ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 174 Number 5046 New York, N. Y., Thursday, September 13, 1951 Price 40 Cents a Copy

EDITORIAL

As We See It

The Chancelleries of the world have got themselves into a situation which embodies in it some of the strangest contradictions of history, and partly for that reason it is a state of affairs which would have placed great demands upon even the historical leaders of world politics. It was, of course, one of the real anomalies of all time which placed the "democracies" of the world in alliance with the Kremlin in a life and death struggle against the non-Russian dictators. At least it was an anomaly if the dictatorship vs. democracy doctrine so widely preached and so generally accepted at the time is to be regarded as even approximately valid.

In the same sense it is no less anomalous now that we (and apparently the remainder of what is rather euphoniously termed "the free world") are now so insistently and so vigorously aligning ourselves with the very former enemy dictatorship countries against the other major dictatorship (formerly our ally) in another professed effort to destroy tyranny and liberate mankind. It is scarcely less anomalous that we are counting upon a full-fledged Communist country (Yugoslavia) and are apparently laying plans to join forces with a full-fledged Fascist country (Spain) in our efforts to combat our former ally now strengthened by having drawn China and several Eastern European countries into its orbit. In one sense, Adolph Hitler seems to have been only a

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American Inflation Spells International Disaster!

By PHILIP CORTNEY*
President, Coty, Inc.

Mr. Cortney stresses "the bitter consequences of our foolish and crazy economic and monetary policies," and attacks the "plastic crystal ball" predictions of perpetual boom prophets. Gives his own details of a "dismal picture," in which are included the "debacle of our currency" and labor union domination. Sees no likelihood of subjecting labor unions to drastic controls, and denounces escalator clauses in labor contracts. Calls for restraint in our economic policies and for restoration of the dollar's soundness to meet our responsibility in restoring monetary order throughout the world.

Your reputed optimism will be bolstered by the prophecies made by all kinds of people who, looking into their "plastic crystal balls" (to use the expression of Dr. Conant, President of Harvard), see for our economy a glowing future without worries, headaches or responsibilities. The government will make it easier for us to have a happy life and keep us both cheerful and irresponsible. This is a dream which I wish I could share. My speech today will rather stress the bitter consequences of our foolish and crazy economic and monetary policies. Quite frankly, I hope that the future will prove me wrong because my own predictions are rather dismal.

Philip Cortney

Our inflationary policies and their domestic consequences are explained and attacked practically every day by various persons all over the country. However, so far no one to my knowledge has pointed out the international consequences of our inflation. We seem to have forgotten our responsibility for the 1929 depres-

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*An address by Mr. Cortney at the Rotary Club, Chicago, Ill., Sept. 11, 1951.

Heavy Public Buying Presages Market Decline

By JACQUES COE
Senior Partner, Jacques Coe & Co., New York City

Commenting on current "mass-mind bullish enthusiasm for equities," arising from inflation fears, Mr. Coe sees inherent dangers ahead, with potential liquidations early next year. Points to heavy odd-lot business, and large sales of investment trust shares as evidencing increased public participation in market. Concludes stocks are passing from strong to weak hands, and period of "joy riding" may soon be over.

During most of the long up-and-down swings of the Stock Market, security prices usually attempt to evaluate and appraise good or poor business to come. Sometimes (but seldom) there are unusual periods in Stock Market swings when mass-mind emotion completely takes over and pushes the market to extremes on the upside—(for instance 1929) or the down-side (for instance 1932).

Jacques Coe

If at this writing the Stock Market was supposed to be discounting the state of business of the foreseeable future, it would not be moving into higher ground. What with higher manufacturing costs, a sharp increase in "break-even" points, higher taxes, accumulation of inventories, and unforeseen and undetermined international political developments, the Stock Market has been ignoring the storm signals—instead it is in the process of feeding on its own forward momentum.

This mass-mind bullish enthusiasm for equities principally is based upon the popular misconception that the current trend toward a reduced purchasing power of the dollar eventually will find a certain amount of permanent compensation and protection in the acquisition of equities. There might be partial truth to this argument if we were engaged in an utter and complete debasement of the currency, without any increase in the tax struc-

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PICTURES IN THIS ISSUE—Some indication of the excellent turnout and fine time had by all at the Fall Outing of the Security Traders Association of New York is reflected in the "Chronicle's" on-the-spot pictures appearing on pages 21, 22, 23 and 24.

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

National Aviation Corporation — Eldon A. Grimm, Market Analyst, Walston, Hoffman & Goodwin, New York City. (Page 2)

The Southwestern States Telephone Company — Iskander Hourwich, Partner, Hourwich & Co., New York City (Page 2)

Doman Helicopters (common) — Harold S. Munroe, Jr., Partner, Hay, Fales & Co., New York City (Page 31)

ELDON A. GRIMM

Market Analyst, Walston, Hoffman & Goodwin, New York City

Members, New York Stock Exchange

National Aviation Corporation

The security I like best is the stock of National Aviation Corp., which is listed on the New York Stock Exchange and sells at about 20¼. It is in a very unique position because it is the only *listed*, regulated investment company which specializes exclusively in the ownership of airline and aircraft manufacturing stocks. There are about 30 different issues in the portfolio. As of Sept. 6, this year, the net asset value was $23.58 a share. Therefore, National Aviation stock is available at a discount of about 3¼ points from its break-up figure. At the end of June, 1951, the company's investment portfolio was divided as follows: 52.9% of the portfolio was in airline stocks 35.7% in aircraft manufacturing issues and the remaining 11.4% in cash, U. S. Govts. and receivables. Here is a rapid glimpse of the 24 largest blocks of stock held as of June 30, 1951. Holdings are arranged in order of importance as determined by total market value:

Eldon A. Grimm

10,300	Amer. Airlines conv. pfd.
30,000	United Air Lines com.
32,500	Eastern Air Lines.
40,000	American Airlines com.
5,010	United Air Lines conv. pfd.
20,000	Delta Air Lines.
16,600	Bell Aircraft.
23,000	Lockheed Aircraft new.
8,000	Douglas Aircraft new.
9,500	Thompson Products.
12,000	United Aircraft com.
25,000	Braniff Airways.
14,000	Grumman Aircraft.
20,000	North American Aviation.
13,100	Trans-World Airlines.
$195,000	Mid - Continent Airlines conv. debs.
7,500	Curtiss-Wright "A."
17,500	Chicago & Southern Airlines.
4,500	Boeing Airplane.
1,500	United Aircraft conv. pfd.
15,000	Pan American World Airways.
3,000	Bendix Aviation.
7,000	Garrett Corp.
4,100	Sperry Corp.

And here are some of the reasons why the writer is optimistic on the future of National Aviation stock:

(1) The long-term outlook for the airline stocks, as a whole, seems very bullish. The growth of the airlines has been spectacular and the airlines still represent one of the most dynamic growth industries in America. Here are a few examples. As compared with about 10 years ago, the total gross revenues of United Air Lines have multiplied about six times, those of TWA about nine times, Eastern Air Lines about eight times, American Airlines about six times, Braniff about eight times, Delta about 24 times, and so the story goes. In another 10 years, airline revenues could be several times today's figures. Market technician, Edmund W. Tabell, who is one of my colleagues, sees considerably higher prices ahead for airline stocks over the longer term. In fact, most airline shares still sell very far below their 1945-1946 tops despite the great growth in the airline business since that time. And, very importantly, the airlines are learning to discard their government crutches and to stand on their own feet. The larger domestic lines are gradually becoming able to operate without subsidies, whether these subsidies have been in the form of direct gifts or inflated mail pay. Eastern Air Lines has been operating without subsidy for many years. By 1960, airline travel may replace many of the long-haul Pullmans.

(2) The writer believes that the longer-term prospects of the aircraft manufacturing stocks are much better than generally recognized. There are so many new things in the picture, such as the outstanding growth of guided missiles, rockets, pilotless and robot aircraft, faster-than-sound aircraft, atomic - powered aircraft, much more powerful jet and turbine engines, "fantastic" weapons and instruments, etc. There seems to be no ceiling in this respect. The other day, a Douglas supersonic plane broke all previous altitude records for human aerial ascension when it climbed to an undisclosed height greater than 72,394 feet (13.7 miles). For the next couple of years, of course, the aircraft makers will experience a gigantic boom. There is a strong move in Congress among leading Republicans and Democrats to boost our Air Force to as high as 150 "groups" or wings. It will take about 17 months more just to reach the present goal of 95 wings.

(3) Sole capitalization is 446,475 common. There is no funded debt and no preferred stock.

(4) The management, in the past, has pursued an active trading policy which has involved sweeping portfolio changes at various times. This is a bold approach which may really "pay off" when a major move in the airline group does come at some future date. President Frederick F. Robinson is also a director of Bell Aircraft which has been a leader in helicopters, guided missiles and supersonic aircraft. At the present time, very sizable profits on a percentage basis have accrued in such holdings as Grumman, Lockheed, Thompson Products, Bell Aircraft, Douglas Aircraft, Braniff Airways, Eastern Air Lines and United Air Lines. The first three have at least doubled since original purchases.

(5) National Aviation has been very generous with dividends in rising markets. Since 1940, a total of $11.07½ a share has been paid out and $3.98 of this sum has had special tax treatment as capital gains dividends. In 1950, a total of $1.65 was disbursed in dividends and, so far in 1951, 75 cents has been paid, both amounts including some tax - privileged capital gains.

(6) Market-forecaster Edmund Tabell sees a long-term indication of about 30 for National Aviation on a technical basis. The high, back in 1945, was 32⅞ at the peak of the boom in airlines. When the next major rise comes in the airline group it should be quickly reflected by market movements of National Aviation.

ISKANDER HOURWICH

Partner, Hourwich & Co., New York, N. Y.

The Southwestern States Telephone Company

The common stock of The Southwestern States Telephone Company combines at once the attraction of a speculation for growth with many of the attributes of a stable investment.

Iskander Hourwich

When the telephone industry is mentioned, normally Bell is thought of — admittedly a great enterprise. General Telephone, too, may come to mind, second largest system in the United States, but about one-thirtieth the size. Less well known is the fact that there are about six thousand companies operating as independents. Many of these are as old or older than Bell. Many of the principal advances in the art of telephony were initiated and developed by the independents. For instance, automatic switching, i.e., the dial system with all its central office machinery; automatic, intermittent ringing; the "dial tone," etc., so taken for granted in our everyday usage, were first introduced in the United States by independent telephone companies in Chicago, San Francisco, Los Angeles and Omaha. The dial system is a comparative newcomer in New York City, and for that matter, throughout the Bell system, being largely a product of the last twenty years. Its installation by the independents on a wide scale occurred between 1900 and 1909.

Thus the independents have always been forward-looking and resourceful. Of the six thousand independents, perhaps ten or twenty are really sizable, serving important areas with substantial gross incomes and justifying attention as media for investment.

The Southwestern States Telephone Company is one of them. At the year-end of 1950, it served 71,655 subscribers in the states of Texas, Oklahoma, Arkansas and Louisiana. Oil is produced in practically all of the company's operating territory. The world-renowned East Texas oil field is located in the company's East Texas territory. The general area is growing as rapidly as any in the United States, though it is still principally agricultural in character, with a good deal of livestock raising.

The distances between communities are great, and make telephonic communication a virtual necessity, and likewise profitable. Inter-connection exists between Southwestern and Bell by which Southwestern utilizes Bell's toll lines (long distance), obviating what would otherwise represent a large capital investment. This is done on a basis regulated by the Federal Communications Commission, which in recent years has given sympathetic consideration

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The International Bank Today

By EUGENE R. BLACK*

President of the International Bank for Reconstruction and Development

Mr. Black states in view of International Bank's proven ability to meet all capital needs of economic development on long-term basis, current suggestions for new ways to provide additional international loans are ill-founded. Reveals Bank is studying possibilities of making equity investments and loans for private enterprise without governmental guarantee.

When we met in Paris a year ago, the world was just beginning to measure the implications of new and grave international tension. I said at that time that unless the worst should happen, the International Bank must and would carry on its work at an accelerated pace. The current Annual Report shows that we have done so.

Eugene R. Black

As your Chairman has remarked, the past fiscal year was the largest in our history. It was largest in the number of loans, largest in the amount lent, and largest in the extent of the activities we have carried on in our task of helping our member nations to increase productivity and raise standards of living.

First Loans in 1948

Let me put this achievement against the background of previous fiscal years. Our first loans for projects in the less developed countries were made in 1948; in that year, we made two development loans totaling $16 million. In the following 12 months we made two more development loans amounting to $109 million. In fiscal 1950, the figures rose to eight loans and $134 million. In this year on which we now report to you, we have made 21 loans, totaling nearly $300 million, for development projects in 11 different countries.

This is twice the volume of lending for development in any previous year. In fact, it is more than the volume of development lending in all our earlier years put together.

As you know, the Bank considers the manner of putting money to work to be no less important that the amount. We always have been ready to help provide technical assistance in both the preparation and execution of loan projects. This type of activity, in the past year, has been an increasingly significant part of our lending operations.

The Special Mission

Quite apart from specific Bank financing, we have made growing progress in helping our member countries to assess and to realize more effectively their full economic potential. One of our instruments for providing such assistance is the comprehensive economic survey mission, which suggests to the receiving country policies and investment programs that appear most likely to accelerate its development. Last year we were able to inform you that one such mission had completed its work in Colombia. This year, we report that the work of this group has produced specific action; we present you with the findings of four other groups that have worked in Turkey, Guatemala, Cuba and Uruguay; and we announce work of a similar kind being completed or contemplated in five other countries of Latin America and the Near and Far East.

Finally, during the year, we have increased our own resources; we have broadened our base in the private capital markets which provide the bulk of our loan funds. We sold the first public offerings of our bonds in the United Kingdom and in Switzerland, and are continuing to explore opportunities to issue our securities outside the United States. In the American market, we raised new money for the first time since 1947 with a bond issue last February. The market itself welcomed the news that from now on we expect to be offering dollar securities, not at widely spaced intervals as in the past, but more frequently, as our lending operations require. Preparations for another offering of dollar bonds are now complete.

All this demonstrates the considerable and growing strength of the International Bank. It is my opinion, which I think the record adequately supports, that unless the international situation deteriorates further, we will be able to meet all the capital needs of economic development in our member states, to the extent that those needs ought properly to be met on a long-term loan basis.

In view of the record, it seems strange indeed that suggestions are still heard that new ways must be found to increase many times over the amount of intergovernmental loans for development purposes. Such suggestions, in my experience, are usually based on large but hazy calculations of what is available and what really can be used in the form of loan capital for development. They are made without consideration of the seriousness of the obligation a country assumes when it incurs debt. They ignore the frustration and bitterness a country invites when it shoulders an obligation greater than it can afford, and before it is really

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*An address by Mr. Black before the Board of Governors of the International Bank for Reconstruction and Development, Washington, D. C., Sept. 10, 1951.

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Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, September 13, 1951

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $45.00 per year; in Dominion of Canada, $48.00 per year, Other Countries, $52.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $30.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Low Flying Aircraft In a Soaring Market

By IRA U. COBLEIGH

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

Setting forth some of the reasons why aircraft manufacturing shares may now be ready to gain altitude marketwise.

With everybody yodeling about share prices hitting a 21-year high on the Exchange, and some of the rails selling more on the strength of the number of oil derricks, rather than the number of diesels they're running, this well oiled and chemically saturated market has still left quite a few issues to struggle along by themselves at the tail of the comet. Among them, the manufacturing aircrafts.

Ira U. Cobleigh

Why this should be so is just a little bit baffling. When you gaze over the economic horizon today, you see a lot of weak spots on the demand side — auto and trucks hard to sell, textiles, furniture, gadgets, appliances including refrigerators and TV sets, cluttering up show rooms and only moving out via the bargain route. Not so the aircrafts. Can you, right now, think of any product so much in demand as military planes? And can you get a better buyer than Uncle Sam who pays cash, places huge orders at one time, and is far more concerned with getting a speedy delivery, than horse trading for a fire-sale price? Just how big a buyer is he anyway? Well, the 1952 military budget allocated $15 billion for a 95-group Air Force. Then only last week, and without awaiting a request from the Joint Chiefs of Staff, the Senate Appropriations Subcommittee voted a $5 billion increase in air power funds to expand the flying fleets of both the Air Force and the Navy. What this adds up to is that whether we actually fight World War III, or struggle along maintaining the peace, incident by incident, aircraft will be vital—so vital that today the industry has a two and one-half-year production backlog of actual and unfilled orders. These totals of future business already contracted for make impressive reading, ranging from $100 million for Beech Aircraft to a cool billion apiece for Boeing, Curtiss Wright and Douglas.

Thus it is that the aircrafts as a group today offer investors a unique set of highly favorable factors such as:

(1) A fantastic demand.

(2) Peak operating condition.

(3) Assured labor supply. (In World War II aircraft labor was given a top priority.)

(4) No credit problems. The Government advances money at various stages of completion till full delivery.

(5) No controls or price ceilings. Higher costs are immediately reflected in delivered prices.

(6) Top priority for scarce materials—aluminum, copper, steel, etc.

(7) Satisfactory profit levels. Roughly between 8 and 12% of gross, before taxes.

(8) Attractive price position. The aircrafts as a group are 10% below 1951 highs.

(9) Generous current yields, with larger dividend prospects as market propellers.

Some investors, it is true, have rather shied away from this echelon of the market out of fear that renegotiation might louse up earnings at a later date. Actually this fear is not warranted since renegotiation did not vitally disturb the position of leaders in this industry after World War II. With a corporation tax that can run as high as 69%, and contracts clarified by the experience of last time, there should be relatively little area left for renegotiation now. A look at the dividend record of Grumman, Douglas and Curtiss should reassure the doubting Thomases about the hazards of this renegotiation deal.

As a matter of fact instead of being at such pains to defend the plane and motor makers, a more positive attitude is clearly warranted. Let's take a look at some of the companies whose current outlook is almost as bright as the sky wherein their planes fly.

It seems to me that Grumman Aircraft Engineering Corp. is just about the blue chip in this trade. With an uninterrupted dividend record going back to 1933, and two stock splits in recent years, the investor has been given a smooth ride. The legendary performance of Grumman Hellcats and Avengers in World War II played a key part in Pacific victory; and right now the F9F Panther jet, and the amphibious Albatross are carrying on the Grumman tradition in Korea.

There was a time, while the Armed Forces were merging, when "the Street" was concerned about Grumman, because it had been so strongly identified as a plane builder for the Navy. Opinion was it might do less business, with the Army Air Force in the ascendancy. Well Grumman know-how kept them in full competition and today Grumman is, if anything, in a better position in the industry than ever with a $700 million backlog, and possible gross billings of $300 million this year. And don't write off the aircraft carrier. It was a mighty handy place for our planes to fly back to in our Korean retreat last December. It could come in handy again—in the Mediterranean, the Persian Gulf or off Indo China. Grumman planes are very much at home on carrier decks!

For 1951 Grumman may earn $4 and pay $2.50. It could, with a little luck, improve each of these figures by 50% in 1952. These estimates, by no means unwarranted, suggest that Grumman common around 24 has a place to go and it could very well be up.

Lockheed Aircraft Corp. at around 21½ seems not to have discounted its earnings for the next three years, earnings assured by a backlog of $900 million. Here again we see a dynamic company with expanding net, probably $3 on each of the 2,236,000 common shares this year; and perhaps above $5 in 1952. Where possible future earnings are so well delineated in advance it would seem that a considerable element of market risk has been removed for those characters who latch on to Lockheed at current levels.

I happen to like Grumman and Lockheed best in this field, mainly because of the earnings potentials, but partly because shares in the 20s are priced in the most popular speculation range to attract a sizable following.

Among others you might want to consider is Electric Boat, which you doubtless regard as a submarine builder but which also is the largest builder of aircraft in Canada. Either way you figure it, it has an entrenched position in our defense effort. It will also build our first atom-powered submarine. So why not sight your market periscope on Electric Boat as a sort of parlay of wing and fin. It sells around 22 and could pay at least $1.50 for 1951.

More speculative are the shares of Republic Aviation. But its $500 million backlog is not to be sneezed at. Last year Republic earned $2.34 and paid 50¢. Somewhere toward the spring of 1952, Republic should be making big volume deliveries on its present orders. Should this happen, billings of $200 million for 1952 are a possibility and a conversion of some $6 a share into net is not unthinkable. If this by chance should all happen then Republic shares acquired presently might rev up their price to substantially above today's $15.

Nobody doubts that military aircraft saved England from invasion, that strategic bombing brought Germany to her knees in 1945, and that carrier-based planes decided the Pacific phase, in World War II. And foremost in our preparedness program today is our billion dollar chain of air-bases around the world — bases useless without the aircraft we have in the hangar, and are building on order. A vital industry indeed, this, and a sound one for today's investors. At roughly a 7% yield on present market prices, selected aircraft shares answer all the basic requirements of a good investment; and offer some sound reasons why they should fly higher in our soaring market.

Municipal Bonds in Bank Portfolios

By RAYMOND E. HENGREN*

Deputy Chief, Division of Research and Statistics, Federal Deposit Insurance Corporation

FDIC official lists as signposts to guide bank portfolio managers in making municipal bond investments: (1) proper diversification and concentration for distribution of risk; (2) acquiring type of security suitable to bank's needs; (3) proper maturity distribution; and (4) adequate yields, with attention centered on yields rather than bond prices. Stresses also quality as important feature in municipal bond investments

Points of reference and benchmarks can be extremely helpful to managers of investment portfolios in banks. Since investment activities consist of an almost overwhelming mass of technical detail, there is need for some rather carefully marked signposts to guide decisions. The thoughtful application of these guides will enable the investment manager to construct a securities portfolio that is consistent with his requirements.

R. E. Hengren

It will be my purpose in the course of these comments, first, to trace in broad outline the background data regarding the place of municipal bonds in the portfolios of the insured commercial banks over the past two decades. The outline will include a few facts bearing upon the dimensions of these holdings and their importance as a component of bank assets. Attention will be centered on the major changes in relationships.

In the second place, it will be my purpose to summarize briefly some of the primary considerations relative to the selection of issues appropriate for a municipal portfolio. Here, the objective will be to furnish more or less specific guidance for arriving at judgments with respect to individual securities. Finally, I propose to develop in somewhat more detail one of the guides which seems to be especially deserving of attention. In essence, it will be my purpose to consider the qualitative standards appropriate for bank investments and to offer some suggestions which will help the investment manager to select the proper issues.

I

Municipal Securities in the Investment Portfolios of Commercial Banks—1934-1950

Rapid growth in the dollar amount of bank investment in obligations of States and their minor political subdivisions has been the subject of frequent comment in the financial press from time to time during the past two years. The basic facts are depicted in the accompanying Chart 1 which covers the period 1934-1950. By the end of 1950, the insured commercial banks owned almost $8 billion of these securities. This compares with total holdings which ranged from $2½ to $3½ billion in the 1930's and early 1940's. Each year since 1943, the municipal holdings of the commercial banks have increased and since 1945 the total amount has doubled.

Viewed in its historical setting, the large growth in municipal holdings by the commercial banks since 1943 is without precedent. When attention is given only to the dollar amount of this growth, it might seem that banks have embarked upon a new course of investment policy. However, this development can be seen in a better perspective by studying the composition of bank assets.

During the eight-year period 1934-1941, the commercial banks maintained about 5% of their total assets in municipal obligations. This pattern of asset distribution changed little from year to year prior to 1942. Thereafter in the course of World War II a sharp decline occurred in the relative importance of bank investments in municipal securities. The dollar amount of these holdings actually was reduced both in 1942 and 1943 but in the ensuing years the portfolios increased. At the same time, however, the total assets of the banks were expanding very rapidly. The banks were heavily engaged in financing war activities, largely through the acquisition of U. S. Government obligations. As a consequence, the municipal holdings declined in relative importance.

The municipal portfolios of the banks comprised only about 2½% of total assets in 1945, as compared with the ratio of about 5% which prevailed for a number of years immediately preceding the war. Notwithstanding the increase in the dollar amount of the portfolio over the period beginning with 1944, it was not until as recently as 1950 that the municipal segment of bank investments came within striking distance of its historical pattern. By 1950 the banks again had invested almost 5% of their total assets in municipals.

Bank assets in the aggregate have grown tremendously since the 1930's. They ranged in the neighborhood of $40 to $60 billion during the 1930's, as compared with the present $160 to $170 billion level, an increase of more

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*An address by Mr. Hengren before the School of Banking of the South, Louisiana State University, Baton Rouge, La., Aug. 24, 1951.

Uhlmann Latshaw Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—James W. Rein has been added to the staff of Uhlmann & Latshaw, 111 West 10th Street, members of the New York Stock Exchange and other leading Exchanges.

With V. C. Weber

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Howard R. Lofgreen is with V. C. Weber & Co., 411 North Seventh Street. He was formerly with Reinholdt & Gardner and Slayton & Co.

The State of Trade and Industry

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

Total industrial production for the country at large last week suffered a slight decline, due in part to the Labor Day holiday on Monday of that week. Compared with the like week of 1950, a similar setback was noted.

With the tempo of the defense program showing an increase, initial claims for unemployment insurance in the week ended Aug. 18, registered a downward trend. Declines were particularly noticeable in the East and Middle West.

While steel ingot production dipped almost 2% last week to 1,965,000 net tons, output was 4% above the year-ago level. Steel mills operated at 98.3% of capacity.

In the months ahead the record-shattering steel production pace may have to be curbed if scrap collections do not improve soon, states "The Iron Age," national metalworking weekly, in its current review of the steel trade.

Right now, scrap inventories are just about holding their own. But the next two months will be critical. Steel producers and consumers, scrap people and government officials all know this. That's why they are all taking part in a gigantic effort to increase the flow of scrap to the mills.

So far they haven't been too successful. It's true that steel-making losses for lack of scrap have been negligible, continues "The Iron Age," but all efforts to build vital inventories have failed.

National Production Authority scrap allocations have been necessary to rescue mills faced with the prospect of shutting down furnaces. This emergency measure has helped keep vital defense production going. But it hasn't found, collected, or moved more scrap to the mills. That is the purpose of the present scrap drive.

A shortened work week due to the Labor Day holiday was partly responsible for the decline in the automotive industry last week, "Ward's Automotive Reports" stated, but daily car output for the four days averaged out to 19,000 units, some 1,400 below last week's (five days) rate.

Principally, this reflected lower scheduling by Chevrolet and almost no output by Hudson, the agency added. In addition, labor troubles at Dodge and Chrysler division plants interrupted assemblies briefly.

Production the past week was highlighted by completion of the five-millionth United States car or truck of the year, "Ward's" said. The current week will mark completion of the four-millionth passenger car of the year, a month later than the same point in 1950 production.

Truck production has been steady during the past two weeks with average daily output near 5,500 units, paralleling last year's output at this time, "Ward's" reported. While Reo operations remained down in a continuing strike last week, Ford truck building temporarily reached a slightly higher output level.

"Ward's" expects the industry's daily production rate to become considerably firmer the current week.

According to reports late last week, auto makers were granted price increases averaging 5% to 6% and were told they could ask for further boosts. The OPS authorized auto manufacturers to figure their new ceilings on the prices of their cars on June 24, 1950, plus increases in costs of some materials up to December 31, 1950, and of others up to March 15, 1951. Labor cost increases up to last March 15 may also be added. It was estimated the boosts in ceilings on specific models will range from 3% to 7%.

In Detroit, General Motors, Ford and Chrysler were expected to announce price boosts soon. Packard, it was learned, stated that it would not increase prices now, but explained it had "got under the wire" earlier this year.

If the predictions of F. W. Cortright, head of the Builders Trade Association materialize, new homes to be erected this year will total "at least 850,000 and would compare with the 1950 record of nearly 1,400,000 units. Such a decrease would be much smaller than the industry had anticipated several months ago in view of credit controls and mortgage money scarcities. Mr. Cortright forecast a 5% rise in home building costs in 1952.

Steel Output Scheduled to Step Up Capacity Rate to 100% This Week

Hope that steel order cancellations would help clear up the fourth quarter log-jam appears to be a forlorn one, states "The

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World Bank and Monetary Fund Meetings Highlight Worldwide Economic and Political Schisms

By A. WILFRED MAY

Monetary forum used for encore of Soviet-Chinese propaganda show. Improbability of scheduled early removal of exchange and trade controls emphasized as British strongly reaffirm their position. Continued rifts revealed over proper domestic policies. Bank's results strikingly show how, in absence of political motivations, international development aid can be extended soundly—salvaging the best of the Point IV idea. Special statements to the "Chronicle" by Messrs. Black and Snyder.

WASHINGTON, Sept. 12—It is altogether fitting that the attention of the entire economic world is this week focused on Washington where the sixth annual meetings of the Bretton Woods organizations are being held. The proceedings have been a microcosm of the current pressing international problems, including their political tinge.

A. Wilfred May

That Soviet-China Act Again

On the political front, the Russian shows at Lake Success and San Francisco have been transplanted here, with the Czechoslovakian representative at the very first meeting filling the roles of Messrs. Malik and Gromyko and their satellite stooges. In proposing the unseating of Nationalist China from the International Bank, Mr. Jaroslav Decokal rooted out all the old charges, as that the absence of the Communist regime leaves the world's most populous nation unrepresented, that the Nationalist represent less than 1% of the Chinese people, that they are hiding behind the screen of the United States, etc., etc.

Of course the Russian-line proposal, following its rebuttal by the Chinese Nationalist representative and its castigation by Secretary Snyder as being merely provocative and not expressing the true sentiments of the Czech people, was defeated by an overwhelming vote (including even Britain's). But unfortunately, use of the meeting as still another Soviet propaganda platform was not entirely lost.

Sound International Lending

The report of the operations of the International Bank is most significant in the international aid picture, in demonstrating what can actually be done with the Point IV development idea, if it could be confined to a realistic banking basis, and divorced from political direction.

It reveals that from a total of two development loans totalling $16 million in 1948, the volume of the Bank's operations have grown to the past year's total of 21 loans aggregating $300 million to 11 different countries—all made on a realistic credit-worthy banking basis.

Statement to the "Chronicle" on Political Interference

Asked by this reporter his opinion whether politics can continue to be kept out of its lending operations, Mr. Black decisively maintained that the Bank neither had been nor can be influenced by politics; and that as a matter of basic policy he and his associates have consistently observed this stricture contained in the Bank's charter. "Our lending has and will always continue to be based on economic and financial considerations, after examination of applications by the Bank through careful technical studies," said Mr. Black. "This is not only necessary to insure wise investment by the Bank, but also to maintain the confidence of the market."

Hazy Demand for Loan Expansion Scored

Answer to the constant demand for liberaliation of international lending was aptly, and quite uniquely, treated by President Black in his address presenting the Bank's Annual Report as follows: "In view of the record, it seems strange indeed that suggestions are still heard that new ways must be found to increase many times over the amount of intergovernmental loans for development purposes. Such suggestions, in my experience, are usually based on large but hazy calculations of what is available and what really can be used in the form of loan capital for development. They are made without considerations of the seriousness of the obligation a country assumes when it incurs debt. They ignore the frustration and bitterness a country invites when it shoulders an obligation greater than it can afford, and before it is really ready to put capital effectively to work."

And "I would like to record my emphatic disagreement with suggestions of this kind. If they divert members from a proper use of the financial facilities available to them, if they distract developing countries from concrete objectives, they can do great harm to the orderly progress of development."

On a similarly exceptional note of soundness, the Institution's chief warned that "the more developed nations, too, need to remind themselves continually that international aid for development ought not to be based on expediency. To be really effective, they should not relate theitr efforts to fever charts of international tension, but rather to the fundamental conditions of which the fever may be only a long-delayed symptom."

The institution's successful operations stemming from this philosophy seems to indicate what can be done in the absence of the premise of the political basis for extending aid.

* * *

The Controls Question

Also highlighted by the discussion by the worldwide representation here, have been the differences over the continuation of exchange controls which are in turn tied up with diversity in domestic economic policy and ideologies.

British opposition to withdrawal of exchange controls by next March to conform to that original "deadline" set by the Fund at its founding, has been implicit in all discussions of the subject for some time. This schism has now been intensively reaffirmed here. Whereas the somewhat pious pleas for the free market offered by the United States have been buttressed by the vigorous complaints by Brazil and Thailland over the injury done them by sterling inconvertibility, the British pro-controls advocacy has been strongly reaffirmed.

British Opposition Re-affirmed

At the opening session the British Chancellor of the Exchequer, Hugh Gaitskell, emphasized the closeness of the ties between the institution's operations and its members' defense needs, and urged that the former be adapted to the latter. This can be assumed as marking the renewal of his country's campaign for postponing conformity with the timetable for dropping controls.

Similarly, at yesterday's Fund meeting, British delegate Leslie Rowan, of the Economic Ministry, after citing the deterioration of his country's position after last year's "abnormal" increase in its

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The Plateau Theory and Stock Market Movements

By ALAN C. POOLE

Security Analyst, New York City

Mr. Poole expounds his "plateau theory," which relys on market cycles and patterns for forecasting future market trends. Looks for a downward adjustment of market prices and a new period of consolidation, thus creating another "plateau." Recommends course of action for investors.

INTRODUCTION

The purpose of this article is to describe a new concept in stock market movement theory and to present the reasoning behind it. This theory is conceived from past stock market action related to the historic events and economic conditions causing it. These date back as far as 1935 when stock market transactions were first governed by regulations similar to those existing today. Prior to that time conditions affecting the market and its behavior were so different that no valid comparison can be drawn. The author fully realizes the danger of relying on market cycles and patterns for forecasting future market action. At the same time, however, he feels that there is sufficient evidence both in historic background and technical action to lend support to his theory.

Alan C. Poole

The Premise

To summarize the case, the ideas to be enlarged upon in this article are as follows:

(1) Since 1935, the stock market has reflected inflation by a series of upward surges followed by periods of consolidation in trading ranges or plateaus.

(2) Currently the market is completing a third upward surge. Consolidation into a third plateau below present market prices should follow shortly.

(3) Prior to this consolidation a substantial correction in stock market values can be expected. This decline will probably occur before the end of 1951.

Reasons for a Stock Market Decline

For over a year the stock market has had an almost uninterrupted advance in values. Dow-Jones Industrial Averages have moved from their Korean lows of 197 established in July, 1950 to over 270. Monetary inflation is believed to be one of the main reasons for the rise and some experts are predicting even greater advances in stock market prices based on further inflation. On a long-term basis this premise is probably true, but those who feel that inflation guarantees an uninterrupted rise in the stock market are warned that this has not always occurred in the past. Since 1933 there has been almost continuous monetary inflation, yet in 1937 and 1946 there were stock market declines of sufficient size and duration from which even the long-term investor could have benefited by lightening up his equity holdings, especially those more vulnerable to market declines. Reinvestment could have been made when values appeared more attractive.

It is the opinion of the author that a downward adjustment of market prices and a new period of consolidation is now at hand. Two methods of analysis have been used to arrive at this conclusion. The first method is to examine the market in the light of actual events today and in the past including domestic news, the international picture, political considerations and, of course, economic conditions. The future outlook as far as it can be determined is also of great importance. The second method of analysis is the study of technical devices for determining future market movements.

Let us first analyze the market in the light of actual events both present and past and also on the basis of future outlook. Second only to the inflation argument the bulls lean most heavily on the idea that continuing prosperity is assured under the current defense program and therefore the market will continue to rise. This idea can be proved almost as fallacious as the inflation argument. To do this, it is necessary to look back at stock market history. In the fall of 1939, World War II broke out in Europe. Stocks soared on the basis that American industry would prosper under war production. By 1941, industry's profits were great, but stock prices were on the decline and in spite of generous dividends and high earnings, they never reached their early 1940 highs until 1944.

Actually the rosy outlook for business painted today is perhaps greatly exaggerated. In the first place, many companies probably achieved peak earnings and dividends in 1950, while others should reach their peaks in 1951. Higher taxes, price controls, higher operating costs, public resistance to higher prices and limitations on profits on defense contracts all tend to decrease net profits for companies even though their sales are increasing. Actually interim reports of many large corporations for the first six months of 1951 have shown higher sales but lower net profits after taxes. With higher taxes, narrower profit margins and perhaps decreased sales for some companies in the future, the earnings picture for companies could darken considerably. Additional depressants to the business picture include large inventories of many consumer goods, slackening demand for some products and less money available to consumers for luxuries because of wage controls and higher food prices.

There is very little news, if any, that could have a bullish effect on the market. The inflation picture seems pretty well discounted temporarily while, as just pointed out, the business picture does not appear to justify higher market prices.

On the other hand, there are several possible developments which might have a bearish effect on the market. For example, any trend toward peace is likely to create the fear that the defense program may be cut back and that the economy will not be able to absorb for civilian consumption the great industrial capacity already created for defense. Yet, any other international crises could bring on a fear of all-out war which would cause atomic destruction to parts of American industry and create the necessity of rigid war controls which would virtually eliminate, at least temporarily, the free enterprise system.

Looking at the market strictly as a speculator seeking educated risk with the odds in his favor, one would very likely consider it a very bad "buy" at its present level. As pointed out previously, the preponderance of potential news is bearish, the profits and dividend picture appears to have reached its peak and the stock market is priced at its highest since 1930. On this basis the odds would appear strongly in favor of a break rather than a further rise.

Let us assume that eventually because of one or more of the arguments for a bear market that have already been presented, a majority of investors and speculators decide it is best to sell stocks. Presumably the market will then decline until such time as the majority feel that stocks are a better "buy" than "sale." To determine the swing of thinking by this majority from bullishness to bearishness (or vice versa) the author has found the use of technical market tools most effective. These tools include such devices as related price-movement and volume studies, odd lot statistics, breadth of advances and declines in the market, charts of resistance levels and various other methods of analyzing available statistics on market movement behavior.

In the past certain technical actions have been characteristic of turning points in stock market prices and it is believed that these actions have provided clues as to a change of trend in investor and speculator thinking that might otherwise have remained undiscovered. For example, in the fall of 1946 when the market broke precipitously there was very little warning of and relatively little explanation for this break. *Yet it was clearly signalled by the technical action of the market.* In 1937, the market break was also clearly indicated by these technical devices, but at that time many of them were not yet known and used.

At this time the technical action of the market closely parallels that of the 1937 and 1946 markets, and for that reason it is the author's belief that a substantial decline in the Dow-Jones Industrial Averages is forthcoming this fall.

Principal signals indicating this decline are:

(1) **Volume and Price Movement:** In February the Dow-Jones Industrial Averages reached 255.71. Six weeks' running volume totalled approximately 95 million shares. In May the Dow-Jones Industrial Averages reached 263.13 while six weeks' running volume was only about 50 million shares. In the current rise bringing the averages to over 270, the running volume has dropped to less than 45 million shares. In a bull market the trend of volume of trading should be upward. Once it reverses itself, a danger signal is flashed. Volume of trading has been on the down trend since January. In 1937, the trend of trading volume turned downward in January and the market broke in September. In 1946, the trend

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The World Bank and Fund

By HON. DOUGLAS C. ABBOTT*

Chairman, Boards of Governors of the International Bank for Reconstruction and Development, and the International Monetary Fund

Mr. Abbott asserts inflation threats, resulting from continuous pressure on resources as defense needs, competing with normal claims of consumption and investment, are long-range and should not be treated with temporary improvisations. States greater courage is in order in relaxing exchange restrictions and simplifying multiple exchange rate structures.

In reviewing the year that lies behind us certain outstanding features are prominent in our minds. At the meeting in Paris last September, many Governors expressed concern over the prospect that inflationary impulses resulting from the hostilities in Korea would jeopardize the progress that had already been achieved in restoring a measure of monetary equilibrium throughout the world. The mounting expenditures on defense would have to be superimposed on economies which, in many cases, were already sorely pressed. In addition to the direct effects of expanding defense expenditures, it was apparent that prices were being forced up by buying in anticipation of impending shortages.

Hon. D. C. Abbott

The developments of the past year have shown that the concern expressed at the last meeting was fully justified and they underline the vital necessity for governments to take effective measures to deal with the problem. It is equally essential that the peoples of our countries should understand that the problem is not one for which there is any easy trick solution, but rather that it is one which will require the concerted efforts and forebearance of all elements in the community if it is to be solved.

Permanent Policies Needed

The task of controlling inflation is difficult but by no means hopeless. Many member countries have already taken some significant steps to offset in one way or other the inflationary consequences of post-Korea developments. These measures naturally vary from country to country in accordance with the circumstances and social philosophy of each, and it would not be appropriate to urge a uniform course for all member countries. It does appear, however, that a resolute approach to the control of inflation must recognize that we are not confronted by a short-period emergency which can be dealt with by patchwork methods. There is likely to be a continuous pressure on our resources as the defense needs compete with the normal claims of consumption and investment. It is therefore of the highest importance that the efforts to cope with the situation should not consist merely of symptomatic treatment but that they should deal with the root causes of inflation. It is imperative that our efforts should not be temporary improvisations; rather must they be of a character that can enure as long as the need for them continues.

