—None. **Proceeds**—To repay indebtedness to parent (Central Electric & Gas Co.) and for new construction. **Offering**—Expected early this month.

Champion Mines Co., Denver, Colo.
Aug. 31 (letter of notification) 1,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Underwriter**—None. **Proceeds**—For mining equipment and working capital. **Office**—941 Monroe St., Denver, Colo.

Clary Multiplier Corp., San Gabriel, Calif.
Aug. 29 (letter of notification) 23,250 shares of common stock (par $1). **Price**—$5 per share. **Undewriter**—None. **Proceeds**—To reduce bank loans and for working capital. **Office**—408 Junipero St., San Gabriel, Calif.

Consumers Cooperative Association, Kansas City, Mo.
Aug. 30 filed $5,000,000 of 4½% 10-year certificates of indebtedness and $3,000,000 of 20-year 5½% certificates of indebtedness. **Underwriter**—None. **Proceeds**—To purchase 6,000 shares of common stock of The Cooperative Farm Chemical Association, and for other corporate purposes, including financing of inventories and accounts receivable. **Business**—A regional farmers' cooperative purchasing association of the federated type, organized and operated on a cooperative basis to supply member associations with the products required by their farmer members and patrons.

Cribben & Sexton Co., Chicago, Ill.
Aug. 30 (letter of notification) 500 shares of preferred stock. **Price** — $13.50 per share. **Underwriter** — Wayne Hummer & Co., Chicago, Ill. **Proceeds** — To Harold Jalass, the selling stockholder.

Davis Frozen Foods, Inc., Lexington, N. C.
Aug. 27 (letter of notification) $150,000 of subordinated 6% debentures. **Price**—At principal amount (in denomination of $100 each). **Underwriter**—R. S. Dickson & Co., Charlotte, N. C. **Proceeds**—For working capital; to purchase outstanding preferred stock; and toward repurchase of company's plant.

Deep Rock Oil Corp.
Aug. 31 filed 49,912 shares of common stock (par $1) to be offered for subscription by common stockholders on basis of one share for each eight shares held, with an oversubscription privilege. **Price** — To be supplied by amendment. **Underwriters**—None. **Proceeds**—For further expansion of exploratory and production activities, working capital and other corporate requirements. **Loan** —Company also proposes to borrow $2,500,000 from The Penn Mutual Life Insurance Co. for further improvements and additions to refinery in late 1951 and in 1952.

Del-Mar Mortgage Corp., Dover, Del.
Aug. 29 (letter of notification) 900 shares of non-voting 5% preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To lend money on real estate mortgages. **Office**—Leith Bldg., City Plaza and State St., Dover, Del.

Elliston (Mont.) Consolidated Mining Co.
Aug. 27 (letter of notification 50,000 shares of common (non-assessable) stock. **Price** — At par ($1 per share). **Underwriter**—None. **Proceeds**—For exploration and development of mining properties.

First Louisiana Partnership, New Orleans, La.
Aug. 23 (letter of notification) 300 certificates of ownership in partnership. **Price**—$1,000 per unit. **Underwriter** None, but sales will be handled by Edward R. Goodrum and an employee. **Proceeds**—For use mainly in operation of finance and loan companies. **Office**—635 Common St., New Orleans, La.

Fischer & Porter Co., Hatboro, Pa.
Aug. 31 (letter of notification) 15,970 shares of class A preference stock (no par). **Price**—To aggregate not in excess of $159,705.10. **Underwriter**—None. **Proceeds**—For working capital.

I-T-E Circuit Breaker Co., Philadelphia, Pa.
Sept. 5 filed 60,000 shares of convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co., New York, and C. C. Collings & Co., Philadelphia, Pa. **Proceeds**—For working capital.

International Refineries, Inc. (9-25)
Aug. 31 filed $3,000,000 of 10-year subordinate sinking fund debentures, due Sept. 1, 1961, and 750,000 shares of common stock (par $1) to be offered in units of $20 principal amount of debentures and 5 shares of com. stock. **Price**—To be supplied by amendment (may be $25 per unit). **Underwriters**—Eastman, Dillon & Co., New York, and First Southwest Co., Dallas, Tex. **Proceeds**—From sale of units, together with $4,000,000 loan from Guaranty Trust Co. of New York, will be used to purchase land, to construct refinery and related facilities and for working capital.

Interstate Finance Co., Salt Lake City, Utah
Aug. 29 (letter of notification) 100,000 shares of voting common stock (par $1) and 50,000 shares of non-voting common stock (par $1). **Price**—$1.10 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—322 Continental Bank Bldg., Salt Lake City, Utah.

Interstate Oil & Development Co., Carson City, Nevada
Aug. 27 (letter of notification) 1,000,000 shares of common (non-assessable) stock. **Price**—At par (10 cents per share). **Underwriter**—None, but will be sold through W. A. Hayes, 156 Montgomery St., San Francisco, Calif.; Lester B. Walbridge, 263 West Fir St., Elko, Nev.; and Sam B. Bailey, 1480 Elmhurst Ave., Lovelock, Nev. **Proceeds**—For expenses incident to exploration and development of mining properties. **Offices**—215 N. Carson St., Carson City, Nev., and 156 Montgomery St., San Francisco, Calif.

Leon Land & Cattle Co., Ft. Stockton, Tex.
Aug. 28 (letter of notification) 260,000 shares of common stock (par $10 cents). **Price**—$1.15 per share. **Underwriter**—Beer & Co., Dallas, Tex. **Proceeds**—To retire debt and for working capital.

Macco Corp., Paramount, Calif.
Aug. 30 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At market (approximately $10 per share). **Underwriter** — None. **Proceeds** — To E. A. Pellegrin, a director of company. **Office**—14409 So. Paramount Blvd., Paramount, Calif.

Mercury Loan Co., East Moline, Ill.
Aug. 27 (letter of notification) 1,250 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None, stock to be sold by officers. **Proceeds**—To increase working capital. **Office** — 661 15th Ave., East Moline, Ill.

Michigan Associated Telephone Co. (9/18)
Aug. 31 filed 32,000 shares of $2.70 cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriter** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York. **Proceeds** —From sale of stock, together with other funds, to pay $1,600,000 bank loans made for construction purposes.

Michigan Gas & Electric Co.
Aug. 29 (letter of notification) 1,008 shares of common stock (par $10). **Price**—At market (about $25 per share). **Underwriter**—J. Arthur Warner & Co., Inc., Boston, Mass.—**Proceeds**—To Harry Levine (for 278 shares) and Commonwealth Plastics, Inc. (for 730 shares).

National Container Corp. (9/19-20)
Aug. 29 filed $20,000,000 of 15-year sinking fund debentures due Sept. 1, 1966 and 480,000 shares of $1.25 convertible preferred stock (par $25). **Price**—To be supplied by amendment. **Underwriters**—Halsey, Stuart & Co. Inc., and Van Alstyne Noel Corp. for debentures and Van Alstyne Noel Corp. for stock. **Proceeds**—To repay $6,175,000 of 4% notes due March 1, 1964, and for new construction. **Meeting**—Stockholders will vote Sept. 18 on approving the new preferred stock issue.

North Carolina Holding Co., Lexington, N. C.
Aug. 27 (letter of notification) $115,000 of debentures; 1,740 shares of preferred stock and 10,000 shares of common stock. **Price**—Of debentures, $100 per unit; of preferred, $100 per share; and of common, $1 per share. **Underwriter**—None. **Proceeds**—To provide capital structure of proposed corporation.

Northern Oil Co., Salt Lake City, Utah
Aug. 30 (letter of notification) 200,000 shares of common stock. **Price** — 50 cents per share. **Undewriter** — None. **Proceeds**—For drilling test wells. **Office**—19 West South Temple, Salt Lake City, Utah.

Pennsylvania Electric Co. (10/9)
Aug. 30 filed $5,000,000 of first mortgage bonds due Oct. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers, Drexel & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; A. C. Allyn & Co., Inc.; The First Boston Corp.; Shields & Co. and R. W. Pressprich & Co. (jointly). **Proceeds**—For construction program. **Bids**—Tentatively expected to be opened on Oct. 9.

Pennsylvania Electric Co. (10/9)
Aug. 30 filed 30,000 shares of cumulative preferred stock, series E (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Smith, Barney & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. **Proceeds**—For sale of preferred, together with $3,300,000 to be received from Associated Electric Co. for 165,000 common shares, will be used to repay a $2,500,000 bank loan and the remainder for new construction. **Bids**—Expected to be opened on Oct. 9.

Phillips Packing Co., Inc., Cambridge, Md.
Aug. 27 (letter of notification) 1,000 shares of common stock (no par). **Price**—At market ($8.87½ per share on Aug. 22). **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds**—To Theodore Phillips, Executive Vice-President, who is the selling stockholder.

Piedmont Aviation, Inc., Winston-Salem, N. C.
Aug. 28 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At approximately $3.25 per share. **Underwriter**—Kirchofer & Arnold Associates, Inc., Raleigh, N. C. **Proceeds**—To latter, who secured the stock pursuant to an option issued in connection with sale of common stock in 1948.

Sanitary Mattress, Inc., Washington, D. C.
Aug. 27 (letter of notification) 100,000 shares of common stock. **Price**—At $1 per share. **Underwriter**—None, sales to be handled by officers of company. **Proceeds** — For expenses incident to development of business and production or manufacture of sanitary mattresses, or kindred products. **Office** — 1713 M St., N.W., Washington, D. C.

Thomas (I. P.) & Son Co., Camden, N. J. (9/7)
Aug. 31 (letter of notification) 2,000 shares of non-voting common stock (no par) to be offered for subscription to common stockholders of record Aug. 30 at rate of one share for each five shares held; rights will expire on Sept. 27. **Price** — $50 per share. **Underwriter** — None. **Proceeds** — For working capital. **Office** — 721 Market St., Camden 2, N. J.

Transgulf Corp., Houston, Tex.
Aug. 30 (letter of notiifcation) 8,000 shares of capital stock (par 10 cents). **Price**—$1.25 per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—To Gearko, Inc., N. Y., the selling stockholder.

Ultrasonic Corp., Cambridge, Mass.
Sept. 4 filed 100,000 shares of common stock (par $5). **Price** — Approximately $13 per share. **Underwriter**—Coffin, Betz & Co., Philadelphia, Pa. **Proceeds**—To exercise options for purchase of capital stock of S. A. Woods Machine Co., Boston, Mass.

Union Bag & Paper Corp., N. Y.
Aug. 30 (letter of notification) 1,000 shares of capital stock (no par). **Price**—At market (about $49.50 per share). **Underwriter**—Cyrus J. Lawrence & Sons, New York. **Proceeds**—For working capital.

Universal Farm Sales, Inc., Saginaw, Mich.
Aug. 23 (letter of notification) 45 shares of common stock (par $100) and 250 shares of 5% cumulative preferred stock (par $100), of which 27 shares of common stock will be sold for account of two selling stockholders and remaining shares for company's account to employees and directors, and a few selected individuals. **Price**—Of common, $320 per share, and of preferred, $100 per share. **Underwriter**—None. **Proceeds**—To company, will be used for working capital. **Office** — 3036 Carrollton Road, Saginaw, Mich.

Previous Registrations and Filings

Aegis Corp., Denver, Colo.
Aug. 8 (letter of notification) 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase 50,000 shares of capital stock (par $1) of Aegis Casualty Insurance Co. at $1.50 per share, and for operating capital. **Office**—E and C Building, Denver, Colo.

Acro Manufacturing Co., Columbus, Ohio
Aug. 14 (letter of notification) 40,716 shares of common stock (par 25 cents), to be offered to present stockholders at rate of four-fifths of a share for each share held (unsubscribed shares to be sold to public). **Price**—$7 per share to stockholders and $8 per share to public. **Underwriter**—None. **Proceeds**—For plant improvements and expansion and for working capital. **Office**—2040 East Main Street, Columbus, Ohio.

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.

★ 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**—To be received up to 11 a.m. (EDT) on Sept. 11 at 20 Pine Street, New York, N. Y.

★ 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**—At 100%. **Underwriter**—Tellier & Co., New York. **Proceeds**—For expansion and modernization needs and working capital. **Offering**—Expected in a few weeks.

★ 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. Statement effective Aug. 21.

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 Box Board Co. (9/11)
Aug. 21 filed $5,000,000 first (closed) mortgage sinking fund 4¾% bonds due 1961 ($300,000 of which will be offered to directors, officers and salaried employees of the company). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Proceeds**—To finance a second paperboard machine and related equipment at the Manistee, Mich., plant.

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 Cladmetals Co. (9/18)
Aug. 22 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.12½ per share. **Underwriters**—Graham & Co., Pittsburgh, Pa., and Graham, Ross & Co., Inc., New York. **Proceeds**—For working capital and new equipment.

American Investment Co. of Illinois (9/7)
Aug. 16 filed 167,105 shares of $1.25 cumulative convertible preference stock, series A (par $25), to be offered in exchange for common stock of Domestic Finance Corp., Chicago, Ill., the offer to expire on Sept. 25. **Exchange Rate**—To be supplied by amendment. **Dealer-Managers**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons., Baltimore, Md.

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.

Arizona Motion Picture Corp., Mesa, Ariz.
Aug. 22 (letter of notification) 27,800 shares of 6% cumulative preferred stock. **Price** — At par ($10 per share). **Underwriter**—None. **Proceeds** — For expenses incident to production, advertising and exploitation of motion pictures. **Address**—P. O. Box 364, Mesa, Ariz.