Now more than ever before do we feel the need for effective international consultation and mutual help. The Fund is concerned with monetary stabilization and convertibility, but exchange rates, exchange reserves and practices are but aspects of a larger closely integrated mechanism. At Bretton Woods it was anticipated that in helping to achieve exchange stability and liberal exchange practices the Fund would render its greatest service to member countries in their quest for economic well-being. The basic component in the Fund's philosophy was therefore the concept of reciprocity; the Fund is bound to assist its members, and members are bound to strive to attain and maintain the basic principles of the Fund.

Inactivity

Governors will have observed that the Fund engaged in only one fresh exchange transaction during the past year. At the last annual meeting, and at other times, certain Governors have expressed their concern at the failure of the Fund to place its resources more effectively at the disposal of its members. The thought has been expressed that the Fund may have safeguarded its resources with unnecessary rigidity and caution, and perhaps deprived members of support to which they felt entitled. The view has also been put forward that the effectiveness of the Fund as an operating institution would be enhanced if its members were encouraged to turn to it for assistance from time to time for appropriate purposes.

The questions involved in the use of the Fund's resources are numerous and complicated and they have been discussed at length in the various Annual Reports of the Executive Directors. If some members feel that the Fund has been less forthcoming in this respect than they may have wished, there may also be some justification for the feeling, which seems to be reflected in the Report of the Executive Board on Exchange Restrictions, that in certain cases members have not moved as rapidly toward achieving the aims of the Fund, through the elimination of exchange restrictions and discriminations, as their circumstances would have permitted.

Governors will have noted with satisfaction the recent decision of the Executive Board which is directed towards ensuring that in the present world monetary situation the Fund's resources will be made available to give confidence to members in undertaking practical programs of action to help achieve the purposes of the Fund. I should like to express the hope that opportunities will arise for collaboration between the Fund and its members along these lines.

Effects of Sellers' Market

The prevalence during the past fiscal year of a sellers' market for raw materials had advantageous effects on the balance of payments of many of our members. This has provided them with the possibility of considering with greater courage the relaxation of exchange restrictions and simplification of multiple rate structures. It is to be hoped that developments in the exchange position of members will enable these efforts to be continued and intensified — not

*An address by Mr. Abbott before the Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, Washington D. C., Sept. 10, 1951.

only for the sake of the furtherance of the Fund's objectives, but also on account of the relief from inflationary pressures which could be achieved through an easing of restrictions and discriminations.

Turning now to the Bank's activities, it is interesting to note that in this past year, in spite of hostilities in Korea, and the improvement that took place in the balance of payments of many nations, the Bank extended a considerable volume of credit; loans were authorized to 11 countries in an aggregate amount of $300 million. When these Boards met a year ago it was by no means clear that world events would permit a full-scale continuation of investment for development. The growing emphasis on defense did not appear to provide the best of climates for healthy investment by the Bank. And yet, during the past year, at least some of our apprehensions have been laid to rest. The increasing demand for raw materials is improving the ability of primary producers to service new loans. Nor have defense preparations as yet interfered as seriously as was anticipated with the supply of capital goods needed for development projects. Western Europe has fortunately recovered and in some respects surpassed its prewar capacity to produce capital goods and to an increasing extent can play a part in supplying the underdeveloped countries. At the same time, in view of the increasing demands of rearmament in certain of the highly industrialized countries, it seems likely that the supplies of some types of capital goods will be more limited in the year ahead than in the past. I am sure that all will agree that it is more than ever necessary in these circumstances for the countries desiring to move forward with their own development to make sure that they are making the fullest and most effective use of their own resources.

Banks Major Activities

The record of the Bank's activities during the past years shows a continued emphasis on four major fields of development—power, transportation, telecommunications and agriculture. Most of the loans have been extended to the governments of member countries for the provision of utilities which are essentially public in nature. However, the Bank has also demonstrated its capacity to assist in those tasks that fall within the sphere of private enterprise. The world will watch with interest the activities of the financial institutions recently established with the assistance of the Bank in Turkey, Ethiopia and Mexico for the purpose of extending medium- and long-term credits to private business.

To all of us who are concerned with economic development it is deeply gratifying to observe the growing awareness of the need for assistance—both technical and financial—to the underdeveloped countries. In the past year a series of reports have emphasized this need. But here and there a tendency persists to simplify the problems of development, to think only in terms of money requirements and to neglect the manifold difficulties inherent in the whole process of putting money and materials and skills to work effectively.

In his address presenting the Report of the Executive Directors of the Bank last year, Mr. Black outlined the steps which in his opinion the underdeveloped nations must take to translate external financial assistance into the concrete substance of development, and he expressed the view that the Bank could play a significant rôle in this process. The approach which he outlined was an eminently practical one. It recognized that the process of development was many-sided and that concentration on one aspect—for example, excessive pushing of grandiose industrial projects and neglect of improvement in agricultural methods—was highly undesirable. It recognized that technical assistance and improvements in education, public health and public administration were an essential part of any well-rounded program.

Increasing Grass-Roots Approach

I believe that this commonsense, grass-roots approach to the problem of economic development is to an increasing extent being recognized as the one which will produce the most effective results. I believe it is fair to say that as the Bank has developed its activities and its thinking along these lines, its authority has grown and its capacity to help its members increased.

Private investors are continuing to show confidence in the operations of the Bank. Sales of Bank bonds, from which funds are derived for loans to members, have this year taken place not only in the United States, where the Bank's credit is well established, but also in the securities markets of the United Kingdom and of Switzerland.

I have also been particularly pleased to note in recent decisions of the Bank a growing emphasis upon the development of informal contracts with the members. I feel that for both the Bank and the Fund it is more than ever before essential that members should be encouraged to feel that they can with complete assurance discuss the most intimate of their monetary and economic problems. The reciprocal faith and confidence that such discreet and friendly contacts will engender can do much to achieve the aims and purposes for which these institutions have been created.

We cannot overstress the need for mutual aid, for mutual confidence and for cooperative effort. It is only by a steady recognition of these basic truths that we can pass through the maze of conflict and find ourselves on the path toward better living — both nationally and internationally.

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Pay-As-We-Go Taxation is Not Enough

By JOHN AIREY

Chairman of the Board, King-Seeley Corporation, Ann Arbor, Mich.

Mr. Airey, pointing out a "pay-as-we-go" Federal budget policy does not cut down civilian consumption, sees need of taxing consumers' goods to avoid inflation. Holds limitation of tax to consumers' goods may not increase general price level and can counteract inflation trend.

The most discussed subject of today is the threat of inflation. There is close to unanimity regarding its prime importance and many outstanding authorities go so far as to say that it can cause us to lose World War III without even fighting a war.

John Airey

There is currently an increasing change in thought trend toward the need, in the present emergency, of using taxes on consumption instead of still heavier personal and corporate income taxes.

The reasons given, either stated or implied, are that the latter taxes result in the lessening of incentive to work and save and also because of the general principle of "diminishing returns" when any horse is ridden too hard.

Actually, the power of choice does not exist. Such a change of viewpoint in regard to consumption taxes is a "must" if the demand for civilian goods is to be held low enough to permit the production of required military goods without rationing. If this is not done even a policy of "pay-as-we-go," austere though it be, is not enough to prevent inflation.

The need to move in the direction of taxing consumption goods is still more important if a balanced budget policy is not followed. If some commodities go up in price, inflation does not necessarily result. A price increase merely signals an increased demand in relation to present supply which will be self-correcting after additional facilities increase the supply or the demand declines.

Profits will probably be higher, temporarily, until a new equilibrium prevails between supply and demand. A parallel statement could be made in reverse when demand declines.

In a perfect economy prices would be undulating both as to place and time with a long time trend downwards, due to technological improvements.

When the average of all prices is going up, it is inflation. When the average is going down, it is deflation.

There are three causes of such action:

(1) Change in the velocity of money turnover.

(2) Change in the total amount of money and credit in the national economy.

(3) Increase in average prices caused by sudden economic dislocation.

The velocity of money turnover is the number of times the average dollar is spent in a year or month or week. Such action is not fundamental for the long pull and is self-righting. The most recent example was in the fall of 1950 when a rush of money into autos, washing machines, et cetera—civilian hardware—occurred after Korea, with a repeat after the Christmas reverse. This was a reaching forward to fill future requirements because of fear of shortages due to the possibility of war. Since this period, the reverse action has taken place and has not yet run its course.

The quantity of money and credit available is the fundamental factor. Should this increase faster than population increases, then there will certainly be inflation, if not immediately then later, and should money and credit decrease, then there will be deflation, if not immediately then later.

The reason for the timing uncertainty is due to a change in velocity of money turnover occurring simultaneously which may either magnify or reduce the quantity of money change effect and might even exactly counteract it. Such a change in velocity often temporarily masks a basic change in quantity of money toward inflation or deflation. Actually both of these factors are changing continuously more or less, and it is only when the direction of change is continuous that results are important.

The third possible cause of inflation, increase in average prices, is a dislocating change between supply and demand of a group of items, and then only if the ability to demand (purchasing power) is not adjusted down to the dislocated supply through added taxation. This is not an ever-present routine factor but injects itself whenever an economic dislocation due to war or emergency occurs.

It is chiefly to this third possible cause of inflation that these remarks are addressed, for it is our current problem.

It is worth repeating that, while velocity change is a short-time phenomenon, quantity of money may, if permitted, increase forever. Now suppose we are producing only "civilian hardware" and a defense crisis comes along which requires that some of this must be "military hardware." Specifically, suppose that instead of each $100 of civilian hardware we must produce at least $20 of military hardware. Suppose, further, that due to fuller employment and longer hours we produce $90 of civilian hardware and $20 of military hardware.

The military hardware is not for sale, but the distribution to the economy of purchasing power is $110 with only $90 worth of purchasable goods.

What happens? This depends on how government finances this situation. If, at one extreme, it is financed by deficits, then there is $110 clamoring for $90 worth of civilian hardware—10% less than former habits intensified by 10% more buying power. The result, inescapably, will be higher prices and inflation.

Price and wage controls can hold prices down but not indefinitely. Meanwhile the bureaucratic wastage of paper work will take its toll of wasted effort with a lower peak of maximum supply and flourishing black markets.

Suppose the other extreme of financing be taken, namely, that taxes be increased by $20 for every $100 formerly produced but which is now $110. This would furnish only $90 to purchase $90 worth of civilian hardware. At first glance, it appears that there would be no inflationary tendency.

It is the position of many economists and commentators that we must "pay as we go." "Pay as we go" seems to be the essence of austerity and to ensure that all will be well, but this is not necessarily true. It depends on how the additional taxes are collected.

Let us assume that this additional $20 is to be collected through an increase in the personal income tax. The only effective solution would be to increase the tax on each income bracket in accordance with the degree of absorption by members in that bracket of past and present civilian hardware. This would prove to be what is called a regressive tax policy at which some economists and commentators shudder. But there is no alternative. As much as one may admire the morals of progressive taxation, lawmakers are powerless against the laws of mathematics and human nature.

Suppose a policy of pay-as-you-go governs and (to go to an extreme for brevity of exposition) the required amount be taken by 100% taxation down to whatever income figure is necessary to collect the required total.

If this were done, the national debt would not increase but the ability to buy civilian hardware would be decreased a negligible amount because the group carrying the added taxation absorb such a small fraction of the total production, also civilian hardware is relatively a minor part of their expenditures. Inflation would still occur. Further, money seeking investment would be reduced just when it was most needed to increase supply.

With the economy operating at its near physical maximum, as at present, the choice between increasing supply or decreasing demand is simplified. Demand for civilian hardware must be decreased, even assuming that a pay-as-you-go tax policy is in effect.

This could be done through the framework of the personal income tax, as already described. However, it is really a crude framework for the purpose, and no matter how accurate the tax impact be tailored for each income bracket, proportionate to their probable demand for civilian hardware, it would not be perfect and there is a **serious trouble-making time lag** in the collection of income tax.

The direct route, and independent of a statistical foundation, is a specific direct tax on each item of civilian hardware—a sales tax—in which the collection synchronizes with the demand, thus eliminating the vicious time lag of the income tax route. The excise tax is perhaps better than the sales tax because of less clerical work in collection and the collection occuring at a still earlier time.

Administration of wage and price controls dissipate tremendous energy which, invisibly more than visibly, lowers the maximum production attainable. Particularly in times of emergency, increasing output is even more important than pushing demand down. Another way of expressing it is that supply and demand must be forced to meet, first by getting supply up and second by forcing demand down.

The above states the case for a "pay-as-we-go" policy coupled with an effective impact of taxes to achieve practical monetary stability.

If, unfortunately, we increase total available money through deficit financing and also engineer perfect controls (truly a pious wish) prices will be held. However, when controls are eventually removed a new plateau of prices and wages will be established depending upon the aggregate increase in money available, just as happened in 1946.

If controls stay with us permanently, and this is not unimaginable, the past rate of growth of our economy will truly be for the history books only.

Dealer-Broker Investment Recommendations and Literature

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

Bank Stocks—Table of transfer taxes—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Bank Stocks for the Conservative Investors—Leaflet—Hare's Ltd., 19 Rector Street, New York 6, N. Y.

Fire and Casualty Insurance Stocks—Bulletin—White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

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.

Low Priced Shares—List of 40 selections in lower priced issues—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in the current issue of "Gleanings" is a discussion of the **Averages**, an analysis of stocks likely to benefit from the **Inflation Gap**, a discussion of **Atomic Energy Stocks**, data on **Niles-Bement-Pond Co.** and a list of 40 selected issues with only common shares outstanding.

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

Public Utility Common Stocks—September tabulation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a reprint of an article on **Kerr-McGee Oil Industries.**

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

Selected Portfolio to yield 5.4%—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Value Selections for September—Bulletin—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

World Sugar Production Prospects—Preliminary study of 1951-1952 prospects—Lamborn & Co., Inc., 99 Wall Street, New York 5, N. Y.

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

Allegheny Ludlum Steel Corporation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

American Enka Corp. — Memorandum — Kirchofer & Arnold Associates, 37 Wall Street, New York 5, N. Y.

American Phenolic Corp.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Barium Steel Corporation—Analysis—Kelly-Manly, Inc., 30 Broad Street, New York 4, N. Y.

Brad Foote Gear Works, Inc.—Analysis—Ferris & Co., First National Bank Building, Dallas 1, Tex.

Caspers Tin Plate Co.—Memorandum—Shillinglaw, Bolger & Co., 120 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Clearing Machine Corp.**

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

Central Railroad of New Jersey—Study in current issue of "Railroad and other Quotations"—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

Clearing Machine Corporation—Analysis—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

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Monetary and Fiscal Policy In a Rearmament Period

By M. S. SZYMCZAK*

Member, Board of Governors, Federal Reserve System

Reviewing Administration's monetary and fiscal policies since Korean outbreak, Governor Szymczak indicates, as result of actions already taken, there has been a marked diminution of inflationary pressures. Urges, as one of most essential steps that should be taken, adoption of new taxes to offset government defense outlays and reduce consumer spending. Says limitations imposed by Congress on control of mortgage and consumer credit reduces effectiveness of monetary and credit restraint, but concludes "further inflation is not inevitable."

When I talked at the School of Banking a year ago, it was just two months after the outbreak of hostilities in Korea. At that time we were faced with sharply increased inflationary pressures. The government was embarking on a large-scale program of rearmament. In anticipation of possible resulting shortages and higher prices, consumer and businessmen were already rushing into the market to buy. To do this, they were borrowing heavily and making free use of the large volume of liquid assets accumulated during the war and of current high and rising incomes. Production was increasing but not fast enough to meet increased demands and prices were rising rapidly, especially raw material prices. This was the way things stood when I outlined to this School my ideas about the best way to deal with the situation.

M. S. Szymczak

The Program Outlined Last August

Under the circumstances, with prospects of continued or growing inflationary pressures, a coordinated program of fiscal, debt management, monetary and credit policies and a system of selective priorities and allocations of strategic materials seemed to me essential. Arguing that fiscal measures must play an important role in limiting incomes available for spending, I advocated increases in personal and corporate income tax rates and imposition of selective excise taxes and taxes on war profits and speculation.

I urged government debt management policies designed to tap available investment funds as far as possible with a concerted effort to sell non-marketable bonds and tax savings notes to individuals, businesses, and non-bank financial institutions. Such a program would absorb money that would otherwise be spent on current consumption or new private investment and also would reduce the volume of government financing through banks, which is highly inflationary.

Monetary and credit controls, it seemed to me, should be broad in scope and should include effective curbs on consumer and real estate credit as well as general measures to curb the availability of credit to all types of borrowers. The Federal Reserve had already raised the discount rate from 1½ to 1¾%. The Board of Governors and the Open Market Committee has issued a joint statement indicating that both bodies were prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the government securities market. The Board, in cooperation with the other Federal and State bank supervisory authorities, had issued a statement urging that banks and all other institutions engaged in extending credit exercise special care in their lending and investment activities. Rapid credit expansion was continuing, however, and I called attention to the possible need for further action, including the imposition of selective controls and the more restrictive use of one or more of the Federal Reserve System's general instruments of credit control, namely open market operations, changes in the discount rate and changes in bank reserve requirements. Should these measures prove inadequate, Congress might well need to consider the desirability of authorizng additional powers over bank credit expansion in the form of supplementary reserve requirements.

*An address by Governor Szymczak at the School of Banking, University of Wisconsin, Aug. 31, 1951.

Monetary and Fiscal Measures Taken Since Last August

Today we may well ask what the record of the past year has been and what now lies ahead. As you know, the program of controls provided for in the Defense Production Act passed early in September last year and in an accompanying tax measure was a rather broad one, including direct controls over prices, wages, and materials use as well as controls of mortgage and consumer credit. The direct controls were used to only a limited extent until after the Chinese intervention and throughout the year great reliance has been placed on fiscal and monetary actions to check inflationary developments. As a result largely of the various fiscal, monetary and other measures taken, of increased production, and of changed consumer attitudes, the inflationary spiral was checked this spring, at least for the time being. Since then, despite rising defense expenditures, prices in wholesale markets, especially for raw materials, have declined and prices at the consumer level have shown little further rise. Now what action specifically has been taken in this year in the fiscal and monetary and credit fields to help check inflation?

In the field of selective credit regulation, Regulation W was imposed in September and strengthened in October to check the rapid growth in instalment credits and also to limit demand for consumer durable goods made from scarce materials. The rapid growth in instalment credit was stopped and the volume of such credit outstanding is now less than it was last September. In October a new type of selective control was initiated with the adoption, with the concurrence of the Housing Administrator, of Regulation X, specifying minimum down payments and maximum maturities on mortgage loans to finance the purchase of new houses. Later this was extended to loans on new apartments and some types of nonresidential buildings. Initially, the effectiveness of this regulation was limited by the large volume of commitments made previously. Since this spring, however, as these commitments were being used up, and as the amount of funds available for investment was being limited by more general measures, the availability of mortgage credit was being reduced and the volume of new residential building being started was at a much lower rate than a year earlier. July housing starts totaled 86,000 as compared with 144,000 in July 1950 and 96,000 in July 1949.

Regulations T and U have been strengthened to restrict the growth of stock market credit and to reduce the potential influence of credit in financing stock speculation.

While actions in selective credit regulation are more easily understood, actions to restrict the general availability of credit are more important. A series of such actions has been taken this year. As already noted, the discount rate was raised last summer. In Jaunary 1951 reserve requirements of member banks were raised to the upper legal limits, except for two percentage points at central reserve city banks. In early March announcement was made of a Treasury-Federal Reserve accord to coordinate debt management and monetary and credit policies in such a way as to assure successful financing by the government and at the same time to minimize the monetization of the public debt. A conversion offer was made for the two longest term restricted bonds which substantially reduced the amount of marketable bonds in the market. As a result of the accord, holders of government securities have been less disposed to sell them in order to obtain funds to make now loans to private borrowers and State and local governments. In financial markets, where short-term rates had firmed last autumn, long-term rates are now up somewhat. Perhaps most important, however, is the restoration of a considerable degree of flexibility which it is hoped will promote caution among both lenders and borrowers.

A voluntary credit restraint program has also been inaugurated in which commercial banks, investment bankers, life insurance companies, mutual savings banks and savings and loan associations are cooperating to screen their loan applications more carefully and to curb less essential credit. This program has been a further constructive measure of credit restraint. It has helped particularly in reducing the availability of credit for purposes which are not closely related to the defense effort.

Fiscal and debt management policies have had an impressive anti-inflationary effect thus far in the defense period. Actions taken last September to increase individual and corporate income taxes and last December to impose an excess profits tax on business corporations were timely and yielded a significant volume of new revenue. Despite a rise in defense expenditures, including foreign aid, from an annual rate of $17 billion in the second quarter of 1950 to $35 billion in the second quarter of this year, government revenues have generally kept pace with increasing outlays. This is a real achievement even though it has been made possible partly by the sharply increased incomes growing out of inflationary developments.

Recent refunding and new financing operations of the Treasury have been very successful. The success has been due to the offering of securities that have been attractive to investors and to general investor confidence in the government securities market. The recent August refunding of over $5 billion of securities was accomplished with an exceptionally small proportion of cash redemptions and since early July the Treasury has been able to raise almost a billion and a half dollars of new money through increased sales of Treasury bills, with very small purchases by banks and practically none by the Federal Reserve.

Current and Prospective Economic Situation

So much for the record of the past year. Now what about the future? What are the prospects for increases in inflationary pressures and what action should be taken to check any further inflationary developments? Before any attempt is made to answer these questions, it is essential to look briefly at the current economic situation.

Since early spring, there has been a marked diminution of inflationary pressures. Prices of basic commodities are down 17% and wholesale prices generally are down 4% from peaks of earlier this year. Consumer prices have shown little change. The rate of credit expansion has moderated and recent increases in commercial loans of banks have been about seasonal in amount.

Consumer demands for many goods are sharply below earlier extraordinarily high levels and consumer expenditures as a whole are below their usual relationship to disposable income. This shift in consumer buying came about as fears of shortages were reduced. Consumer holdings of durable goods have increased and distributors have ample supplies for the time being.

With industrial production at very high levels and with private demands on the whole reduced, business inventories have risen sharply. The book value of inventories at all stages of production and distribution at the end of June was up to $70 billion. This was an increase of 30% over a year ago, with less than half of this rise reflecting higher prices. The prospect of large crops this year, and particularly for a

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The Next Move in the Stock Market

By JOHN M. TEMPLETON
Templeton, Dobbrow & Vance, Inc.

Mr. Templeton lists and analyzes six reasons today why stock market may go down, and also six major reasons it may not. Concludes that of six bullish indications, four represent conditions which have existed for many years, whereas five of the six listed bearish indications are conditions which have risen in recent months.

There are numerous reasons today why the stock market might go down. Also, there are numerous reasons why it might continue to go up. These statements are true today and they have been true on all other days in the history of the stock market.


John M. Templeton

Investors may be interested in the following tabulation which gives six of the major reasons today for thinking that the stock market may go down and also six of the major reasons for thinking it may not.

Bearish Indications

(1) When the supply of money in the nation is excessive, people seek to use some of the money for buying commodities or investments. This causes a tendency toward higher prices. The money supply which was excessive during and shortly after the war no longer appears excessive. Between 1940 and 1945 the money supply increased 145%, whereas the Gross National Product of the nation increased only 113%. This indicates an excessive supply of money; and the results have been apparent in rising commodity prices and stock prices. However, between 1945 and 1951 the money supply increased only 3%, whereas Gross National Product of the United States increased 52%. Accordingly, the money supply is now no more than normal in relation to the volume of commerce in the nation.

(2) Corporation profits will be reduced by higher income taxes. The maximum amount of Federal tax which any corporation could pay in 1949 was 38%. Under the present law the maximum is 62%. This week the Senate Finance Committee approved a change already voted by the House of Representatives which would increase the maximum to 70%. In other words, the new law will probably reduce the net for stockholders from 38c on each dollar of earnings to 30c for those corporations whose earnings are much higher than their excess profits tax exemptions. Not so many years ago it would have been considered absurd to suggest that the government should take 70% of corporation profits in peace time. It might be said that such corporations are now 70% owned by the government and only 30% by their own stockholders. A corporation which would have earnings of $10 a share this year under the present tax law would earn only $7.90 a share under the law which is likely to be adopted next month. This may cause a decline in stock prices.

(3) More often than not in the past bond prices have started to turn downward earlier than stock prices. Since February bond prices have had a downward trend. Standard & Poor's Index of Yields on A1+ corporate bonds was 2.622% on Feb. 21 and 2.832% on Aug. 22. This is the same as a price decline of 4.2% for a 3% bond due in 30 years.

(4) Another indicator which has been worth watching in the past is the Index of Commodity Prices. More often than not a decline in stock prices has been preceded by a decline in commodity prices. Since February commodity prices have declined steadily. Dow Jones Index of Spot Commodities reached a peak of 215.43 on Feb. 16, 1951 and then declined to 181.19 on Aug. 28.

(5) Persons who use technical methods of forecasting usually watch the relationship between the prices of high quality stocks and the prices of low quality stocks. Often in the past a decline in high priced stocks has been preceded by a decline in low priced stocks. Therefore, it is interesting to notice that the Dow Jones Industrial Average which consists largely of famous quality stocks reached 268 on Aug. 29, which is the highest in more than 20 years, whereas Standard & Poor's Index of Low-Price Stocks has declined from 224.7 on Feb. 14 to 195.6 at present.

(6) Finally, it has usually been worthwhile in the past to watch the record of new common stock underwritings. When such shares begin to sell below their offering prices, it may indicate a weakness in the demand for stocks in general. This situation is usually adverse today. Out of 64 industrial common stocks offered to the public this year, only 22 are now selling above the offering price.

Bullish Indications

(1) It is an axiom among students of the stock market that "the market will begin to decline when people least expect it." The situation today is just the reverse. Among the people who make a business of predicting the trend of the market, I believe a larger percentage is now predicting a decline than at any time as far back as I can remember. If a decline begins soon this will be the first decline which was so thoroughly expected.

(2) Many economists think that, even if consumers and industry should buy a reduced amount of goods, the decrease would now be more than offset by the large prospective increase in payments for rearmament which is already scheduled. In the fiscal year which began on July 1 it is expected that the government will pay out $20 billion more for rearmament than it did in the preceding fiscal year. Such an increased rate of payments is expected to continue in the next fiscal year.

(3) The average yield on common stocks is still twice as great as the yield on high grade bonds. On Aug. 22 the average yield on industrial stocks was 5.98% and the average yield on top grade industrial bonds was 2.83%. Also, the ratio between earnings and stock prices is still unusually favorable. On Aug. 22 the average industrial common stock was selling for only 8.74 times earnings. In the past history of the stock market major declines have not started when such ratios were so favorable. When stock prices reached a peak in 1946, high grade bonds were yielding 2.50% and industrial stocks averaged only 3.45%. In September 1929 bonds yielded 5.08% and stocks only 3.19%.

(4) New money is flowing into the stock market in large amounts. The laws of New York concerning trust funds were changed last year to permit 35% to be invested in common stocks for the first time. The New Jersey laws were changed this year to permit 30% in common stocks. Also, the New York laws concerning life insurance companies have just been changed to permit these companies to invest up to one-third of surplus in common stocks. More and more corporations are setting up pension funds and profit-sharing funds; and there is an increasing tendency for these funds to be invested in common stocks. The supply of common stocks is limited; and these new demands for stocks may result in bidding up the prices. The influence is already very evident in the prices of famous quality stocks which are the favorites with trustees.

(5) Probably the most important factor of all is the attitude of the public. A generation ago business and government were rather separate in the minds of the people; but now the public generally considers it the duty of the government to prevent unemployment or deflation. In case deflation should begin there would soon be an almost universal demand from the people regardless of political party that the government take action. Therefore, any deflation which might occur will probably be shorter and less severe than heretofore. The science of economics has now developed far enough that by taking proper and sufficiently drastic measures a government can cause either inflation or deflation at will. However, the government is not likely to foster any severe deflation, because deflation is very unpopular with the voters whereas gradual inflation appears to be popular.

(6) Another factor which will have a great effect in the long run is the repeated demand for higher wages. Labor is more highly organized than before; and the leaders seem to regard it as their duty to demand continually higher wages. Union members have come to expect an increase in wage rates every year or two. New labor saving machinery and methods make it possible to grant some wage increases without causing higher cost of production; but the demands for the unions run far in excess of this improvement factor. About 85% of the cost of goods consists of labor if the labor used in selling and in producing raw materials and tools is included. Therefore the trend toward continually higher wages necessarily means a trend toward general inflation in the long run.

The factors influencing the trend of business are exceedingly numerous and complex. The predictions of our best known economists have often proved fallible. The factors influencing the trend of stock prices are even more complex. By studying those factors which appear most influential today as listed above, we arrive only at the observation that 4 of the 6 listed bullish indications represent conditions which have existed for many years, whereas 5 of the 6 listed bearish indications are conditions which have arisen in recent months.

D. S. Lobdell & Co. Formed in Dallas

DALLAS, Tex.—D. S. Lobdell & Co., Inc., has been formed with offices in the Mercantile Commerce Building. Officers are David S. Lobdell, President and Treasurer; J. E. Lobdell, Vice-President; and L. R. Churm, Secretary. Mr. Lobdell was formerly head of Lobdell & Co., Inc., of N. Y. City.

With Stephenson, Leydecker

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — John C. Pedersen has been added to the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

The Bretton Woods Institutions Today

By JOHN W. SNYDER*
Secretary of the Treasury

Mr. Snyder as U. S. representative in International Monetary Fund and World Bank stresses that change in world condition since founding of the institutions has not affected their primary objectives of freeing exchange restrictions and establishing worldwide currency convertibility. Cites constructive functions of the Fund as medium for international consultation, and emphasizes Bank's importance in defense period.

It has been stated many times that the conditions under which the Fund and the Bank must operate today differ in important respects from those originally contemplated at Bretton Woods. This is obviously true; yet it is equally true that their basic objectives are as valid today as then.


John W. Snyder

Convertibility of currencies, and the freeing of current exchange transactions from discriminatory restrictions are essential objectives. Stimulation of private investment and advancement of international public investment for economic development rightly receive growing emphasis in current thinking and planning. Our two institutions, however, face complex problems in the present world situation in which defense needs necessarily take the highest priority.

The first purpose of the Fund, as stated in its Articles, is: "To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems."

Prior to the establishment of the Fund, the determination of exchange policy was very largely a matter for each country, acting in the light of its own particular interests. This was so, even though there were some formal and informal agreements for consultation and cooperation by the monetary authorities of small groups of countries. This meant that individual countries could change their exchange rates and policies without the necessity of consulting other nations whose interests might be affected adversely, and without necessarily considering the effect of such actions on the long-run interests of the world economy. Virtually the only checks on independent action were a nation's willingness to consider the interests of the community of trading nations, and its fear of possible retaliatory action.

Today's Intelligent Order

Establishment of the Fund as the machinery for international consultation in this sphere has made the difference between intelligent ordering of these matters on the one hand, and patently harmful disorder on the other.

In the field of technical assistance, the Fund increasingly has been called upon by the member countries for advice, either through missions, or through consultations at Fund headquarters. The member countries themselves have on many occasions expressed their appreciation for the helpful advice given. In this way the Fund has been able to bring the practices of its members more in harmony with the interests of the world as a whole.

In the present world situation, where the free nations are compelled to expand their defenses, the Fund will have an important role in reconciling the long-run interests of the world in the sphere of exchange policies, with the short-run problems arising out of the defense effort. We may expect that its work of consultation will continue to be of great benefit to the member countries during this coming period.

Bank's Experience

The activities of the International Bank in the course of the last year are already familiar to the Governors. New loans have been made for economic development, which have brought the total of the Bank's commitments above a billion dollars. We are all, I am sure, gratified by the efficient manner in which the Bank has carried out its operations, and by its success in dealing with the borrowing members. Its missions have prepared comprehensive economic surveys of member countries, and have otherwise assisted the members in organizing their development programs and formulating their loan projects. The technical assistance activities of the Bank are a valuable adjunct to its direct lending functions, particularly because through them the Bank gains a clear insight into the needs of members.

Special Problems from Defense

The present period of defense may, as time goes on, create special problems for the Bank's development projects. For Defense competes with the normal civilian requirements of the member countries, whose industrial capacity also produces the capital goods needed for economic development. While defense, of necessity, is the first priority for all the member countries, their continued development is part of the long-range defense program of the free world. The Bank's role in economic development is, therefore, of ever-increasing importance.

*An address by Mr. Snyder at the opening session of the Sixth Annual Meeting of the Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, Washington, D. C., Sept. 10, 1951.

Paul H. Davis to Admit New Partners

CHICAGO, Ill.—Paul H. Davis & Co., 10 South La Salle Street, members of the New York and Midwest Stock Exchanges, will admit Clifton P. Walker, Jr., and Scott Davis to partnership on Oct. 1. Mr. Davis has been active as a floor broker on the Midwest Stock Exchange.

Harry Greenway V.-P. Of Central Republic

OMAHA, Neb.—Harry R. Greenway, resident manager for Central Republic Company, Farnam Building, has been elected a Vice-President of the firm, it is announced.

From Washington Ahead of the News

By CARLISLE BARGERON

Back in the days of the Great Roosevelt, one of our outstanding Leftist projects was the harnessing of the tides of Passamoquoddy Bay for the purpose of giving cheap electricity to the "common people." As I recall it, this had been a great dream of a stilted collar engineer who either had been to school with Roosevelt at Groton or Harvard, or had met him in one of their exclusive clubs. Anyway, Roosevelt, the Great, had great confidence in this engineer and in the Presidential campaign of 1936 the fact that Roosevelt had known this fellow at Groton or Harvard or at an exclusive club was looked upon as one of the many blessings which the people could get from a man so widely acquainted as Roosevelt was.

Carlisle Bargeron

Millions, hundreds of millions, were being poured out on this project which in its ultimate effect would have put out of business the Maine Power and Light Co., or whatever the name of this public service up there in Maine is. Around it were set up some of our most Leftist and pro-Communist schools. In the staid old state of Maine there developed one of the most influential hotbeds and incubators of "liberalism" in the country. In the end, even such a profligate spender as Roosevelt found the Passamoquoddy project to be too silly. It is a commentary on the intellectually poverty stricken Republicans that the fact they had nothing to offer like the Passamoquoddys in the '36 campaign and in later campaigns, has seemingly embarrassed them. Too many of them in the Senate and in the House feel that their party should *not* be telling about the absurdity of the Passamoquoddys and the money that is being spent upon them, but should pursue a "positive" approach. They should not come up with a "negative" campaign; they should be "affirmative." In other words they should offer bigger and better Passamoquoddys.

Well, just recently I played golf along the shore of Passamoquoddy. A more towering strength than I have could have easily hooked a ball right over into the bay. But neither that nor anything that Roosevelt, the Great, attempted, or rather, spent money for, could make a hydroelectric development of this body of water; anymore than can be made of an ordinary river or a lake.

The way in which this project was sold to us is representative of the propaganda which has been fed to the American people for the past 15 or more years. It is representative of the manner in which an organized gang of politicians have played upon ignorance.

When you heard of the great virtues of Passamoquoddy water being harnessed, you were told about how here is the greatest rise and fall of the tide in all the world; oh, from 25 to 40 feet up in these parts on Passamoquoddy and the Bay of Fundy. That's quite impressive and the most of us, I imagine, swallowed the New Deal propaganda that this heavy rise and fall of a tide would, if harnessed, have such great impact on turbines as to produce enough electrical energy as to make people happy for thousands of miles around.

In my sojourn in Nova Scotia, New Brunswick and Maine, I witnessed the rises and falls of these extreme tides. I never once saw them as a great water force, such as a drop over a dam, that would move turbines. Indeed, I was quite disappointed in the great rise and fall of these tides. It was my ignorance, of course, but somehow I had expected to see a commotion of surging and upsurging, a turbulence of water. But it turned out that the only difference between these tides and those upon which I was raised, is that they simply come in farther and recede farther.

Indeed, a very disappointed fellow traveler remarked to me at Digby Pines, N. S., apropos the view of the wide basin just off the Bay of Fundy:

"Nuts, when the tide is down around here, all you see is more mud and when the tide is up, the mud is covered over."

Obviously this fellow could never be more imaginative than to think that out of this there could be developed water energy to turn turbines to develop public power, and spawn more bureaucrats, more taxes and a reduction in the average consumer's electric bill of five or six cents a month.

The funny thing about it is that there are some in Congress, including the profound Senator Margaret Smith, who are still plugging for the "harnessing of the tides" at Passamoquoddy to bring comfort and even happiness to the people of many states.

For my part, I wonder whatever became of that engineer friend of Roosevelt's, the fellow who either went to school with the Great Man at Groton or Harvard, or who met him in an exclusive club. The army engineers who like to spend are looking for men with such spending ideas.

First Investors of Pennsylvania Formed

PHILADELPHIA, Pa.—First Investors Corporation of Pennsylvania has been formed with offices at 1528 Walnut Street. Officers are Douglas K. Porteous, President and Treasurer; and William S. Gallagher, Secretary and Assistant Treasurer.

Compton and Wharton Opens in Philadelphia

PHILADELPHIA, Pa. — George S. Compton and Bayard Wharton have formed Compton and Wharton with offices at 123 South Broad Street. Mr. Compton was formerly a partner in E. W. & R. C. Miller & Co., with which Mr. Wharton was also associated.

Scrutiny of SEC Welcome, Its Chief Declares

By A. WILFRED MAY

In statement to the "Chronicle," Chairman McDonald also calls attention to Congressional investigation's cost. Cites staff's drastic curtailment and laudatory findings by Hoover Commission.

WASHINGTON, Sept. 11—"The Securities and Exchange Commission is proud of its record, and ordinarily welcomes any scrutiny of its operations," was the initial comment of Commission Chairman McDonald in an interview with the "Chronicle" here today.

Harry A. McDonald

"This of course," he added, "includes the coming Congressional investigation [under the subcommittee chairmanship of Congressman Heller], provided that it is not unfairly slanted."

Cost Cited

"From considerations of public interest, however," Mr. McDonald said, "the cost of such an investigation must be realized. A single preliminary report on the activities of our 'alumni,' which we were required to compile for the Walters Committee, consumed 600 man-hours of work. At our average wage of $3.50 per hour, the cost totaled $2,100 plus the interference with our regular duties.

"Such interference also is extremely harmful to our agency," the Chairman went on, "because of the drastic long-continued cutting-down of our staff. These personnel reductions have resulted in a decline in the number of our employees from 1,723 in 1941 to 1,028 in July, 1951, to 925 now, and by July next we will be down to 875. Such curtailment is particularly difficult now in view of the greater activity in the financial world, calling for more policing of the exchanges and the over-the-counter markets.

"In any event, the SEC surely cannot be accused of being a sprawling bureaucracy."

Praise From the Hoover Commission

In concluding the interview, Mr. McDonald pointed to the laudatory findings reported by the Hoover Commission—both absolutely and in comparison with the other regulatory commissions, quoting it as follows: "In practice, the Securities and Exchange Commission seems to have realized the advantages of continuity of policy and impartiality to a high degree. It has combined knowledge of the field, judgment and reasonable consistency of policy with freedom from partisan political pressures. The Commission on the whole has been notably well administered. Even its critics concede that its staff is able and conscientious, and that the Commission generally conducts its work with dispatch and expedition where speed is most essential. There are of course some weaknesses to which attention will be drawn, but in evaluating them, one should keep in mind the basic fact that the Commission is an outstanding example of the independent Commission at its best."

Payne Trading Mgr. For Courts N. Y. Jones to Atlanta

Robert W. Payne has become associated with the New York Stock Exchange firm of Courts & Co., 30 Broad Street, New York City, as Manager of the trading department. Mr. Payne was formerly with Edward A. Viner & Co. and prior thereto with Stuyvesant F. Morris & Co. and Hemphill, Noyes & Co.

James E. Jones, formerly in the firm's trading department in New York, has transferred to the main office in Atlanta, 11 Marietta St., N. W.

Two With Straus & Blosser

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Albert Dittman and Richard J. Rappaport are now with Straus & Blosser, 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — R. B. Hamsher has been added to the staff of Slayton & Co., Inc., 126 Carondelet Street.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga. — Eugene T. Dykes is with Courts & Co., 19 East 12th Street.

Defense Economy Should Not Sanction Monopolistic Tendencies

By HON. J. HOWARD McGRATH*

Attorney General of the United States

Asserting government's aim is to preserve small business, U. S. Attorney General warns we should not permit current period of mobilization to foster trend toward concentration of industrial control. Wants defense contracts spread out so that small business is given share, and thus "preserve an essential asset for total war." Defends profit motive.

Basically, our economy is a free economy. Individual initiative and freedom of opportunity have made our nation strong and prosperous. The goals we have always sought—maximum production, full employment, and a continually rising standard of living—are possible only in such a free enterprise system.

J. Howard McGrath

Most people in this country agree that the philosophy of the antitrust laws is good. Most people in America agree that they want free economic enterprise and equal economic opportunity. Unfortunately, many pay lip service to the principle. If we believe in economic freedom we must do more than just say so. We must do whatever is necessary to make it possible—that is, preserve, restore and continually create competition.

There is a great temptation to take the blessing of this magnificent economy of ours for granted. Because of this temptation, we must exercise constant vigilance to insure that freedom within our economic system—the freedom that made it great—is neither suppressed nor diminished.