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.

Brunner Manufacturing Co., Utica, N. Y.
Aug. 27 (letter of notification) 5,959.54 shares of common stock (par $1), to be issued as a 2% stock dividend on Sept. 1 to holders of record Aug. 20 and to be purchased by underwriters at $7.75 per share. **Price**—$8.25 per share. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

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.

★ Central Eureka Mining Co.
Aug. 7 filed 300,000 shares of capital stock being 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.

NEW ISSUE CALENDAR

September 6, 1951
Southern Pacific Co. noon (EDT)..Eq. Trust Ctfs.

September 7, 1951
American Investment Co. of Illinois...Preference
Thomas (I. P.) & Son Co.........Common

September 10, 1951
Hobby & Brown Electronic Corp.........Common

September 11, 1951
Alabama Power Co. 11 a.m. (EDT).........Bonds
American Box Board Co.........Bonds
Sonotone Corp.........Preferred
Tennessee Gas Transmission Co. noon (EDT)..Bonds

September 12, 1951
Chesapeake & Ohio Ry. noon (EDT).........Equip. Trust Ctfs.
International Bank for Reconstruction and Development.........Bonds

September 18, 1951
American Cladmetals Co.........Common
Chicago, Rock Island & Pacific Ry...Eq. Trust Ctfs.
Cott Beverage Corp.........Preferred
Merck & Co., Inc.........Preferred
Michigan Associated Telephone Co......Preferred
New England Gas & Electric Association 11:30 a.m. (EDT).........Bonds
Pennsylvania Power & Light Co.........Common
Roddis Plywood Corp.........Common

September 19, 1951
Chicago, Milwaukee, St. Paul & Pacific RR. noon (CDT)...Equip. Trust Ctfs.
National Container Corp......Debs. & Preferred
Utah Power & Light Co. 11 a.m. (EDT)...Common

September 20, 1951
Cone Mills Corp.........Common
Harshaw Chemical Co.........Preferred

September 24, 1951
Mutual Telephone Co. (Hawaii).........Common

September 25, 1951
International Refineries, Inc.....Debs. & Common
Southern Counties Gas Co. of California....Bonds

September 26, 1951
Marine Midland Corp.........Preferred

September 27, 1951
Natural Gas & Oil Corp.........Common

October 2, 1951
Public Service Co. of Colorado.........Bonds

October 9, 1951
Arkansas Power & Light Co.........Bonds
Pennsylvania Electric Co.......Bonds & Preferred

October 29, 1951
Utah Power & Light Co. noon (EST).......Bonds

November 9, 1951
Pacific Telephone & Telegraph Co...Debs & Com.

City Title Insurance Co.
Aug. 16 (letter of notification) 16,000 shares of common stock (par $2.50) being offered to stockholders of record Aug. 20 on basis of one share for each 5¼ shares held; rights expire on Sept. 14. **Price**—$5 per share to stockholders and at $6 per share to public. **Underwriter** — Chilson, Newberry & Co., Inc., Kingston, N. Y. **Proceeds**—For general corporate purposes.

Clinton (Mich.) Machine Co.
Aug. 16 (letter of notification) 100,000 shares of common stock (par $1). **Price**—At the market (estimated at $2.75 per share, but not more than $3 per share). **Underwriter**—None. **Proceeds**—For working capital, including payment of accounts payable and purchase of inventory.

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.

★ Columbus & Southern Ohio Electric Co.
Aug. 8 filed $12,000,000 of first mortgage bonds, due 1981. **Underwriter**—White, Weld & Co. awarded issue on Sept. 5 on its bid of 101.6319 for 3¼s. Reoffering expected at 102.4222 and accrued interest. **Proceeds**—To repay bank loans and for construction purposes. Statement effective Aug. 28.

★ Cone Mills Corp., Greensboro, N. C. (9/20)
Aug. 29 filed 400,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Underwriters**—Morgan Stanley & Co., New York. **Proceeds**—To four selling stockholders.

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.

Consumers Public Service Co., Brookfield, Mo.
Aug. 22 (letter of notification) 1,500 shares of 5% cumulative preferred stock. **Price** — At par ($50 per share). **Underwriter**—None, but will be sold through Wachob-Bender Corp., Omaha, Neb. **Proceeds**—For liquidation of short-term notes and for further extensions and betterments of the company's electric property. **Office**—201½ No. Main St., Brookfield, Mo.

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.

Crown Drug Co., Kansas City, Mo.
Aug. 21 (letter of notification) by amendment $300,000 4½% debenture convertible notes due Oct. 1, 1962 (in units of $60, $100, $500 and $1,000). **Underwriters**—Roger W. Babson, Wellesley Hills, Mass.; H. J. Witschner, Kansas City, Mo.; Business Statistics Organization, Inc., Babson Park, Mass.; or their nominees. **Proceeds**—To retire debt to RFC and for working capital. **Office**—2110 Central St., Kansas City, Mo.

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.

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.

★ Excalibur Uranium Corp., Denver, Colo.
Aug. 13 (letter of notification) 99,750 shares of class B stock being offered to stockholders on a preemptive basis of one share for each two shares held; unsubscribed shares to be offered to a few selected investors. **Price**—$2 per share. **Underwriter**—None. **Proceeds**—For working capital and for development work on mineral claims. **Address**—c/o Holland & Hart, 350 Equitable Building, Denver, Colo.

★ Fleming Co., Inc., Topeka, Kansas
Aug. 14 (amendment) filed 2,000 shares of 5% cumulative preferred stock (par $100) and 9,000 shares of common stock (par $25), of which 3,000 shares of common stock were offered for a period of 10 days to common stockholders, officers and employees and 2,000 shares of preferred and 6,000 shares of common 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 $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., Inc., all of Topeka, Kan. **Proceeds**—For working capital. Statement effective Aug. 24.

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.

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.

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★ 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**—Date indefinite.

Glen Roger Credit, Inc., Washington, D. C.
Aug. 16 (letter of notification) 60,000 shares of 30-cent dividend class A stock (par $1). **Price**—$5 per share. **Underwriter** — John C. Kahn Co., Washington, D. C. **Proceeds**—For working capital. **Office**—1108 16th St., N. W., Washington, D. C.

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.

Hahn Aviation Products, Inc.
Aug. 27 (letter of notification) 17,500 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—None, but company will effect its own distribution. **Proceeds**—For engineering, acquisition of machinery and other corporate purposes. **Office**—2636 No. Hutchinson Street, Philadelphia 33, Pa.

Hedges Diesel, Inc., Eddington, Pa.
Aug. 27 (letter of notification) 12,500 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To build Diesel truck engines.

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 Sept. 26. **Dealer - Manager** — Carl M. Loeb, Rhoades & Co., New York.