You and your organization (The Independent Grocers' Alliance of America) have an important stake in our efforts to combat monopoly and restraint of trade. If the power of monopoly is not suppressed, retailers such as yourselves will lose their independence, and the commerce of the United States will become a sanctuary of powerful, self-appointed groups. The commerce of the nation belongs to the nation. And the nation's welfare, as well as your own, depends upon protecting the freedom of that commerce.

Your business can function only if the channels of trade are open. We in the Department of Justice, and you members in the Independent Grocers' Alliance, have the common objective of insuring that goods will flow from the producer to the consumer in the most efficient and economical manner, free from artificial restraints either in production or distribution.

Free Enterprise Presupposes Competition

Free enterprise presupposes the right of every businessman to compete fairly and vigorously with every one of his competitors. Every businessman must have complete freedom to buy where he wants and sell where and to whom he wants in an uncontrolled market. His competitors may not limit his sources of supply, control his channels of distribution, prescribe the price at which he may sell, or impose other unreasonable restraints on his freedom to market.

To insure the benefits which flow from free competition, retailers in interstate commerce must be careful to abstain from all collective action which has as its objective the fixing of uniform prices for commodities or services. Mere novelty or innovation in pricing methods does not give them the sanctity of law. The means are not important. What the law condemns is the result. In other words, any collective action which fetters price fluctuations normal in a free competitive market is illegal.

In the 60 years since the passage of the Sherman Act there have been many changes in our economy. As we proceed in the second half of the 20th Century, we might pause in retrospect and review some of those changes as they affect your business and as they relate to our society.

The pattern of retailing at the end of the 19th Century was quite different from what it is today. In those far-away days the retail merchant had neither the facilities for large-scale buying that he enjoys today, nor the expanded markets that the advent of the automobile made possible. Sixty years ago the American merchant may have made two or three trips a year to the big wholesale and manufacturing centers of the country—perhaps more to pick up ideas and to learn about trends than to replenish his stocks. He relied heavily on the traveling salesman to keep his shelves well stocked.

The retail market was then limited to the merchant's own community. The automobile, radio and television have expanded markets so that today a retail marketing area may serve a radius of 75 to 100 miles. Today's newspapers, delivered a hundred miles away, tell about the bargains that can be had two hours distant by automobile. The radio and television, as other media of advertising, also disseminate the merits of merchants' wares in the expanded markets.

In many cases careful study of market trends and public tastes has tended to reduce retailers' risks inherent in carry-over inventories. Planned long-term purchasing has introduced the economies of uninterrupted production to manufacturers. The reduction in costs and more efficient methods of merchandising brought about by the free play of competition are commendable and should be encouraged.

By far the majority of businessmen have been content to share with the public the savings resulting from these innovations in merchandising methods. However, there are always some members of the business world who want to turn innovations only to their own benefit. These are the ones who are most likely to run afoul of the antitrust laws.

Stimulus of Profit Motive

I realize that the economic purpose of business is profit. It is this motive, plus imagination, initiative and ingenuity, that has made this country the world's leading producer. However, the desire to accomplish this economic purpose at times becomes so intense that some forget the implications of the monopoly problem.

I have faith in American industry and in its leaders. I believe that they see the long range problem facing our economy. They understand that the self-interest which seeks profits must be tempered by the self-interest which impels the preservation of our economic freedom. They realize that the preservation of our system of free competitive enterprise is vital to the American businessman and to the public—for the alternative to competition is regimentation.

We are presently engaged in mobilizing our resources to promote the national defense and to buttress the security of the free nations of the world. It is a tribute to the health and basic soundness of our economy and to the wonders of our production machine that, although less than one-tenth of our national productive effort is devoted to mobilization, and that barring the contingency of an all-out war, the percentage to be devoted to the defense effort will continue to be small, we are turning out an amazing flow of defense items, from tanks and planes to paratroop boots. It is of the utmost importance, however, that we consider the problems which this national emergency has thrust upon us in the knowledge that we are neither in total war nor can we count on peace, and that we must be prepared, as best we can, to face a devastating war at a moment's notice.

Wartime economy stresses speed rather than competition. During World War II, production was inevitably geared to the immediate necessities of fighting and winning the war. There was an understandable tendency to disregard the rules of competitive enterprise in the sudden necessity of producing battle equipment.

The important factor was speed. Under that pressure procurement officials turned to the largest concerns in a given industry.

It is of utmost importance that we do not permit the present period of accelerating mobilization to continue the trend toward concentration of industrial control which received so great an impetus in World War II by reason of the consolidation of production in a small number of large-scale corporations.

In a recent report of the Senate Select Committee on Small Business, released after a survey on the Concentration of Defense Contracts, the statement is made that:

"Concentration of industrial strength inevitably leads towards monopoly whereby a few producing units grow larger while smaller ones are starved out. . . . To maintain a balanced economy with free competition and an economic climate in which small business can flourish, our industrial system cannot be straitjacketed by utter dependence upon the output of a few score companies."

While we recognize that large diversified concerns play an important and necessary part in our mobilization, we must not lose sight of the fact that our most important objective at this time is to broaden our production base in order that we may have available as producers all segments of the business community to meet the overwhelming demands of an all-out war.

We may accomplish our purpose only by spreading our military procurement in such a manner that all sizes of business may participate, and by determining the capabilities of the businesses which constitute our existing and potential industrial capacity so that we may take appropriate action to insure that those businesses not now engaged in defense production will continue undiminished in strength until they are needed in a period of greater industrial mobilization. We cannot attain our objective without the present and future participation of our smaller manufacturing enterprises.

Mobilization Policy

In enacting the Defense Production Act of 1950, Congress expressed the policy that our mobilization should proceed, so far as practicable, within the framework of the American system of competitive enterprise. This expression recognized that the vigor of our competitive system should not be impaired during this emergency. In truth, the preservation of our free economy is our best insurance that we shall be able to produce the weapons of defense in the quantities and at the speed we shall need them.

The President is equally aware of the need to prevent concentration of economic power and has taken action to deal with it. On Sept. 28, 1950, after passage of the Defense Production Act, he issued a directive to agencies having responsibilities under the Act in which he states that:

"It is requested that you consult with the Attorney General and the Chairman of the Federal Trade Commission for the purpose of determining and, to the extent consistent with the principal objectives of the Act, of eliminating any factors which may tend to suppress competition unduly, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power."

The Defense Production Act also makes special provisions for the protection of small business, and lays the groundwork for participation by small business in the defense program. The Act provides that small business enterprises are to be encouraged to make the greatest possible contribution toward achieving the objectives of the Act, and that small business is to be consulted in the promulgation of regulations. Provision is also made for granting exemptions to small business enterprises.

As Attorney General I have the responsibility, under this Act, of making reports to the President and the Congress, based on surveys conducted for the purpose of determining factors which may tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power in the course of the administration of the Act.

Dangers Inherent in Defense Mobilization

In my first report to the President and the Congress, submitted pursuant to this Act, I pointed out certain dangers to the economy inherent in defense mobilization. The President, immersed as he is in matters of moment to the entire world, in transmitting copies of this report to the various interested agencies of the Government, said in part:

"While our paramount goal must be to strengthen the national defense both rapidly and efficiently, we have also the responsibility to protect and preserve competitive enterprise in the structure of our economy."

President Truman, in his memorandum to Mr. Charles E. Wilson, Director of the Office of Defense Mobilization, transmitting my Second Report, which dealt with Government procurement since the Korean situation, stated:

"We must continue to direct our efforts toward the widest distribution of defense contracts among all segments of business, large and small, consistent with mobilization requirements. By so doing we shall have a stronger, more flexible industrial economy to supply whatever may be required, and at the same time we shall avoid undue concentration in our competitive economy."

The production policy of the Director of Defense Mobilization provides that the fulfillment of the immediate demands for military end items, and the assurance of production lines which will sustain a greater output in the event of all-out war, will require a spread of contracts across industry as widely as possible in order to obtain a sufficiently broad base of production. The report of the Director of Defense Mobilization to the President, entitled "Building America's Might," points out that over 90% of all American businesses are small, and that the success of our mobilization program requires efficient use of the facilities and resources of those businesses.

Central procurement planning attacks the problem of broadening the base of Government procurement at its roots. With such an approach, it is evident that small enterprises are not sought out with the view of subsidizing them or giving them some sort of charitable relief. On the contrary, small business is sought out because it is a necessary element in the nation's industrial machine and must be preserved as an essential asset for total war and for a vigorous free enterprise in the peace that will come.

Strength of Nation Based on Free Competition

The strength of our nation rests in our free competitive system in which every enterprise, large or small, occupies a position of dignity, secure in the knowledge that so long as it serves the public well, it is an integral part of the economy. The antitrust laws have operated over the years to make secure the freedom and, consequently, the standing of all types of business enterprise in our nation; and, by virtue of this freedom, there have emerged the amazing ingenuity and resourcefulness which, spurred by the competitive spirit, have constantly advanced the frontiers of opportunity for our people, and have produced a resiliency which exists in no other economic system in the world.

It is because of these fundamental factors that American industry has out-produced the world, brought a higher standard of living to our people and afforded the greatest employment opportunities the world has ever known.

In time of national danger in the past, this magnificent machine, by reason of its freedom, responded to become the arsenal of democracy. It will continue as the arsenal of democracy in the present emergency.

In readying this arsenal, it is of fundamental importance that we insure the participation of all business — large, medium and small. Only in this way can we meet and conquer the unique and dreadful danger that faces America and the free world.

*An address by Attorney General McGrath at the Silver Jubilee Banquet of the Independent Grocers' Alliance of America, New York City, Aug. 29, 1951.

Henry W. Armington Joins Livingstone & Company

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Henry W. Armington has become associated with Livingstone & Co., 10 Post Office Square. Mr. Armington has recently been with Joseph F. Jordan & Co. Prior thereto he conducted his own investment business and was Boston manager for Amott, Baker & Co.

John Rice Jr. Is Now With Georgeson Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John C. Rice, Jr., has become associated with Georgeson & Co., 24 Federal Street. Mr. Rice was previously with Russell, Berg & Co. and prior thereto did business as an individual dealer in Boston.

We Can Count on Continued Progress for U. S. Economy

By HENRY J. SIMONSON, JR.*
President, National Securities & Research Corporation

Investment research executive recounts all phases of U. S. economic progress in past 16 years, and indicates that this progress will continue and profits, dividends and industrial production in current year will match peak levels of 1950. Forecasts continued long-term upward trend in business.

The past 16 years have seen many changes in our national and international affairs and also in our political economy. We have fought and won World War II and are now engaged in an effort to make the world safe for democracy by supporting the UN in Korea. In spite of the problems that have confronted this nation in the past 16 years, it has progressed at a more rapid pace than at any time in its history. In order to record this progress, I shall have to resort to notes so that authentic statistics may be accurately stated. In referring to notes, I wonder if I will be any better off than the minister who got up in the pulpit of his church one Sunday morning and said: "Unfortunately, today I left my notes home, therefore, this Sunday I shall depend upon the Lord for guidance but next Sunday I shall be better prepared."

H. J. Simonson, Jr.

Let us first see what has happened to our population since your Forum was founded.

Population

At the 1935 year-end, the population of America was officially estimated as 127,200,000. The latest estimate by the U. S. Bureau of Census indicates the population is currently at 153,900,000. This increase in the number of people living in the United States has been a tremendous factor in the economic growth of our country as it means that all of these people must be fed, clothed and housed; and let us not forget that many of them enjoy some of the luxuries of life as well as the necessities.

To meet the requirements of this increasing population, we have had to expand our production of goods and services.

Industrial Production

The industrial production of America in terms of the Federal Reserve Board Index of which the years 1935-1939 are recorded as 100, was at an average of 87 for the year 1935 and it has last been reported at 213, representing an increase of 144.8% over the 1935 average. This industrial production index is designed to record the rise and fall in the physical volume of production of manufactures and minerals. The fact that production has increased so prodigiously in so short a period attests to the increased power of our industrial capacity, which is unsurpassed by any other nation in the world.

Gross National Product

High industrial production has an important influence on the gross national product which is the market value of the output of goods and services before depreciation charges. In 1935 that market value was $72 billion whereas for the current year it is estimated at $326 billion, an increase of 351%. This represents an all time record high for the market value of the output of goods and services of this country.

*An address by Mr. Simonson at the dinner meeting opening 1951-1952 season of Women's Finance Forum of America, Chicago, Ill., Sept. 12, 1951.

National Income

After considering the market value of our goods and services, we now look at the aggregate earnings of labor and property arising from the production of goods and services. This is referred to as national income and it includes the compensation of employees, proprietors' and rental income, corporate profits and inventory valuation adjustment, net interest, and compensation of general government employees. In 1935 national income was $56.8 billion. Last year the figure was reported at $239 billion and the estimates are that it will attain a new high for 1951.

Personal Income

Income payments to individuals are reported by the Department of Commerce as personal income. In 1935 the aggregate personal income was $59.9 billion while in 1950 personal income was 275% greater, recording an all time high of $224.7 billion. A further increase is expected in the current year.

Disposable Income

In considering the income payments to individuals, it is important that we look at the figure of net income to persons after deduction of personal taxes and other payments to general government. In other words, the amount available to Americans to spend. True it is that income taxes are taking a larger proportion of our income than ever before; nevertheless, it is interesting to know that disposable income in 1935 was $58 billion while in 1950 it was reported at $204.3 billion, an increase of 252%. A further increase in disposable income, in spite of increased Federal taxes, is expected for the year 1951 with employment at an all time peak.

Employment

Latest figures from the Department of Commerce indicate that the total number of persons employed in the United States is currently approximately 62,500,000. This compares with only 42,300,000 persons employed at the end of 1935. The reverse of employment is, of course, unemployment and here again we record our splendid current position when we read that the latest figure of the unemployed in America is at 1,900,000 in comparison with a total of 10,600,000 persons unemployed at the end of December in 1935.

Wages

Employment is an essential factor contributing to the size of our income, and related to this is the rate of wages earned by the employed. As last reported, the average wage of all engaged in manufacturing was $64.56 weekly. This compares to $20.13 in 1935. An important segment of our employment is farm labor and here again we report an advance to $115 monthly (with room and board) currently, up from $22.42 a month in 1935. True it is that higher wages are necessary because of the increase in our standard of living and the advance in the cost of all commodities, goods and services. However, in spite of all labor's comment to the contrary, the statistics indicate that the general advance in wages of those engaged in manufacturing and on the farms has been greater than the advance in the cost of living.

Cost of Living

In speaking of the cost of living, the best measurement is the Department of Labor Consumers' Price Index, which although revised from time to time records the period of 1935-1939 at 100. This Index which was 98.1 in 1935, has last been reported at 185.5, representing an increase of 89.1%. This Index, by the way, is made up of a number of items carrying various weights. For instance, food is 33.3%, apparel 12.8%, rent 11.6%, fuel 3.7%, household furnishings 5.7% and there are a large number of miscellaneous items accounting for the remaining 32.9%, making a total of 100% for which the percentage change in each group is recorded from the previous month. It seems hardly necessary for me to dwell on the advances that have been recorded in the component parts comprising our cost of living. I am sure all of you know how the cost of living, whether it be in terms of foodstuffs, rent or clothing, has advanced over the years in this inflationary period which we entered shortly after the Women's Finance Forum was founded.

Commodity Prices

While there has been a decline in certain agricultural commodities in the last few months, in looking at the Department of Labor's Index of 900 Commodities, we observe that in 1935 it was recorded at 80 while it has last been reported at 176.7, representing an advance of 121% in that period. Advances in commodity prices reflect a period of inflation.

Inflation

Inflation is caused by the effective demand for goods and services exceeding the supply. Stated otherwise, the real solution to inflation is to have the production of goods and services exceed the demand. This would be referred to as a deflationary period but frankly there does not appear to be any signs on the economic horizon that would indicate we are entering such a period. To the contrary, it appears that a gradual increase in our population demanding more goods and services and the maintenance of high employment at increasing wages, will result in a gradual decline in the purchasing power of the dollar over the years ahead. This will be especially so as long as the government continues its huge expenditures for national defense and foreign aid.

Farm Income

An important barometer of our economic status is total cash farm income. Sixteen years ago farm income was $7.7 billion. Last year it totaled $28.2 billion. This increase of $20.5 billion in the hands of the farmers has made it possible for more of them to send their sons and daughters to college, purchase labor saving agricultural equipment, and to generally expand the production of their products through scientific farming and an increase in the acreage farmed.

Retail Trade

Another important segment of our economy is retail trade. This not only means the business done by the department stores of the country but it also includes the sales of automobiles and specialties and, in fact, all items that are sold at retail. Last year, retail trade was reported at $140.2 billion while in 1935 retail trade was $32.8 billion. This increase of $107.4 billion between 1935 and 1950 loudly proclaims the increase in the American standard of living through the purchase of more and better clothes, improved means of transportation, and the hundreds of electrical articles purchased at retail that bring relief in our efforts in managing a home.

Construction

Speaking of homes—last year there were 1,396,000 homes constructed in America while in 1935 the total construction of homes was 221,000. All construction, which includes business, residential and public utility construction, totaled $27.9 billion in 1950 while in 1935 the construction total was $4.2 billion. We estimate that construction in the current year will about equal last year and that it will be approximately seven times that for the year 1935.

Plant and Equipment Outlays

Corporate disbursements for plant and equipment has also been an important consideration in judging the current state of our economy. In the past periods of high expenditures for plant and equipment we generally have had an era of prosperity. In 1935, plant and equipment outlays aggregated $3.7 billion. In 1950, the total expenditures were $18.6 billion. This increase of $14.9 billion reflects the expansion of our plant capacity, the improvement of its equipment through modernization and it also reflects the plowing-back of a certain portion of corporate earnings that are not paid out in dividends into the building of the productive capacity of the business and the expansion of its operations.

Business Inventories, Manufacturers' New Orders and Manufacturers' Sales

There has been a great deal stated and written about peak business inventories now on hand by manufacturers, wholesalers and retailers. True it is that inventories have last been reported at an all-time record high of $70.4 billion in comparison with $20.2 billion in 1939—the earliest year for which this figure is available. However, there is an indication that we will have a shortage of important materials and it may very well be that before this year is over the high business inventories will represent an important contribution to the earnings of industry. The big fact about inventories is that there should be a relation of ratio between inventories and manufacturers' new orders and manufacturers' sales. With inventories at an all-time high, manufacturers' new orders also recorded an all-time peak of $253.2 billion in 1950 and manufacturers' sales a new high of $235.3 billion, whereas at the 1939 year-end when inventories were $20.2 billion, manufacturers' sales for the year were only $133.3 billion. The huge amount of dollars represented by manufacturers' inventories, new orders

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Labor Shortage in Britain

By PAUL EINZIG

Dr. Einzig, in commenting on current shortage of labor in Britain, despite present moderate rearmament program, points out restoration of rationing to remedy situation would be extremely unpopular and ineffective, since nothing short of rigid control of production, with direction of labor to essential industries, could prevent producers from catering to heavy demand for civilian goods. Says government must curtail purchasing power of consumers to remedy situation.

LONDON, Eng.—During the last few months there has been a great deal of grumbling on the part of those who would like to safeguard their freedom and human rights but dislike the idea of making sacrifices to that end, about the growing burden of rearmament. Yet they have been screaming before they were really hit. For the actual extent to which rearmament has diverted productive capacity from civilian to military production has so far been very moderate. Within the next few months, however, rearmament is expected to be gathering momentum, and the selfish section of the community will then really have cause for grumbling. A very acute shortage of labor is expected to develop within the next year or so, unless in the meantime means can be found for a substantial reduction of civilian consumption and production.

Dr. Paul Einzig

Even as things are at present there is a pronounced shortage of labor for essential purposes. Railroad services in Britain had to be curtailed for lack of men. Vital as the increase of the coal output is from every point of view, it cannot be achieved for lack of adequate manpower. The most characteristic example of the prevailing shortage of labor is provided by the decision not to make use of the millions of tons of scrap steel represented by obsolete and disused tramway lines. In London and in other British cities electric tramways have been or are being replaced by motor bus services, in order to be able to divert the electric power to other purposes. Many thousands of miles of tramway lines have thus became superfluous. The scrap steel they represent is needed desperately by the steel industry whose output is threatened by lack of raw material precisely at the moment when demand for steel is beginning to be affected by rearmament requirements. Notwithstanding this, the rails are not removed from the streets. On the contrary, they are being covered up, so that they should not obstruct street traffic.

The reason for this is that there are not enough workers available for the admittedly gigantic task of removing the rails and restoring the road surface after they are removed. Much as scrap steel is needed, the men who could, so to say, pick it up from the streets are unobtainable. Part of the labor force required could of course be provided by diverting workers from essential road repairs. But many more would have to be obtained through offering higher wages. As things are, this appears to be impracticable. For the cost of recovering the scrap steel would then be much higher than the prevailing market prices for scrap steel. It would mean an increase of the cost of production of steel and an all-round increase of the cost of military and civilian goods made of steel. It would mean yet another turn in the inflationary spiral.

This is only one of the innumerable dilemmas with which industry and the government are confronted today, owing to the shortage of labor. Very little has so far been done to remedy this state of affairs before it becomes further aggravated by an increase of rearmament requirements. The British working classes are still living in a fool's paradise; they imagine that it is possible to rearm without reducing their standard of living. The Trades Unions Council has just published its decision that organized labor must insist on wage increases corresponding to the rise in the cost of living. Socialist politicians repeat to boredom the catch-phrase that "the burden of rearmament must be equitably borne by all," by which it is meant that the bulk of it must be borne by the rich. The politicians are doing nothing to make the working classes realize that even if a 100% tax were to be imposed on the rich it would not solve the economic problems of rearmament, so long as the working classes insist on the maintenance of their own purchasing power at its present level.

Further heavy taxes on the already heavily taxed incomes of the rich would of course reduce demand for luxuries, and to that extent it would assist in the mitigation of the labor shortage. The relief thus obtained would only be a drop in the ocean, however. The overwhelming majority of civilian goods is bought by the lower income groups, and unless their demand is curtailed by some means or other the scarcity of labor is bound to become aggravated through the progress of rearmament.

To some degree the problem may be tackled by the reintroduction of rationing. In order to be effective, however, the wartime extent of rationing would have to be restored. This would be far from popular. In the case of textiles, for instance, there are ample supplies available and the reintroduction of cloth rationing would encounter strong opposition. To some degree the use of scarce raw materials is regulated in a sense as to safeguard the supplies for essential purposes. All these measures leave, however, the fundamental problem unaffected. So long as there is an excessive volume of purchasing power there is bound to be an excessive demand for civilian goods. Nothing short of rigid control of production, with direction of labor to essential industries, could prevent producers from catering for this excessive demand. But direction of labor in time of peace is politically impracticable. Even during the war the extent to which the government dared to use this device was relatively moderate. And in any case, should it be possible to curtail the production of civilian goods without corresponding curtailment of the consumers' purchasing power, the result would be that the stocks of these goods would decline and their prices would rise steeply. This would aggravate inflation, for the resulting rise in the cost of living would stimulate further wage demands.

Unless and until the government makes up its mind to curtail the purchasing power of those classes of consumers who are responsible for the bulk of the demand for civilian goods there can be no solution to the manpwoer problem. The problem is, of course, not a specially British problem. It exists in all countries this side of the Iron Curtain. The political difficulties which the European governments engaged in rearmament have to face are aggravated by the indications that there is no likelihood of any drastic reduction in the standard of living in the United States for the sake of rearmament. Unless the United States will set an example for making real sacrifices for the sake of national security the task of European government who want to face the dilemmas arising from rearmament will be anything but enviable. Left-wing agitators will be able to point out that the sacrifices required for the joint defense of freedom and democracy are not spread equitably as between democratic countries. There will be irresistible pressure against a lowering of the standard of living in Europe so long as there is evidence that American postwar prosperity is substantially unaffected by rearmament.

Continued from first page

Heavy Public Buying Presages Market Decline

ture, or the ability of both government and labor in one form or another to siphon most of the corporate profits.

Obviously, there are higher replacement costs—so we reach the inevitable over-all conclusion that prices are higher, volume is greater, the profit margin is smaller, **and in potential danger of a shocking percentage decline**—should business momentum falter anywhere along the line.

It is a losing battle, which only **perpetual motion** can save from the inevitable.

Under these circumstances, to venture an opinion as to the most timely level at which to dispose of all or part of one's securities is not only hazardous and thankless, but any degree of accuracy would be pure luck. One can only point out the inherent dangers and ride along with the crowd as far as the crowd is willing to take you, keeping one foot on base, and ready to run at the cry of "wolf"—even should the first and second cry prove to be premature.

Unless one has had the personal opportunity to contact many individuals with healthy and substantial security profits, one cannot truly appreciate the market importance of the **reluctance to sell because of the Tax on Profits.** Were it not for that specific deterrent, hundreds of millions in securities would have been liquidated long ago.

It may be a good time to remember that the final and most violent upswing in the 1929 bull market primarily was caused by a so-called shortage of "available securities," and largely due to the theory prevailing at that time—that one could not afford to take the profits because of the profit taxes involved.

We are now in September and, barring a decided decline in the security market between now and the end of December, certainly January and February, would be most inviting levels for tax-conscious security holders to make their liquidation sales—not knowing or wanting to risk what the rest of 1952 may have in store for them. This is not a novel or original thought, but usually when too many people are waiting for a certain time and level to make certain security deals, they find that someone else has thought about it and acted sooner.

It is not our idea, however, that one should wait for this period four months away. We have no monopoly on working out this psychological strategy, and in fact would be very much astonished if market levels remained at current high levels through December—just to please the potential January liquidators.

It makes a big difference whether one is deciding to liquidate a portfolio containing a few hundred shares, a few thousand shares or several hundred thousand shares. Obviously, the first takes but two minutes; the second probably a few hours, and the big position from three to six months.

We know that today's Stock Market actually is composed of a dozen markets or more, and the composite picture is misleading at all times. It has been our idea, since February of this year, that the final liquidating stage of this bull market was beginning, but that we had no idea when it would end. In May we thought we saw all the statistical evidence of a continuous weakening of the internal structure, but the subsequent blasting of the hopes or promises of a Korean cease-fire had a tendency to slacken portfolio liquidation and intensify the bullish attitude of the small investor.

Open-end Investment Trusts reported for the first six months of 1951 an **excess** of sales over redemptions of $137 million, or at an annual rate of $274 million. This comes on top of a $268 million **excess** for 1950, and indicates from this angle alone a sizable public **increase** in our security markets.

The SEC reports for the first eight months of 1951 show an **excess** of odd-lot buying over sales of over 6,000,000 shares, or at an annual rate of 9,000,000 shares. Taking a figure of $40 a share (the average price per share prevailing on NYSE during first seven months of 1951) the public purchase **in odd lots alone, over and above sales,** approximate an annual rate of $360,000,000. Add to this $360,000,000 the $274,000,000 open-end Investment Trust purchases in excess of redemptions, and you have an estimated $634,000,000 increase in open-end Investment Trusts and odd lots alone.

Odd-lot figures usually run at a ratio of 10% of the daily market volume. If we were to project the odd-lot figures into the hundred-share strata and try to estimate what the total so-called public excess of buying over selling might be — 10 times the odd-lot figure—we arrive at an annual rate for the year 1951 of the astronomical total of $3,600,000,000. Not since the halcyon days of 1929 has public participation been at such a high level. These figures do not include N. Y. Curb or over-the-counter dealings.

Debit balances in brokers' accounts went up considerably in 1950 (from $800,000,000 to $1,240,000,000), but have not gone very much higher thus far in 1951 due to the 75% margin requirements. Nevertheless the figure in January, 1951, of $1,300,000,000 was $200,000,000 over the highest figure reached in the 1945-1946 boom period. At that time the peak of brokers' loans — $1,060,000,000 (June, 1945) was a full 12 months before the Stock Market top. In the meantime many people had resorted to making individual loans at small interior banks. The concealed margin position in 1946 was much greater and more vulnerable than one could see with the naked eye.

From the foregoing statistical exhibit one must conclude that the entire Stock Market is in a gradual but inexorable period of deterioration, and by that we mean that stocks consistently are passing, from what we used to call in the old days, "strong hands to weak hands." It is a process that can continue, develop and intensify, **so long as nothing transpires to shock the current tranquility or disturb the rediscovered process of quick and easy profits.**

Keep in mind at all times that the patient is not as healthy as he was a few years ago, is committing innumerable excesses, and somewhere along the line will have to pay the price for his joy ride.

In the early stages of this bull market, when the over-all price level was up all of 30% and the country was full of disbelievers, we commented several times to the effect that one does not have a hangover unless first there has been an excessive amount of dissipation. In our opinion, since February of this year the dissipation has been progressing at an increasing tempo—the party is gayer—a trifle wilder, and lasting longer than expected. In the summer of 1946 we predicted an unprecedented demand for aspirin before the end of that year. Maybe one should begin to stock up again!

Economist to Discuss Investment in Israel

A. Wilfred May

A. Wilfred May, Executive Editor of "The Commercial and Financial Chronicle," will address a gathering of business and financial officials at 12 o'clock noon, on Thursday, Sept. 20, at a meeting of The International Trade Section, New York Board of Trade, Inc. His subject will be "Investment in Israel."

Joins First Securities

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Edward C. Hanson has joined the staff of First Securities Company of Chicago, 134 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Link, Gorman, Peck & Co. for many years.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — David W. Shirley has become affiliated with Harris, Ppham & Co., 135 South La Salle Street. He was formerly with Barclay Investment Co. and Mullaney, Ross & Co.

With Clement A. Evans

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—John A. Conant has become affiliated with Clement A. Evans & Co., Inc., First National Bank Building.

Continued from page 13

We Can Count on Continued Progress for U. S. Economy

and sales further attests to the high economic level currently prevailing in our American economy.

Foreign Trade

Another factor in our economy is the growth of foreign trade over the years. In 1935, the United States imports representing all the commodities we bought from foreign nations totaled $2 billion, whereas in 1950 such total was $8.9 billion. Total exports representing all the articles we shipped out of this country to the nations of the world in 1935 amounted to $2.3 billion, whereas last year the total was $10.3 billion. It seems logical that while there may be some decline from the present levels in the value of the products imported into this country, there probably will be an expansion of our exports due to the purchase of American goods by foreign consumers. The foreign trade of this country is very essential to it as we import many strategic materials that are not available in this country and we export, particularly in peace times, about 5% of our industrial production which in many years is an important earnings factor in American businesses.

Money, Savings, Bank Loans and Consumer Credit

For a couple of minutes let us look at a few of the items of finance and what has happened to them in the past 16 years. Money in circulation rose from $5.9 billion in 1935 to the current figure of $28.3 billion, an increase of about 380%. Savings by individuals, and by this I mean currency held, money on deposit in banks, holdings of government bonds, savings in savings accounts and building and loan shares, but exclusive of securities, are currently estimated to aggregate $182.1 billion in comparison with a total or $49.6 billion for the year 1939, which is the earliest year for which this figure is available. All the banks of the country had a total of bank loans and investments in 1935 of $34.6 billion in comparison with the latest figure estimated at $126.6 billion, an advance of $92 billion or 266%. Consumer credit, that is, the unpaid balance of instalment loans made to persons buying automobiles, television sets, electrical appliances, etc., was relatively low in 1935, the total being $4.8 billion whereas the aggregate amount was last reported at $19.1 billion, an increase of $14.3 billion or 298%.

Government Debt, Spending and Federal Taxes

I have been telling you of the industrial growth of American industry as reflected in a large number of our important economic indices. There are three other components of our economy that have also substantially expanded, but unfortunately I cannot report that they are beneficial to our industry. To the contrary, while contributing to our prosperity currently, there will some time in the distant future be a day of reckoning. I am, of course, referring now to government debt which has increased from $32.8 billion in 1935 to a current figure of about $256 billion, and government spending which has increased from $7 billion in 1935 to the estimated figure of $71.6 billion for 1951, and our Federal taxes, that is, personal and corporate taxes which in 1935 aggregated $1.1 billion and have last been reported as $41 billion for the government's fiscal year ended June 30, 1951. True it is that wars must be financed and a catastrophe such as World War II could not be put on a "pay-as-you-go" basis. However, government spending cannot continue indefinitely at the current rate as it is just not possible to finance such expenditures by increasing Federal income taxes. The tax burden on both the individual and the corporation is today the largest in any time in our history. I very much question whether individuals or corporations will permit any substantial increase in taxes without demanding more Federal economy and if that is not available I predict that the American people will strongly register their vote in opposition to the present Administration in November, 1952.

It is my belief that the Federal personal tax burden should be spread among a large number of people. Those in all income brackets, in my opinion, should make a contribution to the support of the Federal Government that is in proportion to their income. The attempt to have the tax burden assumed by a relatively small portion of the population has gone too far already and there must be a change which would make the great masses of America conscious of governmental expenditures and deficiencies. Corporate taxes are much too high and they should be reduced at the earliest possible date in order that incentive will not be obstructed.

Money Rates, Bond and Stock Yields

From the standpoint of the American investor, there has been a decline in money rates in recent years that has been reflected in lower bond yields. While the contrary has been generally true in common stock yields, it must be recognized that such yields were subject to relatively wide fluctuations. In 1935, the yield on high-grade bonds, as represented by Moody's Aaa Index was 3.60% whereas the current yield of the same bond index is 2.85%. When one considers the decline in the purchasing power of the dollar during the last 16 years in relation to the decline in the return from fixed income securities such as high-grade corporate bonds, it makes one wonder as to the advantages of long-term investment in high-grade, fixed-income securities. Contrariwise, let us look at what has happened in the yields of high-grade common stocks. In 1935, the annual yield on the Moody's 200 Stock Index was 4.06% whereas the current annual yield is reported at 5.83%. The differential between high-grade bond yields and common stock yields as represented by the Moody's Index in 1935 was 0.46% in favor of stocks whereas in 1951 we have a differential in yield between high-grade bonds and common stocks, as represented by the same indices of 3.01% in favor of stocks. Certainly a condition of this character at a time such as currently prevails would indicate the necessity for a careful investigation into the degree of risk that may be attached to the purchase of high-grade common stocks in consideration of the yield expectancy, as contrasted to the relative safety of high-grade bonds with a substantially lower yield. This leads me to the financial strength of all U. S. corporations.

Financial Strength—All U. S. Corporations

Figures for 1935 are not available, but in 1939 the financial strength, that is, the working capital of all U. S. corporations, totaled $24.5 billion. As last reported, this figure was $77.8 billion, representing a growth from 1939 up to the present time of $53.3 billion or an increase of 217%. You may ask what has accounted for this tremendous growth. While there are a large number of factors involved, I think the simplest statement I can make is to say that American business executives have generally learned the know-how of making money for their stockholders. Also, the boards of directors of these corporations have been conservative in paying out a portion of the corporate earnings to the stockholders while reinvesting the remainder of the earnings in research, the expansion of plant capacity and the development of new products. The growth of American business in the past 16 years is well illustrated by these figures recording the advance in the financial strength of all U. S. corporations. In the past 50 years the prices of the common stocks of our industrial corporations, although subject to intermediate fluctuations, have nevertheless recorded an advance that has averaged about 3¾% per year. This is what is referred to as the long-term secular growth and it is an important consideration for all investors desiring to share in the industrial growth of America.

Mutual Investment Funds

You have present here tonight a panel of authorities on Mutual Investment Funds. I am sure this panel will agree with me that for the average investor mutual funds offer the most effective way to participate in the earnings and growth of American industry. I shall leave the subject of mutual funds to the panel, observing only that at the end of 1935 there were approximately 40 open-end mutual investment companies with total assets of between $250,000,000 and $300,000,000. As of June 30, 1951, the number of open-end mutual investment funds had increased to over 100, the assets were $2,725,311,000 and the number of shareholders exceeded 950,000. I think it is safe to say that no other phase of investment has enjoyed such growth as mutual investment funds in the past 16 years—and their popularity is only just beginning.

Corporate Earnings and Dividends

Reflecting on the growth of our economy which has taken place since the founding of the Women's Finance Forum of America in 1935, it will not be surprising to any of you to know that the total earnings of all U. S. corporations in 1935 were $2.3 billion as compared to $22.8 billion for 1950. Dividends of all U. S. corporations in 1935 amounted to $2.9 billion, representing 126.1% of total corporate earnings whereas in 1950 dividends amounted to $9.2 billion, representing 40.4% of total corporate earnings.

Forecast

You have been extremely patient in listening to this statistical record of the economic growth of American in the past 16 years.

I am about to terminate my talk by telling you that we forecast a continuation of this growth for the foreseeable years ahead. Speaking specifically, we believe that industrial production will hold at a high level for the remainder of this year and for next year. National product, national income, personal income and disposable income, we think, will be maintained at or near record levels. Employment and wages will continue to advance and farm income and retail trade for the balance of this year will record their 1951 totals at all-time highs and construction approximate the 1950 level. Government spending is expected to be continued for defense and we believe that there will be huge foreign outlays made by our government in the months and years ahead. We predict that earnings and dividends of all U. S. corporations for the year 1951 will be at least equivalent to those of 1950 which recorded an all-time peak. Thus, 1951 will be a very good year for investors. We do not know the outcome of the Korean discussions, but we are inclined to believe that there will be a cessation of hostilities there and we expect that there will not be an all-out war with Russia this year or next year.

Conclusion

In spite of our trials, tribulations and worries, it must be evident to you that there is a driving surge of power behind our nation and its business in which we must have confidence. We should all feel very grateful for the opportunity of being citizens of this great country which, with the help of all of us and by the grace of God, is destined to continue to be the grandest country in the world in which to live, work and pursue happiness.

K. A. Liljegren With Lester, Ryons & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—K. Arnold Liljegren has become associated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges. Mr. Liljegren was formerly with Harrington & Co. and prior thereto with the Pacific Co. of California.

R. J. Wallace Joins Paine, Webber Co.

Richard J. Wallace

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard J. Wallace has become associated with Paine, Webber, Jackson & Co., 209 South La Salle Street. Mr. Wallace was formerly in the trading department of the Chicago office of Dempsey-Tegeler & Co. and prior thereto were with Remer, Mitchell & Reitzel, Inc., for many years.

Diamond & Keel

WASHINGTON, D. C. — Jack Diamond and John J. Keel have formed Diamond and Keel with offices at 1121 East Capitol Street to engage in the securities business. In the past Mr. Diamond was in business for himself.

With Waddwell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Augustine P. Hopp is with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Continental Copper & Steel Industries, Inc.—Survey—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Crucible Steel Co. of America—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Glidden Co.** and **Minnesota Power & Lt. Co.**

First National Bank of Boston—Memorandum—Chas. A. Day & Co., Inc., 199 Washington Street, Boston 8, Mass.

First National Bank & Trust Co. of Tulsa, Okla.—Memorandum—First Southwest Co., Mercantile Bank Building, Dallas 1, Tex. Also available is a memorandum on **Franco Wyoming Oil Co.**

General American Oil Co. of Texas—Memorandum—Sanders & Newsom, Republic Bank Building, Dallas 1, Tex.

Golden Cycle Corp.—Memorandum—B. E. Simpson & Co., Security Building, Denver 2, Colo.

Lion Oil—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

M and M Wood Working Company—Analytical brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

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

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

Plymouth Rubber — Analysis — Allen & Company, 30 Broad Street, New York 4, N. Y. Also available are analyses of **Richardson Company** and **Giant Portland Cement.**

Reynolds Metals—Bulletin—Stanley Heller & Co., 30 Pine St., New York 5, N. Y. Also available is data on **Oliver Corp.**

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.

Southeastern Public Service—New report—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Tejon Ranch Co.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

United States Fidelity & Guaranty Company—Report—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

Walt Disney Productions—Analysis—Butler, Moser & Co., 44 Wall Street, New York 5, N. Y. Also available is an analysis of **Texas Engineering and Manufacturing.**

The British Outlook

By ROGER W. BABSON

Calling Socialism a cruel hoax, Mr. Babson finds it in England experiencing an intense inner struggle between loyalty to Socialism and realization that individual incentive must be liberated if people are to have prosperity. Expects fall of Attlee Government.

Of the three top leaders of British Socialism in recent years, only one is in office today. Mr. Attlee still heads the Labor Government of Great Britain, but is plagued with a duodenal ulcer which has already hospitalized him. This ulcer could conceivably force him to follow his former right hand man, Sir Stafford Cripps, into retirement. Sir Stafford was in several ways the brightest luminary in the British Labor movement; an eminent lawyer, and an intellectual of the first magnitude. A few months back he had to retire as Chancellor of the Exchequer for reasons of health. He suffers from colitis. Early this year the third man in the Labor Government, Ernest Bevin, suffered an illness that forced him to retire as Foreign Secretary. Shortly thereafter he died at the age of 70.

Roger W. Babson

I am not exulting over casualties among top-ranking British Socialists. I consider Attlee, Cripps and Bevin men of the noblest intentions. Were they rogues paying lip service to Socialism, in order to further personal ambition, all three might now be in good health, riding high on the road to more power! At least, this is what I learn here in New York.