★ Hobby & Brown Electronic Corp. (9/10)
Aug. 22 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Underwriter**—Willis E. Burnisde & Co., Inc., New York. **Proceeds**—To purchase inventory and for working capital. **Office**—55 Front Street, Rockville Centre, N. Y.

Imperial Brands, Inc.
Aug. 20 (letter of notification) 50,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To purchase additional machinery and equipment and for working capital. **Office**—324 Hindry Avenue, Inglewood, Calif.

Inland Steel Co.
Aug. 27 filed 250,000 shares of capital stock (no par) to be issuable upon exercise of stock option issuable under the company's proposed stock option plan to be voted upon by stockholders on Sept. 6. **Price**—To be 85% of current fair market value of the stock. **Proceeds**—For working capital.

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.

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.

Los Angeles Drug Co. (Calif.)
July 23 filed $500,000 of 15-year 5% sinking fund debentures 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.

★ Maplehurst Farms, Inc., Indianapolis, Ind.
Aug. 23 (letter of notification) $200,000 of 5¼% first mortgage sinking fund bonds due 1961 (in denominations of $500 and $1,000 each). **Price**—At par. **Underwriter**—City Securities Corp., Indianapolis, Ind. **Proceeds**—To retire short-term bank loans and for working capital. **Office**—3745 Farnsworth St., Indianapolis, Ind.

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.

Merck & Co., Inc. (9/18)
Aug. 23 filed 244,500 shares of cumulative convertible 2nd preferred stock, no par (each share convertible into 2.9 shares of common stock), to be offered for subscription by common stockholders of record Sept. 18 at rate of one preferred share for each 30 common shares held after the proposed 3-for-1 stock split to be voted upon Sept. 10. Rights will expire on Oct. 3. **Price**—To be supplied by amendment. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York. **Proceeds**—For capital expenditures and working capital.

Microtech Corp., Los Angeles, Calif.
Aug. 23 (letter of notification) 12,500 shares of capital stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and other assets useful in manufacture of miniature ball bearings and for working capital for initial operation. **Office**—1706 S. Grand Avenue, Los Angeles, Calif.

Midwest Plant Foods, Inc., Napoleon, Ohio
Aug. 20 (letter of notification) 400 shares of common stock (no par) and 200 shares of 6% non-cumulative preferred stock (par $500), probably to be offered in units of one preferred and two common shares at $500 per unit. **Underwriter**—None. **Proceeds** — For purchase of materials to be used in the manufacture of fertilizer.

Mohawk Business Machines Corp.
Aug. 28 (letter of notification) 2,000 shares of common stock (par 10 cents). **Price**—At market (estimated at $1 per share). **Underwriter**—Maurice Barnett, Jr., Manhasset, L. I., N. Y. **Proceeds**—To two selling stockholders.

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.

Mutual Telephone Co. (Hawaii) (9/24-25)
July 27 filed 150,000 shares of common stock (par $10) to be offered for subscription by common stockholders on a one-for-five basis, with a 14-day standby; and to employees. **Price**—To be supplied by amendment (expected at $10 per share). **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—To pay outstanding bills and for construction program.

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.

Norris Oil Co., Bakersfield, Calif.
Aug. 10 (letter of notification) 500 shares of capital stock (par $1). **Price**—$4.75 per share. **Underwriter**—Walston, Hoffman & Goodwin, Bakersfield, Calif. **Proceeds**—To Arthur W. Scott, Secretary, who is the selling stockholder. No general public offering is planned.

Nu-Enamel Corp., Chicago, Ill.
Aug. 24 (letter of notification) 102,492 shares of common stock, to be offered in exchange of 171,650 shares of common stock and certain notes of McCormack-Medl Corp. **Underwriter**—None.

★ 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 fully effective Aug. 29, 1951.

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.

Pennsylvania Power & Light Co. (9/18)
Aug. 29 filed 542,484 shares of common stock (no par), to be offered for subscription by common stockholders of record Sept. 18 at rate of one new share for each seven shares held; rights to expire on or about Oct. 3. Unsubscribed shares to be offered for subscription by employees. **Price**—To be supplied by amendment. **Underwriters**—Drexel & Co. and The First Boston Corp. **Proceeds**—To finance, in part, construction program (estimated to total $12,700,000 during remainder of 1951.

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.

★ 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. 25. **Dealer-Manager**—Aetna Securities Corp., New York. Statement effective June 29. Plan declared effective on Aug. 14.

★ Roddis Plywood Corp., Marshfield, Wis. (9/18-19)
Aug. 29 filed 281,500 shares of common stock (par $1), of which 200,000 shares are for account of the company and 81,500 shares for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc., and Reynolds & Co., New York. **Proceeds**—For general corporate purposes, including purchase of additional timber reserves, and for working capital.

★ Rohr Aircraft Corp., Chula Vista, Calif.
Aug. 10 (letter of notification) 8,000 shares of capital stock (par $1). **Price**—At market (estimated at $12.50 per share). **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif. **Proceeds**—To Fred H. and Shirley B. Rohr and J. E. and Esther D. Rheim, who are the selling stockholders.

Roper (Geo. D.) Corp.
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.

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.

Schenley Industries, Inc., N. Y.
Aug. 17 (letter of notification) 2,935 shares of common stock (par $1.40). **Price**—$33.75 per share. **Underwriter**—None, but Wagner, Stott & Co., New York, will act as broker. **Proceeds**—To Lewis S. Rosenstiel, Chairman, who is the selling stockholder. **Office**—350 Fifth Ave., New York 1, N. Y.

Security Finance, Inc., Washington, D. C.
Aug. 14 (letter of notification) $100,000 of 5-year 8% debenture bonds. **Underwriter** — None. **Proceeds**—For purchase of second trust notes secured on District of Columbia real estate. **Office** — 1115-15th St., N. W., Washington, D. C.

Slick Airways, Inc., Burbank, Calif.
Aug. 14 filed 147,301 shares of common stock to be offered for sale as follows: 87,906 shares to holders of presently outstanding Employee Option Warrants and 59,395 shares to holders of Stockholders Option Warrants. **Price**—At par ($10 per share). **Underwriter**—Probably F. S. Moseley & Co. **Proceeds** — To purchase new equipment and for other corporate purposes.

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.

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.

★ Sonotone Corp., Elmsford, N. Y. (9/11-12)
Aug. 23 filed 40,000 shares of cumulative convertible preferred stock (par $20). **Price** — To be supplied by amendment. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds** — To reduce bank loans, and for new machinery and working capital.

★ Southern Counties Gas Co. of California (9/25)
Aug. 24 filed $12,000,000 of first mortgage bonds, 3½% series due 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Harriman Ripley & Co. Inc. and Dean Witter & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); White, Weld & Co. **Proceeds**—To reimburse treasury for capital expenditures,

for new construction, and to reduce indebtedness of company to its parent, Pacific Lighting Co. **Bids**—Expected to be received on Sept. 25.