Socialism A Cruel Hoax

To my way of thinking, Socialism as set up today constitutes a cruel hoax. Socialists discover that many evils can be traced back to individual private greed. This is true. But the Socialists conclude, all too quickly, that private enterprise should be outlawed. They then nationalize the big private enterprises and turn them over to the government. They "sink the ship to rid it of rats." But the hoax is that the coming of Socialism to power brings frustration, stagnation, and finally the need for "austerity." Only individual incentive provides the spark and fuel of human endeavor.

When honest Socialists, like the big three of England's Labor movement, gain control of the government, they discover that the noble doctrines to which they have dedicated their lives do not work out as expected. Socialism, unfortunately, distributes poverty, not riches.

Tragedy of Honest Socialists

An honest Socialist in power soon finds himself experiencing an intense inner struggle—the struggle between **loyalty to socialism** and the realization that **individual incentive** must be liberated if the people are to enjoy maximum prosperity. There are two possible outcomes of such an inner struggle within the heart of the honest Socialist—either a nervous breakdown or a desertion of Socialism. Attlee and Cripps are honest Socialists and so was Bevin; but Bevin has died and Attlee and Cripps have ended up with poor health approaching a nervous breakdown. They will not, however, surrender their Socialism, although they see only collapse or a dictatorship ahead.

Mussolini was an aggressive Socialist in early life; but as he rose to power he became an undisguised autocrat. He did not permit the fallacies of Socialism to ruin his health! He switched to personal autocracy and then went back to antiquity to find an ethical sounding name for it, calling it "Fascism." Hitler paid lip service to Socialism by calling his autocracy "National Socialism."

Who Will Be "Big Brother"?

Britain's fourth Socialist leader, Aneurin Bevan, not to be confused with the late Ernest Bevin, has the demagogue's appeal, the opportunism and the violent demeanor. This fits him to become the English counterpart of Mussolini or Hitler. Aneurin Bevan recently deserted Attlee for motives which some observers believe were to increase his own power.

Straw polls and local elections foreshadow the fall of the Attlee government. I wonder whether Attlee's successor will be able to proceed with the present governmental machinery. Or will revolution and dictatorship be the outcome of Britain's experiment with Socialism? As for me, give me a country with a democratic capitalistic government like our own, that seeks workable compromise between collective needs and individual incentive.

Rollins Officer of Technical Fund, Inc.

SAN FRANCISCO, Calif. — The Technical Fund, Inc., has announced that Francis W. Rollins, Jr., has been elected assistant secretary of the corporation.

Technical Fund, Inc., and Technical Fund Distributors have removed their offices to 310 Sansome Street.

Burley Representing Distributors Group In Middle West

Distributors Group, Inc., has announced that Chester C. Burley, Jr., has been named as district representative for the States of Ohio, Indiana and Kentucky.

Mr. Burley, who has been associated with Distributors Group for several years, attended the University of Virginia and was in the Army Air Force during the war. His previous business associations were with Burley & Co., New York, and Halsey, Stuart & Co. Inc., New York and Philadelphia.

He will make his headquarters in Cleveland, O.

With A. H. Bennett & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Charles L. Merker is now associated with A. H. Bennett and Company, 1004 Baltimore Avenue.

Mutual Funds

By ROBERT R. RICH

A PANEL discussion Tuesday at the Mutual Funds Conference in Chicago, indicating the possibility of a deflation within the next several years, substantiated the general attitudes of many portfolio managers, as was reported last week.

James McCarthy, Dean of the College of Commerce at the University of Notre Dame, referred to softening markets in the country, reduced effective consumer demand because of high prices, credit restrictions, and the possibility of resistance to further increases in wages as factors to consider in the outlook.

Roland Robinson, former economic consultant of the Federal Reserve Board and a Professor of Banking at Northwestern University, remarked that the enormous potential productivity was one important factor in preventing a galloping inflation.

Kenneth Gaston, Chairman of the Board of Distributors Group, Inc., spoke on profit-sharing retirement trusts. He advised dealers to "sell these plans soundly, for what they will do, and do not pretend for them that they will do something they do not do."

T. J. Herbert, Research Vice-President of Diversified Funds, said that mutual funds were not in competition with the banks for most of the small and medium-sized trust business. Mutual Funds, Mr. Herbert pointed out, can find an important source of new business in banks if dealers develop contacts in the banking field.

Monday, the first day of the Conference, Charles Eaton, Jr., of Eaton & Howard in Boston, asked that the mutual funds industry accept the responsibility that goes with an increasing maturity. He discussed the implications of this maturity as mutual funds became more widely known and more important in the financial life of the country.

Dudley F. Cates, Manager of Kidder, Peabody's mutual fund department, spoke in great detail about his department's experience with newspaper advertising as a successful and vital medium in the sale of mutual funds shares.

"BUSINESS ACTIVITY will continue at an accelerated rate during the balance of this year owing to military defense expenditures reaching the production stage in larger volume," was the composite judgment of the Investment & Research Department of National Securities & Research Corporation at a meeting held on Sept. 6, 1951, to establish the corporation's viewpoint on the outlook for the remaining months of 1951.

Other conclusions were:

Further U. S. appropriations for military and foreign aid are expected.

Continued high corporate earnings and liberal dividend disbursements will likely result in relatively high stock prices. Since wide variations as to industries and issues are expected over the period ahead, careful selection is of vital importance.

Although a reasonable backlog of bonds and preferred stocks seems prudent, of genuine concern to the investor is the continuance of the decline in the purchasing power of the dollar. This indicates the advisability of having adequate investment representation in common stocks in order to benefit from the relatively high income available and at the same time have an opportunity to participate in the long-term secular growth of American industries.

Dollar Falls to 55c—Proves Cash Isn't Safe Place for Your Money

Unlike the inch, the ounce and the pound, our economic standard of value — the dollar—fluctuates, bringing one to the simple conclusion that cash isn't always a safe place for your money.

In fact, the United States dollar—which for most Americans is a standard of value, storehouse of wealth, unit of account and medium of exchange—declined for the second straight month to 55c in purchasing power on July 15. This misses by one-tenth of a cent the all-time low of May 15, and compares with a peak purchasing power of $1.47 in December, 1914.

With this in mind, one might agree that an investment in cash, if prices fall, is wise; if prices rise, it's unwise.

And similarly, an investment in stocks, if their prices fall, is unfortunate; if their prices rise, one is regarded as being in happy circumstances.

However, since, in general and on balance, stock prices and the purchasing power of the dollar move in opposite directions, one is brought to another simple conclusion — namely, the most prudent investment, with a minimum risk in a relative world, is part cash, part stocks.

Diversification of a man's savings or "investible" surplus—after due allowance for life insurance, emergency reserves and liquidity preference is one of the roots of the mutual fund concept—a simple idea not always simply put.

"THE HOLDINGS of Fully Administered Fund continue to be about evenly divided between a reserve of strictly defensive investments — government bonds, highest grade public utility bonds and cash—and common stocks of outstanding quality," the quarterly report to shareholders stated. "This high defensive ratio ranged at times during the period up to 60%.

"There will be much talk of taxes and increased wages in the months ahead," the reports said, "and considerable uncertainty as to how the combination of a new tax bill, higher labor costs, government price and materials controls, and restriction of armament producers to government-approved profit margins, will affect the net earnings and dividend rate of some of our largest corporations.

"Your investment management intends to continue to proceed with greater-than-usual caution until some of these uncertainties are resolved. For the long-term, selected common stocks still appear to offer the outstanding investment values and we expect to increase the proportion invested in them as the outlook appears more favorable."

Additions to holdings were American Seating, American Tobacco, Anaconda Copper, Bristol-Myers, Container Corp., National Acme, Phelps Dodge, Philip Morris, Timken Roller Bearing and F. W. Woolworth.

Eliminations from portfolio were American Brake Shoe, Bethlehem Steel, Chicago, R. I. & Pacific, Collins & Aikman, General Railway Signal, National Steel, New York Air Brake and Sun Chemical.

A NEW technique for acquainting the investing public with the place of mutual funds in the financial program of the ordinary man and woman will be used by the Mutual Funds Department of Ira Haupt & Co. in their tent display at the Mineola Fair, Sept. 11-16, 1951.

Twice as large in area as last year's exhibit at the Fair, this year's tent will feature an interior decorated with large photomurals, blown up from an eight-page folder designed by Franz Pick.

This pamphlet, entitled "The Three Financial Freedoms and Thoughts About Attaining Them," will also be distributed to guests during the Fair. It uses the pictograph technique to present lucidly and simply what the ordinary investor needs to know about the function of mutual funds in the building of a well-balanced financial program.

Although using the simplest, most easily understood terms, couched in the forceful medium of graphic representation, the photomurals are said to retain the seriousness and sincerity that an investor is likely to expect when he is asked to venture his savings upon the future of part of American industry.

This year's exhibit at Mineola is the second to be mounted by Ira Haupt & Co., who, with their highly successful 1950 display at the Fair, inaugurated an intensive campaign, focused upon Nassau County, to build good community relations in that fast-growing region for their mutual funds department.

MAKING HAZARD insurance available on mortgage property to protect the mutual interest of both borrower and lender is legal and proper, attorneys for Investors Diversified Services, Inc., declared in Federal District Court in Minneapolis on Sept. 11 in arguing a motion in an antitrust case in which the company contends that its providing such insurance service is not in violation of law.

The Investors motion, heard by Federal Judge Gunnar H. Nordbye, asked that the Clayton Act issue be eliminated from the case as one basis for government charges that Investors' hazard insurance services are in violation of both the Sherman Act and the Clayton Act.

The government action has no connection with or bearing upon investment plans or securities offered by the Investors group, it was explained. It deals only with certain technical questions relating to insurance services made available through reliable insurance companies to home buyers obtaining mortgage loans from Investors.

Attorneys for Investors explained that the purpose of the motion to eliminate charges based on the Clayton Act is to simplify the issues and thereby shorten the proceeding. It was made clear that the motion does not represent the company's complete answer to the government's complaint, filed against Investors in Minneapolis on April 26. In moving for the elimination of the Clayton Act as a possible basis for the Federal action, the company makes no admission that its hazard insurance services constitute a violation of the Sherman Act, it was pointed out. The company will file a complete answer in support of its legal position after the court rules on today's motion.

Investors contends that it is both proper and legal for borrowers to authorize the company to place hazard insurance on mortgaged property covered by Investors' loans in order to safeguard the interests of both the home owner and the lending institution. The company has pointed out that approximately 50% of the insurance on property mortgaged to it is placed by the borrowers through agencies and in companies they themselves select.

AN EXTRA dividend of 10¢ per share in addition to the regular dividend of 15¢ per share was declared by the Trustees of the George Putnam Fund of Boston.

Both dividends will be paid out of the current year's income from dividends and interest and are payable Oct. 20 to all shares of record Sept. 28, 1951.

George Putnam, Chairman of

the Trustees, in commenting upon the dividend declaration, said, "So far this year the income received by the Fund has continued at a satisfactory level. In view of the rising cost of living that affects all of us, your trustees are particularly pleased that the Fund is in a position to pay this extra dividend."

CHESTER C. BURLEY has been named district representative for the states of Ohio, Indiana and Kentucky, Distributors Group announced.

Mr. Burley, who has been associated with Distributors Group for several years, attended the University of Virginia and was in the Army Air Force during the war.

Previously he was with Burley & Co., New York and Halsey, Stuart & Co., New York and Philadelphia.

His headquarters will be in Cleveland, Ohio.

EATON & HOWARD Stock Fund reported total net assets of $10,664,454 on Aug. 31, 1951, compared with $6,826,865 on Dec. 31, 1950. Net asset value increased from $21.67 to $24,67 during the same period.

The Fund's portfolio on Aug. 31 was 89% common stocks and 11% cash and U. S. Governments. The five largest common stock holdings by industries were oil, power and light, rayon and textile, chemical, and insurance.

EATON & HOWARD Balanced Fund reported on Aug. 31 that 62% of the fund's assets were invested in common stocks, 18.5% in preferred stocks, 13.1% in corporate bonds, 3.2% in U. S. Governments, 2% in short-term notes and 1.1% in cash.

Oil, power and light, insurance, natural gas, and chemical were the five largest common stock holdings by industries.

Total net assets on Aug. 31, 1951 were $75,767,570, compared with $62,923,792 on Dec. 31, 1950, with net asset value per share increasing from $31.15 to $34.00 during that period.

A CAPITAL GAIN dividend in the amount of $1.25 a share, payable Sept. 28 to stockholders of record Sept. 7, 1951, was announced by Concord Fund.

The shares are quoted $12.67 bid, offered at $13.70 ex the $1.25 capital gain dividend.

Stockholders were notified on Aug. 17 that the capital gain dividend would be paid to holders of record on Sept. 7. The amount to be paid, however, depended upon the number of shares outstanding on that date.

Stockholders have until Sept. 14 to indicate whether they wish to receive this dividend in cash or additional shares of the Fund.

"THE MANAGEMENT OF Massachusetts Investors Trust" is Vance, Sanders' newest booklet, which gives the investors information about the Fund's research staff, advisory board and trustees. Copies are available from Vance, Sanders & Co., 111 Devonshire Street, Boston, Mass.

DREYFUS FUND, on Aug. 31, 1951, had net assets of $764,083, or $10.96 per share, compared with $580,765 and $9.52 a year ago.

STEIN, ROE & FARNHAM has announced election of John M. Tittle, Chicago, as Assistant Secretary of the Fund.

TOTAL NET assets of United Science Fund, United Income Fund, and United Accumulative Fund, amounted $65,655,434.61 on Aug. 31, 1951, as compared with $48,397,326.00 on Dec. 31, 1950.

FUTURES, INC., the "mutual fund in commodities," reports for the three months ending June 30 a profit of $25,903.50 resulting in a gain in asset value per share from $2.75 to $4.38.

Profits were largely from short positions in cocoa, cotton, cottonseed oil and grains.

During July and August some net losses were sustained so that asset value fell back to $3.60 per share as of Aug. 31.

DELAWARE FUND reported that its only important transaction the week of Sept. 8 was the purchase of a block of J. C. Penney.

D. Moreau Barringer said this was in line with the expectation of Delaware management that spendable income will most probably continue at a high rate, and will be spent on those goods most readily available to the public.

He added, "Things that conflict with war demands, as most consumers' durable goods do, are likely to be in progressively shorter supply. If the average American spends most his increased income (and if he doesn't he won't be an average American as we've known him), his spending will perforce be channeled into non-durable goods to a greater degree than before."

The Delaware Fund Chairman described Penney as a preeminent distributor of so-called "softlines"—clothing, shoes, household needs—to the average American. Other store stocks include: Federated Department Stores, May Department Stores and Interstate Department Stores.

Paul P. Pullen Joins Marshall Co. Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Paul P. Pullen is with The Marshall Company, 765 North Water Street. He was formerly for many years with the Chicago Title & Trust Co.

Joins Lewis Staff

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Irene G. Stotler has joined the staff of McDaniel Lewis & Co., Jefferson Building.

Right, but . . . !

"We in the United States respect and support the many new free and independent nations in the Pacific area and Asia.

"We want to see them grow and prosper as equal partners in the community of independent nations both East and West. We want to cooperate with them, and to help them in their agricultural and industrial development. We wish to see these nations attain in dignity and freedom a better life for their people — for that is the road to world peace.

President Truman

"These countries have a rich historical and cultural heritage. Today their people are experiencing great economic and social changes. They are stirred by a new zeal for progress and independence. Already we have seen some of the progress that can be made — progress in stamping out malaria, in building schools and training teachers, in growing more food and creating new industries. Immense opportunities lie ahead if these countries can pursue their national destinies in a partnership of peace, free from the fear of aggresssion."—President Harry S. Truman.

We are certain that the President is, generally speaking, quite right, but we cannot afford to forget that judged by past standards much that we are doing strongly suggests other notions and other designs. We should do well to admit to ourselves that it is not altogether strange that we are sometimes suspected of devious intentions.

Reserve Board Alters Regulation T

Excuses brokers from requiring margins in margin accounts when amount does not exceed $100, and broadens exemption for capital contribution loans to securities exchange members. Clarifies and strengthens the rules regarding dividend withdrawals on margin accounts.

The Board of Governors of the Federal Reserve System has adopted an amendment making certain minor technical changes in Regulation T, the regulation which relates to margin requirements of brokers, dealers and members of national securities exchanges.

One change excuses brokers from obtaining margin in margin accounts when the amount to be obtained for transactions on a given day does not exceed $100. Another change somewhat broadens the exemption that is already contained in the regulation for certain capital contribution loans to members of securities exchanges. Both of these changes became effective Sept. 3, 1951. A third change, which becomes effective Sept. 17, 1951, clarifies and strengthens the rules regarding the withdrawal of dividends that are received on securities in under-margined accounts.

The text of the amendment, No. 11 to Regulation T, reads as follows:

Amendment No. 11 to Reguation T

Issued By the Board of Governors of The Federal Reserve System

"Regulation T is hereby amended in the following respects, the amendments to sections 3(g) and 4(f) (2) to become effective Sept. 3, 1951, and the amendment to section 6(g) to become effective Sept. 17, 1951:

"(1) By adding the following sentence at the end of section 3(g):

"In any case in which an excess so created, or increase so caused, by tranactions on a given day does not exceed $100, the creditor need not obtain the deposit specified therefor in the first paragraph of section 3(b).

"(2) By changing section 4(f) (2) to read as follows:

"(2) make loans, and may maintain loans, to or for any partner of a firm which is a member of a national securities exchange to enable such partner to make a contribution of capital to such firm, or may make and maintain subordinated loans to such a member firm for capital purposes, provided (A) the lender as well as the borrower is a partner in such firm, or (B) the borrower is a member of such exchange, the lender is a corporation all of the common stock of which is owned directly or indirectly by the firm or by general partners and employees of the firm, and, in addition to the fact that an appropriate committee of the exchange has approved the firm's affiliation with the corporation and is satisfied that the loan is not in contravention of any rule of the exchange, the loan has the approval of such committee, or (C) the lender as well as the borrower is a member of such exchange, the loan has the approval of an appropriate committee of the exchange, and the committee, in addition to being satisfied that the loan is not in contravention of any rule of the exchange, is satisfied that the loan is outside the ordinary course of the lender's business, and that, if the borrower's firm does any dealing in securities for its own account, the loan is not for the purpose of enabling the firm to increase the amount of such dealing;

"(3) By changing the second paragraph of section 6(g) to read as follows:

"A creditor may permit interest, dividends or other distributions received by the creditor with respect to securities in a general account to be withdrawn from the account only on condition that the adjusted debit balance of the account does not exceed the maximum loan value of the securities in the account after such withdrawal, or on condition that (1) such withdrawal is made within 35 days after the day on which, in accordance with the creditor's usual practice, such interest, dividends or other distributions are entered in the account, (2) such entry in the account has not served in the meantime to permit in the account any transaction which could not otherwise have been effected in accordance with this regulation, and (3) any cash withdrawn does not represent any arrearage on the security with respect to which it was distributed, and the current market value of any securities withdrawn does not exceed 10% of the current market value of the security with respect to which they were distributed. Failure by a creditor to obtain in a general account any cash or securities that are distributed with respect to any security in the account shall, except to the extent that withdrawal would be permitted under the preceding sentence, be deemed to be a transaction in the account which occurs on the day on which the distribution is payable and which requires the creditor to obtain in accordancewith section 3(b) a deposit of cash of maximum loan value of securities at least as great as that of the distribution."

O'Brien Distributor For Delaware Fund

CHICAGO, Ill. — An arrangement whereby John J. O'Brien & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, becomes the wholesale distributor for Delaware Fund in the north central states, has been announced by Delaware Fund Distributors, Inc., New York City.

Under the arrangement W. Edward Tague has been appointed by John J. O'Brien & Co. to cover the wholesale area outside of Chicago and northern Illinois for Delaware Fund.

Mr. Tague is widely known in Chicago financial circles. He was formerly associated with Cruttenden and Company, a Chicago investment house, and prior to that was connected with a Chicago banking institution.

The establishment of a distributor for Delaware Fund in the Middle West, according to the announcement, is part of a planned expansion for distribution of the shares, undertaken some three years ago, when Delaware Fund shares were first made available for national distribution, following a successful history of 11 years in Philadelphia as a private fund.

Joins A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Eugene Hesz is affiliated with A. M. Kidder & Co., 600 Griswold Street. He was previously with Nauman, McFawn & Co.

Two With Prescott, Wright

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Bowman V. Kimber and Charles N. Watters are now affiliated with Prescott, Wright, Snider, 916 Baltimore Avenue.

With L. W. Simon

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—John C. Williams is now connected with L. W. Simon Company, Union Commerce Building.

Fabian Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Richard W. Candland has been added to the staff of Fabian & Company, 9500 Santa Monica Boulevard.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York held its annual 1951 outing on Sept. 7 at the New York Athletic Club. The golf tournament was played at the Winged Foot Golf Club in Mamaroneck. The outing was acclaimed by over 250 in attendance as one of the most enjoyable the Association has ever held.


Leslie Barbier


Daniel G. Mullin


D. Raymond Kenney

Leslie Barbier, G. A. Saxton & Co., Inc., President of the Association, was unable to be present because of serious illness in his family.

Daniel G. Mullin, Tucker, Anthony & Co., Chairman of the Arrangements Committee, was also unable to be present.

D. Raymond Kenney, D. Raymond Kenney & Co., arrived on the scene in time to take over as master of ceremonies, doing a wonderful job of awarding the prizes for various events.

AD LIBBING FOR ADS

Below is a complete tabulation of advertising in hand as of September 12th for our NSTA Convention issue of the "Chronicle." Is your firm represented? Have you contacted the Corporations, whose securities you make a fundamental or primary market in, for advertising? You should be able to convince such a company to use our post-convention issue as a means of reaching traders and distributors throughout the country. We suggest you talk to your local Chairman immediately and prove your loyalty and sincerity to both your local affiliate and the National Security Traders Association.

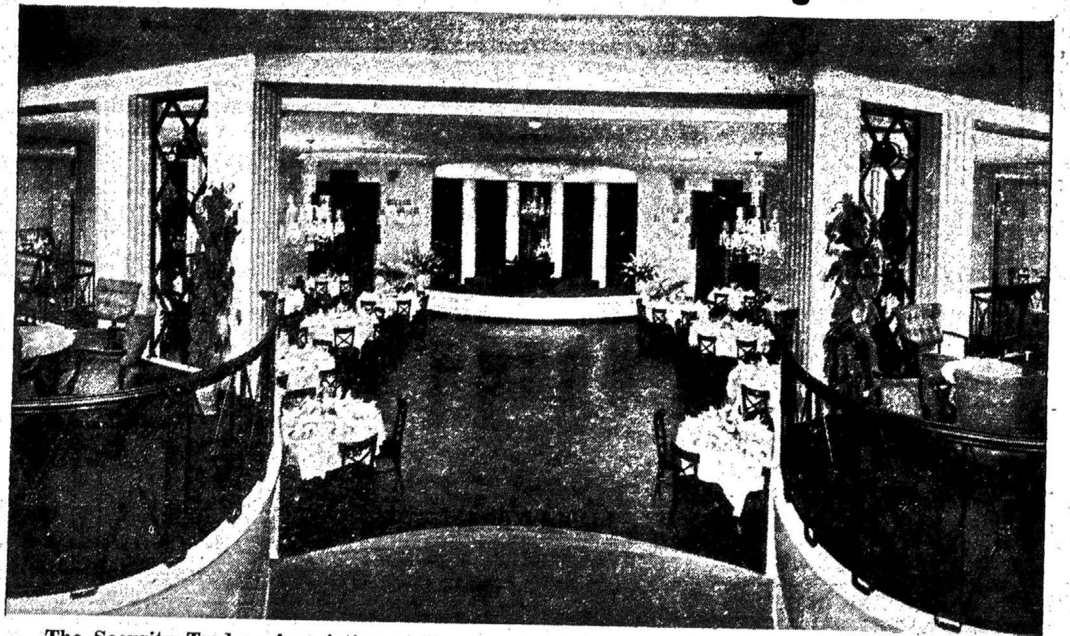
"There's gold in them thar' Ads" for both National and Affiliated organizations.

	Quota	Sept. 12, 1951
Alabama	100.00	187.50
Arizona	----	----
Baltimore	370.00	351.00
Boston	1,100.00	*----
Carolinas	50.00	52.50
Chicago	1,225.00	1,071.00
Cincinnati	410.00	343.50
Cleveland	640.00	696.00
Connecticut	225.00	147.00
Dallas	735.00	151.50
Denver	400.00	391.50
Detroit & Michigan	445.00	655.50
Florida	50.00	----
Georgia	400.00	330.00
Houston	560.00	----
Kansas City (Mo.)	170.00	52.50
Los Angeles	470.00	630.00
Louisville	270.00	178.50
Memphis	75.00	73.50
Nashville	350.00	300.00
New Orleans	220.00	283.50
New York	6,315.00	8,422.50
Philadelphia	870.00	1,579.50
Pittsburgh	170.00	351.00
Portland (Oreg.)	50.00	387.00
St. Louis	440.00	351.00
San Francisco	300.00	781.50
Seattle	245.00	348.00
Syracuse, N. Y.	300.00	52.50
Twin Cities	225.00	178.50
Unaffiliated Advertising	489.00	613.50
		$18,960.00

*Solicitation work just commenced.

Ad Libbingly yours,
HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Company
120 Broadway, New York 5, N. Y.

Security Traders Association of Los Angeles



The Security Traders Association of Los Angeles, it is announced by Robert D. Diehl, Paine, Webber, Jackson & Curtis, President, will have a lavish program of entertainment following the NSTA Convention for those attending. Plans provide for a cocktail reception and dinner dance at the Crystal Room of the Beverly Hills Hotel, a television or radio audience participation show, movie studio tours, airplane flight over Southern California, and cars at the disposal of guests to see the sights (all who may plan to drive a car are urged to have their driver's license with them).

Members of the Entertainment Committee are Donald E. Summerell, Wagenseller & Durst, Inc., Chairman; Lawrence S. Pulliam, Weeden & Co.; William J. Zimmerman, Bingham, Walter & Hurry; William A. Miller, Fairman & Co.; Stephen C. Turner, Wagenseller & Durst, Inc.; Jack Alexander, Lester, Ryons & Co.; and Clifford E. Poindexter, Wagenseller & Durst, Inc. All are past presidents of the Security Traders Association of Los Angeles.

Southeastern IBA Group Annual Meeting


W. Carroll Mead


John C. Hagan


LeRoy A. Wilbur


W. L. Goodwyn, Jr.

NORFOLK, Va.—W. Peyton May, Investment Corporation of Norfolk, Chairman of the Southeastern Group of the Investment Bankers Association of America, announced that the Group will hold its 31st annual conference at the Homestead Hotel, Hot Springs, Va., Sept. 14-16.

A nominating committee, consisting of Edward K. Dunn, Robert Garrett & Sons, Baltimore, Chairman, Y. E. Booker, Alex. Brown & Sons, Washington, D. C., and Edward C. Anderson, Anderson & Strudwick, has submitted the following slate:

Chairman: W. Carroll Mead, Mead, Miller & Co., Baltimore.

Vice Chairmen: John C. Hagan, Jr., Mason-Hagan, Inc., Richmond, and LeRoy A. Wilbur, Stein Bros. & Boyce, Baltimore.

Secretary-Treasurer: Wilfred L. Goodwyn, Jr., Goodwyn & Olds, Washington, D. C.

In addition to the officers, the committee has nominated for election to the executive committee for a three year term F. Barton Harvey, Jr., Alex. Brown & Sons, Baltimore, and for one year to fill the unexpired term of office of Wilfred L. Goodwyn, Jr., nominated for election as Secretary-Treasurer, W. Peyton May.

Laurence M. Marks, Laurence Marks & Co., New York City, President of the Investment Bankers Association of America, and Murray Hanson, General Counsel of the Association, will be guests.

Members of the Convention Committee are William C. Coe, Mackall & Coe, Washington, D. C., and Edwin B. Horner, Scott, Horner & Mason, Lynchburg, Va., co-Chairman of the entertainment committee; Glen Anderson, Kirchofer & Arnold Associates, Raleigh, N. C.; McDaniel Lewis, McDaniel Lewis & Co., Greensboro, N. C.; Joseph J. Muldowney, Scott & Stringfellow, Richmond; Mark Smith, F. W. Craigie & Co., Richmond; Harvey Gram, Johnston, Lemon & Co., Washington, D. C.; Thomas L. Anglin, Mackall & Coe, Washington, D. C.; F. Barton Harvey, Jr., Alex. Brown & Sons, Baltimore; John A. Kolscher, George G. Shriver & Co., Inc., Baltimore.

W. Carroll Mead, Mead, Miller & Co., Baltimore, is Chairman of the golf committee, and Henry Valentine of the tennis committee.

$100,000,000 World Bank Issue Marketed

Offering of a new issue of International Bank for Reconstruction and Development 30-year bonds of 1951, due Oct. 1, 1981, interest rate 3¼%, was made on Sept. 12 by a group of 32 sponsor banks and securities dealers headed jointly by The First National Bank of Chicago, and Halsey, Stuart & Co. Inc. The total amount of the issue is $100,000,000 and the International Bank has reserved the right to make direct sales of the bonds to institutions. The bonds are priced at 100%. Halsey, Stuart & Co. Inc., is handling the subscription books. The selling group numbers approximately 400 banks and securities dealers.

Net proceeds from the sale of the bonds will be used in the general operations of the bank.

The bonds, which are expected to be delivered in temporary form on or about Oct. 15, will have the benefit of a sinking fund under which the bonds will be purchased and retired or redeemed as follows: 2% of the principal amount issued, on or before Oct. 1, 1966; 2% on or before Oct. 1, 1967; 3% on or before Oct. 1 in each of the years 1968-73, inclusive; and 4% on or before Oct. 1 of each of the years 1974-1980, inclusive. At the election of the bank the bonds are redeemable at prices ranging from 102½% and accrued interest if the redemption is on or before Oct. 1, 1956, to 100% and accrued interest if the redemption is after Oct. 1, 1976.

Funded debt of the bank, including the present offering, totals the equivalent of $436,222,222 and the contingent obligations of the bank arising from sales of securities guaranteed by it total $24,950,000.

Other members of the sponsoring group are Bankers Trust Company; Morgan Stanley & Co.; The National City Bank of New York; J. P. Morgan & Co. Incorporated; Kuhn, Loeb & Co.; The Chase National Bank; The First Boston Corporation; C. J. Devine & Co.; Salomon Bros. & Hutzler; Manufacturers Trust Company; Chemical Bank & Trust Company; Guaranty Trust Company of New York; First National Bank, New York; Bank of America N. T. & S. A.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Drexel & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Harriman Ripley & Co. Incorporated; Kidder, Peabody & Co.; Ladenburg, Thalmann & Co.; Lazard Freres & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Shields & Company; Smith, Barney & Co.; Stone & Webster Securities Corporation; Union Securities Corporation, and White, Weld & Co.

Two With Kirchofer Co.

(Special to THE FINANCIAL CHRONICLE)

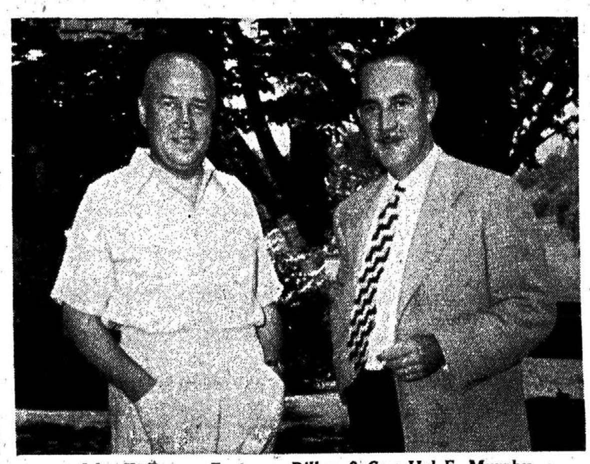
RALEIGH, N. C.—Wingate E. Hannah and Charles L. Wilson, Jr., are now affiliated with Kirchofer & Arnold Associates, Inc., Insurance Building.

Security Traders Association of New York

Edwin L. Beck, *Commercial & Financial Chronicle;* Harold B. Smith, *Pershing & Co.;* W. F. Moss, *National Quotation Bureau, Inc.*

Graham Walker, *Joseph McManus & Co.;* Walter Connolly, Jr., *Walter J. Connolly & Co., Inc.;* Boston; Ted Wechsler, *Hay, Fales & Co.*

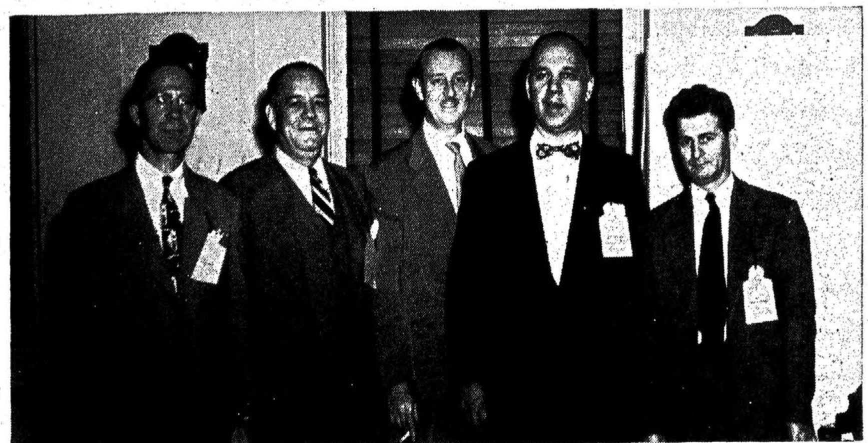
D. Frederick Barton, *Eastman, Dillon & Co.;* George J. Heath, *National Newark & Essex Banking Co.,* Montclair, N. J.



John F. Power, *Eastman, Dillon & Co.;* Hal E. Murphy, *Commercial & Financial Chronicle*

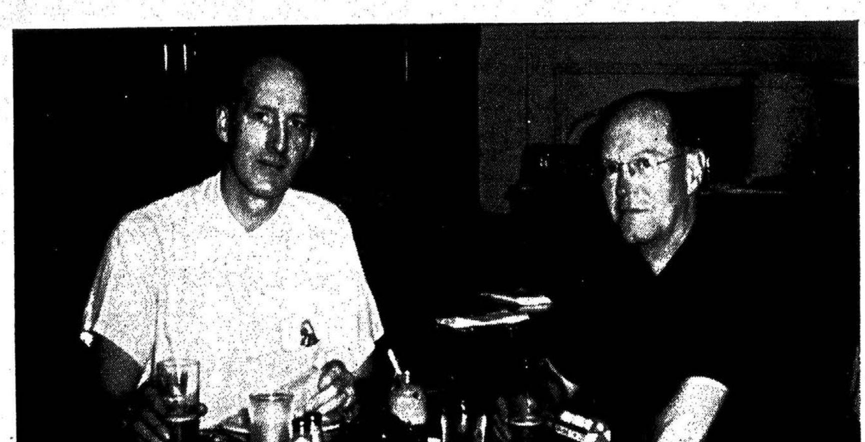
Milton Van Riper, *John C. Legg & Company;* Cy Murphy, *John C. Legg & Company;* Henry Kuipers, *Griffin, Kuipers & Co.*

Ed Christian, *Janney & Co.,* Philadelphia; Bill Doerr, *Blair, Rollins & Co., Incorporated,* Philadelphia; W. F. Webster, *Hardy & Co.;* C. L. Wallingford, *H. M. Byllesby and Company, Incorporated,* Philadelphia; J. B. McFarland, 3rd, *H. M. Byllesby and Company, Incorporated,* Philadelphia



George A. Searight, *Eisele & King, Libraire, Stout & Co.;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Ed Peene, *Dean Witter & Co.;* Charles Bruggeman, *Dean Witter & Co.;* John Keelin, *Fahnestock & Co.*

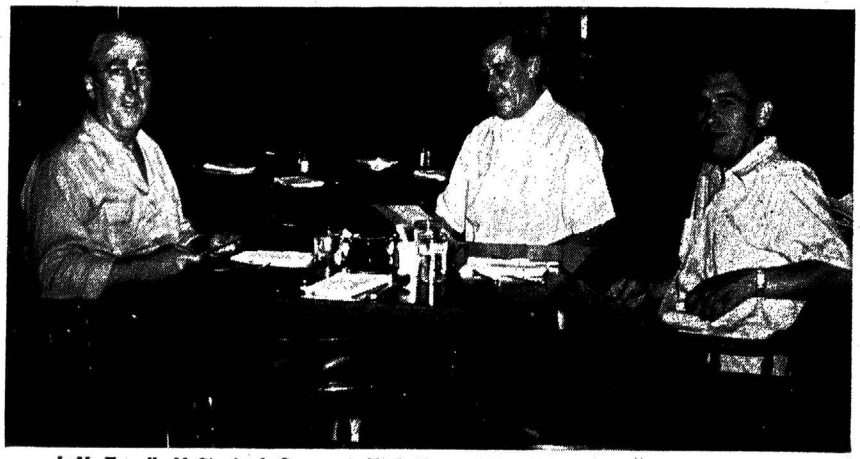
Charles O'Brien Murphy, III, *Merrill Lynch, Pierce, Fenner & Beane;* Bernie Weissman, *Siegel & Co.;* Tom Greenberg, *C. E. Unterberg & Co.*



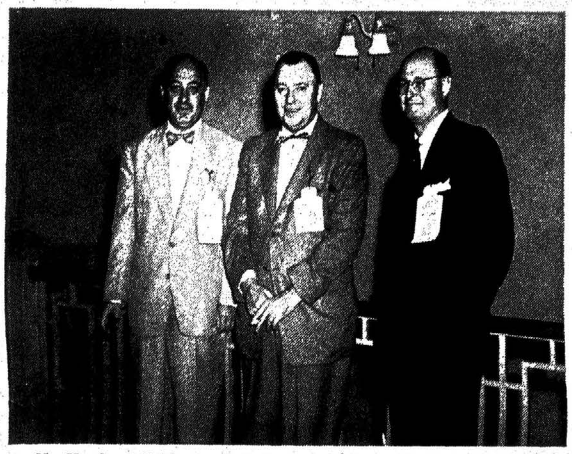
Ken Howard, *J. A. Hogle & Co.;* Joe Monahan, *J. A. Hogle & Co.*

1951 Fall Outing Sept. 7th

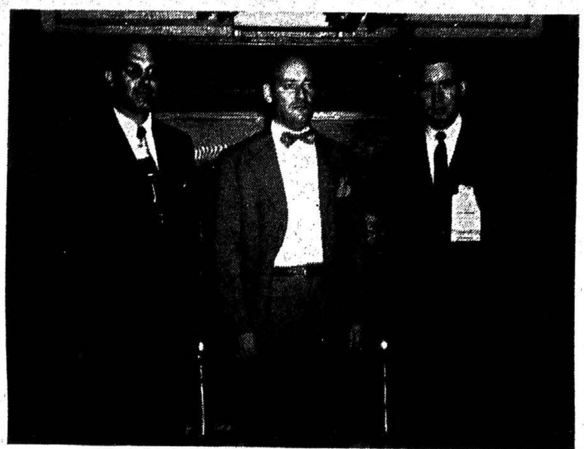
Addie Donnelly, *Reynolds & Co.;* Larry Wren, *Allen & Company;* Thomas B. Krug, *Bioren & Co.,* Philadelphia



J. V. Farrell, *McGinnis & Company;* T. J. Trager, *Merrill Lynch, Pierce, Fenner & Beane;* Edward I. Thompson, *Smith, Barney & Co.*

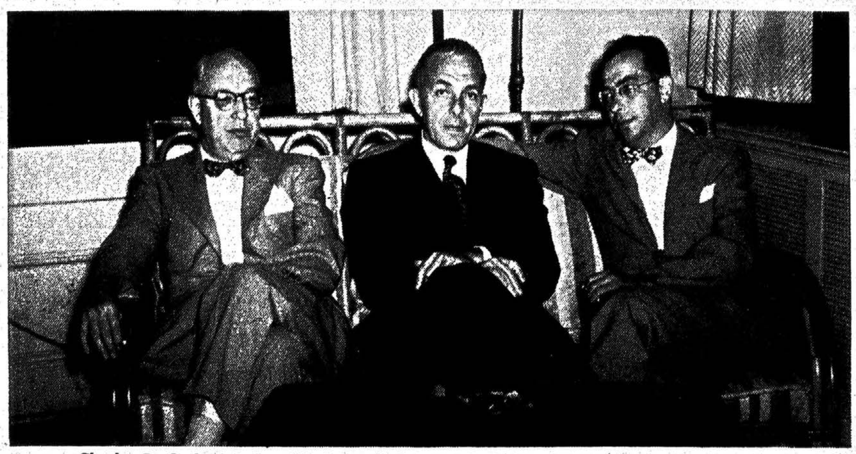


H. K. Greenfield, *Greenfield & Co., Inc.;* Walter F. Tellier, *Tellier & Co.;* John FitzGerald, *W. C. Pitfield & Co., Inc.*