Southwestern Associated Telephone Co.
June 15, filed 17,500 shares of $5.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York, and Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—To retire $1,500,000 of bank loans and the balance added to general corporate funds. **Offering** — Postponed.

★ Spencer Chemical Co., Kansas City, Mo.
Aug. 3 filed 125,000 shares of 4.50% cumulative convertible second preferred stock (par $50) being offered to common stockholders in ratio of one share of preferred for each eight common shares held Aug. 27, with rights expiring Sept. 11. **Price** — $50 per share and accrued dividends. **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. Statement effective Aug. 27.

Suburban Gas Service, Inc., Upland, Calif.
Aug. 22 (letter of notification) 12,000 shares of common stock (par $1). **Price**—$4.50 per share. **Underwriters**—Lester & Co., and Wagenseller & Durst, Inc., both of Los Angeles, Calif. **Proceeds** — To William R. Sidenfaden, President of the company, who is the selling stockholder. **Office**—60 East Foothill Blvd., Upland, Calif.

Suburban Propane Gas Corp.
Aug. 22 (letter of notification) 5,250 shares of common stock (par $1). **Price**—$16 per share. **Underwriter**—None, but Eastman, Dillon & Co., New York, and/or Bioren & Co. may act as brokers. **Proceeds**—To SBN Gas Co., the selling stockholder.

★ Tennessee Gas Transmission Co. (9/11)
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. **Bids**—To be received at the office of Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y., up to noon (EDT) on Sept. 11. Statement effective Aug. 28.

Texas Southeastern Gas Co., Bellville, Tex.
May 16 (letter of notification) 19,434 shares of common stock to be offered to common stockholders through transferable warrants. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—For working capital.

Tiger Minerals, Inc., San Antonio, Tex.
Aug. 20 (letter of notification) 15,000 shares of common stock (no par), of which 5,000 will be offered to stockholders through warrants at $10 per share, and 10,000 shares to stockholders under pre-emptive rights at $15 per share; unsubscribed shares to be sold to public at $15 per share. **Underwriter**—None. **Proceeds**—To engage in the oil and gas business, to develop and explore mineral leases now owned by company, and to acquire, explore and develop new mineral leases. **Office** — 809 Alamo National Bldg., San Antonio, Tex.

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.

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.

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. Statement effective Aug. 28.

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.

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.
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. **Offering**—Indefinitely postponed.

Prospective Offerings

★ American Export Lines, Inc.
Aug. 20 it was reported that a registration statement may be filed late in September covering 110,000 shares of common stock (par 40 cents). **Underwriter** — Probably Union Securities Corp., New York. **Proceeds**—To selling stockholders. **Offering**—Expected early in October.

● Ashland Oil & Refining Co.
Sept. 4 it was stated that the company expects to issue and sell later this month $7,000,000 of 20-year debentures due 1971 and 50,000 shares of $5 dividend preferred stock (par $100). **Price**—To be determined later. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill. **Proceeds**—For new plant and equipment.

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.

● Bing & Bing, Inc.
Aug. 30 it was reported company is contemplating sale of additional common stock following approval of 3-for-1 stock split, which was scheduled to be voted upon Sept. 5. Traditional underwriter: Lehman Brothers.

Canadian Atlantic Oil Co., Ltd.
Aug. 7, it was reported company expects to file in the near future a registration statement with the SEC covering approximately 1,150,000 shares of common stock (par $2), following merger, which will be voted upon Sept. 4, into Atlantic Oil Co., Ltd. (a subsidiary of Pacific Petroleums, Ltd.), of Princess Petroleums, Ltd. (an affiliate of Pacific Petroleums) and Allied Oil Producers, Ltd., the consolidated company to change its name to Canadian Atlantic Oil Co., Ltd. **Underwriter**—Reynolds & Co., New York.

★ Central Illinois Light Co.
Aug. 10, it was reported company plans to issue and sell about $7,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For new construction and to repay bank loans. **Offering**—Expected in September.

Central & South West Corp.
Aug. 31 it was announced company plans to issue and sell 500,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co.; Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co.; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly). **Proceeds**—To be used to assist subsidiaries to finance a part of their construction programs. **Registration**—Expected about Sept. 10. **Bids**—To be opened early in October.

★ 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 from April 1, 1952 to Oct. 1, 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Chicago, Milwaukee, St. Paul & Pacific RR. (9/19)
Bids will be received by the company, at Room 744, Union Station Bldg., Chicago 6, Ill., up to noon (CDT) on Sept. 19 for the purchase from it of $7,500,000 equipment trust certificates, series 00, to be dated Oct. 1, 1951, and to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific Ry. (9/18)
Bids are expected to be received by the company on Sept. 18 for the purchase from it of an issue of about $5,700,000 equipment trust certificates, series J, to mature semi-annually from April 1, 1952 to Oct. 1, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 Fuel & Iron Corp.
Aug. 15, it was reported that company plans erection of a $30,000,000 mill at Pueblo, Colo., which may be financed partly by private placement and partly by public offering. Traditional underwriter: Allen & Co., New York.

Colorado Interstate Gas Co.
Aug. 20 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 October or November.

Commonwealth Edison Co.
May 22 Charles Y. Freeman, Chairman, announced that the company's scheduled construction program for the 1951-54 period calls for the expenditure of about $450,000,000, of which it is estimated that $200,000,000 will be provided out of cash resources at the end of 1950. This means that additional capital of about $250,000,000 will be required through 1954. Neither the timing nor the nature of this new financing have yet been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co.

Consolidated Edison Co. of New York, Inc.
March 23 company applied to New York P. S. Commission for authority to issue and sell $25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981 (in addition to $40,000,000 series G bonds filed with the SEC on March 30). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Proceeds** — To redeem a like amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967. **Offering**—Postponed.

★ Consumers Power Co. (Mich.)
Aug. 24, Justin R. Whiting, President, announced that the company proposes to offer and sell to its common stockholders on a 1-for-10 basis an additional 561,517 shares of common stock (no par). It is expected that the offer will be underwritten. If sold at competitive bidding, bidders may include: Morgan Stanley & Co.; Lehman Brothers; Harriman Ripley & Co., Inc. and The First Boston Corp. Morgan Stanley & Co., New York, acted as dealer-manager in a common stock offering to stockholders last October. Proceeds are to be used to finance in part the 1952 portion of the company's expansion program. It will be necessary to issue additional securities in 1952, the exact nature and amount of which have not been determined.

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.

★ Cott Beverage Corp., New Haven, Conn. (9/18)
Aug. 22 it was stated that the company plans issuance and sale of 30,000 shares of preferred stock (par $10), each share to carry a bonus of common stock. **Underwriter**—Ira Haupt & Co., New York. **Proceeds**—For expansion program.

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 (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. **Offering** — Expected in October.

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 $157,000,000 to $300,000,000. **Traditional Underwriter**—White, Weld & Co., New York.