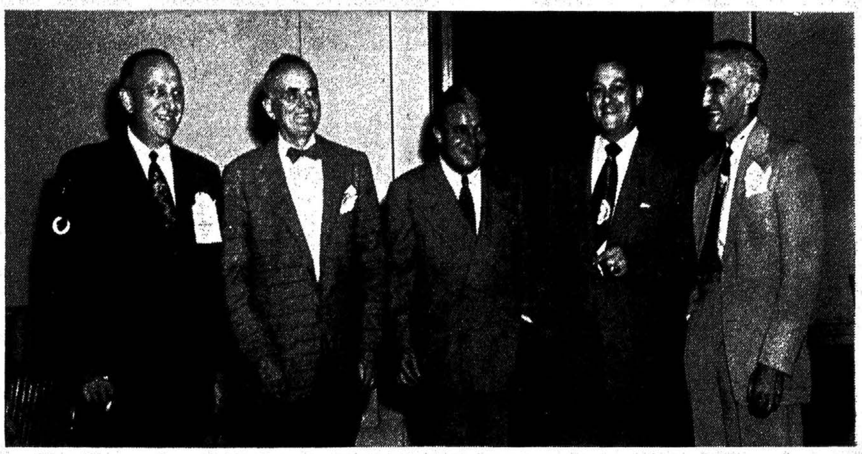


George V. Hunt, *Starkweather & Co.;* Sid Jacobs, *Sidney Jacobs Co.;* Bill Candee, *Butler, Moser & Co.*

Alfred J. McGowan, *James J. Leff & Co. Incorporated;* James J. Leff, *James J. Leff & Co., Incorporated;* Walter E. Meislohn, *Bache & Co.*



Charles D. Ogden, *Ogden, Wechsler & Co.;* Ralph T. Dimpel, *Seligman, Lubetkin & Co.;* Arnold J. Wechsler, *Ogden, Wechsler & Co.*



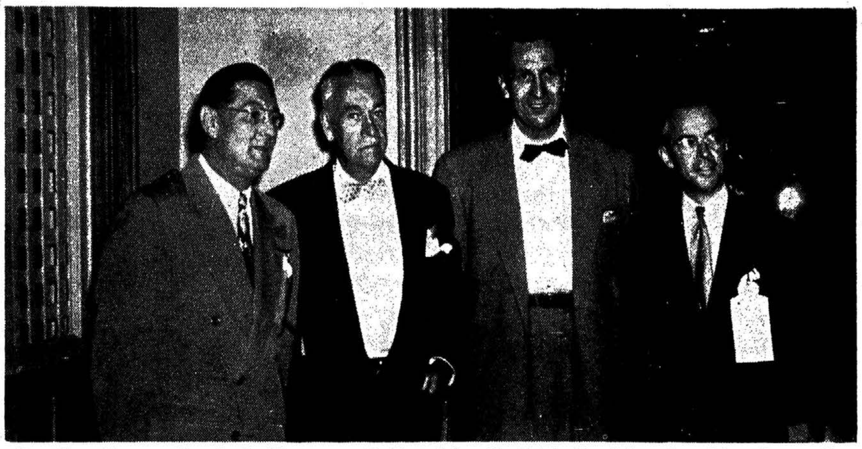
Hoy Meyer, *Gruntal & Co.;* David R. Mitchell, *Hill, Thompson & Co., Inc.;* Vic Reid, *York Affiliates, Inc.;* Wm. A. Weiland, *H. C. Wainwright & Co.;* "Duke" Hunter, *Hunter & Co.*

Ely Batkin, *Batkin & Co.;* Henry Gundling, *Gundling Investment Company,* Cedar Rapids, Iowa; William J. McGovern, *Uhlmann & Latshaw;* Frederick Devoll, Jr., *Henry B. Warner & Co., Inc.,* Philadelphia

Donald MacLeod, *Geyer & Co., Incorporated;* George L. Collins, *Geyer & Co., Incorporated;* Joe Alberti, *Walston, Hoffman & Goodwin;* Gene Stark, *Merrill Lynch, Pierce, Fenner & Beane;* Herman Frankel, *Singer, Bean & Mackie, Inc.*

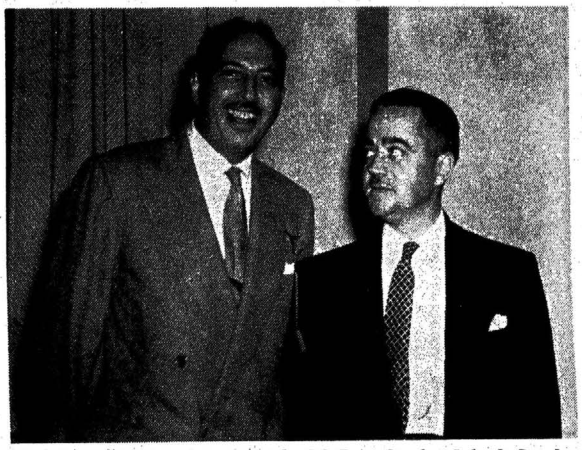
At New York Athletic Club

J. George Frings, *Sterling, Grace & Co.;* Lester Frenkel, *Gersten & Frenkel;* Frank Hall, *Gersten & Frenkel;* Ed Clemence, *Gersten & Frenkel;* John Stein, *Frank Ginberg & Co.*

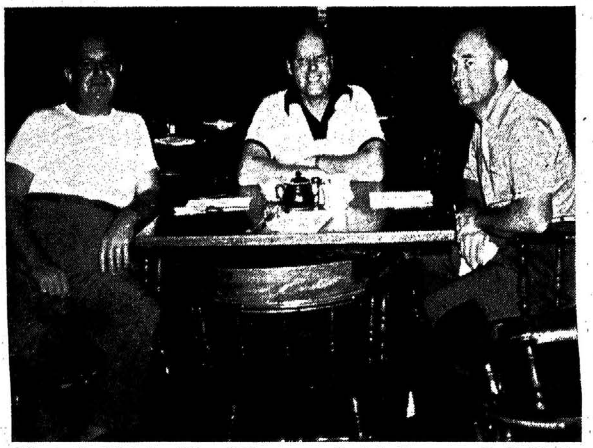


Ben Van Keegan, *Frank C. Masterson & Co.;* John C. Calef, *Dominion Securities Corporation;* Ray Pyle, *Schoellkopf, Hutton & Pomeroy, Inc.;* Joe Eagan, *Frank C. Masterson & Co.*

Michael A. Voccoli, *Charles King & Co.;* Henry B. Gersten, *Theodore Young & Co.;* Arthur J. Burian, *Daniel F. Rice & Company*

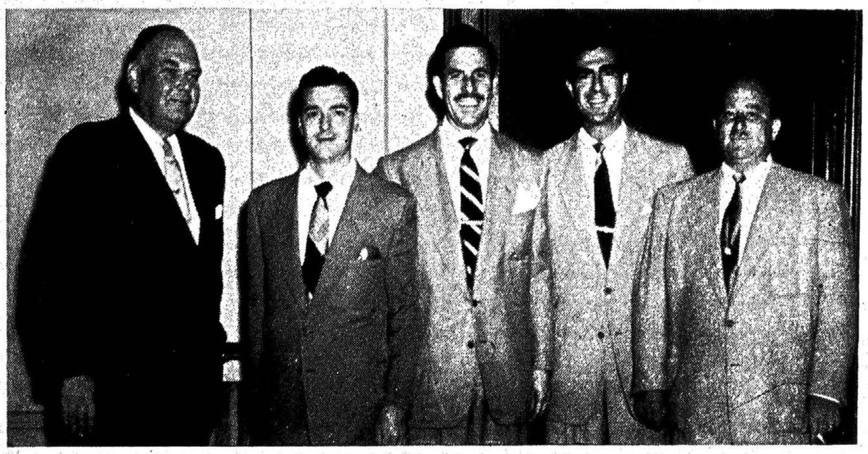


Nat Krumholz, *Siegel & Co.;* John W. Bair, *Stanley Pelz & Co., Inc.*



Harry A. Michels, *Allen & Company;* Carl A. Swenson, *G. H. Walker & Co.;* Edward J. Phillips, *Samuel K. Phillips & Co.*, Philadelphia

Harry L. Arnold, *du Pont, Homsey & Company;* Harry S. Bartold, *Eastman, Dillon & Co.;* Robert W. Payne, *Courts & Co.;* Tom Bailey, *Merrill Lynch, Pierce, Fenner & Beane;* John F. McLaughlin, *McLaughlin, Reuss & Co.*



Harry MacCallum, Jr., *MacCallum & Co.*, Mt. Vernon; Angelo Martinelli, *Josephthal & Co.;* Hank Serlen, *Josephthal & Co.;* Casper Rogers, *King & King Securities Corp.* Ted Young, *Theodore Young & Co.*

Gerald F. X. Kane, *Frank C. Moore & Co.;* John Ohlandt, Jr., *J. Arthur Warner & Co., Incorporated;* Ted Plumridge, *J. Arthur Warner & Co., Incorporated*

Al Frank, *Ladenburg, Thalmann & Co.;* Samuel Weinberg, *S. Weinberg & Co.;* Arthur Schwartz, *Bache & Co.;* Joe Cabble, *Abraham & Co.*

250 In Attendance

Maurice Hart, *New York Hanseatic Corporation;* Charles Polon, *Batkin & Co.;* James Canavan, *New York Hanseatic Corporation,* Jack Honig, *L. F. Rothschild & Co.;* Bill Eiger, *Goodbody & Co.*

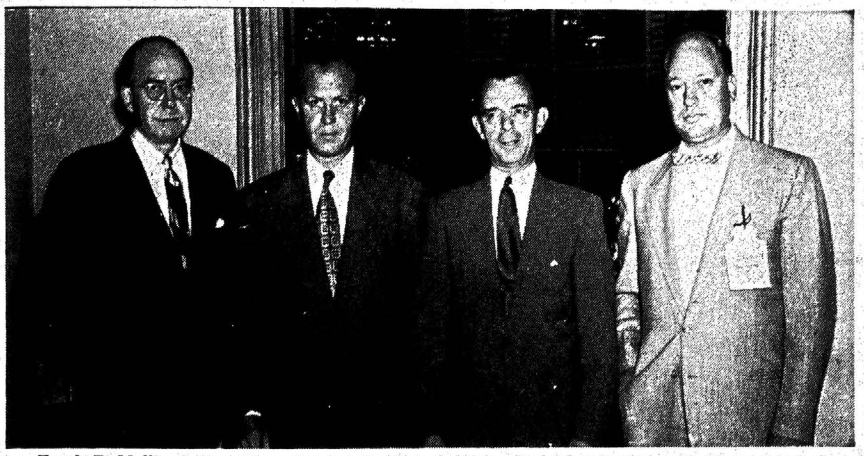
E. Preston Brown, *Boettcher and Company;* Everett F. Wandler, Bob Eble, and Connie Sheridan, *Mitchell & Company*

Desmond D. McCarthy, *Union Securities Corporation;* Jim Torpie, *Torpie & Saltzman*

R. J. Gill, guest; James J. Duane, Jr., *James J. Duane & Co.;* Peter J. McDermott, *Peter P. McDermott & Co.;* Jeff Mendel, *Peter P. McDermott & Co.*

Milton Meyer, *Shufro, Rose & Co.;* Everett R. Rubien, *Dean Witter & Co.*

Charles E. Stoltz, *C. E. Stoltz Co.;* John R. Hunt, *Stroud & Company, Incorporated,* Philadelphia; Stan Roggenburg, *Roggenburg & Co.;* Stan Roggenburg, Jr., guest



Frank E. Mulligan, Dan Hannafin, Joe Bond, and George Dedrick, all of *Joseph McManus & Co.*

Carl Stolle, *G. A. Saxton & Co., Inc.;* Daniel L. Monroe, *Ingalls & Snyder*

Phil McManus, *New York Hanseatic Corporation;* Walter Saunders, *Dominion Securities Corporation;* Otto H. Steindecker, *New York Hanseatic Corporation;* Soren D. Nielsen, *New York Hanseatic Corporation;* Hans E. Ben, *New York Hanseatic Corporation;* Kurt H. Grunebaum, *New York Hanseatic Corporation;* Sam Blaustein, *Newburger & Co.,* Philadelphia; Frank Welch, *R. S. Dickson & Co., Inc.;* Herbert E. Greene, *Coburn & Middlebrook Inc.*

Stanley C. Eaton, *Bendix, Luitweiler & Co.;* Edward W. G. Borer, *Sheridan Bogan Paul & Co., Inc.,* Philadelphia

Canadian Securities

By WILLIAM J. McKAY

Under present boomlike conditions in Canada, it should be expected that a critical labor shortage is developing. This matter has been covered very fully in the current issue of the Canadian Bank of Commerce's monthly "Commercial Letter." Commenting on this topic, the "Commercial Letter" states:

"While the material, plant and labor which form the three sides of the production triangle each presents its own problems, it seems quite probable that a labor shortage will be the limiting factor in Canada's ability to pursue a bifurcated policy of increased defense production and 'business nearly as usual,' if a long term acceleration of the defense program proves to be necessary. Defense needs are already aggravating a situation which has been developing in recent years as a result of a postwar increase of not less than 40% in the total capital investment in industry while the industrial labor force has increased by only 12%. The rapid rate of family formation since 1945, the enlargement of pension coverage and the growth of the armed forces have removed from the labor force, temporarily at least, large numbers of workers who would otherwise have remained in employment, while the general prosperity has had much the same effect. The net result was an accretion to the civilian labor force of about 100,000 between June, 1950 and 1951, about half of which has accounted for by male immigration alone.

"An assisted immigration program, together with natural increase, may yield 120,000 new workers this year, which should eliminate an over-all shortage in 1951. At the present time the shortage centres in skilled labor, and there are even certain regional and industrial surpluses owing largely to the failure of defense orders to materialize fast enough to fill the gaps created by curtailment of production of consumer goods. Beyond 1951, however, the increasing momentum of defense and of associated resource development undertakings, which will make heavy demands on labor after the initial stages are completed, could create grave labor problems.

"In the light of the probable demands beyond the present year, and of past performance, two questions naturally arise, namely, has there been over-investment, particularly in the postwar period, in new plant and other forms of industrial capacity having regard to the available labor supply; and, secondly, where are necessary workers, estimated at 150,000 to 200,000 by the end of this year and increasing substantially in 1952 and 1953, to be found.

"The postwar period of reconstruction saw the launching of a capital investment program without precedent in Canada. The accumulated demand for investment projects at the end of the war was placed at $12 billion, including $6 billion for business, $2½ billion each for housing and governments and $1 billion for institutions. This ambitious program had not, to the end of 1950, been fully implemented in terms of 1945 dollars as a result of several factors, chief of which were shortages of suitable labor and materials, and rising costs. The total capital investment by the manufacturing industries alone was, however, nearly $2½ billion in the years 1946-50. That part of the labor force engaged in manufacturing rose by 212,000 in approximately the same period, an increase of over 18%. This increase was attained only at the expense of certain other sections of the economy, notably agriculture, and in view of the shortages of skilled and semiskilled tradesmen which have persisted practically throughout the period some doubt naturally arises as to the ability of the economy to man a manufacturing industry further enlarged to the extent planned for 1951-53, while also providing the additional labor required in other sectors.

"Data collected by the Department of Reconstruction and Supply covering the postwar period up to the close of 1948 indicated that every $1 million invested in new plant and equipment resulted in average employment estimated at 266. The mid-year estimate of new capital investment by manufacturing in 1951 is set at $847 million, an increase of 63% over 1950. Obviously, the figure 266 for additional employment per million dollars investment should be deflated by the rise in the price level, and is subject to certain other qualifications such as a declining degree of obsolescence, and the extent to which the 1951 figures represent a shift to defense production rather than an addition to total capacity. It would seem, however, that to a large extent these qualifying factors cancel out, and that the labor requirement of the manufacturing industry alone may reach a figure not far from a million and a half in 1952 (against 1.3 million in 1950), with a further rise should there be any marked tendency to increase the number of shifts operating. Where, then, are the necessary workers to be found?

"The experience of the past ten years or more suggests certain directions which the labor force may take, not only as to size but as to composition. The extent to which this experience may be drawn upon (or repeated), is, however, qualified by certain changed conditions, chief of which are: (1) an over-all population increase for ten provinces of 2½ million; (2) both an absolute and relative decline in the number of persons 'without jobs and seeking work' from 523,000, or 11.4% of the total civilian labor force in June, 1939, to 85,000, or 1.6% in June, 1951; (3) an increase in the proportion of adults (14 years and over) **not** in the labor force from 42.7% in 1939 to 45.9% in June, 1951; and (4) a steady drain away from primary industry, largely agriculture, into secondary industry, largely manufacturing.

"The largest untapped source at the present time would appear to be women not current looking for employment, students and retired persons, the total of whom is estimated to be about 4.5 million. Of these, the largest potential supply lies in the female group, which contributed so heavily (449,000) to the war-time increase. The female labor force has since declined by about 200,000, bringing the percentage of all women who were members of the labor force in June, 1951 (24%) back to approximately its prewar level (24.4%) as compared with 33.5% in mid-1944. The restoration of the war-time proportion would increase the female labor force by about 460,000. This is, of course, an outside figure, and, except in circumstances of extreme urgency would be neither necessary nor socially desirable. Moreover the high rate of family formation in recent years and the growing proportion of the population in the less than 14, and 65 and over, age groups, imply heavier home duties for the women in the 20-64 bracket, who form over 60% of total adults not in the labor force. The status of married women for income tax purposes also has a bearing on the movement of female workers in or out of the labor force."

Funston Takes Office As Exchange Pres.

G. Keith Funston

G. Keith Funston, recently named as new President of the New York Stock Exchange, took office formally on Monday, Sept. 10.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Sept. 7 offered $10,920,000 of Southern Pacific Co. 2¾% equipment trust certificates, series GG, dated Sept. 1, 1951, and due annually Sept. 1, 1952 to 1966, inclusive, at prices to yield from 2.25% to 2.90%, according to maturity. The certificates are issued under the Philadelphia Plan and were offered subject to the approval of the Interstate Commerce Commission.

The certificates will be secured by new railroad equipment to cost not less than $14,560,000, consisting of the following: 32-Diesel freight locomotives, four Diesel freight "Boosters" units, 13-Diesel switching locomotives, 398- 50-ton steel-sheathed wool-lined box cars, 100- 70-ton all steel mill type gondola cars, 500- 50-ton tight bottom composite type gondola cars, 100-70-ton all steel hopper bottom ballast cars, and 78- 70-ton all steel covered hopper cars.

Other members of the offering group are: R. W. Pressprich & Co.; Bear, Stearns & Co.; Hornblower & Weeks; L. F. Rothschild & Co.; Hirsch & Co.; The Illinois Co.; Wm. E. Pollock & Co. Inc.; Weeden & Co. Inc.; William Blair & Co.; First of Michigan Corp.; Freeman & Co.; Gregory & Son Inc.; Hayden, Miller & Co.; Swiss American Corp.; McCormick & Co.; McMaster Hutchinson & Co.; The Milwaukee Co.; and Mullaney, Wells & Co.

Securities Salesman's Corner

By JOHN DUTTON

It has been determined by psychiatrists that man is a "creature of habit." In every phase of our lives we can observe this very common phenomenon. We establish work habits, or loafing habits. We simplify our lives by the adoption of common habits. We even patronize certain stores, buy a pet brand of toothpaste, see the same professional men, insurance men, and acquire securities through the same brokerage firm largely out of habit.

In all of these daily adventures of living we somehow or other became acquainted with certain people or things. It matters not so much how it happened—the question is that we have acquired "habits" of acceptance. These habits will remain fixed unless and until we become dissatisfied with the relationship. All this is purely academic, but it does open the door to any inquiring person who is desirous of developing a clientele in any field of human activity which is based primarily upon the rendition of service.

In last week's column I briefly touched upon the possibilities for opening new accounts, and developing business, which is now being used successfully in the life insurance field. This referred to the matter of tax problems and the real need which exists among investors for expert, qualified, assistance in setting up their investment programs so that the most advantageous methods of meeting inheritance tax problems would be established. Under today's constantly changing tax laws, and being further complicated by the excessive, and at times confiscating taxation which investor's must face; the opportunity for solidifying the relationship between the salesman and his clients is a very practical one.

Let us assume that you do feel that you would like to offer a more complete investment service than just assisting your clients in setting up a suitable investment program of stocks and bonds. Why wouldn't it be the most natural thing for the people with whom you are now doing business to welcome some additional assistance in solving these problems? The HABIT of doing business with you is already established. Take one phase of the problems which every man must face—the disposition of his estate in case he dies too soon. Not all of your clients might need a review of their estate in the light of changing conditions; either in their affairs, their family status, or external revisions of the inheritance laws. But some of them have probably not even made a will. Others have made one years ago and since that time have not reviewed their position regarding their business affairs, mortgages owed, children born, or many other factors which must be considered.

There are also many clients of modest means which would welcome assistance along these lines. It is probable that there are several lawyers of your acquaintance who would be glad to work with you in assisting these people in drawing up a simple will which would protect their families. The other day there was an accident near the city where I live that wiped out six people out of a family of eight. Two small children were left—the mother and father were killed instantly. Of course these things fortunately are a rare occurrence—but they do happen far too often these days. In the absence of proper wills drawn by both the husband of the wife, in such an event could deprive the children of a portion of their inheritance. Where there is no will there is also a possibility of the dissipation of the assets through the appointment by the courts of an executor who could be unsympathetic and uninformed, rather than providing for someone who would be capable and closer to the family.

A good lawyer should be able to work with you and give you the highlights of this subject. You don't need to become a tax expert—that is a study in itself. You could do the missionary work and the lawyer could attend to the details. This would bring him in touch with new clients and he could assist you by referrals of business. Your own clients would certainly appreciate this extra service. If only a few such grateful and satisfied customers could send you to some of their friends, the business created would certainly repay you for the time and effort involved.

When you go just a bit farther than the other fellow in rendering service it stands out very clearly in today's world. Encouraging people into the "habit" of thinking of you when they think of their investments is, after all, only a matter of studying practical ways and means of helping them.

The next time you make calls on some of your old and regular customers why not bring up the subject of their will. See if they are not interested in finding out more on this vital subject.

Investment Secs. Corp. Formed in Chattanooga

CHATTANOOGA, Tenn.—The Investment Securities Corporation has been formed with offices in the Chattanooga Bank Building, to engage in the securities business. Officers are Hugh L. Thatcher, President and Treasurer; Courtenay Q. Nelson, Vice-President and Secretary. Mr. Nelson was formerly with Elder & Co.

N. Y. Security Dealers New Dinner Date

The New York Security Dealers Association announces that their annual dinner will be held at the Waldorf Astoria Hotel on Friday, Nov. 9, instead of Nov. 16 as previously announced.

Railroad Securities

Great Northern

The rail market developed considerably more pep toward the end of last week, with both stocks and speculative bonds showing an appreciably better tone. Whether this is the start of the real move that has been anticipated for this Fall is difficult to say at this early date. Nevertheless, there are ample grounds for a renewal of confidence in the group. With the recent improvement in sentiment, there has been a noticeable pick-up in the investment demand for Great Northern stock. Long considered one of the prime investment issues in the field, this stock has been suffering during the past year from the unfortunate action of the directors in cutting the dividend temporarily in 1950.

Last year the company had a succession of bad breaks. A severe winter in the Pacific Northwest area, heavy spring floods, and one of the latest openings on record for the Great Lakes all took a heavy toll of the company's earnings. Even with all of these misfortunes, nevertheless, the company was able to report earnings of more than nine dollars a share for the full year, the best showing for any year since the early days of World War II. Reflecting the strong come-back during the second half the dividend was restored to the regular $4.00 annual rate after only two quarters at a reduced $3.00 annual rate.

This year the road has done very well during its seasonally normal dull months, particularly in comparison with its sorry showing of a year earlier. As a matter of fact, few, if any, of the major carriers can point to so favorable a year-to-year showing. The Great Lakes opened early this year and iron ore is in unusually heavy demand. As a result, gross revenues for the seven months through July were almost a third higher than in the like period of 1950—in July alone the year-to-year gain was better than 50%.

With this sharp expansion in business, expenses have been kept under strict control. The transportation ratio was cut six and a half points during the period and the overall operating ratio was down nearly 11 points, to 78.8%. Whereas there had been a net operating deficit in the 1950 interval there was a net operating profit of nearly $9 million in the current year. On top of that, non-operating income was appreciably higher. Net income for the seven months reached $8,807,000, contrasting sharply with a net loss of $2,962,000 suffered a year earlier. The year-to-year improvement in earnings was equivalent to $3.81 a share on the 3,092,583 shares of stock outstanding.

Obviously this rate of improvement will not be maintained throughout the year. Comparisons from here on will be with a much more satisfactory 1950 base. As a matter of fact, it is quite possible that August earnings may even fall below those of August 1950. Traffic volume for the month was just about on a par with that of a year earlier. Also, the road will not receive the windfall it, and other roads, did in 1950 from the retroactive mail pay increase. On the other hand, freight rates will be higher in the last four months of the year and it is possible that there will be another increase in the dividend of the jointly owned Burlington at the end of the year.

On balance, the company should be able to show earnings at least close to $11.00 a share compared with $9.11 in 1950 and the wartime peak of $11.63 established in 1942. Thus, the $4.00 dividend, which affords a yield of 7.5% at recent prices, is obviously well protected. This is particularly true in view of the company's strong finances and the outstanding job the management has done in debt retirement. From 1941 through 1950 more than $100 million of non-equipment debt was retired, reducing the total to $215,-226,700. Of the remaining balance the $11,700,900 of non-callable 5½s mature next Jan. 1 and will presumably be paid off without financing. The rest of the debt is well spaced, out to 2010, and could hardly cause concern.

Inflation Danger Not Over

Louis W. Dawson, President of Mutual Life Insurance Company of New York, asserts it is threat to our economy, second only to threat of war.

Speaking at a business conference of field agents of the Mutual Life Insurance Company of New York at Houston, Texas, on Sept. 6, Louis W. Dawson, President of the company, warned that the danger of serious inflation is not over. In the course of his remarks, Mr. Dawson stated:

Louis W. Dawson

"No one can safely predict what may be the outcome of the Korean incident, or what the next step may be in the designs of the Kremlin. We may have further incidents, or we conceivably may have full-scale global war. The way in which we conduct our national policy may in the long run be the deciding factor of peace or war, and it is to be fervently hoped that we do not alternate between weakness and strength depending on the posture of our enemies. Strength, to be effective, must be maintained. Our military strength must be rebuilt even though it may never be used, because the stakes are too great for us to take chances. To carry out our national program of rearmament, which I firmly believe we must do, will be costly. It poses vast economic problems and creates great uncertainties for the future. With all these we must cope, as a company as well as in our capacity as citizens. We must even consider the problems of full-scale global war.

"It is the responsibility of management to consider such possibilities, not matter how distasteful and grim the picture may be. In the event of global war, matters could be so bad that all foresight would prove useless. Nevertheless that, in my opinion, is an unwarranted and defeatist attitude. There are degrees of everything, even of disaster, and it is our duty to be prepared to meet the threats which hang over us.

"There is another threat to our national life, second only to the threat of war. If no great war develops, the continuing threat of war, and the armament expenditures that are required, may easily result in a disastrous inflation that can destroy the country's economy. In the past few months inflation seems to have been checked and many people now feel that the danger is over.

"We believe this is extremely doubtful. There are strong forces in the making which could start again the spiral of inflation. Armament orders are being placed at the rate of $1 billion a week and will probably be stepped up in coming months. This results in a tremendous increase in payrolls and a dwindling output of civilian goods as the armament effort absorbs more goods and productive facilities. It means more money to spend, but less to spend it on. This results in greater price inflation unless, through controls or the voluntary restraints of the people, consumption is held back. Controls recently have been relaxed, and this throws a greater burden of restraint on the public. By no means can it be said therefore that the danger of inflation is over.

"We have consistently advocated, as one of the most effective ways to combat inflation, an increase in the volume of saving which prevents money from going into the stream of consumer spending. It follows that the greatest contribution we, as life insurance people, can make to the country's welfare, is to sell more life insurance and encourage people to save in other ways as well."

New Orleans Exch. Appoints Specialists In Dually Listed Stks.

The New Orleans Stock Exchange announces the appointment of specialists in stocks dually listed in New York and New Orleans. Effective Monday, Sept. 10, members of the NASD may place buying and/or selling orders in any of the stocks listed below, and retain 40% of the commission charged. Primary market protection is afforded odd-lot transactions, and the rate of commission as well as the odd-lot differential is the same as in New York. Additionally, on sell orders where a local or out of State of New York transfer office is maintained, the New York State transfer tax is eliminated.

The dually listed stocks are:

Gulf States Utilities
Jefferson Lake Sulphur Com.
Middle South Utilities
Penick & Ford, Ltd.
Southern Company
Wesson Oil & Snowdrift $4 Pfd.
Wesson Oil & Snowdrift Com.

Cashiers Ass'n to Hold Annual Outing Sept. 15

The Cashiers Association of Wall Street, Inc., will hold its 1951 outing at Semler's, Grant City, Staten Island on Saturday, Sept. 15, according to John J. Boyen of L. F. Rothschild & Co., Chairman of the Committee.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A thin market, with a sizable amount of professionalism, which means it can be rather readily manipulated, is being put through its paces, with the emphasis at the moment on the reactionary side. A market that will go in both directions within established trading limits is what the government market needs and it seems as though that is what is developing now. Volume is still light and this is one phase of the picture that will have to expand in order to have an active trading market. Although prices have been pulled off their high perches, this has not been too significant because a great deal of it has been due to just a quoting down rather than a decline from the pressure of liquidation.

The short-term market is still showing a good demand despite tight money. It is, however, expected in many quarters that this will tend to ease in not too long a period of time. The shaking about of the longs through the quoting of prices up and down is looked upon as a favorable development because it could be the forerunner of a better trading market. The offering of the International Bank's bonds may have had a mildly depressing influence upon long Treasuries.

Easier Money Conditions Ahead

Many money market followers are of the opinion that easier conditions will be witnessed in the money markets in the not distant future. They believe that the increase in the offering of Treasury bills will bring with it a moderate thawing of the tight money because the monetary authorities will want these securities to be absorbed in much the same fashion as they were before. The larger amount of Treasury bills, which are being offered by the government, will no doubt help to mop up some of the funds that will be around, because certain holders of called obligations will take cash instead of the refunding issues. On the other hand, large corporations which have been the principal buyers of Treasury bills, appear to be in a position again to absorb additional amounts of this particular security. There was some indigestion developing among the corporate buyers of Treasury bills, but the withdrawal of the Treasury from the market with larger offerings for the short interval seems to have alleviated this picture quite considerably.

Market Action Favorable

Backing and filling on light volume continue to give the government market a constructive tone, although prices are moved in both directions on limited activity, there have been nonetheless, some rather sizable operations in the longer governments. It is reported that certain important buyers have been taking on the Vics in amounts that indicate the market for Treasuries is not so restricted and narrow as some followers are inclined to make it out. Income, according to advices, continues to be the ruling force which is bringing the buying into the longest restricted obligation.

Switches and exchanges, it seems, are playing an increasingly important role in the market, with not a few of the nearest eligible taps being sold and the proceeds going into the Vics. The 1962/67s, it is reported, have been disposed of in some cases with these funds going into the December 1964/69s. It seems as though the latter bonds has caught the fancy of quite a few operators, and they have been using it as medium for funds, which have come out of the 2½s of 1963/68 and the 2¼s of 1959/62.

Savings Banks Halt Selling

Reports persist that savings banks continue to withdraw from the market as sellers. This is not an unfavorable factor as far as the longer-terms are concerned, especially the tap bonds. The improvement in savings deposits has been greater than was expected, and because of this development, bonds which had been tabbed for sale have been put back into positions. It is indicated, however, that some exchanges have been made by these banks with reports to the effect that the 2¼s of 1959/62 and certain of the earlier eligible restricted issues have been let out with the June and December 1967/72s being substituted in place of them.

Life insurance companies, that is, the ones outside of the big five, are still pecking away at the Junes and the Vics. It seems as though these institutions are also getting themselves in better condition like the savings banks, and while there may be some liquidation that will still have to be done, it is not expected to be important enough to have a marked influence upon the price trend of the issues that might have to be sold.

Stalemate in Eligibles

The bank obligations have not been so much in the spotlight recently because it seems as though some of the buyers of these securities have gone over to the sidelines. Not too many of the longer eligibles were being picked up, despite the tendency to go along with the up-trend. On the other hand, when prices reacted practically nothing came in for sale. Accordingly, it was decided to step out of the picture, because the quoting up and down had no appreciable effect upon the size of the offering.

The partially-exempts continue to be taken out of the market even though the offerings have been rather limited. The 1960/65s and the 1958/63s, according to reports, have been under quiet accumulation by large Eastern banks.

Joins Adams-Fastnow

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Annette Manpearl has become affiliated with Adams-Fastnow Company, 215 West Seventh Street, members of the Los Angeles Stock Exchange.

Two Join E. F. Hutton

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Forrester Johnson and Edward D. Mitchell have joined the staff of E. F. Hutton & Company, 623 South Spring Street.

Maps Program to Revise FHA and VA Mortgages

Members of Round Table Conference in New York, comprising mortgage bankers, builders, savings banks and life insurance companies list five proposals to ease present difficulties.

A five-point program to meet the present crisis in FHA and VA mortgages was announced on Aug. 18 as the unanimous recommendation of the elected leaders of the Mortgage Bankers Association and the National Association of Home Builders, in consultation with the mortgage officers of the biggest savings bank in New York, the biggest savings bank in Massachusetts and some of the biggest mortgage-buying insurance companies.

The program was drawn up at a Round Table Conference in New York sponsored by "The Magazine of Building," which reports the recommendations.

Members of the Round Table agreed that "to avoid a major disorganization of the home building industry early next year, particularly throughout the South and West," these five steps should be taken immediately:

"(1). VA and FHA should unfreeze at once the yield on VA and FHA loans, probably by allowing larger originating fees;

"(2). As soon as the yield is allowed to match the recent increase in bond yields, the large investors who normally rely heavily on FHA and VA loans as an investment outlet should cooperate in re-opening the market;

"(3). Many investors should look to simplification of their own servicing methods for the quickest way to increase their net yield on FHA and VA loans;

"(4). The interest rate on the debentures FHA can issue on foreclosures should be increased at once, and in some cases their term should be shortened;

"(5). The market for insured mortgages must be broadened. This calls first for more aggressive selling by the mortgage bankers, but this effort to interest new types of buyers might be helped by repackaging the loans in a form which would make them more attractive to bond-minded investors who are unaccustomed to buying mortgages and are now influenced unfavorably by the unfamiliar paper work they involve."

Although the group agreed that "primary responsibility for last year's inflationary markets, including the market for housing, must fall on the government's inflationary policies" they also made a point of recognizing that "the large lenders, given reasonable conditions under which they can operate, must assume increasing responsibility for keeping the flow of mortgage investment funds reasonably level, since periodic money crises have been an important factor in the cost of home building and an important obstacle delaying the development of a stable, competitive home building industry capable of supplying much better housing at much lower cost."

To indicate how sharply the cost of servicing mortgages can be cut, they point out that experts say "there is no reason why all large lenders should not get their internal servicing costs down to fifteen cents per $100 on loans averaging $12,000, smaller lenders to eighteen cents. "Yet," they report, "the average today is still above 25 cents and in many institutions more than 50 cents."

Citing an example of additional markets which open up new sources of mortgage money, the members of the Round Table commended the action of the Mortgage Bankers Association which "named a committee to meet with leading pension trust representatives and work out plans for attracting more of these funds to the insured mortgage field."

From a long term point of view, to prevent the recurrence of crises in mortgage money, the members of the Round Table suggested two other measures:

Pointing out that residential home building requires more long term credit than all other industries combined, they agreed that steps should be taken to increase the total rate of savings, now being held down by low interest rates and "by an almost continuous policy of inflation which has eaten away the value of savings at a rate actually faster than interest could accumulate."

Finally they urged that the creation of a central mortgage bank should be carefully considered as a means of leveling off repeated credit crises.

"The logical institution to develop in the direction of a central mortgage bank is," they all agreed, "the present Federal National Mortgage Association. We recommend, therefore, that serious consideration be given to transferring the ownership of FNMA to the approved mortgagees of the country under a plan which would require all of them to own stock."

". . . With the ownership of FNMA in the hands of private investors they should have some say in its operations, though its board of directors, following the precedent set by the Federal Reserve and the Federal Home Loan Bank, would require broad representation from the government, the public and the mortgage banking interest."

The current dry-up of funds for mortgages has its origins, the conferees agreed, in three different circumstances: 1) "Since March 3 the competitive attractiveness of FHA and VA loans has been reduced because their yield has not been allowed to increase as much as the yield on government and high grade corporate bonds since the Federal Reserve stopped supporting governments at par or better;" 2) the banks and insurance companies are already so heavily committed for mortgages that in order to buy more they would have to sell government bonds; but 3) selling government bonds to re-invest the money in mortgages now involves a loss of about three points.

Quite apart from the current shortage of funds, the members of the Round Table also agreed that the terms of many present FHA loans may be inadequate to meet the needs of the home-buying public in the early years of home ownership and too costly in the later years.

"In the beginning," they pointed out, "most buyers need stoves, refrigerators, dishwashers, garbage disposers, wall-to-wall carpeting, etc., which can be most economically provided as part of the original house. Soon they begin to need credit to add garages, extra rooms, extra equipment . . . We believe FHA should permit all mortgages to be drawn to meet the first of these needs through the package mortgage plan and the second of these needs through the open-end mortgage plan. VA approves both these mortgage forms everywhere, but FHA will not insure any open end mortgages and some of its offices will not insure complete package mortgages. . . .

"In later years, on the other hand, it is natural for the home owner to seek relief from the ½% charge for FHA insurance after his loan has been reduced to around 60%, i.e. the point where conventional financing should normally be available to him at the same interest rate without the insurance cost." Since refinancing at this point is apt to cost the home owner several hundred dollars—money which might better be applied to amortization—the conferees suggest that "FHA mortgages should be written in the first place so that after a certain period the insurance charge would automatically be either reduced or eliminated."

Members of the Round Table and signers of the recommendations were:

For the mortgage bankers. Milton MacDonald, President, Mortgage Bankers Association; Samuel E. Neel, Counsel, Mortgage Bankers Association; William A. Clarke, Consultant to the Board of Governors of the Federal Reserve System; John F. Austin, Jr., Houston; Jack Halperin, Jamaica, L. I.; James Rouse, Baltimore; N. N. Wolfsohn, Philadelphia.

For the builders: William P. Atkinson, President, National Association of Home Builders; Thomas P. Coogan, Past President, National Association of Home Builders; Nathan Manilow, Chairman, Mortgage Committee, National Association of Home Builders; Joseph Meyerhoff, Past President, National Association of Home Builders; Earl Smith, Executive Committee, National Association of Home Builders; Mark Taper, Los Angeles.

For the savings banks: Robert Morgan, Vice President and Treasurer, The Boston Five Cents Savings Bank; Harry Held, Vice President in Charge of Mortgages, Bowery Savings Bank, New York.

For the life insurance companies: George T. Conklin, Second Vice President in Charge of Securities, Guardian Life Insurance Company; Douglas Meredith, Executive Vice President, National Life Insurance Company of Vermont; Milford A. Vieser, Vice President, Mutual Benefit Life Insurance Company.

Consultant: Miles Colean, economist.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Maybelle Genereaux and Haakon T. Magnussen have joined the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Two With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jack Barron and Joseph J. Walton have become connected with Samuel B. Franklin & Company, 215 West Seventh Street.

J. A. Hogle Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ted Richards, Jr. has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street.

With Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mack McKay is with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry B. Turner is now affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

With Supple, Griswold

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Henry Schmid is with Supple, Griswold & Co., 235 Montgomery Street.

Max Fray Opens

CHICAGO, Ill. — Max Fray is engaging in a securities business from offices at 919 North Michigan Avenue.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The State of Maine recently amended its laws regulating investments of savings banks with the result that such institutions may now purchase insurance stocks which meet certain standards.

In connection with this change Mr. George Geyer of Geyer & Co., 63 Wall Street, New York, specialists in insurance stocks, spoke to a group of savings bank oficers in Portland, Maine, on the eligibility of insurance stocks as investments. The speech has subsequently been printed and distributed to clients of Geyer & Co.

According to current information the State of Maine will not publish a list of specific insurance stocks which meet the specifications of the new legislation but will leave the determination of the eligible stocks up to each individual bank. After studying the amendment, Geyer & Co. have concluded that there are about 20 insurance stocks which fulfill the requirements.

In documenting the case for insurance stocks as suitable savings bank investments, considerable emphasis is placed upon the investment results that would have been achieved over the past 20 years by purchase of the 20 specific insurance stocks. Considering the stocks as a group the study shows that an investment in these insurance stocks over the past 20 years from both the standpoint of "rate and dependability of income" and "safety of principal" would have been pre-eminently suitable for savings banks.

The study, to illustrate the dependability and adequacy of the group as income producers, gives a tabulation showing what the results would have been if an equal dollar amount was invested in each of the stocks at a price representing the mean of the highs and lows of each year. Then on the basis of dividends declared subsequent to such purchase, the tabulation shows "what would have been the average, cumulative rate of return in dividend income from these stocks."

If Bought in	Period of Ownership	*Average Annual Yield
1950	1 day - 1 year	4.0%
1949	1 year - 2 years	4.1
1948	2 years- 3 years	4.5
1947	3 years- 4 years	4.6
1946	4 years- 5 years	4.1
1945	5 years- 6 years	4.1
1944	6 years- 7 years	4.5
1943	7 years- 8 years	4.5
1942	8 years- 9 years	5.1
1941	9 years-10 years	4.5
1940	10 years-11 years	4.9
1939	11 years-12 years	4.8
1938	12 years-13 years	5.2
1937	13 years-14 years	4.9
1936	14 years-15 years	4.1
1935	15 years-16 years	4.7
1934	16 years-17 years	6.2
1933	17 years-18 years	8.7
1932	18 years-19 years	10.4
1931	19 years-20 years	6.1

*Based on dividends subsequently declared up to Dec. 31, 1950.

Aside from this favorable showing from the standpoint of income, the study also points out that the stocks have been good investments from the standpoint of safety of principal. In fact, Geyer & Co. indicates that this is possibly one of the main reasons why insurance stocks specifically rather than equities generally, have been made eligible for investment by savings banks in Maine.

One of the reasons why insurance stocks measure up so well on the safety of principal according to the study is that dividends are paid from investment earnings only and the profits from underwriting are retained to finance the growth of business. This retained income in addition to providing protection for policyholders also increases the net worth of the company and also gives a measure of protection to the holders of the insurance stocks.

After pointing out these advantages to investing in insurance stocks, Mr. Geyer mentions some of the factors that can make insurance stocks unsatisfactory investments.

In the first place the insurance business so far as underwriting operations are concerned is a highly cyclical business and earnings from this source fluctuate rather widely. Another consideration is that although the long-term record makes a good showing, insurance stocks have fluctuated rather widely in past periods. As a result, the timing element is important.

Mr. Geyer ends the speech by pointing out that currently there is considerable variation in the prices of the different stocks as to the relation of market prices to asset values, earnings and dividends. For this reason a measure of caution is suggested in making current selections.

Biddison to Admit

September 20, George W. Coyne will be admitted to partnership in N. D. Biddison & Co., 115 Broadway, New York City, members of the New York Stock Exchange. Mr. Coyne on Sept. 13 will acquire the New York Stock Exchange membership of Milton F. Untermeyer, Jr.

Thomas Harkins Opens

PHILADELPHIA, Pa.—Thomas F. Harkins is engaging in the securities business from offices at 6647 Wayne Avenue.

Continued from first page

American Inflation Spells International Disaster!

sion which played havoc with the world. Nowadays we think that we are squaring our obligations toward the rest of the world by squandering dollars. The truth is that we are failing in one of our most vital responsibilities toward the rest of the world, namely, the maintenance of a sound currency at home. A sound dollar is the greatest service our country can render to the free world. Not only are we guilty for not restoring the soundness of our dollar, but our inflationary policies are making it practically impossible for the rest of the free countries, even for those who have the will to do so, to maintain economic and monetary equilibrium. We profess to favor and further the free convertibility of currencies, the stability of exchange and freedom of international trade. Yet our domestic monetary and economic policies are such that we are pushing the other free countries of the world into nationalistic economic policies. Under such circumstances exchange restrictions, import quotas and all the other devices against trade become unavoidable. We are offsetting some of these consequences by pouring out dollars under the name of economic aid, or gifts, or call it what you like. The real truth is that we try to offset by gifts of dollars the international consequences of our mischievous economic and monetary policies.

Details of a Dismal Picture

Let me go now into some details of this dismal picture.

Our wizards see in the plastic crystal ball a glowing economic future for the United States. At least two cars in every family garage, at least two television sets in every home, so that lovers will be able to be happy even without moonshine. Moreover, fears of depression are forever banished: the government will take care of that. Prices, wages and incomes will increase constantly, but somehow the money-managers will see to it that the increases should be orderly and neither too large nor too small. There is security-insurance for everything and everyone, and of course escalators to offset the rises in prices. I am telling you the planners are promising to deliver an earthly paradise.

At this point some of you who are too curious by nature and for your own good, may be wondering why has this miracle not been accomplished before the second half of the 20th century? If you ask our wizards they will express their surprise that you should not have heard yet of the new great discovery. Then you are asking yourself whether this new discovery is the atomic energy or the solar energy. But now it is your turn to get surprised because you will learn from our wizards that they have simply rediscovered the famous John Law, equipped this time with the most modern and subtle machinery for printing paper-money. The best and biggest inflation-engine in the world is now in the United States all ready to create disaster home and abroad.

Our country, well provided with this now greatly improved inflation-engine, should have no trouble to supply our economy with the monetary means made necessary by constantly rising prices, wages and income. According to some inflation-minded experts, our economy may need a yearly increase of our money-supply of $7 or $8 billion. Now, as you well know, the world is producing only about $800 million of gold a year, half of which is being used by industry. Where is the balance to come from? According to Professor Slichter, we shall "manage" our Federal budget in such a manner as to have a yearly deficit of a few billion dollars, and this deficit will be financed by the biggest inflation-engine in the world. The balance of the dollars needed by the constantly inflating economy will be supplied by an expansion of bank credit to commerce and industry.

But if you don't like the idea of a constantly rising price level with escalators for everybody and everything, our wizards will explain that you can't escape our fate for two main reasons:

(1) We are blessed with the most powerful labor unions in the world, whose labor-bosses can thrive only on inflation.

(2) Our government has undertaken to maintain our economy in a condition of perpetual boom, known also as "full employment." Now, as the London "Economist" recently said, full employment is 90% inflation.

If, by chance, you begin to wonder whether this wonderful new plan for perpetual prosperity without worries, headaches, or responsibility does not present some hidden dangers, you will find the answer on page 131 of the last book published by one of the architects of the plan, Professor Sumner Slichter. Just listen without gasping, if you can. I quote: "Nothing less than the integrity of the dollar is at stake, because people cannot afford to hold, over a long period of time, assets payable in a fixed number of dollars if the value of the dollar steadily drops. The community may be forced to choose, therefore, between subjecting collective bargaining to fairly drastic control and accepting a dollar that does not command confidence because it is expected to fall in value. That will be a hard choice. Nevertheless it looks as if the country will eventually have to decide which alternative is the lesser evil—the regulation of collective bargaining or the acceptance of a steadily depreciating dollar."

So here you have your choice: the debacle of our currency or the subjection of the labor unions to drastic controls. I am really getting jealous of the dreamers because they must be having a wonderful time while the dream lasts. One must be a great illusionist to believe that in a democracy like ours today you can subject labor unions to drastic controls.

It is rather my conviction that when we shall be confronted with the headaches created by our foolish policies, we shall subject our economy to total controls and regimentation. We shall regulate wages, prices, profits, foreign trade. Then we shall nationalize our industries and finally we shall lose also our political institutions. The British experiment will last only as long as we Americans are able and willing to provide the money for it.

Escalator Labor Contracts

Before I tackle the international consequences of American inflation, I wish to make a few comments on the escalator labor contracts like the one negotiated by General Motors a year ago. The President of General Motors continues to maintain, against the evidence, that their contract is neither inflationary nor deflationary. Let me explain briefly why, in my opinion, he is wrong and why escalator contracts are inflationary.

The President of General Motors contends, rightfully, that the fiscal and monetary policies of our government bear the greatest responsibility for inflation. He asserts that the General Motors contract simply adjusts the wages to the rise in cost of living due to the policies of our government. First of all, the General Motors contract also contains a provision for annual productivity increases in wages, whether there is any increase in productivity or not. In our economy, only about 10 to 15 million workers can derive direct benefits from technological progress. The vast majority of our people can get the benefit of progress in productivity only or mainly through lower prices. If all businesses would grant so-called productivity annual increases in wages, our prices would have to rise and many businessmen would get in trouble because they cannot pass increases in costs to the consumers.

Secondly, at the present time, when our country is forced to rearm and our boys are fighting in Korea, it is a national scandal that the strongly organized workers should not be asked to bear their share of the sacrifice. In a mobilizing economy it is vital to reduce quantity of goods and services available to civilians, and such reduction should be shared by everyone.

Now, in time of peace or war, we can have temporary increase of prices without budgetary deficits, if, for instance, there is a scarcity of goods and raw materials. In point of fact, since the Korean war, we had a substantial rise in prices, despite a budgetary surplus. Escalator-contracts would freeze permanently in the price-structure rises in prices due to temporary shortages, because, due to the unions, our wages can move only upwards.

Any economy living under the myth of full employment and enjoying an unlimited supply of money would get into a spiral of rising wages and prices. This is particularly true in our economy, where we have a built-in automatic mechanism of inflation due to price support of farm crops. Furthermore, the interaction of wages and prices multiplies the effects of a definite amount of budgetary deficit or credit-expansion.

It is important to understand the strategic importance of wage-increases in big industries in the causation of inflation. A big union, "hot" in the news, gets an agreement from one of the giant firms of industry. Then all other companies in the industry, including the thousands of small firms, are told "This is It." The small businessman has no chance to talk about his own sales prospects or about the relation of his costs to his prices.

Escalator labor contracts are criminal for two main reasons:

(1) Because they assume monetary inflation and thereby constitute a tacit endorsement of inflation as a way of life.

(2) Because they mislead the workers and all the people in the United States into the belief that the mischief of inflation can be corrected by escalators.

The fiscal and monetary policies of our government are inflationary. Escalators are inflationary and accelerate the effects of monetary inflation. Therefore the paramount duty of all citizens, and particularly of big business leaders, is to fight against inflation and inflationary policies like those inherent in the escalator-provisions of labor contracts.

A Planner's Paradise That Thrives On Inflation

Let us assume that the Planner's Paradise is working according to their schemes. We are successful in maintaining our economy in a state of perpetual boom with a constant rise of wages, prices budgets and incomes. Everything and everyone is on an escalator and we have avoided the stage where people distrust the currency and instead of escalators we all get into elevators. What are the consequences of such a situation on the rest of the free world? Keep in mind that countries like Great Britain, France, Belgium, Holland, Germany, etc., are much more dependent on imports of foods and raw materials than is the United States. When the American economy is booming what is known as world commodity prices are for all practical purposes the dollar prices or American export prices. The result of the rise in prices in the United States is that the prices in foreign countries are pushed upwards.

The consequences for the other free countries are more serious than those in the United States for many reasons besides the one just mentioned, namely, that those countries are more dependent on imports of foods and raw materials than we are. For instance, a country like Belgium, which has very conservative and sound monetary and credit policies, has seen its wholesale price level pushed up by 30% between June, 1950 and June, 1951, against 15% in the United States. One of the first results of these rises in prices is that it creates balance of payment difficulties, and the second one, and much more disturbing, is that it forces upwards the cost of living and wages.

Of course to a certain extent the foreign countries could defend themselves against these consequences by very stringent credit policies, reduction in their standard of living, blocking of wages, prices, etc. But this would mean, of course, as you realize, a regimented controlled economy. But why should those countries accept such restraints when our own people refuse any restraints on life and business as usual? In point of fact, what is happening right now in those countries is that the cost of living is going up, wages are going up, and the monetary means have to expand to take care of the increase in incomes and prices. Besides, the cost of imports are going up much more than the costs of exports, and it creates for all those countries serious balance of payment problems.

But there is another factor even more serious. I have explained to you before how we take care of the additional monetary means our economy needs in the pursuit of its inflationary policies. This is at all possible in our country only because our people have only doubts about the soundness of the currency without having reached the stage where they clearly distrust it. Unfortunately for the other free countries their people have lost confidence in their currencies. Therefore if their governments try to provide the monetary means made necessary by the rise in wages, prices, incomes, budgets, by the same devices we are using in the United States, they are precipitating a runaway of prices and a debacle of their currencies. Besides, not only are those countries forced to maintain exchange controls but they are also compelled to increase import quotas and other impediments to international trade.

For the time being we are giving some relief to all those countries by our free gifts of dollars. But how long can a situation like this last? Is it not unthinkable that the rest of the free countries of the world should be permanently on a relief basis? Can we bleed by taxes our own people indefinitely for the sake of pursuing crazy economic policies? Can any normal relationship between free peoples exist when their existence and freedom come to depend on the charity of one great nation? I can't help feeling that you share my conviction that this kind of a world is not only unsound but unthinkable.

Are We Drifting Into an Abyss?

You may then ask what is the answer to the issues I have raised. Let me first express my conviction that this miraculous plan of a perpetual boom in the United States based on monetary inflation, dreamed up by people whose thinking is confused and immature, cannot and will not last very long. All history and economic teaching tells us that we are drifting into an abyss. I know that many of these dreamers and wishful thinkers, contend that this time it will be different just as they said in the 1920's that our country was entering into a new era. Other people will try to challenge my assertion that our policies are unsound by asking whether I am for depressions and unemployment. Let me just say that the longer we continue our crazy and foolish policies the worse will our punishment be.

My answer to the issues I have raised in my address is clear and simple, namely, we should show some restraint in our economic policies. We should stop inflating. The only way to stop inflation is to stop. We should pay taxes to meet the needs of our budget, and everyone should share equitably in the expenditures made necessary by defense. We should reduce unneccessary expenses and avoid budgetary deficits. Besides, we should limit severely the expansion of credit by banks. It doesn't make sense to extend consumer credit in times of boom, thereby adding fuel to the inflationary pressures and mortgaging the future incomes of many people.

As I said at the beginning, the greatest service we can render to our people and to the rest of the world is to maintain the soundness of our currency. And here let me express my deep-rooted conviction that politics in a democracy being what they are, we shall not be able to avoid a catastrophe unless we return to a gold standard. The quantity of our monetary means is so loosely attached to gold since we decreased the gold coverage of our money in 1945 that gold does not limit credit debauchery as it normally does.

I do not believe that the rest of the world is ready to return to a gold standard. Neither do I believe that we can restore our gold standard without some preliminary steps, principally a free market for gold for a certain period of time. I think, however, that we in the United States can and should return to a gold standard all alone and as promptly as possible. Such a return to a gold standard involves rather complex technical problems which I cannot discuss today, but it can be done. The greatest service we can render the free world is for us to restore the soundness of our dollar. The soundness of our dollar is more important to the rest of the world than all the gifts and so-called economic aid we are extending them. Barring war, the future of the free world is mainly in our hands. We shall either restore monetary order and the soundness of the dollar or we shall push all the countries, including our own, into regimented controlled economies and finally dictatorships. We cannot be leaders of the world, we cannot be rich and powerful as we are, without assuming the responsibilities which go together with wealth and power.

And make no mistake, the greatest responsibility in the restoration of monetary order in the world is on our shoulders, whether we like it or not. We shall either restore the soundness of our dollar or the entire free world will drift into slavery.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

William Woodward, Jr. President of Turner Halsey Company, today was elected a trustee of **The Hanover Bank of New York** on Sept. 5. Born in New York City, Mr. Woodward received his education at the Groton School and at Harvard University, from which he was graduated in 1943. During World War II he served three years with the Navy in the Pacific theater, reaching the rank of Lieutenant, senior grade. Upon his release from active service he joined Turner Halsey and was elected President last April. Mr. Woodward succeeds his father, William Woodward, Sr., on The Hanover Bank Board.

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Henry Hopper and George P. Jochum have been appointed Assistant Vice-Presidents, and William L. F. Gildersleeve and Harry F. Hurley have been appointed Assistant Secretaries of the **United States Trust Company of New York,** it is announced by Benjamin Strong, President. Mr. Hopper, who has been with the company's mortgage and real estate department since October, 1932, was appointed an Assistant Secretary in 1949. Mr. Jochum will be in charge of the company's special accounting services. He joined the bank's staff in 1920, was appointed Auditor in 1946 and Assistant Comptroller in 1950. Mr. Gildersleeve and Mr. Hurley are members of the company's investment department.

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The Swiss Bank Corporation announces the opening, in **New York,** of a new branch office which will be known as the Rockefeller Center Office and is situated at 10 West 49th Street. In establishing this office, the bank has joined hands with the Swiss National Travel Office, which is the official Swiss Tourist Office in the U. S. A., and the Swissair. The Swiss Bank Corporation has also just created a new affiliated company to conduct securities business in Canada, under the style of Swiss Corporation for Canadian Investments Limited, Royal Bank Building, 360 St. James Street West, Montreal, Canada.

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George C. Johnson, President of **The Dime Savings Bank of Brooklyn,** has announced that Guy L. Gould, Assistant Secretary since November, 1937, has been retired after 32 years of service. Mr. Gould started his employment with "The Dime" in 1919 as a clerk having had 13 years previous banking experience in the Ellenville Savings Bank of Ellenville, N. Y. During the first World War, he served as a teller in charge of the Liberty Loan Department and later was the administrator of estate matters. Until a short time before his retirement, he was the head of the Mailing Department. Mr. Gould received from his fellow employees a gold wristwatch and band together with a check which Mr. Johnson said, in true banker fashion, represented the "surplus." In addition, Douglas B. Nevins, President of "The Dime Club," also presented him with a check.

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A $100,000 increase in the common capital stock of the **Security National Bank of Trenton, N. J.** resulting from the sale of that amount of new stock, raising the amount from $300,000 to $400,000, became effective Aug. 28.

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Ola Sanders, Jr., special representative to the director, loan guaranty service, Veterans Administration, Washington, D. C., has been elected Senior Vice-President of the **Federal Home Loan Bank of Chicago,** it is announced by A. R. Gardner, President. Mr. Sanders will take office Sept. 15 and has already resigned from his Washington post. He formerly was regional manager of the Home Owner's Loan Corporation at Omaha and spent four years in Chicago with the Veterans' Administration as loan guaranty officer for Illinois and supervising loan guaranty officer for Illinois, Indiana and Wisconsin. A veteran of both World Wars, serving with the Navy and then the Army, Sanders also was with the Office of War Information as executive officer of the London office. He will succeed John P. Domeier, who resigned to accept the Presidency of a savings and loan association. Ralph Menard, Secretary of the Federal Home Loan Bank of Chicago, has been elected Treasurer. He will hold both offices.

* * *

The Mercantile Trust Company of St. Louis, formed as a result of the consolidation of the **Mississippi Valley Trust Company** and the **Mercantile-Commerce Bank and Trust Company,** both of St. Louis, began business on Sept. 1. The plans for the consolidation were detailed in our issue of May 31, page 2258. The enlarged bank, under the new name, Mercantile Trust Company, opened for business on the first of the current month in the quarters of the Mercantile-Commerce Bank & Trust Company, which occupies virtually the entire block bounded by Eighth, Seventh, Locust and St. Charles. The Mississippi Valley Trust Company, with a history going back to 1855, and the Mercantile-Commerce Bank & Trust Company, the outgrowth of a bank founded in 1857, ceased to exist as separate institutions at the close of business Aug. 31, it was noted in the St. Louis "Globe Democrat" of Aug. 31, which also said in part:

"The consolidation of the two banks was effected by a straight exchange of stock. Mississippi Valley Trust Company stockholders are receiving 325,000 shares of stock in the consolidated bank for their 240,000 shares of Mississippi Valley stock. Mercantile-Commerce Bank & Trust Company stockholders are getting 500,000 shares of stock in the new bank, together with an interest in certain surplus assets.

"The five top officers of the new bank will be Sidney Maestre, Chairman of the Board of Directors; W. L. Hemingway, Chairman of the Executive Committee; Gale F. Johnston, President, and Eugene J. Mudd and Hord Hardin, Executive Vice-Presidents."

It is further stated that with total resources of more than $600,000,000 and deposits aggregating $550,000,000, the new bank not only will be St. Louis' largest but the largest bank under one roof west of the Mississippi River. The enlarged bank will employ between 1,300 and 1,400 persons.

On Sept. 7 the Mercantile Trust Company also announced a number of promotions and appointments as follows:

Robert N. Arthur, formerly Secretary of Mercantile-Commerce, was promoted to Vice-President. Harrison F. Coerver and Charles Herman, formerly Assistant Vice-President and Counsel, respectively, of Mississippi Valley, were promoted to Vice-Presidents. William H. Jaffe, Assistant Vice-President of Mercantile-Commerce, was promoted to Vice-President, and William D. Walsh, Assistant Vice-President of Mississippi Valley, was also made a Vice-President.

Promotions to Assistant Vice-President included M. P. Breckenridge, Robert W. M. Kohlsdorf, Herman A. Orlick, Edward C. Rose and Albert W. Winter.

Appointments of new officers included Holland F. Chalfant, Jr., and R. N. Grelliner as Assistant Cashiers; Fred W. Trogdon, Assistant Trust Officer; Ralph K. Brown, Advertising Manager; Paul J. Guion, Assistant Manager of the Safe Deposit Department, and Hyman Feldman, Purchasing Agent.

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Announcement was recently made by the directors of the Mercantile **National Bank at Dallas, Texas,** of the election of J. D. Francis as Senior Vice-President. Harold R. Demoss has also been elected as Vice-President of the Mercantile National, assuming his duties on Sept. 1.

Morgan Stanley Group Offers Utility Bonds

Morgan Stanley & Co. heads an investment banking group which is offering publicly today (Sept. 13) a new issue of $15,000,000 Alabama Power Co. first mortgage bonds, 3¼% series due 1981. The bonds are priced at 101.93% to yield approximately 3.15% to maturity. The issue was awarded to the group at competitive sale on Tuesday (Sept. 11).

Proceeds will help finance new construction and reimburse the company's treasury for construction expenditures already made. During 1951, 1952 and 1953 the company plans to spend $100,500,000 on new facilities of which more than half will be for generating equipment, including the completion of the sixth and seventh units (each of 100,000 kw. capacity) in the Gorgas steam plant; the third 40,000 unit in the Chickashaw steam plant; a fourth unit of 55,000 kw. at Martin Dam, and also including the start of construction on the Barry steam plant (two units of 125,000 kw. each) and on another steam station with an initial capacity of 100,000 kw.

The new bonds are callable at company option at regular redemption prices scaled from 105% if redeemed before Sept. 1, 1952, to par on and after Sept. 1, 1978. They are also callable at special redemption prices ranging from 101.93% to par.

Alabama Power Co., an operating subsidiary of The Southern Company, generates and supplies electricity directly and indirectly in Alabama throughout an estimated 44,500 square mile area with an estimated population of 2,550,000. The principal cities served are Birmingham, Mobile, Montgomery, Gadsden and Tuscaloosa. During the last decade a large number of new industries have settled in the company's service area, exclusive of wartime plants.

For the 12 months ended May 31, 1951, the company reported total operating revenues of $52,077,000 and gross income before interest charges of $13,443,000.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ernest C. MacLean is now affiliated with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with Fairman & Co. and Walston, Hoffman & Goodwin.

Warns of Limits to Foreign Aid

Guaranty Trust Company in current issue of "Guaranty Survey" discusses the possibility of a three-year expenditure of $25 billion for foreign assistance, and its threat to dollar's value.

According to "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, there is a limit to the amount of foreign economic and military assistance which the United States can afford, and the defense of freedom is impossible without successful defense of the dollar's value.

In its leading editorial in the September issue, titled "How Much Foreign Aid?" "The Guaranty Survey" discusses the possibility of a three-year expenditure of $25 billion for foreign assistance.

"No good citizen wants to see the defense of the free world crippled by a parsimonious policy of 'too little too late.' Yet it would be strange if the managers of the public purse did not recoil from the prospect of international largesse on such a scale as this. The President declared recently that if the American economy were to be wrecked by inflation it 'would be the easiest victory the Kremlin could ask for.'"

The editorial observes that the Marshall Plan is tapering off, but the military aid program has expanded until it is twice as big as the Marshall Plan ever was, and there is no assurance that the spending of $25 billion will bring it to an end.

"The American economy is powerful, but even its great capacity has limits. How long can it continue to give away money at such a rate?" asked the bank publication.

It is not clear that the billions the American taxpayers have sent abroad have enhanced this nation's popularity, the editorial further observes. "Of course many foreigners are grateful for American aid. But the suspicion of Yankee economic imperialism, fostered by Communist propaganda, is still in the air, and is perhaps strengthened rather than allayed by the eagerness to hand out money.

"European economic recovery, aided by Marshall Plan funds, seems subtsantially achieved," continued the editorial. "The Economic Cooperation Administration reports that production is 44% above the prewar level. This suggests that the Marshall Plan has accomplished its purpose and that economic aid should cease, especially if military help is to be extended on a large scale.

"Even if foreign aid were administered with the utmost efficiency, there would still remain the important question of how much our economy can afford. There must be a point beyond which we cannot go without weakening ourselves more than we strengthen our allies. How near is that point?

"It has become an American habit to be attracted by the prospective advantages of proposed expenditures without sufficiently weighing the disadvantages, which are as real and may be far greater," declares "The Guaranty Survey" in its conclusion. "The dollar's stability must be safeguarded, or the system of collective security will fail. The defense of freedom is impossible without successful defense of the dollar."

Continued from page 3

The International Bank Today

ready to put capital effectively to work.

Unsound Lending

I would like to record my emphatic disagreement with suggestions of this kind. If they divert members from a proper use of the financial facilities available to them, if they distract developing countries from concrete objectives, they can do great harm to the orderly progress of development.

That is not to say that there may not be other useful instruments in the field of providing capital, on an international basis, for economic growth. The idea has been advanced, for instance, of an international authority to allocate grants for development. Under present world conditions, it does not appear likely that any significant amount of grant capital will be provided on a truly international basis; but the idea has merits that might well be considered in a later and happier day.

The proposal also has been made that an international finance corporation be established as an affiliate of the International Bank to do two things that the Bank does not do: that is, to make equity investments and to make loans for private enterprise without some form of gvernmental guarantee. It may be that a corporation of this kind could do much to stimulate private investment, both local and foreign. Such a result would be of the greatest advantage. The Bank is giving the proposal serious study, and will report on the matter to the U. N. Economic and Social Council, at the request of that body, early next year.

For the first time in the history of the world the problems of development are being attacked on an organized international basis. At the same time, the awakening peoples within the underdeveloped countries have been pressing strongly for economic betterment. These two movements have joined to bring real progress: a rise in productive capacity and the building of sound foundations for further expansion. But while progress has been made, the problems are so enormous and the attack upon them is so new that none of us can be satisfied with the advances so far achieved.

Political Stimulation

There has been extensive discussion of ways and means to speed up the development process. Inevitably, much of that discussion has been in political forums, and more from the viewpoint of politics than of economics. We are familiar with the customary lines of argument—from the underdeveloped countries that they need more assistance than they are now getting, and from the developed countries that the other nations are not doing enough on their own account. There are elements of truth in both assertions.

We are fortunate here today in that we can approach the subject of development from an economic—and technical—standpoint, with fewer political overtones. It is for that reason that I believe it may be helpful to state—or, rather, restate—a few of the fundamental principles which, as I see it, should be guideposts in our attack on the problems of development.

The first such principle—and it is a truism indeed—is this: Economic development is an important objective for the entire community of nations. It is important to less developed countries in terms of production, of standards of living and of continuing national growth. It is not less important to countries that already have reached a high stage of development. Their own livelihood and their own future depend on the progressive expansion of world production and commerce.

Impact of Defense

The present international situation should illuminate rather than obscure these truths. The only way to support defense preparations and at the same time protect living standards is through greater production. Not long ago, the world emerged from a great war which made it necessary, in many areas, to suspend normal processes of economic growth. The nations have had to engage in tremendous effort and to spend enormous sums of money to repair the loss of those years. Surely we would now court disaster if economic development were again to be treated as a secondary problem and more years were to be lost.

The very increase in production which is now required must be based on balanced growth. Rising industrial production creates demands for additional supplies of raw materials; while developed countries themselves can do much to increase their output of these materials, and especially of food, new production elsewhere is also imperative. The underdeveloped countries can hardly be expected to continue to supply basic commodities, without some reasonable return in equipment and machinery that will enable them to raise their own standard of living. It is therefore less than ever possible to divide production problems neatly between nations that are highly industrialized and those that are not; the fact is that sound investments in raw materials production and in industrial growth, in either kind of country, are potential contributions to the solution of a common problem.

I wish I could assure you that this premise, of the importance of economic development, is universally accepted. But I cannot. Some countries have acted on it with vigor and wisdom, but there is still much that others could do. Let me mention two widely differing aspects of the problem as they are observed in the Bank's operations.

As you well know, our member countries have subscribed to the capital of the Bank partly in their own currencies, which are ultimately intended for use in the Bank's lending operations. We appreciate the difficulties involved in releasing significant amounts of these capital subscriptions in the circumstances of today; yet we feel that it would be worthwhile, in the pursuit of our common objective of development, to put more of these resources at the Bank's disposal. Since development does serve the common good of all the members, we are not asking for an unrewarded export of capital from developed nations, but for an investment which will redound to their interest and to the interest of less developed countries as well. Release of the members' currencies, in some instances, may well mean the difference between a useful development investment, including dollars, and no investment at all.

Borrowers' Slowness

On the other side of our lending operations, I am sorry to have to report to you that many of the Bank's borrowers are slow in putting money to work. We certainly appreciate the care that must be taken in the commencement of any undertaking; yet I think we have more instances than we should of an interval of many months—sometimes amounting to a year or more—between the signing of our loan contract and the accomplishment of the preliminary steps that are necessary to allow a development project to proceed. Our rate of disbursements, in relation to commitments, is low enough to be a cause of concern.

These are but two instances in which the Bank finds that the importance of economic development is not fully appreciated—instances in which development is retarded from causes not by any means beyond the control of member nations.

My second proposition is this: Economic development cannot be based on expediency—political or any other kind.

Political processes, of course, are the essence of democratic governments; and it is true that in a democratic society it is often difficult for a government to take the long-term view. Yet development is a long-term process. It cannot be carried out sporadically; it must be approached as a matter of broad and continuing public interest—not a means of promoting the interests of a particular area of the country, not a means of winning votes in a critical electoral district, not a means of satisfying the ego of political sponsors.

The more developed nations, too, need to remind themselves continually that international aid for development ought not to be based on expediency. To be really effective, they should not relate their efforts to fever charts of international tension, but rather to the fundamental conditions of which the fever may be only a long-delayed symptom.

Aid to development will be wasted unless there is continuity in providing it, and, almost equally important, unless there is a reasonable assurance of such continuity. Moreover, if economic assistance is cast solely in the mould of historical friendships or strategic considerations, it will neglect useful resources that should be developed for the common good.

Thirdly, let me say that in my opinion too much emphasis is often placed on capital, particularly foreign capital, as the prime ingredient of development.

We are familiar with the complaint that lack of capital impedes progress in underdeveloped countries, and this is undoubtedly true. Yet there are many other factors involved in development. Most of our member nations could profit by giving much more attention to these factors than they do.

The social institutions of the country, the distribution of wealth and opportunity among the people, the effectiveness of the educational effort, the energy and competence of government administration, and the character of the policies governing the use of the country's resources—these are all factors which bear quite as directly as foreign capital on the rate of development.

Proper action in these fields is not only worthwhile in itself, but is indispensable to the productive use of capital. It could do much to mobilize capital resources which exist in nearly every underdeveloped country but are not fully available for development. We all know of many cases in which local capital is sent abroad, or hoarded in the form of gold, commodities or land that is not put to productive use. We know of countries where individual wealth finds speculative trading profits more appealing than investment in manufacturing or other productive enterprises. So long as governments and peoples do not pay sufficient attention to the environment in which capital must grow and work, it is hard to see how the case could be otherwise. Yet if a country cannot induce its citizens to put their own capital into productive investments at home, it cannot reasonably expect to attract capital from abroad.

My fourth proposition is that we must constantly work to improve the effectiveness of technical assistance.

The shortage of trained personnel at every level is one of the greatest and most intractable obstacles to development. Recent programs of technical assistance, undertaken both bilaterally and internationally, are a constructive effort to help the underdeveloped countries meet this difficulty. Considerable progress has been made. Many capable and devoted men are now hard at work, under these programs, in underdeveloped countries throughout the world. They daily provide proof that the programs are sound in purpose.

As we gain experience in technical assistance, however, it is becoming clear that some revisions of approach are necessary.

In an effort to get these programs started, too much emphasis has been put on sending out into the field as many experts as possible in just as short a time as possible. Too little emphasis has been put on getting, in advance, a clear definition of their duties, responsibilities and status. The result often has been frustration on the part of the experts; and in some recipient countries there has been bewilderment at a multiplicity of advisers without defined functions, and a breeding of antagonism toward the whole concept of technical assistance.

It is essential, I think, that certain understandings should be reached before any technical expert is sent to the field. There should be a convincing demonstration both of a need and a desire for his services, a clear agreement on the work he is to perform, and a precise understanding of his relationship to the official whom he is to serve.

I believe there has been far too much scattering of effort in the technical assistance programs. Assistance has been asked and provided over the whole vast range of economic and social activity, without much consideration for relative orders of importance. There is need for more concentration of effort on the fundamentals—on such things as improvement of agricultural techniques, education, health and public administration. Concentrated on these fundamentals, the programs would be more understandable, more managable, more effective—they would, I think, have a coherence and impact far greater than at present.

So far as concerns the sectors of the economy directly concerned with production—agriculture, industry, mining, power, transportation and the like—there is need for far closer association of technical assistance with financial assistance. In these fields particularly, recommendations for improvements, however sound, are apt to go unheeded unless at the same time capital is made available to help carry out the recommendations. Good advice is rarely welcomed for its own sake; experience demonstrates that if the advice is to be effective, it must usually be accompanied by something more tangible. In other words, technical assistance in these fields should not be regarded as a separable activity. To the extent possible, it should be integrated with financial help in pursuance of a single development objective.

My fifth and last premise is that development is primarily the responsibility of the developing country itself.

There is not, and cannot be, any substitute for internal effort. Foreign capital cannot be broadly effective in the absence of local capital. Foreign advice will be useless unless there are roots for it to nurture.

At best, outside aid can provide only a margin over and above what a people are doing for themselves. It can be the margin between failure and success, but only when there is substantial local effort. And there can be such an effort only when a nation has a will to develop—when there is a drive within the country itself to improve the living standards of its people, and a government which reflects that drive.

Let me conclude by restating what, as I see it, we are all seeking in this process of economic development. Expanding world commerce and higher living standards are phrases that mean something important, but they may obscure the fact that both the source and the object of our efforts is the individual human being. In him is the motive power of what we can do, and for him are the rewards of what we can accomplish.

More clearly today than ever before, we know what happens when men live and are treated as masses, as statistics, as servants of privileged classes or as creatures of the state. All during our lifetimes, we have seen them erupt in riot and bloodshed; we have seen them hypnotized and driven to self-destruction in war. The threat that faces us today does not lie in the wilfullness of a few men; it lies in their ability to control people in masses, and to appeal to other masses who may be willing to exchange one form of subjugation for another.

In that perspective, economic development can be one of the most significant and constructive activities of our time. Through development, we can help give men a chance to satisfy their aspirations not as a mob but as individuals. For one of the striking characteristics of a developed society is the great variety of choice it can offer to individuals; a choice not merely of one 20th century convenience over another, but a choice of work, of careers, of living places, of ideas and of leadership.

Variety of choice is one of the things we are talking about when we talk about freedom. In far too much of the world today, this element of freedom does not exist. Men are likely to think they have a choice only between extremes; between slow starvation and quick revolution; between complete inertia and regimented obedience to political leaders who themselves may represent extremes.

I think it is obvious that a world of free men would be far more stable and peaceful than the one around us today. I think it is obvious that economic development is an indispensable tool for providing the richness of alternatives that makes up a world of free men. If I am right, that our objective is to protect and enlarge the freedom of the individual, it is an objective that is surely worth all the energy we can devote to its achievement.

With H. M. Byllesby

H. M. Byllesby & Co., Inc., 111 Broadway, New York City, announce that Henry Leach and S. William Klein have become associated with the firm in its Investment Department.

S. D. Fuller & Co.

S. D. Fuller & Co., 39 Broadway, New York City, a partnership, has been formed by Stephen D. Fuller and Paul Fuller, to engage in the securities business.

J. D'Agostino Opens

Joseph D'Agostino is engaging in the securities business from offices at 1522 Hawthorne Street, Bronx, N. Y.

Sole Proprietor

FT. WAYNE, Ind.—Clarence A. Wefel is now sole proprietor of Wefel & Maxfield, Old First Bldg.

Public Utility Securities

By OWEN ELY

Hydro-Electric Utility Stocks

The hydro-electric utility stocks do not constitute a clean-cut group. Some of them are rapidly installing steam generating capacity, which in future will make them much less dependent on hydro. Moreover, the investing public is not always familiar with the exact degree of dependence of each company on a normal supply of hydro power, or the variation in earnings which may result from an under- or over-supply of rainfall in the particular watershed from which its hydro plants receive their supply. Also, the present statistical facilities for determining the extent of drought in each area are not very well developed. The Geological Survey of the Department of the Interior publishes a chart entitled "Stream Flow and Ground Water in Relation of Normal" but this is somewhat difficult to interpret in relation to the local utilities. What is needed is a statistical service which will obtain periodic rainfall figures from the utilities themselves and compile them for the benefit of Wall Street analysts and investors. Following are the principal hydro companies with their sources of power in 1950:

Sources of Power in 1950

	% Hydro	% Steam	% Purchased
New England			
New England Electric System	24%	43%	33%
Central Maine Power	70	28	2
Public Service of New Hampshire	43	53	4
Middle Atlantic			
Niagara Mohawk Power	50	39	11
Central Industrial			
North American Co.	26	74	--
West Central			
Minnesota Power & Light	60	40	--
Wisconsin Power & Light	19	73	8
Southeast			
Southern Company	29	67	4
Duke Power	19	78	3
Carolina Power & Light	29	42	29
South Carolina Electric & Gas	35	60	5
Rocky Mountain			
Montana Power	91*	--	9*
Idaho Power	97	--	3
Utah Power & Light	42	14	44
Pacific Coast			
Pacific Gas & Electric	51	31	18
Southern California Edison	37	43	20
Portland General Electric	27	2	71
Pacific Power & Light	38*	4*	58*
California Electric Power	68*	--	32*
California-Oregon Power	81	6	13

*1949 figures

At the present time the southern part of the country, as well as the Pacific Coast and the far northwest, seem to be the principal areas adversely affected by drought. **Southern Company's** rapid growth has been offset by drought during 1950-51, resulting in a decline in share earnings from $1.28 in 1949 to about $1.01 currently. While other factors such as a substantial increase in outstanding shares entered into the picture, it has been estimated that the swing from heavy rainfall to drought would reduce earnings about 20¢.

Duke Power's earnings for the 12 months ended June 30 were $7.29 compared with $8.71 in the previous year, and on September 10 the stock (which has a thin market on the Curb) dropped 7½ points—although the conservative dividend seems well covered.

Carolina Power & Light is enjoying rapid growth and has apparently not suffered from drought conditions, judging from the June report. However, **South Carolina Electric & Gas,** which earned $1.36 in 1949, recently reported only 58¢ a share, principally due to water shortage. This company has a much wider "swing" in earnings than most hydro companies, due to the fact that it has long-term contracts to sell a substantial part of its output to other companies; hence during droughts it is forced to use obsolete steam facilities and expensive purchased power to fulfill these contracts. However, a new generating unit will soon be installed, and another unit next year, which will help to relieve the situation. There is no indication that the 60¢ dividend rate is currently in any danger, and the company has some long-range plans which should have favorable effects on the earning power.

On the Pacific Coast, **Pacific Gas & Electric** seems to suffer chronically from a shortage of hydro power and despite its huge construction program—largest of any United States utility—earnings still do not furnish an adequate margin over the historic $2 dividend. With a year of good rainfall earnings could improve radically, particularly if the pending application for increased rates is granted. **Southern California Edison** seems to be more fortunate—at least its share earnings have held up fairly well, perhaps because it has not done equity financing each year as Pacific Gas has been doing.

California Electric Power's earnings have declined rather sharply—the report for 12 months ended June showed only 56¢ earned against 81¢ last year (the dividend rate is 60¢). However, there are some indications that the company "turned the corner" in July and that there may be a recovery in earnings from here on, particularly if higher rates are allowed.

The companies in the northwest—particularly **Portland General Electric** and **Pacific Power & Light**—buy a good deal of power from Bonneville, which has just announced that it will have to cut off the flow of "interruptible" power during the winter, which may have an adverse effect on the earnings of this group. However, this will probably mainly affect the production of aluminum, and the companies perhaps do not make very large profits from this business.

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The Security I Like Best

of independents' needs in rate cases coming before it.

The demand for telephone service in the area since the war—as is largely true elsewhere—has apparently been insatiable. "Held" orders for new installations by new subscribers have shown virtually no decline, despite an increase in stations of 10.7% in 1950, 10.3% in 1949 and 12.4% in 1948.

The telephone industry today is actually one of America's most dynamic "growth" industries.