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★ Goodall-Sanford, Inc.
Aug. 23 it was reported that company was understood to be planning additional financing. Traditional underwriter: Union Securities Corp., New York.

Hahn Aviation Products, Inc.
Aug. 24 it was announced company proposes to offer 12,500 additional common stock (par $1), in addition to 17,500 shares filed by letter of notification with SEC—see above. **Underwriter**—None. **Proceeds**—For engineering, acquisition of machinery and other corporate purposes. **Office** — 2636 No. Hutchinson St., Philadelphia 33, Pa.

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.

Hathaway (C. F.) Co., Waterville, Me.
Aug. 18, it was stated that the company plans to issue and sell 12,000 additional shares of 5.8% preferred stock (par $25), which will carry warrants entitling the holders thereof to purchase 1½ shares of common stock. Stockholders will be asked to increase the authorized number of shares of preferred stock from 20,000 to 40,000. **Price**—To be named later. **Underwriter**—Probably H. M. Payson & Co., Portland, Me. **Proceeds**—For working capital.

● Hollingworth & Whitney & Co.
Aug. 29 the directors voted to issue and sell publicly 100,000 additional shares of common stock. **Underwriters**—Paine, Webber, Jackson & Curtis and Harriman Ripley & Co., Inc. **Proceeds**—To finance acquisition of southern timberland. **Offering**—Expected in October.

★ Idaho Power Co.
Aug. 23 the FPC authorized company to issue and sell $15,000,000 first mortgage bonds due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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.; Kuhn, Loeb & Co., Lehman Brothers, A. C. Allyn & Co., Inc., and Wood, Struthers & Co. (jointly). Proceeds will be used for additions and improvements to the company's properties. **Offering**—Expected about Oct. 16.

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 Bank for Reconstruction and Development ("World Bank") (9/12)
Aug. 28 it was stated that the Bank will sell $100,000,000 of additional 30-year bonds about Sept. 12. **Underwriters**—First National Bank of Chicago, Halsey, Stuart & Co. (jointly) and others.

Kansas Gas & Electric Co.
May 24 Murray F. Gill, Chairman of the board, announced that the company's present construction program calls for expenditures of more than $8,000,000 in 1951. To finance part of the expansion program, company may sell $5,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). There is a possibility that company may also decide to refund its outstanding $16,000,000 first mortgage 3⅜% bonds due 1970 (held by a group of insurance companies) and $5,000,000 first mortgage 3⅛% bonds due 1978.

● Lehmann (J. M.) Co. (N. J.)
Sept. 1 it was reported that the Office of Alien Property expects to call for bids in October on all of the outstanding stock of this corporation.

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.

Marine Midland Corp., Buffalo, N. Y. (9/26)
Aug. 16 it was announced company plans to offer to its stockholders the right to subscribe to 223,352 shares of new cumulative convertible preferred stock (par $50) on a basis of one share of preferred for each 25 shares of common stock held on or about Sept. 26; rights to expire Oct. 16. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp.; Union Securities Corp. and Granbery, Marache & Co. of New York; and Schoellkopf, Hutton & Pomeroy, Inc. of Buffalo, N. Y. **Proceeds**—To permit acquisition of an additional bank or banks to expand the capital funds of one or more of the constituent banks, and for general corporate purposes. **Meeting**—Stockholders will vote Sept. 20 on approving the proposed financing. **Registration**—Expected about Sept. 7.

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.

Mengel Co.
Aug. 10, Alvan A. Voit, President, stated that the company plans to spend from $15,000,000 to $20,000,000 for expansion, but that plans for financing have not yet been completed. Traditional underwriter—F. S. Moseley & Co.

★ Natural Gas & Oil Corp. (9/27)
Aug. 20 it was announced company is planning issuance and sale of 900,000 shares of common stock. **Price**—Expected at about $11.25 per share. **Underwriter**—Union Securities Corp., New York. **Registration**—Scheduled for Sept. 7. **Offering**—Expected about Sept. 27.

● New England Power Co.
Aug. 27 it was reported that company plans to sell 80,000 shares of preferred stock this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

● Ohio Associated Telephone Co.
Aug. 31 it was reported that this company may issue and sell about $1,500,000 of preferred stock this Fall. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds**—For new construction.

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 Telephone & Telegraph Co. (11/9)
Aug. 15 it was announced company plans to issue and sell $30,000,000 of 30-year debentures and 633,274 additional shares of common stock at par ($100 per share) to present stockholders at rate of one new share for each nine shares held. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co. Proceeds will be used to repay bank loans and for expansion program.

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. This may involve the issuance of 24,700 additional shares on a one-for-eight basis. There are presently outstanding 197,600 shares of $1 par value. **Probable Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—For working capital.

● Pennsylvania Telephone Co.
Aug. 31 it was reported that company may issue and sell this Fall between $1,000,000 and $2,000,000 preferred stock. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds**—For new construction.

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 Colorado (10/2)
Aug. 23 it was reported company plans issuance and sale of $15,000,000 first mortgage bonds late in September or early in October. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., Inc.

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.
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.

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.

● Southern California Edison Co.
Aug. 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 3⅛% first and refunding mortgage bonds which were sold last week. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part on market conditions existing from time to time and may include temporary bank loans.

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 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 Pacific Co. (9/6)
Bids will be received by the company at 165 Broadway, New York, N. Y., up to noon (EDT) on Sept. 6 for the purchase from it of $10,920,000 equipment trust certificates, series GG, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Southern Union Gas Co.
Aug. 28 it was reported company plans registration this week of $10,000,000 of new securities. **Underwriter**—Blair, Rollins & Co., New York. **Proceeds** — For new construction.

United Gas Corp.
Aug. 1, N. C. McGowan, President, announced that "it will be necessary to arrange for an additional $50,000,000 to complete the total financing, and it is presently anticipated this will be done by the sale of first mortgage and collateral trust bonds during the latter part of the year." **Underwriters**—To be determined by competitive bidding. Bidders for an issue of like amount sold on July 24 were Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—For expansion program of United Gas System and for other corporate purposes.

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. Expected this fall.

★ West Texas Utilities Co.
Aug. 31 it was announced company plans to sell $8,000,000 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.

Our Reporter's Report

The passing of the summer-end holiday brought a breath of life into the new issue market this week, but it was indicated that the pace should be picking up in the near future with a number of deals already well along toward the offering stage.

Bankers had the Columbus & Southern Ohio Edison's $12,000,000 of 30-year first mortgage bonds to bid for yesterday with offering to the public in prospect today provided customary clearance was given by the Securities and Exchange Commission.

Today the major issues involved railway equipment trusts and a large municipal issue for Jefferson County, Alabama Southern Pacific's $10,920,000 of equipments was counted upon to bring the usual lively run of bidding.