The rate situation in the industry and, in Southwestern in particular, compares favorably with other regulated sectors of the economy. In some respects, as regards taxes for instance, it is better situated. Thus the recent tax bill passed by Congress gives special treatment to telephone companies with respect to excess profits taxes, exempting them from such levies for earnings representing less than 7% on invested capital. This provision for other public utilities is only 6%. The practical effect is that Southwestern will not incur any liability for such taxes unless earnings increase considerably from current levels.

Furthermore, rates in the industry are admittedly low. Companies have not pressed for increases in some cases for over twenty years. And public utility commissions generally have recognized the need for higher rates to insure better service and to keep up with changing conditions. Southwestern in recent years has received its share of increases and others are still pending. The area in which it operates is not known for excessively stringent regulation such as prevails in New York State, Wisconsin, etc. As a matter of fact, Texas, in which nearly sixty per cent of the company's stations are located, has no state regulation of utilities whatever, rates and other matters being adjusted at the local level.

Southwestern has expended substantial sums in recent years in plant modernization and conversion from manual to automatic operation. The benefits from this program will become increasingly apparent in the future in the way of greater income and more economical operation.

In 1950, the earnings per share of common were $1.52. The current dividend rate is $1.00 or somewhat less than 70% of income, and is about seven percent on the current market price of 15. This is not only conservative, but much more so than is usual for operating companies in the utility field, many of which pay 80% and more of earnings. Some holding companies distribute virtually all of received income. It is thus evident that the present dividend rate is reasonably secure and that an increase is possible as future earnings and conditions warrant.

The common stock of Southwestern States is traded on the over-the-counter market and is particularly suited to investors seeking high return with stability of earnings and promise of growth. This stock is found in the portfolio of one investment trust and would be an excellent addition to others. Several large insurance companies and fraternal orders own the senior equities, none of which are available to the public.

HAROLD S. MUNROE, JR.

Partner, Hay, Fales & Co., Members, New York Stock Exchange

Doman Helicopters Common

This year, on my second go-around in the excellent feature, "The Security I Like Best," provided for "Commercial and Financial Chronicle" readers, I am selecting the stock of a relatively obscure company in an industry which, despite acknowledged weaknesses in the products of many of the principal manufacturers, has nevertheless in the last year or so displayed an inherent vitality, and which at this writing appears to be certain of a tremendous expansion in the years ahead. I am referring, of course, to the helicopter industry. In my opinion, the company which has the highest prospects in this industry is a concern known as Doman Helicopters, Inc., which operates at this time out of Danbury, Conn.

Harold S. Munroe, Jr.

The capitalization of this company consists of approximately 280,000 shares of common stock which is traded quite actively over-the-counter at a price of around $4 per share. In addition, there are effective options outstanding to purchase about 10,000 shares at various prices and which expire in about one year. At the present time there are over 600 stockholders concentrated principally in the States of New York and Connecticut.

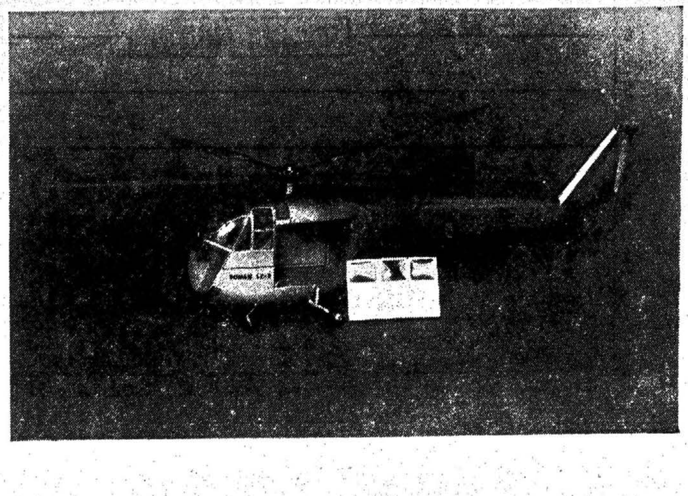
The space allotted to me does not permit a full description of the vicissitudes which beset the helicopter industry following the over-extravagant and premature predictions made as to its future in the immediate post World War II years. It is sufficient to say that at the time of the outbreak of hostilities in Korea the situation in the industry had deteriorated to such a point that most of the principal producers were on a skeleton-force basis, and the total national output of helicopters had dwindled to a trickle. However, shortly after the commencement of the Korean War it became quite obvious to the Military that the helicopter was a practically indispensable tool in modern warfare, and since that time publicity for the industry as a whole, practically all of which has been favorable, has grown by leaps and bounds. It is again to be noted that this recognition by the Military of the indispensability of the helicopter occurred despite frequently acknowledged weaknesses in current production models of the principal producers.

Doman Helicopters, Inc., was organized in 1945 mainly through the efforts of Glidden S. Doman, inventor of an entirely new and different rotor configuration which he designed as a result of his observation of the effects in conventional helicopters during his years of service with a principal producer of helicopters during World War II. The features which afford practicability, economy and safety in the Doman machines are now well protected both by U. S. and foreign patents, and many patents pending, and have been demonstrated by many hours of flight and severe testing under contracts with the U. S. Air Force.

A helicopter embodying a Doman-designed rotor flew for the first time in July of 1947 and has been used in research work for well over 200 hours in the air. This ship is merely a converted military ship and has room for only a pilot and a co-pilot. In May of 1950 Doman Helicopters entered into a five-year non-exclusive licensing and royalty agreement with Curtiss-Wright Corporation, and under the terms of this agreement built for and sold to Curtiss-Wright a larger ship which has been designated the CW-40. This ship has room for nine passengers or the equivalent in cargo, and a crew of two. It was flown for the first time on Nov. 7, 1950, and delivered to Curtiss-Wright in January of 1951.

Work was then resumed on a smaller model which had been in design development since 1948, and which was well suited to the military need for high performance in ambulance, observation and personal transport service. The final design was worked out in consultation with government representatives, and military interest in the model is on the verge of being formally evidenced through a contract. The model was of commercial origin, and the features of large, open-cabin area and clean rotor design as seen in the accompanying photograph, give it a good sales prospect whichever way the military versus civilian market may develop. It is believed quite confidently that an initial military order for a limited number of these ships will be received in the very near future. It has been the history of the helicopter industry since the Korean War that such initial contracts have been rapidly expanded as the work progressed.

To recapitulate, I believe that the helicopter industry will emerge on a peace or war basis as one of the great American industries. Furthermore, I believe that the Doman configuration is, up to the present writing, far and away the most satisfactory helicopter design ever made. I therefore regard the common stock of Doman Helicopters, Inc., as one of the most exciting opportunities in the low-price speculative group which has come to my attention in many years. Latest financing on the part of the company occurred last March when 10,000 shares of common were sold privately to a few stockholders at $5 per share pursuant to a letter of notification to the Securities and Exchange Commission.



Continued from page 4

Municipal Bonds in Bank Portfolios

than $100 billion. It should not be surprising, therefore, to discover that the municipal portfolio has likewise grown tremendously. The portfolio could not return to its historical pattern of relationship with total assets without a very substantial expansion in amount.

If the manager of bank investments will bear in mind these data on the dollar amount of municipal securities in commercial banks as well as their relative importance in the asset structure, he will have two very useful benchmarks in judging the developments for the banking system as a whole as well as for his own institution. However, it is well to remember that the picture of bank investments in municipal securities when traced in broad outlines conceals the tremendous variations among the individual banks. For example, a study of recent information suggests that almost one-seventh of the banks hold no municipal securities whatever. The investment policy of each bank depends upon its individual situation.

II

Primary Considerations in the Selection of Issues for the Municipal Portfolio

By way of preface to this section of my remarks, it should be noted that questions regarding bank investment in municipals may be classified into two broad categories. The first group centers on questions of general policy followed by the individual bank. At this level there is a question concerning the size of the municipal portfolio which is appropriate for the bank. Furthermore, there are questions with respect to the turnover rate for this segment of the bank's resources. Over a given period, for example, will it be necessary to convert part of the portfolio into cash; and how much cash will become available for investment? Finally, there are questions regarding the average yield to be realized from the investment in municipal securities. Such questions necessarily include the effects of taxation on yield.

Exemption from Federal taxation is one of the attractive features of municipal securities. This feature has a very important bearing upon the yield actually realized by the holder of the security. Accordingly, the manager can function intelligently only when he has a thorough understanding of the bank's individual tax situation. The complexities of bank taxation, however, are far beyond the scope of these remarks.

For the purposes of this discussion, we shall assume that the answers to the first category of questions are available. In other words, the manager of the investment account knows how large a portfolio of municipals he is to maintain. Also, he knows what cash requirements may be entailed by prospective declines in deposits, as well as the amount of funds which may become available for investment in these securities. Moreover the manager has some appreciation of the tax position of his bank and the effects of taxation on the yields of specific issues.

The second category of questions regarding bank investment in municipals concerns the suitability of the individual issue for the portfolio of the bank. These questions are peculiarly within the scope of the investment manager's responsibility. By applying appropriate analytical techniques, the manager is able to construct a portfolio measuring up to the criteria which will implement the basic policies of the bank.

When a bank's investment needs are known and the manager of the portfolio understands an individual security, his problem is greatly simplified. But if he does not know his investment requirements, then it will be virtually impossible for him to avoid mistakes in assembling a portfolio of securities. Furthermore, if he acquires securities whose investment qualities he does not comprehend, only good fortune will spare him from trouble.

Diversification and Concentration

Diversification and concentration are two words which are mentioned very frequently in connection with the management of investment portfolios. What guides can be offered to the manager that will help him to achieve the desired balance in his account? This balance may be with respect to the location of the issuers, the type and quality of issues, or the size of individual holdings. Sometimes it pertains to the arrangement of maturities or the size of coupons.

For the most part, diversification and concentration relate to the distribution of risk geographically or by type of issuer. For example, is an account diversified if it consists of many blocks of bonds each amounting to $5,000 or $10,000 and issued by small political subdivisions in different parts of the United States? Does this really differ materially from a portfolio consisting only of the obligations issued by the county wherein the bank is situated?

Answers to these questions, if they are to be at all meaningful, require a very liberal use of common sense. Banks operate in practical situations. Sometimes a bank has no alternative but to hold very substantial amounts of obligations issued by communities in the area it serves. Clearly, it is a misfortune to have an entire portfolio exposed to an identical set of economic hazards, but that is about the only criterion that can be offered as a guide in the discussion of diversification and concentration. It is always desirable to avoid extremes in any investment situation.

The manager of an investment portfolio comprising many small blocks of different issues has a very troublesome problem of gathering and analyzing information. While such a portfolio may appear to be widely diversified it may actually amount to a concentration in exposure. Thus, the end result would be about the same as if a large portion of the investment funds were committed to the obligations of one or two issuers.

Type of Issues

Analytical work is costly and time consuming. One way to simplify the job is to concentrate on types of issues for which methods of analysis have been well developed. This has the effect of narrowing the area of investment but it also makes for economy in the work of managing an investment portfolio. For the individual bank, it seems reasonable to believe that the loss of investment opportunity by confining investment to certain types which can be readily analyzed is a small price to pay for the operating economies. To guide his activities, it is necessary for the manager of a portfolio to have a clearcut understanding of the securities which suit his need. Then he can spend his time selecting issues that meet these requirements.

The techniques of security analysis enable the manager of the investment account to answer the question: Does this security measure up to the requirements of the portfolio? For purposes of convenience, it is helpful to classify municipals in terms of categories for which the same method of analysis is appropriate. In the first place, there are the general obligations of States and minor political subdivisions the credit of which rests entirely upon a pledge of the full faith and credit of the issuer. The securities in this group continue to account for the largest dollar amount outstanding, and historically they have been the most important. Analysts of securities have long been conversant with methods for appraising the credit quality of such issues.

A second important category of issues consists of obligations floated by quasi-public enterprises. Sometimes these securities are described as revenue issues because their credit standing rests solely upon the income derived from a specific activity rather than general taxing power, e.g., the earnings of an electric facility, or a bridge. In any case, they can be clearly identified because there is no pledge of full faith and credit by a unit of government to pay the obligation. The techniques for analysis of these obligations are well established and there are no particularly difficult problems for the investment manager. The volume of these securities has in recent years increased greatly and the number of issues is growing in importance.

Between the two types of issues previously mentioned, namely, the general obligations and the revenue issues, there is now developing a great volume of municipals that are hybrid in type. To some extent they have qualities that may be attributed to general obligations, but in other respects they are lacking in these characteristics. The variety of combinations in the characteristics of these securities seems to grow without end. As a consequence, they present extremely difficult problems of analysis. The best that can be said for the hybrid is that once it has been so identified, the analyst is obliged to study the case on its own merits and use his skills in arriving at judgments with regard to credit quality. There is no standard procedure for analysis.

Maturity Distribution

The policy for arranging the distribution of maturities in the municipal portfolio is always an important consideration in selecting issues for investment. Practically all municipal issues are composed of serial maturities, and as a result the market offers securities with a wide variety of due dates. This is a great advantage to the portfolio manager. If care is taken in the selection of maturities, it is possible to chieve almost any desired rate of turnover on the investment account. In this connection, it is well to remember that the risks of loss from fluctuations in market prices can be almost completely avoided by a well designed selection of serial maturities.

Sometimes analysis of the data suggests that for the near term an investment situation is strong, but the distant prospects are obscure. If the appropriate maturities are available, the portfolio manager can readily adjust to this situation. The securities selected for the portfolio will mature while the investment situation is unequivocally sound.

By following a well planned schedule of maturities in selecting issues, the investment in the municipal portfolio can be made to produce a rate of return which averages the yields prevailing over the years covered by the schedule. Also, in these circumstances a known amount of cash becomes available every year without any reliance whatsoever upon the market. Moreover, sometimes the shapes of yield curves are such that maturities can be shortened without making large concessions in the average amount of return. But this is a technical subject which takes us far beyond the boundaries of the present discussion.

Yields

Notwithstanding the importance of yields on municipal securities to portfolio managers, in the hurly-burly of daily activities they are likely to forget trend patterns. The accompanying Chart 2 which depicts the trend in yields on municipal bonds over a period of 26 years is designed to furnish this background of information. For most of the period, you will note that yields were substantially higher than the ones now prevailing. To be sure, yields have increased in 1951. However, this increase should not be viewed as any remarkable development. It is quite consistent with the long run pattern of behavior. Furthermore, the most important fact to bear in mind is that yields are still very low.

The behavior of yields on municipals since the mid-1920's calls attention to the great changes which have taken place in our economy. Interest rates generally tended to be very low for more than 15 years, and this has been reflected in the returns on almost all fixed income bearing investments. Furthermore, taxation has become a matter of far more serious concern in recent years than at any time in the past. Rates of taxes paid today would have been considered unbearable 25 years ago. As a consequence, funds seeking investment outlet in the tax-sheltered type of security have greatly increased in volume. These two factors, the low interest rates and high taxes, are of basic importance in considering the long term trend in yields on municipals.

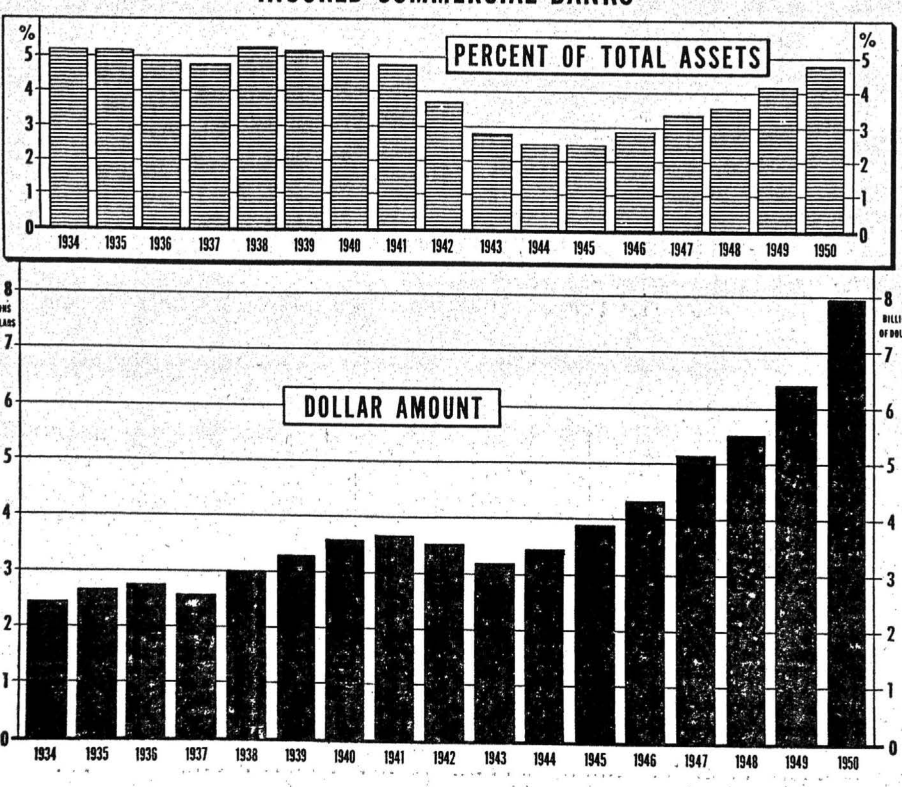
The dollar amount of return from the municipal portfolio is small when compared with the size of the investment. That is the inescapable fact confronting every portfolio manager.

Bond Prices—Premiums and Discounts

In the selection of bonds for the investment portfolio, it is important to center attention on yields rather than prices. The price is simply a mathematical function of prevailing interest rates for the quality and type of investment under consideration, and the coupon and maturity of the specific issue. The fact that a security is quoted at a premium over par value or at a discount is not in itself an objection to it. When a bond sells at a premium over par, each maturing coupon includes the retirement of a portion of the investment and the remainder is income. Thus, when the bond is finally paid by the obligor, the premium will have been returned to the investor. As a consequence, bonds purchased at premiums over par are in effect commitments which retire a portion of the investment prior to maturity.

On the other hand, when bonds are purchased at a discount from

CHART 1 STATE, COUNTY AND MUNICIPAL OBLIGATIONS HELD BY INSURED COMMERCIAL BANKS



par value, the investor is obliged to wait until the maturity for a portion of his income. In other words, each coupon gives him a part of the return. However, the remainder consists of the accruing increment of value which can be realized only when the bond is paid. In effect, therefore, a bond purchased at a discount from par value includes an element of automatic re-investment, whereas a matic re-investment, where as a bond purchased at a premium involves an automatic dis-investment prior to the due date.

These facts regarding the relationship between yields and prices are highly technical but they cannot be ignored if serious mistakes are to be avoided. To the investment manager who is constantly working with "bond tables," they should be clearly apparent. Sometimes there may be a real advantage in acquiring securities which return a portion of the principal before the due date. At other times, it may be desirable to have securities which provide an automatic re-investment feature. This all depends upon the trend in interest rates and yields prevailing in the marketplace.

Quality

The area of municipal investment open to the bank portfolio manager encompasses issues which vary greatly with respect to quality. The portfolio manager is obliged to appraise the available securities and to select individual issues which measure up to his qualitative standards.

Stemming from the fact that the return on municipal securities now and in recent years has been very low, the manager of the portfolio has at least two alternatives when he seeks to maximize income. In the first place, he may conclude that municipals are not attractive for his bank, and turn to other investment opportunities. Such a decision, however, is one which involves basic policies. In terms of my remarks, you may recall that it relates to a level of questions which is beyond the scope of the investment manager's responsibility. As a second alternative, the portfolio manager may attempt to maximize income on his municipal holdings by concentrating his attention on yields rather than investment quality. This alternative has a spurious attractiveness because it appears to achieve the desired result of maximizing return.

To be sure, the yields on municipal securities of inferior investment quality usually do afford a better return than can be obtained from top grade issues. Concessions in investment quality, however, entail the risk that principal or interest may be lost or the payment temporarily delayed. But, there is little room for successful experimentation with securities of inferior quality because the yields on municipals are now so low that they provide almost no margin for absorbing losses, and because payment of interest and principal according to the letter of the bond is essential for orderly bank operations.

III

Standards of Credit Quality for Municipal Issues in Bank Portfolios

Owing to the tremendous importance of credit quality in the selection of issues for the bank portfolio, I want to call your attention to certain specific aspects of the problem. In the first place, what is the differential advantage in dollar amount of return from issues which vary in credit quality? Based upon the available statistical information, Chart 3 suggests an approximation of this differential for the period since 1937. The data pertain to bonds in the top rating band, that is, the so-called Aaa issues, and in the fourth rating band, namely Baa. These issues are ones which compose the recognized yield indices, and I have plotted the difference in yields between these two groups of bonds expressed in number of dollars per $1,000 bond. Thus, in 1937 the investor in municipals rated in the fourth grade would find his annual return between $9 and $12 per bond higher than if he had confined his investment to top grade issues. You will note from this chart that most of the time the advantage in terms of annual return from the marginal quality issues amounted to less than $10 per bond. On two occasions, in 1946 and again in 1950-51, the differential declined to about $7.

The increment to the annual return on municipal securities realized by the bank portfolio manager when he drops his qualitative standards is so small that it does not appear commensurate with the necessary concession in quality. However, students of municipal finance point out, that there have been few total losses in this area of investment. Nevertheless, it is unnecessary to have a total loss in order to have trouble. Failure to pay on the due date, stoppage of interest, or delay in payment of principal for a few months or a year, very quickly will eat up any dollar advantages from the commitments in marginal quality issues.

At best, one can only argue that the advantage of the slightly higher return on inferior quality issues is compensation for the additional cost of studying credit quality and making certain that the issue is not heading for catastrophe. In other words, the differential is compensation for credit analysis. Usually this involves a good deal of real out-of-pocket expense.

In the determination of credit quality, the portfolio manager is obliged to assemble the pertinent credit information as well as to evaluate it. While it does not follow that it is always more difficult to secure information regarding inferior grade issues than those of top quality, it is a fact that, for the most part, the best issues can be identified quickly and easily. As a consequence, it is always necessary to face the question: How much time may be spent in analyzing financial data sufficiently to make certain that the security is suitable for the portfolio even though it is not generally recognized as best quality? The additional compensation from issues below the top grade in quality, amounting to $7 to $10 annually per $1,000 bond, is soon consumed by expenses when it is difficult to secured information and when the process of analysis is complicated.

As a practical matter, of course, there are certain exceptions which have to be recognized in applying this general rule for selecting issues of proper credit quality. Every bank is under an obligation to serve its community including the nearby subdivisions of government. Moreover, a bank is in a peculiarly favorable situation to know about finances of the governments in its area. Pertinent information is derived almost automatically through the day-to-day operations of the loan department as well as from the general business activities of the bank. Thus, the portfolio manager will be in a position to know a great deal about the credit quality of local issues.

Frequently the National, or for that matter, the regional markets for municipal securities are not in a position to judge the credit quality of an issue, whereas a local bank may do so readily. The quality as such issues may very well be suitable for inclusion in a bank portfolio.

Banks with extensive facilities for gathering and analyzing investment information usually are in a position to invest in municipal securities in intricate situations. Furthermore, the costs involved in these efforts can be spread sufficiently over a large portfolio so that they do not become excessively burdensome. As a consequence, banks of this type may be an exception to the general rule that the portfolio manager's attention should be concentrated only on top quality issues.

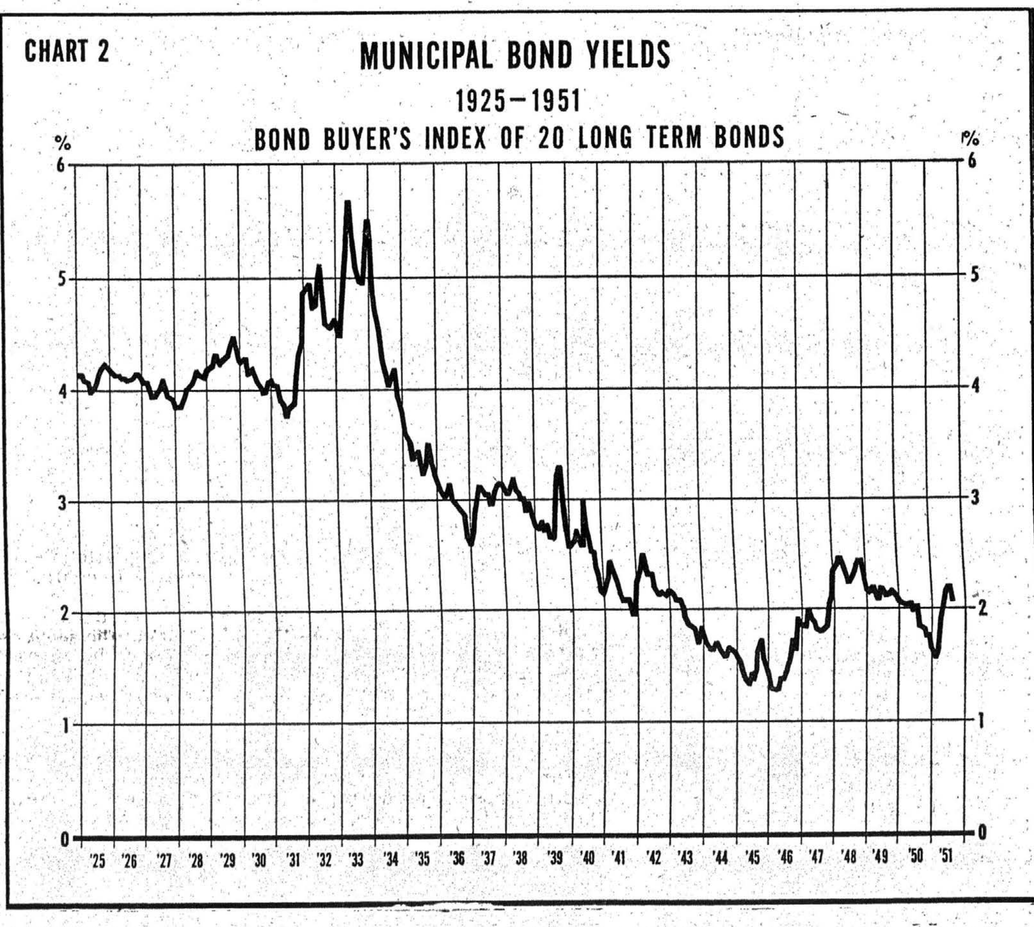
IV

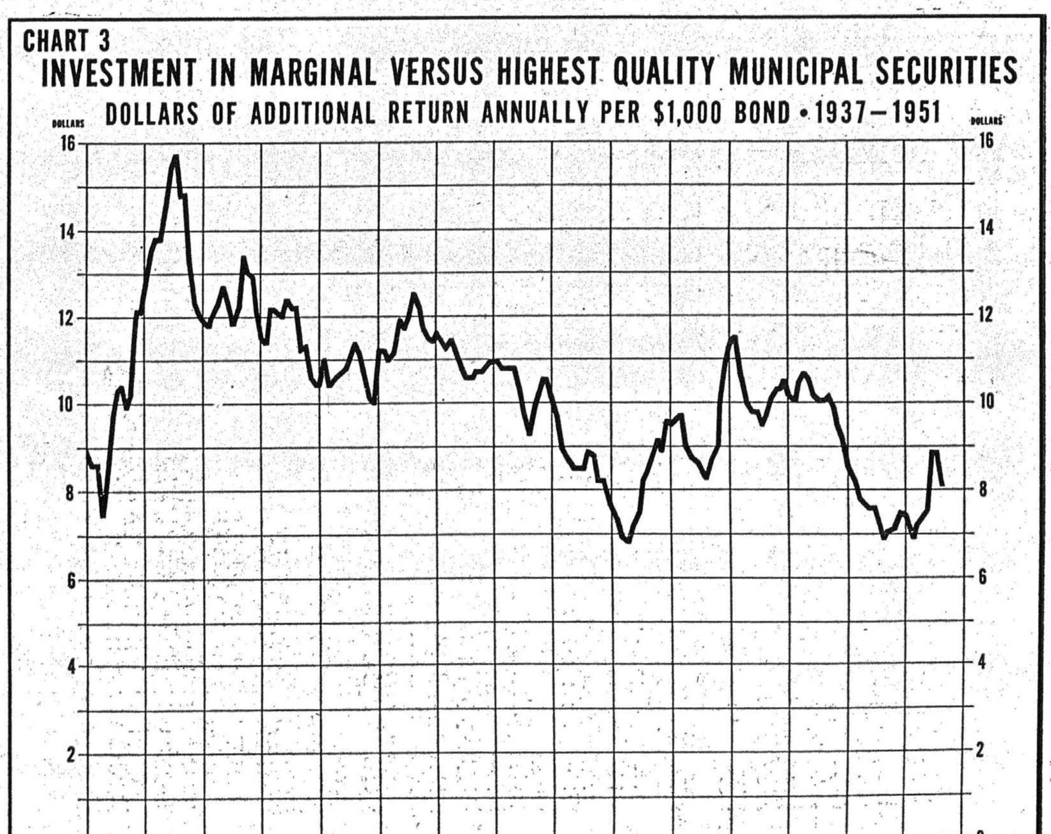
Summary and Conclusion

There are a few guides which may be helpful for managers of municipal bond portfolios held by banks in maintaining an element of consistency in investment policy. Historical perspective is especially useful at the present time. Although the dollar amount of commitments has been greatly increased, the relative importance of these securities in the asset composition of banks has only recently returned to its prewar levels.

Knowledge of the individual bank's investment requirements combined with the information and skill necessary to analyze security issues are the essential ingredients of successful portfolio management. In some banks, the portfolio managers possess these requisites while in others, their tools are few. If the various intricate problems that cluster about questions of diversification and concentration, yields, tax position, maturity distribution and quality are to be solved correctly, it is essential that the portfolio manager recognize his points of strength and weakness.

For the manager of the municipal portfolio, the single most important guide is investment quality. Study of the available data suggests that the additional return obtainable from an investment in marginal quality rather than best grade issues tends to be small. It is doubtful that the increment is sufficient to offset the additional costs usually encountered in assembling and analyzing data on marginal issues. To expect that the increment would also be sufficient to absorb possible losses incidental to a commitment in inferior grade securities would be entirely unrealistic.





Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Little has happened in the stock market in the past week to make me change my mind. The talk of how higher they're going is now as common as hair on the barber shop floor. The only question is what, closely followed by when.

* * *

As to "what" various stocks have appeared here from time to time, mostly in the past month. I've mentioned the steels, oils, amusement shares, motors, non-ferrous issues. If you've followed their career for the past 30 days you know what they've done.

* * *

I'm not going out on a limb to tell you about "when." The chief reason for this reluctance is that I don't know the answers. I know what the tape shows; I've seen charts till I've got lines in front of my eyes. I've been lectured about earnings statements and financial reports. I've even talked to what is modestly described as "insiders." If you ever take a look at the stocks I've locked away in my box, you'll get hysterical with laughter. This accumulation comes from listening to (and believing) insiders whose advice is usually summed up in, "Put these away and forget about 'em. They'll make you rich!" So far the only advantage they've given me is for tax deduction purposes. And I haven't even done that yet. I've gotta sell 'em first—and who wants 'em!

* * *

Now back to the current market. You know quite well they've gone up. You can see it in the daily movement of the averages. You can see it in the newspaper heads on the financial pages about "21-Year Old Highs Bettered . . ." Of course now all you have to do is wait until your particular pets follow along—and there's the rub. The leaders keep climbing because there's a lot of new buying going on. The banks, mutual funds and other interests are now in the market with both feet. I'd hate to think what could happen if they start turning sellers. Meanwhile your babies are still soiling their diapers; they refuse to grow up and start working for you.

* * *

So what to buy? So here we go again. The same old circle—what to buy, superimposed on when to buy.

* * *

I'll talk a little more about the second, the "when" to buy. With the public in there bidding, and the big lads also in there with their cash, the chances are that no technical reaction worth the name will occur. This doesn't mean that such buying will continue. But nobody blows whistles or rings bells to warn you off. You take your own chances.

* * *

I think buying at this stage is more than mildly dangerous. But because the danger is great the opportunities are equally big. Last week I said mass buying can result in daily five-point advances. By not buying now you can miss that. You can also miss a flock of ulcers. It depends on what you'd rather have.

[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.]

Sole Proprietor

WARREN, Pa.—Horace B. Meacham has formed Meacham & Co., a sole proprietorship, as successor to the investment business of Meacham & Co., Inc., Warren Bank & Trust Building.

Continued from page 6

The Plateau Theory and Stock Market Movements

of trading volume turned downward in January and the market again broke in September. Even in 1929, trading volume never reached its January peak until the market broke sharply in October. Followers of the volume theory would have probably sold out long before the top of this move, missing substantial profits. However, by the end of 1929, even those who sold their stocks early in the year would have been considerably better off. Sellers of stocks now could conceivably face the same situation with the same end result.

(2) **Confirmation by the railroad averages under the Dow theory:** While the Dow-Jones Industrial averages have kept advancing into new high ground, the Dow-Jones Rail averages are several points below their February highs. Failure of the Rail averages to keep pace with the Industrial averages in 1937 was also evident and this lack of confirmation has always been regarded by Dow theorists as an indication of the end of a bull market.

(3) **The General Motors theory:** When General Motors common stock no longer assumes leadership in a bull market, caution is in order. In 1929, General Motors established its highest price in March; the market reached its high in September. In 1937 General Motors established its high in December, 1936. The market reached its high in March. Also when the market tested its highs in August, General Motors stock was appreciably lower. In 1946, General Motors reached its high in January while the market reached its high in May. Currently General Motors is selling about three points below its high established in October, 1950.

There are other recognized technical devices that are signalling bear market warnings but not nearly to so great an extent. These include odd lot buying on the increase, breadth of the market not sufficient to support a further rise of any great proportions, weakness in the commodity market and perhaps the early year weakness in the bond market. In addition there are an unusually large number of new stock offerings and secondary offerings.

The main signal of a bear market lacking is the speculative excesses usually enjoyed in the final phases of a bull market. There has been neither the movement nor the volume in low priced stocks that one would normally expect and for that reason some technicians feel that stocks will rise further until more speculative action occurs. In any case, abnormal activity and advances in low priced stocks at this time would certainly be an important danger signal.

It is difficult to determine the exact timing of a stock market break, but because of the close parallel of the 1951 technical market action to 1937 and 1946, not only from a point of view of action but also of time, it is expected that the market decline will occur this fall.

The Past Plateaus

The stock market will not necessarily copy its past action but a pattern is discernible in the charts of the past 17 years. If this pattern does not predict the next major move, it does at least indicate what may be ahead. The past action of the market is outlined in the following paragraphs and divided into the phases of what the author calls his "plateau theory." It should be noticed that a pattern exists not only in the action of the market movement but also in many of the historic events behind each move.

First advance 1934-1937: Once the shock of the closing of the banks and various other emergency measures taken to correct the depression of 1933 had passed, a period of recovery ensued. Eventually a period of prosperity developed. The Dow-Jones Industrial averages advanced from a low of about 85 in 1934 to a high of 196 in 1937.

First adjustment 1937-1938: In 1937 the recovery became overexpanded. Credit restrictions were applied, perhaps too late and too rigorously, and the Recession of 1938 occurred. Dow-Jones Industrial averages declined to about 98.

First plateau 1938-1942: Aided by the Administration pump priming and then later by war contracts first from European nations and then from our own government, business recovered and the Dow-Jones Industrial averages fluctuated in a zone between the previously established low of 98 and a high of 157. International uncertainties coupled with fear of higher taxes and more controls domestically held back a large scale market advance despite unprecedented industrial activity paying off liberally in profits and dividends especially in 1941. Hopes for a change to a Republican administration in 1940 were dashed, and this factor too may have had a dampening effect on the stock market.

Second advance 1942-1946: Prior to the second advance in the stock market, new low prices for the first plateau were established in April, 1942 when the Dow-Jones Industrial averages went down to 92. This drop was precipitated by the outbreak of war with Japan along with fears caused by early military reverses. Once we achieved some military victories and industry was assured of making fair profits in spite of higher taxes and more controls, the market advanced once again. However, it was not until 1945 that either the highs of the first plateau or the 1937 highs in the market were exceeded. The top of the advance occurred in May, 1946 when the Dow-Jones Industrial averages reached 212.

Second adjustment 1946: The second adjustment was rather abrupt. It was not as severe as the first adjustment. Furthermore, it has been very difficult to determine exactly what was the cause of this adjustment. The Dow-Jones Industrial averages declined to 162.

Second Plateau 1946-1949: The second plateau was quite similar to the first plateau in many respects. It marked a period of international crises. It included another political disappointment to business in the defeat of the Republicans in the 1948 elections. However, business was generally prosperous during this period. Range for the plateau was 193-162 in the Dow-Jones Industrial averages.

Third advance 1949-1951(?): As had been the case prior to the second advance, a dip in the Dow-Jones Industrial averages below the previous low in the plateau occurred. This dip was caused by fears of a business recession. However, the averages only went two points below their previous low of 162 and the third advance was much faster than the second one. By the end of 1949 the averages had broken out of the top of the second plateau and by early 1950 they had exceeded their 1946 highs. The advance was interrupted temporarily by the outbreak of hostilities in Korea. At the time of this writing, Sept. 7, 1951, the Dow-Jones Industrials have gone over 270, but it is the writer's belief that their advance has been virtually completed.

The Third Plateau

Assuming that the third advance has been completed, the next step, if the pattern is to be continued, is the third adjustment. The low point of the second adjustment was just above the high of the first plateau (approximately 3%). If the third adjustment were to reach its low at a point approximately 3% above the high of the second plateau, the Dow-Jones Industrial averages would decline to approximately 199. In view of the fact that during the Korean crisis the low point reached in the market was 197 establishing an important resistance point, the 199 level seems very reasonable. In the case of the first and the second plateaus once the lows had been reached, high levels for both plateaus were established at recovery points up about 60% of the decline. In the case of the third plateaus this recovery would place the high at about 242. A trading range which might run two or three years or longer would then be established between 199 and 242 in the Dow-Jones Industrial averages.

The Future

Historically the stock market has advanced on a long-term basis throughout the 20th Century as the monetary condition of the country has become more and more inflated. Such a trend will probably continue barring a major destructive war, a severe depression or the elimination of the free enterprise system. Therefore it is quite possible that in the future a fourth advance may occur followed by a fourth adjustment and a fourth plateau. In fact, it is conceivable that this pattern of advance could carry on even beyond the fourth plateau.

Conclusions

To the investor the foregoing plateau theory would dictate the following course of investment action:

(1) Lighten up holdings of volatile common stocks promptly retaining cash or reinvesting in short-term bonds or other strong defensive securities.

(2) At such time as the Dow-Jones Industrial Averages approach the 200 level, increase holdings of common stocks.

(3) At any time when the averages approach the 240 level, be prepared to decrease the ratio of common stocks held in the portfolio if technical factors signal a sell-off.

(4) Increase common stock holdings on any subsequent approaches to the 200 level.

Close attention will have to be paid to technical market action studies to determine at what time the third plateau will be terminated. In the meanwhile it is possible that news events and economic conditions could bring an end to the plateau pattern, but it is the author's belief that until entirely new circumstances are introduced into the historic and economic picture that would materially alter the very long-term picture the plateau pattern with possible future minor adjustments will continue. Therefore, he believes the plateau theory may be profitably followed as a guide for determining both intermediate future trends and for deciding upon future longer term investment policy.

Continued from page 5

The State of Trade and Industry

Iron Age," the current week. One producer reported that so far cancellations total less than 1,000 tons—not enough to open up mill space for Controlled Materials Plan tickets looking for a home.

This is putting producers in something of a spot with consumers who are being told by Washington officials to check with mills for space created by cancellation of duplicate orders.

Although steel supplies are due to be just as tight during the first quarter of next year, it is expected that distribution will be a lot more orderly. By that time disrupted customer relationships will have been largely restored, this trade authority adds.

Figures given out by DPA and NPA on the amount of steel to be available to industry are beginning to jibe, this trade journal notes. The reduction in allotments to makers of civilian goods is not expected to mean more steel for other industries. It is believed this results from a more realistic matching of needs against expected production.

According to "Steel," the weekly magazine of metalworking, a shift in steel demand from peacetime to defense consumption is accelerating. Some classes of consumers, specifically consumer durable goods, are pressing less vigorously for tonnage in the face of sluggish demand for their finished goods. On the other hand, manufacturers on military and related account are seeking increasingly larger tonnage. Net effect is overall demand on the steel mills and warehouses is as strong as ever despite the soft spots in manufacturing, some of which are attributable to government limitations on use of raw materials.

Steelmakers report orders for shipments after the turn of the year are mounting, some for delivery as late as third quarter, this trade journal reports. But producers are accepting little business beyond first quarter, except where special military directives are involved.

As things now stand, "Steel" observes, scheduling will remain a headache for the steelmakers all through fourth quarter. Substantial CMP ticketed tonnage still remain unplaced, and its placement is dependent upon cancellations of duplicate tonnage believed to be on mill order books. This means rolling schedules will be pretty much subject to change all through the period.