The $10,000,000 Jefferson County offering, regarded as the forerunner of a reawakening of the municipal market, likewise was expected to attract brisk bidding by interests specializing in that type of security.

Meanwhile underwriters had little business on their hands, but they were counting on the firm tone ruling generally in the seasoned market to act as an inducement to corporations which, for one reason or another, have delayed prospective financing operations.

United Gas Corp.

Reports are current that United Gas Corp., large-scale transporter and distributor of natural gas, contemplates entering the market in the near future for another sizable bond issue.

Current discussion indicates that the firm may seek as much as $50,000,000 to help finance its vast expansion program spurred additionally by the growth of defense industry in its territory.

The company borrowed $50,000,000 in the market only a few months ago, but evidently work is progressing at a rate which requires that necessary financial preparations be kept moving.

National Container Corp.

One of the largest industrial undertakings now shaping up involves National Container Corp.'s plans for the sale of debentures and preferred stock. Shareholders are slated to vote, Sept. 18, on the proposal to issue 480,000 shares of new convertible preferred.

Meanwhile the company is projecting the sale of $20,000,000 of debentures which will be handled by one banking group while the sale of the senior stock will be carried through by another.

Proceeds will be used to pay off $6,175,000 of notes and to finance new construction now in progress.

Utah Power & Light Co.

This company has rather extensive financing plans in the works with the first portion, involving the sale of 175,000 shares of additional no par common stock slated for Sept. 19.

From all indications bidding for this block of equity securities will be lively with five groups already having signfied their intention of entering tenders.

Near the close of October the company will open bids for $9,000,000 of 30-year first mortgage bonds, for which four groups are preparing bids. Proceeds from both issues will be applied to repayment of bank loans and financing new construction.

"Standby" Deal Up for Bids

Consumers Power Co. (Mich.) is planning to finance on a "rights" basis through the sale of 561,517 shares of new common to its present shareholders on a one-for-ten basis.

The expectation is that the company will ask for underwriting bids on a "standby" basis with the successful group taking the role of dealer-manager of the offering expected to reach market next month.

The company is anticipating a part of its 1952 financing requirements through this operation.

Arrowsmith Director

F. D. Arrowsmith

F. Donald Arrowsmith, a partner in the New York Stock Exchange firm of J. R. Williston & Co., has been elected a director of the Falstaff Brewing Co. of St. Louis.

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Credits Bank was made on Aug. 16 by M. G. Newcomb, New York fiscal agent for the bank. The financing, totaling $98,705,000 consisted of $30,005,000 2.00% consolidated debentures due Jan. 2, 1952 and $68,700,000 2.25% consolidated debentures due June 2, 1952. Both issues were dated Sept. 4, 1951 and were placed at par.

The proceeds, together with $1,780,000 cash from Treasury, were used to retire $100,485,000 of debentures maturing Sept. 4, 1951.

As of the close of business Sept. 4, 1951, the total amount of debentures outstanding amounted to $788,455,000.

Holt & Collins Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Esther R. Offenbach has been added to the staff of Holt & Collins, Russ Building, members of the San Francisco and Los Angeles Stock Exchanges.

With Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Thelma P. Furey has joined the staff of Pacific Coast Securities Company, 519 California Street.

Joins Paul Rudolph Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Herbert Renstrom is with Paul C. Rudolph & Company, 127 Montgomery Street.

With Wagenseller Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Wallace B. Alexander has been added to the staff of Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mary J. Huning has become connected with Dean Witter & Co., 632 South Spring Street. Miss Huning was formerly with Barbour, Smith & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Among those members of Congress who have better than a speaking acquaintance with fiscal affairs there is a gloom bordering on defeatism over the long-term outlook for the government's finances.

What makes them gloomy is that the "worst" as it was outlined officially by the Administration several weeks ago already has become even worse. This defeatism has affected the Congress, and in part is the explanation of why the Finance Committee of the Senate laid down and played dead and let the House run over the committee with most of the latter's provisions on the corporation income tax increases.

On the eve of the new fiscal year the Finance Committee insisted upon pinining down Mr. Elmer Staats, Assistant Director of the Budget, about the budgetary outlook for the next two or three years. After much hedging and advance alibi-ing, Mr. Staats finally outlined the picture.

For the current fiscal year total military expenditures for the U. S. and its allies were predicted at $42 billion; for fiscal 1953, $55-$65 billion—and rising. Add other related defense, such as for Atomic Energy, items not included in the $55-$65 billion, and then add what Mr. Staats breezily sets at $20 billion and anybody else would put much higher—the costs of aid for veterans, aid for farmers, etc., and all other expenses of government, and you come out with a Federal budget in fiscal '53—next year—of $85 billion.

"So you are talking about $85 billion in fiscal 1953, is that right, roughly?" asked Senator Eugene Milliken (D. Colo.) at the time.

"That is right, roughly $85 billion. Thus it may be assumed that budget expenses for 1953 will total between $80 and $90 billion," Mr. Staats replied.

However, the Assistant Director of the Budget offered eventual hope for the undeserving taxpayer. He said that the defense build-up will reach a peak in late fiscal '53 or early fiscal '54. Thereafter there will be a gradual reduction in the rate of national security expenditures for fiscal '54 and later years. This drop back in the rate is "scheduled," he said, to begin in fiscal '54.

* * *

This commitment was made by the Administration spokesman on June 29. It was made before Harry Truman and his advisers came to realize that the country could stand for as much as was being spent to make him play the role of a human Highty Mouse, and without controls. It was a commitment made before the White House, having learned how the country could survive without controls, decided to go ahead and boost the overall target by a decision to be announced in October or sooner.

* * *

There is also some gloom as to the outlook for the current fiscal year. The Treasury spent during July of this year for U. S. and foreign military aid, well in excess of $3 billion, a rate which has been rising steadily since January. Three billions monthly means an annual rate of $36 billion — achieved the very first month of the fiscal year. Even though the Administration will not at this time revise upward the $42 billion forecast for U. S. and foreign military expenses, it is a good bet that the actual outlay will run well ahead of $42 billion.

Mr. Staats also revealed that during the fiscal years 1950-52, inclusive, Congress is being asked to appropriate or authorize $225 billion for ALL expenses of the Federal Government. Actual payments during these three years, however, said Mr. Staats, will aggregate a mere $150 billion. This will leave a carryover, for actual expenditure in fiscal 1953 and later years, of $75 billion.

"Contracts will have been entered into and goods ordered for virtually all of this amount, but actual delivery and payment will not be made until 1953 or beyond," said the Assistant Director of the Budget.

(In the light of these figures nobody credits as worth a hoot the fact that Mr. Truman at the moment hasn't asked specifically for some $13 billion of the $94 billion of appropriations he said in January he would ask for.)

* * *

In summary, as the conservatives at the Capitol sees the situation:

(1) In the light of known facts the latest current year expenditure estimate of $68.4 billion is probably obsolete.

(2) The maximum of "$80 to $90 billion" is probably too low.

(3) The chance of ever tapering off from this fantasia cannot be pegged for fiscal 1954 or 1955 or at any known date, in view of the prospective decision to increase the goal of the military build-up.

4) The Administration has in fact made balancing of the budget impossible and so in fact has given up this pose. In theory, for political purposes, the Administration will insist that there is no limit to taxation, still insist it means to balance the budget, and will as usual blame Congress for failing to balance the budget and, insofar as this also is an influence, for inflation and the rising cost of living.

(5) Indefinite, heavy deficit financing is in prospect. One highly informed Senator offered privately to bet this correspondent odds that the deficit for fiscal '53 will amount to $20 billion, even money that it will be $25 billion, and "slight odds in my favor that it will be $30 billion." And it was not the Senator who has been most often quoted in print with such an alarming viewpoint.

In the light of these factors as they impinged upon the minds and emotions of the members of the Senate Finance Commitee, it is possible to understand why they abandoned their reputed principles and boosted the corporate rate to 52%, subjected additional earnings to EPT, although not down to 75% as in the case of the House bill.

Always conservative and violently opposed to confiscatory taxation, the committee nevertheless is at the top of responsible committees of Congress. Thus, almost desperately and wearily, the committee decided to put in one last lick, no matter how unsound or repugnant to the committee's principles, toward one more effort to keep Federal finances from getting out of control.

Second, the committee knows that in moderating the altogether confiscatory aspects of the 11% defense surtax on the upper brackets, the committee is certain to be pilloried by the Little Man and all his journalistic followers. They also know they are to be blamed for having failed to achieve either $10 billion of revenues or even as much as the House pretended to raise, the $7.2 billion.

* * *

In all the tax picture there was one relatively bright spot, the taxation of farm cooperatives.

If the committee had attempted to legislate anything like equal taxation of the earnings of the big farm co-ops with the earnings of private corporations, the project would have failed. It would not have survived the Senate floor, much less the conference with the House, which is opposed to taxation of co-ops.

So instead the committee refrained from taxing the earnings of co-ops UNLESS they fail to distribute the patronage dividends to their members, which is the main argument used by co-ops to escape taxation; or UNLESS, if the co-ops don't distribute patronage dividends but some security, it is in the form of a loan repayable with interest in two years.

In other words, what the committee proposes would achieve an amelioration of the cause of the greatest irritations of tax exemption for farm co-ops, their capacity to go on plowing back tax-free money into the business. They do this by often paying stock as patronage dividends.

After two years, in effect, co-ops would have to pay out the cash or be taxed.

At the same time the committee exempted from these strictures, co-ops with $100,000 or less of assets, the genuinely local farm co-ops.

Finally, it tightened up substantially the rules entitling co-ops to special tax treatment.

The committee thus continued to exempt local co-ops, and continued to exempt the co-op itself from corporation income taxation if it pays out to members, its earnings.

Although a long way from equal treatment of co-ops and private business it comes close to being "saleable." Straight corporation taxation of co-ops had two strikes against it. The Senate provisions, in the opinion of members of the committee, "now have a fighting chance."

* * *

IF one assumed that the United Labor Policy Committee would become a vehicle which both would make it possible for Big Labor to put up a united front and later would lead to organic unity in the labor movement, then the break-up of the United Labor Policy Committee is significant.

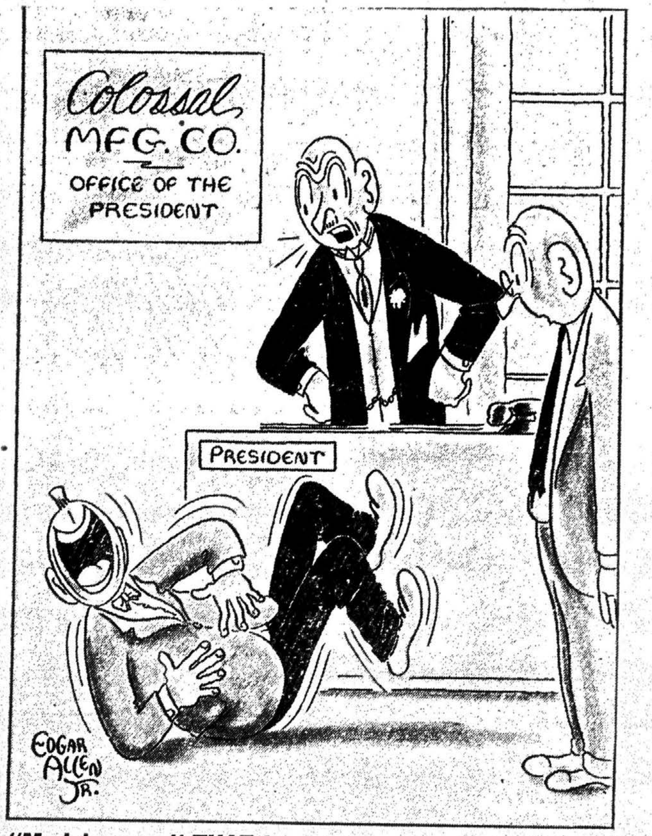
Few labor specialists in this town, however, believed that a united front on policy could have more than a short and superficial existence. They discount utterly the prospect for organic labor unity. They say that the rivalries and tensions within the labor movement were for some time making for a break up, and the fact that it occurred in August instead of perhaps September or October is about all that matters.

Harry Truman, on the other hand, lost a convenient propaganda vehicle and mouthpiece for his policy, the ULPC having been his personal Charley McCarthy on controls legislation.

Nevertheless, Harry Truman probably has lost no political support. The AFL will go nowhere else, and will continue to support him for the third or any future terms, if with less verve than the CIO, which is usual.

(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



"My joke wasn't THAT funny, Peterson—How much are you getting ready to put the bite on me for?"

Business Man's Bookshelf

Life Insurance: Its Acquirement and Treatment—William Horace Sinclair, 210 West Seventh Street, Los Angeles 14, Calif.—paper—$2.50.

Man'svast Future: A Definition of Democracy—A. Powell Davies—Farrar, Straus and Young, Inc., 101 Fifth Avenue, New York 3, N. Y.—board—$1.50

Manual of Sugar Companies, 1950-51—Farr & Co., 120 Wall Street, New York 5, N. Y.—cloth—$2.00

Security Dealers of North America — Completely revised — Mid-Year 1951 Edition of directory of stock and bond houses in United States and Canada—Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.—fabrikoid—$10.00.

Study of Freedom, The—Some Facts About the Foundation for Economic Education—The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper

Two With Freehling Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Russell G. Schmitt and Stanley M. Warsaw have joined Freehling, Myerhoff & Co., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Schmitt was previously with Bache & Co.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—John T. Milford is with Slayton & Company, Inc., 126 Carondelet Street.