New structural steel awards are relatively light in the aggregate according to this publication. Restriction of the amount of steel available in the fourth quarter for industrial construction will delay considerable work, including steel expansions, and will necessitate some adjustments in fabricating shop schedules. Demand for flat-rolled products continues strong, but pressure is definitely off from appliance and similar civilian goods consumers. Some of these are reported holding comfortable stocks of steel.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 100% of capacity for the week beginning Sept. 10, 1951, or an increase of 1.7 points from a week ago.

The current week will be the third in a period of 28 weeks when production failed to exceed 2,000,000 tons.

This week's operating rate is equivalent to 1,999,000 tons of steel ingots and castings for the entire industry, compared to 98.3%, or 1,965,000 tons a week ago, and 101.5%, or 2,029,000 tons a month ago. A year ago it stood at 99.6% of the old capacity and amounted to 1,921,000 tons.

Electric Output Turns Downward in Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 8, 1951, was estimated at 6,795,370,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week was lower due in part to the Labor Day holiday.

The current total was 350,239,000 kwh. below that of the preceding week; 766,843,000 kwh., or 12.7% above the total output for the week ended Sept. 9, 1950, and 1,537,280,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Receded in Latest Week

Loading of revenue freight for the week ended Sept. 1, 1951, totaled 829,391 cars, according to the Association of American Railroads, representing a decrease of 9,196 cars, or 1.1% below the preceding week.

The week's total represented a decrease of 22,450 cars, or 2.6% below the corresponding week in 1950, but an increase of 125,457 cars, or 17.8% above the comparable period of 1949.

Auto Output Reverses Upward Trend of Previous Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 105,951 units, compared with the previous week's total of 137,489 (revised) units, and 144,824 units in the like week of 1950.

For the United States alone, total output dropped to an estimated 97,797 units from last week's revised total of 131,240 units. In the like week of last year output totaled 144,271 units. Canadian output in the week totaled 8,154 units compared with 6,249 units a week ago and 7,335 units in the corresponding 1950 week.

Total output for the current week was made up of 75,977 cars and 21,820 trucks built in the United States and a total of 4,570 cars and 3,584 trucks built in Canada. In the previous week, Canadian output totaled 3,849 cars and 2,400 trucks against 5,213 cars and 2,122 trucks in the like 1950 week.

Business Failures Fall in Holiday Week

Commercial and industrial failures declined in the holiday-shortened week ended Sept. 6 to 116, Dun & Bradstreet, Inc., disclosed. At the lowest level in any week since 1949, casualties were off moderately from the 145 and 148 which occurred in 1950 and 1949, and down sharply, 44%, from the prewar total of 209 in the similar week of 1939.

Failures involving liabilities of $5,000 or more fell to 91 from 127 in the preceding week and 113 in the comparable week last year. Among small casualties, those having liabilities under $5,000, there was a decline to 25 from 37 last week and 32 a year ago.

Wholesale Food Price Index Strikes New Low for Year

The easier trend in food prices continued in evidence last week and the wholesale food price index, compiled by Dun & Bradstreet, Inc., for Sept. 4 fell to $6.82, from $6.89 the week before. This marked a drop of 1.0% in the week, and the lowest level for the index since Dec. 19, 1950, when it stood at $6.80. The latest figure shows a rise of only 2.6% over the year-ago index of $6.65. It is 6.7% below the 1951 high of $7.31 recorded on Feb. 20.

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 Registers New 11-Month Low

Although the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., touched a new 11-month low the past week, the general price level showed little change during the period. The index closed at 298.29 on Sept. 4, comparing with 298.83 a week previous, and with 286.58 on the corresponding date a year ago.

Grain futures at Chicago were unsettled in the week with price trends irregular. Trading in wheat was less active and early weakness in the bread cereal was largely influenced by favorable reports on the Canadian wheat crop.

However, the market recovered sharply aided by heavy sales of flour late in the week.

Export business in wheat reached fair proportions. Trading in corn futures was down from a week ago but considerably larger than last year. Corn futures were firmer, aided by a strong cash market.

Crop conditions remained generally favorable. Oats were quite steady despite the continued accumulation of stocks of Canadian oats in Chicago elevators. The volume of sales of grain futures on the Chicago Board of Trade last week totaled 150,461,000 bushels, or a daily average of 30,000,000 bushels. The latter compared with 33,000,000 bushels the previous week, and 34,500,000 in the corresponding 1950 week.

The domestic flour market developed a stronger undertone as the result of heavy purchases of hard wheat bakery flours by a leading chain baker late in the week. Aside from this, demand was spotty with many buyers holding off in expectation of lower wheat prices. Cocoa prices were moderately higher reflecting a continued strong holding policy by Brazil. Coffee continued firm with roasters' inventories reported light and an improvement in demand looked for as the heavier consuming period approaches.

Raw sugar was firmer on purchases by cane refiners in anticipation of a better demand for the refined product.

Cottonseed oil was irregular with prices working lower on poor demand. Lard prices also trended easier, influenced by further declines in live hogs and weakness in vegetable oils. Hog prices at the close were at the lowest in more than three months. Lambs were nominally steady while cattle prices moved slightly higher for the week.

Domestic cotton prices turned easier last week following the mild upturn of the previous week. The decline in spot values during the past few months has lowered the price of the staple to within 2½ cents of the loan value. The prospect for a large crop continued to be a dominating influence in the market. Another bearish factor was the slowing down in the textile markets following its recent activity. The parity price for cotton for mid-August was reported unchanged from a month earlier at 33.85 cents per pound. Sales of cotton in the ten spot markets were reported at 199,000 bales, comparing with 143,800 the previous week, and 176,300 in the like week a year ago.

Trade Volume Lifted Moderately Higher in Latest Week

Promotional sales of Fall merchandise coupled with widespread clearances of Summer goods helped to stimulate consumer buying. Shopping in preparation for the reopening of schools increased considerably. The total dollar volume of retail trade rose moderately in the period ended on Wednesday of last week and was slightly above the corresponding 1950 level, according to Dun & Bradstreet, Inc., in its summary of trade.

The consumer demand for apparel was at a very high level last week. The response to clearance sales of bathing suits and Summer sportswear was generally favorable. Fall clothing was heavily purchased with emphasis on wearables suitable for school. Women's suits, lingerie, and blouses sold well. Men's worsted suits, sport jackets, and Winter shoes were among the more popular purchases. There was a slight pick-up in the demand for furs in scattered areas.

Total retail volume in the week was estimated to be from 2% below to 2% above a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England, Middle West, and Northwest —2 to +2; East and South —1 to +3; Southwest —1 to —5; Pacific Coast —2 to —6.

The noticeable decline in buyer attendance at the major wholesale centers was generally attributed to the nationwide observance of the Labor Day holiday. While wholesale dollar volume dipped slightly in the week, it was close to the corresponding 1950 level. Purchasing was largely confined to current needs with retailers continuing to request merchandise suitable for special promotions.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 1, 1951, decreased 3% from the like period of last year. A similar decline was recorded in the previous week from that of a year ago, and a decrease of 5% is shown for the four weeks ended Sept. 1, 1951. For the year to date department store sales registered an advance of 4%.

Retail trade in New York last week, it is reported, approximated very closely the volume for the like week of last year.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 1, 1951, were unchanged from the like period of last year. In the preceding week a decrease of 4% was registered under the similar week of 1950. For the four weeks ended Sept. 1, 1951, a decrease of 5% was recorded below that of a year ago, and for the year to date volume advanced 7% from the like period of last year.

COMING EVENTS

In Investment Field

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

Sept. 15, 1951 (New York City)
Cashiers Association of Wall Street outing at Semler's, Grant City, Staten Island, N. Y.

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, 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. 9, 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.

$40,000,000 Central Bank for Cooperatives Debentures Offered

With the assistance of a nation-wide selling group of recognized dealers in securities, the Central Bank for Cooperatives, Washington, D. C., is offering publicly today $40,000,000 of collateral trust debentures dated Oct. 1, 1951, due Feb. 1, 1954. The offering is being made through Macdonald G. Newcomb, its fiscal agent, 31 Nassau Street, New York City. The debentures bear interest at 2½% per annum payable Feb. 1, 1952, and semi-annually thereafter and are not redeemable before maturity. They are being offered at 100% and accrued interest.

The Central Bank for Cooperatives is incorporated under Federal law and operates under the supervision of the Farm Credit Administration, which is under the general direction and supervision of the Secretary of Agriculture. Central Bank debentures are instrumentalities of the Government of the United States, but the Government assumes no liability for them, either direct or indirect.

Net proceeds from the sale will be used by the Central Bank for Cooperatives in financing its lending operations. The bank makes loans to the larger farmers' cooperative associations and assists in financing the 12 regional banks for cooperatives.

Continued from first page

As We See It

little ahead of his time in expecting a falling out among his enemies and some sort of major shifting of the cards in the matter of international alliances.

Shifting Alliances

Of course, the shifting of alliances, even rapid shifting of alliances, is nothing particularly novel in the history of international or world politics. On the contrary, these maneuverings have been rather characteristic of the struggle over the earth's surface and its natural resources. It may well be doubted, however, if all the major powers of the earth (not merely the first class powers of Europe) have ever been so sharply drawn into two opposing camps, or if these alliances or near-alliances have been so dominated, so confused, or so plagued with ideological issues. Neither has it been historically usual for so nearly all of international intercourse between peoples to be so completely managed by government.

The situation at present is still further complicated by the degree in which so many countries have become totalitarian as respects their own internal affairs. In a number of instances, as in the Communist countries, the development is complete or practically so, and the "democracies" have aligned themselves with at least one Communist country, and are considering seriously aligning themselves with a Fascist country. In some of the other lands which have historically been regarded as models of "democracy," socialism has been fully embraced, and in still others it is largely so, while in virtually all of them what is known as "managed economy" has become more or less dominant in many of the activities of the people.

Ultra-Nationalism

Along with all this there has come a growth and intensification of nationalism. Each country has set up "goals" for itself, and each government has assumed responsibility for their attainment. All this cuts across the usual intercourse of people with people, as it does across many of the preachings of the idealists who support the underlying changes which have promoted these conditions. It came as a shock when President Roosevelt knifed the London Economic Conference in the early days of New Deal history. In many aspects this action of the author and finisher of that faith was nonsensical and in contradiction of the professions of its followers, but it was consistent with the general pattern of the highly national managed economies of that day and this.

Another complication arises from the much greater role now played by propaganda directed at the prejudices of the great rank and file. Moreover, the "lines" which have been employed in the past—at least in countries where people have for centuries been accustomed to do at least a part of their own thinking—now limit the course leaders may take. Government can neither proceed as they think wise without regard for popular and often erroneous popular concepts, nor always be direct and straightforward with the populace for various reasons—among them the all too frequent fact that past policies and programs then would have to be either contradicted, confessed as wrong-headed, or somehow "explained away."

Radio and Television

Much of this is perhaps the inevitable result of the vastly developed means of communications, chiefly the radio and now television. We are well aware of the danger of appearing to defame the sacred doctrine of *vox populi vox dei*. Be that as it may, the fact is that conditions now are made to order for "staging" this or that "show," designed to make the worse appear the better reason—and all too often not the wise man but the best stage manager wins the debate. Thus old propaganda campaigns get in the way of any sort of sensible attitude toward Franco and Spain. All non-Communist governments must watch their step in deciding how to act when it becomes necessary to deal with Titoist Yugoslavia. He would be rather more than rash who undertook at this distance to appraise our relations with China during the past decade, but it certainly would not be surprising if the historian finally reported that cliches and slogans and preconceptions led us to much unwisdom in that unhappy land.

Hobson's Choice

Still another aspect of this world situation is the fact that so many peoples find it difficult to choose between one coalition rather evidently bent upon extending its sway throughout the world and another largely composed of imperialist leaders of days gone by, and today led by one of the most powerful nations of this or any other day. Thus Japan finds itself between these two millstones. On the one hand, there is the United States of America which while not one of the historical imperialists, is a nation which is closely allied with Western imperialists and one which certainly has not always seemed wholly free of disposition to interfere in things Asian. On the other hand there is Russia, partly Asian, but always a rival of Japan, and China, which has for decades been a victim of Japan and can scarcely be expected to feel very kindly toward her or to trust her. Meanwhile Japan stands in the middle as it were. Many others are more or less similarly situated.

It is a strange and challenging day in which we live.

Continued from page 9

Monetary and Fiscal Policy In a Rearmament Period

bumper cotton crop has been another important factor in price declines from peak levels. New construction, allowing for usual seasonal movement, has declined somewhat since March, reflecting primarily the reduction in residential building.

While the situation in recent months has not been as tight as it was earlier, the importance for the future of such easing as has occurred should not be overemphasized. In the third quarter, the gross national product will probably be as large as it was in the second quarter, when it reached an all-time high annual rate of $326 billion. Personal income in June, at an annual rate of over $250 billion, was 15% higher than a year ago and was still rising, although at a less rapid pace than earlier. Consumer prices in July were at their peak, 9% above June, 1950. Wholesale prices now are 12% higher than in mid-June, 1950. Wage rates are continuing to rise, tending to increase incomes and the cost of doing business.

Industrial production in August is estimated at about 218% of the 1935-1939 average, not far below 222 plateau of the first half of 1951. In many key industries, as iron and steel, operations continue at capacity. Nonfarm employment in June and July, seasonally adjusted, was at an all-time high of 46.6 million persons, more than 2½ million above a year ago. Unemployment, at 1.9 million persons in July, was at the lowest level for any July since 1945.

In the period ahead one major development seems defnitely in prospect. A further rapid increase in defense expenditures, with much of the increase in outlays for hard goods such as airplanes, tanks and the materials which go to make such end products. Expenditures for defense have more than doubled over the past year and amounted to an annual rate of over $35 billion, 11% of total national product, in the second quarter of 1951. A further substantial increase in such expenditures occurred in July, when they were at an annual rate of over $40 billion. According to a recent report of the Council of Economic Advisers, expenditures for national security are scheduled to rise to an annual rate of over $60 billion in the second quarter of 1952, accounting for close to 20% of an expanded national product.

Meanwhile, business expenditures for plant and equipment are currently at a record rate, with the total for 1951 likely to exceed $25 billion as compared to $18.6 billion in 1950. This plant expansion is now making heavy demands on scarce resources, but is also steadily enlarging basic industrial capacity.

Business now is not accumulating inventories at the rate it did earlier and the resources previously devoted to building inventories may be largely available for other purposes. In some lines inventories may be reduced but, if the international situation continues as it is, many businesses will be glad to keep substantial inventories as a protection against shortages and possible further price advances. Although most goods are currently in ample supply, acute shortages of steel, copper and aluminum and other metals persist and have resulted in a Controlled Materials Plan and in orders limiting their use for production of many consumer durable goods. Consumer demands have been at a relatively low level in relation to current income. The period ahead is one in which international and other developments could easily—but may not—lead to renewed heavy consumer demands. Such demands, along with heavy business demands and rapidly rising government outlays, would bring very great inflationary pressures which could be checked only is strong restrictive monetary and fiscal measures were taken.

Program

This brings us to the final question of policies appropriate in the period ahead. The experience of the past year, it seems to me, has shown the necessity of a broad and coordinated program of anti-inflation control such as that presented a year ago and summarized at the beginning of this statement.

As I see it, one of the most essential steps to be taken right now is to adopt new taxes which will offset, in important degree, the increased government outlays being planned for defense. Short of total war, an economy such as ours should be able to stick to a pay-as-we-go policy. Much of the current thinking about prospects is based on the assumption that a tax bill making substantial new levies will soon be passed. The sooner taxes are increased the less danger there will be of a resurgence of consumer demands. Government debt management policies to encourage widespread nonbank ownership of the public debt must be continued. We must draw on genuine savings rather than money creation to finance any excess of government outlays over revenues.

Monetary and credit restraint measures must also continue in effect and be administered in such a way as to minimize the expansion of credit, especially for less essential purposes. This will be more difficult in view of the limitations recently imposed by the Congress on control of mortgage and consumer credit. There is evidence of some more than seasonal increase in buying of consumer durable goods in recent weeks. Certainly, developments in the field of instalment credit under the new terms will need to be watched carefully. So also will changes in mortgage lending. Even more than before, reliance will have to be put on general credit controls to restrain expansion of credit. The Voluntary Credit Restraint Program has exerted a constructive influence in this respect and should be continued in as effective form as possible.

The shift to a higher rate of personal saving this spring and summer has been an important favorable development and one which should be encouraged.

Further inflation is not inevitable. There is good evidence that the anti-inflation program along with increased output has been effective in checking inflation. Rising production and a broad program of controls designed especially to prevent excessive demands can be effective in the period ahead. Inflation must be held in hand if the free world is to be strong and remain free.

The government is now about to launch a nation-wide drive to encourage purchases of savings bonds, particularly through the payroll deduction plan. The maintenance of a high rate of personal saving and the making of that saving available for essential uses is of basic importance to the prevention of further inflation. Everybody can contribute directly by supporting the coming savings bond campaign.

Halsey, Stuart Group Offers Pipe Line Bds.

Halsey, Stuart & Co. Inc. and associates are offering today (Sept. 13) $45,000,000 Tennessee Gas Transmission Co. first mortgage pipeline bonds, 3½% series due 1971 at 100.718% and accrued interest. Award of the bonds was made at competitive sale on Tuesday (Sept. 11) on a bid of 100.307%.

Net proceeds from the sale of these bonds will be applied to the payment of the company's outstanding short-term notes which are held by The Chase National Bank of the City of New York and four other banks. The proceeds from the short-term notes were used by the company in its expansion program which is geared to increase the delivery capacity of the system from approximately 1,020,000 MCF of natural gas per day at June 30, 1951 to a daily capacity of 1,310,000 MCF.

Regular redemptions of the bonds may be made at prices ranging from 103.72% to par. Sinking fund redemption prices run from 100.72% to par.

Tennessee Gas Transmission Co. owns and operates a pipeline system for the transportation and sale of natural gas at wholesale. The system begins in the Rio Grande Valley of Texas and extends in a northeasterly direction across the States of Texas, Louisiana, Arkansas, Mississippi, Tennessee and Kentucky to a point in eastern Kentucky where the system branches, one branch extending into the State of West Virginia and the other branch extending across the States of Ohio, Pennsylvania and New York to a point on the New York-Massachusetts state line near Pittsfield, Mass.

The company's principal deliveries of natural gas are made to subsidiaries of The Columbia Gas System, Inc. and of Consolidated Natural Gas Co. The company expects to commence deliveries shortly to its wholly-owned subsidiary, Northeastern Gas Transmission Co., which is constructing a pipeline transmission system for the resale of natural gas in portions of New England.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—James E. Irvine has become associated with Harris, Upham & Co., Trust Bldg.

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. 16	100.0	98.3	101.5	99.6
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 16	1,999,000	1,965,000	2,029,000	1,921,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Sept. 1	6,231,800	6,220,250	6,200,750	5,759,630
Crude runs to stills—daily average (bbls.)	Sept. 1	¶6,666,000	6,500,000	6,458,000	6,109,000
Gasoline output (bbls.)	Sept. 1	22,140,000	21,592,000	21,446,000	20,171,000
Kerosene output (bbls.)	Sept. 1	2,622,000	2,254,000	2,425,000	2,310,000
Distillate fuel oil output (bbls.)	Sept. 1	9,572,000	8,761,000	8,762,000	7,825,000
Residual fuel oil output (bbls.)	Sept. 1	8,845,000	8,763,000	9,020,000	8,219,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 1	115,201,000	115,934,000	119,616,000	105,563,000
Kerosene (bbls.) at	Sept. 1	30,417,000	29,504,000	27,677,000	25,670,000
Distillate fuel oil (bbls.) at	Sept. 1	87,282,000	85,543,000	79,080,000	69,179,000
Residual fuel oil (bbls.) at	Sept. 1	47,596,000	46,753,000	45,305,000	41,434,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 1	829,391	838,587	813,366	851,841
Revenue freight received from connections (number of cars)	Sept. 1	680,468	680,216	672,010	705,90[illegible]
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 1	$160,461,000	$257,381,000	$216,941,000	$256,077,000
Private construction	Sept. 1	61,277,000	160,049,000	78,299,000	192,884,000
Public construction	Sept. 1	99,184,000	97,332,000	138,642,000	63,193,000
State and municipal	Sept. 1	74,586,000	68,756,000	89,860,000	59,434,000
Federal	Sept. 1	24,598,000	28,576,000	48,732,000	3,759,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 1	10,535,000	*10,747,000	10,005,000	11,060,000
Pennsylvania anthracite (tons)	Sept. 1	872,000	827,000	737,000	954,000
Beehive coke (tons)	Sept. 1	128,300	*128,000	144,700	157,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Sept. 1	300	279	254	310
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 8	6,795,370	7,145,609	7,069,890	6,028,527
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 6	116	164	149	145
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 4	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Sept. 4	$52.69	$52.69	$52.69	$46.61
Scrap steel (per gross ton)	Sept. 4	$43.00	$43.00	$43.00	$40.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 5	24.200c	24.200c	24.200c	23.400c
Export refinery at	Sept. 5	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Sept. 5	103.000c	103.000c	103.000c	95.500c
Lead (New York) at	Sept. 5	17.000c	17.000c	17.000c	15.000c
Lead (St. Louis) at	Sept. 5	16.800c	16.800c	16.800c	14.800c
Zinc (East St. Louis) at	Sept. 5	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 11	99.05	99.19	98.49	101.78
Average corporate	Sept. 11	111.62	111.25	110.70	116.02
Aaa	Sept. 11	116.22	116.02	115.24	120.43
Aa	Sept. 11	115.43	115.24	114.46	119.20
A	Sept. 11	110.34	110.34	109.79	115.63
Baa	Sept. 11	105.00	104.31	103.97	109.24
Railroad Group	Sept. 11	108.34	107.80	107.27	112.00
Public Utilities Group	Sept. 11	111.44	111.25	110.52	116.41
Industrials Group	Sept. 11	115.24	115.04	114.46	119.82
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 11	2.56	2.55	2.60	2.37
Average corporate	Sept. 11	3.08	3.10	3.13	2.85
Aaa	Sept. 11	2.84	2.85	2.89	2.63
Aa	Sept. 11	2.88	2.89	2.93	2.69
A	Sept. 11	3.15	3.15	3.19	2.87
Baa	Sept. 11	3.45	3.49	3.51	3.21
Railroad Group	Sept. 11	3.26	3.29	3.32	3.06
Public Utilities Group	Sept. 11	3.09	3.10	3.14	2.83
Industrials Group	Sept. 11	2.89	2.90	2.93	2.66
MOODY'S COMMODITY INDEX	Sept. 11	453.5	452.0	465.5	478.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 1	184,783	188,010	354,939	317,217
Production (tons)	Sept. 1	216,789	225,800	223,232	229,360
Percentage of activity	Sept. 1	93	94	94	100
Unfilled orders (tons) at end of period	Sept. 1	470,841	516,856	664,707	729,058
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Sept. 7	149.2	148.8	148.0	134.4
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. 25	25,316	26,808	31,587	26,210
Number of shares	Aug. 25	732,686	774,361	942,476	787,256
Dollar value	Aug. 25	$32,384,364	$35,137,547	$43,139,534	$34,170,449
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 25	22,960	23,728	28,232	26,575
Customers' short sales	Aug. 25	252	208	664	223
Customers' other sales	Aug. 25	22,708	23,520	27,568	26,352
Number of shares—Total sales	Aug. 25	634,813	660,242	794,676	765,272
Customers' short sales	Aug. 25	7,834	7,100	20,521	8,657
Customers' other sales	Aug. 25	626,979	653,142	774,155	756,615
Dollar value	Aug. 25	$26,670,690	$27,167,703	$34,535,137	$29,381,396
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 25	192,619	178,420	202,270	267,270
Short sales	Aug. 25	------	------	------	------
Other sales	Aug. 25	192,619	178,420	202,270	267,270
Round-lot purchases by dealers—					
Number of shares	Aug. 25	275,430	318,560	384,530	258,960
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Sept. 4	176.7	*176.8	177.8	168.3
Farm products	Sept. 4	188.4	186.7	192.0	180.3
Grains	Sept. 4	180.0	180.7	178.8	168.2
Livestock	Sept. 4	255.8	258.3	266.6	239.6
Foods	Sept. 4	187.9	*187.4	188.7	176.4
Meats	Sept. 4	279.4	278.7	278.6	260.0
All commodities other than farm and foods	Sept. 4	165.9	*165.9	166.3	157.6
Textile products	Sept. 4	168.0	168.1	169.6	153.9
Fuel and lighting materials	Sept. 4	138.0	137.8	137.7	134.9
Metals and metal products	Sept. 4	188.2	188.2	188.1	175.2
Building materials	Sept. 4	222.0	221.7	233.6	217.6
Lumber	Sept. 4	341.9	341.2	348.1	†
Chemicals and allied products	Sept. 4	140.1	140.0	140.0	126.3

*Revised. †Not available. ¶Includes 523,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of August (in millions):			
Total new construction	$2,802	*$2,770	$2,817
Private construction	1,865	*1,871	2,090
Residential building (nonfarm)	920	*937	1,322
New dwelling units	815	*830	1,212
Additions and alterations	88	*90	93
Nonhousekeeping	17	*17	17
Nonresidential building (nonfarm)	443	*452	333
Industrial	184	177	91
Commercial	107	*120	114
Warehouses, office and loft buildings	48	*48	35
Stores, restaurants, and garages	59	*72	79
Other nonresidential building	152	*155	120
Religious	43	*42	37
Educational	32	*31	26
Social and recreational	13	*14	24
Hospital and institutional	37	38	30
Miscellaneous	27	*30	11
Farm construction	140	*134	127
Public utilities	357	*343	297
Railroad	34	*33	29
Telephone and telegraph	43	*43	40
Other public utilities	280	*267	228
All other private	5	5	11
Public construction	937	*899	727
Residential building	58	*52	27
Nonresidential building	317	*316	213
Industrial	96	*88	19
Educational	132	*132	103
Hospital and institutional	49	*51	42
Other nonresidential	40	*45	49
Military and naval facilities	105	*90	16
Highways	275	*260	295
Sewer and water	68	*68	61
Miscellaneous public-service enterprises	21	21	20
Conservation and development	86	*85	87
All other public	7	*7	8
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES — 1935-1939=100—Adjusted as of July 15:			
All items	185.5	185.2	172.0
All foods	227.7	226.9	208.2
Cereals and bakery products	189.0	188.4	171.5
Meats	274.2	273.1	257.4
Dairy products	205.1	203.9	180.7
Eggs	211.5	201.2	163.3
Fruits and vegetables	218.5	219.9	211.5
Beverages	344.8	345.2	305.0
Fats and oils	168.8	175.2	141.8
Sugar and sweets	188.0	186.1	175.7
Clothing	203.3	204.0	184.5
Rent	136.2	135.7	131.3
Fuel, electricity and refrigerators	144.0	143.6	139.4
Gas and electricity	97.2	97.1	96.9
Other fuels	203.7	202.8	189.9
Ice	157.6	156.0	147.0
House furnishings	212.4	212.5	186.1
Miscellaneous	165.0	164.8	155.2
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Sept. 1:			
Production 500-lb. gross bales	17,291,000	17,266,000	10,012,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of July:			
Cotton Seed—			
Received at mills (tons)	68,052	23,755	128,307
Crushed (tons)	71,661	95,626	177,800
Stocks (tons) July 31	66,281	69,890	284,500
Crude Oil—			
Stocks (pounds) July 31	20,121,000	22,329,000	47,667,000
Produced (pounds)	24,271,000	34,127,000	57,790,000
Shipped (pounds)	27,101,000	39,221,000	64,341,000
Refined Oil—			
Stocks (pounds) July 31	147,024,000	194,120,000	167,553,000
Produced (pounds)	24,446,000	35,473,000	59,523,000
Consumption (pounds)	63,465,000	64,121,000	118,382,000
Cake and Meal—			
Stocks (tons) July 31	71,645	89,767	136,002
Produced (tons)	32,880	43,989	80,988
Shipped (tons)	51,002	49,017	108,346
Hulls—			
Stocks (tons) July 31	20,157	29,324	73,634
Produced (tons)	16,963	23,990	43,146
Shipped (tons)	26,130	29,079	51,224
Linters (running bales)—			
Stocks July 31	38,205	38,980	64,877
Produced	21,308	31,271	49,261
Shipped	22,083	36,115	58,183
Hull Fiber (1,000-lb bales)—			
Stocks (July 31)	136	166	133
Produced	†	224	177
Shipped	†	96	164
Mote, Grabbots, etc. (1,000 pounds)—			
Stocks July 31	4,037	4,520	2,386
Produced	374	514	967
Shipped	857	991	1,907
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of June:			
Factory sales of washers (units)	253,119	253,942	325,217
Factory sales of ironers (units)	24,500	24,200	27,100
Factory sales of dryers (units)	39,908	32,292	20,568
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS — Month of July:			
Industrial (125)	5.98	6.38	6.66
Railroad (25)	6.33	6.46	5.99
‡Utilities (24)	5.67	5.72	5.92
Banks (15)	4.67	4.79	4.50
Insurance (10)	3.20	3.35	3.51
Average (200)	5.86	6.20	6.39
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of June (000's omitted):			
Savings and loan associations	$461,147	$470,350	$489,751
Insurance companies	139,784	145,080	135,918
Bank and trust companies	293,514	296,915	301,137
Mutual savings banks	90,919	93,645	96,758
Individuals	215,033	215,545	202,846
Miscellaneous lending institutions	211,865	222,003	239,059
Total	$1,422,262	$1,443,538	$1,465,469
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of July 31	$256,676,556	$255,684,947	$257,891,449
General fund balances	5,094,609	5,619,924	5,185,231
Net debt	$251,581,947	$250,065,023	$252,706,218
Computed annual rate	2.281%	2.267%	2.200%

†Not shown to avoid disclosure of individual operations. ‡Not including stocks of American Tel. & Tel.

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

American Encaustic Tiling Co., Inc.
Sept. 5 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At the market (approximately $7 per share). **Underwriter**—None, but Hirsch & Co., New York, will act as broker. **Proceeds**—To Roy W. Schweiker (Executive Vice-President), the selling stockholder.

Associated Telephone Co., Ltd. (Calif.) (10/9)
Sept. 10 filed $10,000,000 of first mortgage bonds, series G, due Oct. 1, 1981. **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. and Kidder, Peabody & Co. (jointly); Harris, Hall & Co., Inc. and Equitable Securities Corp. (jointly). **Proceeds**—For construction program. **Bids**—Expected to be received about Oct. 9.

Auto Finance Co., Charlotte, N. C.
Sept. 7 (letter of notification) 5,800 shares of 5½% cumulative preferred stock (par $50). **Price**—$51 per share. **Underwriters**—Interstate Securities Corp., Charlotte, N. C.; Citizens Trust Co., Greenwood, S. C.; H. T. Mills and Alester G. Furman Co., Greenville, S. C.; and A. M. Law & Co., Spartanburg, S. C. **Proceeds**—For additional working capital and general corporate purposes. **Office**—Liberty Life Bldg., P. O. Box 2665, Charlotte, N. C.

Bostitch, Inc., Westerly, R. I.
Sept. 5 (letter of notification) 15,000 shares of class A common stock to be offered to employees of company and its subsidiaries. **Price**—$18 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Central & South West Corp.
Sept. 10 filed 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. **Bids**—To be opened early in October.

Chase Corp., Boston, Mass.
Aug. 30 (letter of notification) 200 shares of $6 cumulative preferred stock (par $100) and 1,400 shares of common stock (no par) to be offered in units of one preferred and seven common shares. **Price**—$107 per unit. **Underwriter**—None. **Proceeds**—For indexing machines now on order and for working capital and operating expenses. **Office**—7 Water Street, Boston, Mass.

Donaldson Co., Inc., St. Paul, Minn.
Sept. 6 (letter of notification) 11,500 shares of common stock (par $5) and 800 shares of 5% preferred stock (par $100), to be offered to present stockholders, officers and key employees. **Price**—For common, $19 per share, and for preferred, $100 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office** — 666 Pelham Blvd., St. Paul, Minn.

Furr Seed Co., Genoa, Illinois
Sept. 7 (letter of notification) 2,460 shares of common stock. **Price**—At par ($50 per share). **Underwriter** — None. **Proceeds**—To acquire right, title and interest and business properties of the present Furr Seed Co., and to the trade mark "Crib-Buster."

General Electronics Distributors, Inc.
Sept. 5 (letter of notification) 1,000 shares of non-voting common stock (par $25). **Price**—$35 per share. **Underwriter** — None. **Proceeds** — For expansion of business. **Office**—26 Tenth St., Wheeling, W. Va.

Idaho Power Co., Boise, Idaho (10/16)
Sept. 10 filed $15,000,000 of 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**—To be used for additions and improvements to the company's properties. **Offering**—Expected about Oct. 16.

Inland Empire Oil & Gas Co., Inc.
Sept. 4 (letter of notification) 1,000,000 shares of class A common stock (par 10 cents). **Price**—30 cents per share. **Underwriter**—None. **Proceeds**—For expenses of drilling oil and gas wells and for acquisition of oil and gas leases. **Office**—906 First National Bank Building, Salt Lake City, Utah.

Lion Oil Co.
Sept. 12 filed 350,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc., New York. **Proceeds**—To be added to working capital to replace funds expended for capital additions and to provide funds for future additions.

Marine Midland Corp., Buffalo, N. Y. (9/28)
Sept. 7 filed 223,352 shares of cumulative convertible preferred stock (par $50) to be offered to common stockholders of record on or about Sept. 28 on basis of one share of preferred for each 25 shares of common stock held; rights to expire Oct. 16. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp. and Union Securities Corp. of New York; Schoellkopf, Hutton & Pomeroy, Inc. of Buffalo, N. Y.; and Granbery, Marache & Co., New York. **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**—Statement expected to become effective Sept. 27.

McNeil Machine & Engineering Co., Akron, Ohio
Sept. 11 filed 249,000 shares of common stock (par $5), of which 30,000 shares will be offered to employees. **Price**—To be supplied by amendment. **Underwriter** — McDonald & Co., Cleveland, O. **Proceeds**—To five selling stockholders.

Middlecreek Valley Prospecting Co. (Pa.)
Sept. 7 (letter of notification) 3,000 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital. **Address**—R. D. No. 1, Middleburg, Snyder County, Pa.

Miles Laboratories, Inc., Elkhart, Indiana
Sept. 5 (letter of notification) 2,000 shares of common stock (par $2). **Price**—$16.75 per share. **Underwriter** — W. F. Martin, Inc., Elkhart, Ind. **Proceeds**—To Georgia C. Walker, the selling stockholder.

Mines Management, Inc., Wallace, Idaho
Sept. 5 (letter of notification) 50,000 shares of common stock (par 25 cents). **Price**—60 cents per share. **Underwriter** — Louis Payne, 612 Chronicle Bldg., Spokane, Wash. **Proceeds**—For exploration and development of mining claims. **Office**—507 Bank St., Wallace, Idaho.

Mohawk Business Machines Corp. (9/14)
Sept. 6 (letter of notification) 105,500 shares of common stock (par 10 cents), to be offered to common stockholders (excluding officers and directors), with rights to expire on Oct. 10. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—47-49 West Street, New York, N. Y.

Mohawk Business Machines Corp.
Sept. 6 (letter of notification) 9,000 shares of common stock (par 10 cents). **Price**—At the market (approximately $1 per share). **Underwriter**—Jacquin, Stanley & Co., New York. **Proceeds**—To selling stockholders.

Mountain Fuel Supply Co. (10/3)
Sept. 12 filed $15,000,000 debentures due Oct. 1, 1971. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To prepay $12,000,000 bank loan, and the balance for additions to facilities.

Nash-Finch Co., Minneapolis, Minnesota
Sept. 7 (letter of notification) 3,000 shares of common stock. **Price**—From $15 to $19 per shrare. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn. **Proceeds** — To Finch Investment Co., selling stockholders.

Natural Gas & Oil Corp. (9/27)
Sept. 7 filed 900,000 shares of common stock (par $5). **Price**—To be filed by amendment. Expected at about $11.25 per share. **Underwriter**—Union Securities Corp., New York. **Proceeds**—For acquisition of additional leaseholds giving promise of oil or gas production and for exploratory and drilling operations.

Northwest Plastics, Inc., St. Paul, Minn.
Sept. 4 (letter of notification) 3,000 shares of common stock (par $2.50), to be offered to employees holding options for purchase. **Price**—$7.50 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—65 Plato Avenue, St. Paul, Minn.

Ontario (Province of) (9/19)
Sept. 6 filed $50,000,000 of 21-year debentures due 1972. **Price**—To be supplied by amendment. **Underwriters**—Harriman Ripley & Co., Inc., and Wood, Gundy & Co., Inc., and others. **Proceeds**—To go to The Hydro-Electric Power Commission of Ontario, for capital expenditures in connection with construction program.

Pennsylvania Telephone Corp. (9/25)
Sept. 7 filed 26,000 shares of $2.25 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York. **Proceeds**—To repay $1,200,000 borrowed for construction purposes.

Public Service Co. of Colorado (10/2)
Sept. 5 filed $15,000,000 of first mortgage sinking fund bonds due 1981. **Underwriter**—To be determined by competitive bidding. 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. **Proceeds**—For construction program.

Southern Union Gas Co. (10/3)
Sept. 6 filed $5,000,000 of first mortgage sinking fund bonds due 1976 and $5,000,000 of sinking fund debentures due 1971. **Price**—To be supplied by amendment. **Underwriter**—Blair, Rollins & Co., Inc., New York. **Proceeds**—To pay off $4,500,000 bank loans and to finance construction program. **Additional Financing**—Completion of program is expected to require $3,500,000 additional financing some time in the future.

Sunrise Silver-Lead Corp., Spokane, Wash.
Sept. 4 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Underwriter** — None. **Proceeds** — For development of mine near Wallace, Ida. **Offices**—Bus Terminal Bldg., Spokane, Wash.; and Samuels Hotel, Wallace, Ida.

United States Plywood Corp.
Sept. 6 (letter of notification) a maximum of 8,500 shares of common stock (par $1) to be offered to employees of company and its subsidiaries. **Price**—10% below market price on New York Stock Exchange on day preceding date of offering (expected at $32.40 per share). **Proceeds**—For working capital.

Toledo Edison Co.
Sept. 12 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio. **Proceeds**—For construction program.

Weber Showcase & Fixture Co., Inc., Los Angeles, Calif.
Sept. 4 (letter of notification) 12,000 shares of common stock (par $5). **Price**—At approximately $8 per share. **Underwriter**—None, but may be sold through Fewel & Co., Los Angeles, Calif., and other brokers in the over-the-counter market. **Proceeds**—To Mrs. Agnes W. Reeves, the selling stockholder.

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.

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 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
Aug. 16 filed 167,105 shares of $1.25 cumulative convertible preference stock, series A (par $25), being offered in exchange for common stock of Domestic Finance Corp., Chicago, Ill. on basis of one American share for each five Domestic common shares; the offer to expire on Sept. 25. **Dealer-Managers**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. Statement effective Sept. 5.

American Mucinum, Inc.,
July 17 (letter of notification) 1,000,000 shares of class A stock. **Price**—At par (15 cents per share). **Underwriter**—To be supplied by amendment. **Proceeds**—For operating expenses. **Office**—27 West 72nd Street, New York 23, N. Y.

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.

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.

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.

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. Statement effective Aug. 31.

★ Central Telephone Co., Chicago, Ill.
Aug. 28 (letter of notification) 26,500 shares of common stock (par $10), being offered for subscription by common stockholders of record Aug. 30 (other than Central Electric & Gas Co.) on basis of one share for each three shares held, with an oversubscription privilege. Rights will expire on Sept. 21. **Price**—$10.50 per share. **Underwriter**—None. **Proceeds**—To repay indebtedness to parent (Central Electric & Gas Co.) and for new construction. Rights will expire on Sept. 21.

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.

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.

NEW ISSUE CALENDAR

September 14, 1951	
Mohawk Business Machines Corp.	Common
September 18, 1951	
American Cladmetals Co.	Common
Chicago, Rock Island & Pacific Ry. Noon (CDT)	Equip. Tr. Ctfs.
Cott Beverage Corp.	Preferred
Merck & Co., Inc.	Preferred
Michigan Associated Telephone Co.	Preferred
Pennsylvania Power & Light Co.	Common
September 19, 1951	
Chicago, Milwaukee, St. Paul & Pacific RR. Noon (CDT)	Equip. Tr. Ctfs.
Deep Rock Oil Corp.	Common
National Container Corp.	Debs. & Preferred
Ontario (Province of)	Debentures
Utah Power & Light Co. 11 a.m. (EDT)	Common
September 20, 1951	
Cone Mills Corp.	Common
Harshaw Chemical Co.	Preferred
September 25, 1951	
International Refineries, Inc.	Debs. & Common
I-T-E Circuit Breaker Co.	Preferred
Mutual Telephone Co. (Hawaii)	Common
Pennsylvania Telephone Corp.	Preferred
Roddis Plywood Corp.	Common
Southern Counties Gas Co. of California	Bonds
September 27, 1951	
Natural Gas & Oil Corp.	Common
September 28, 1951	
Marine Midland Corp.	Preferred
October 2, 1951	
Public Service Co. of Colorado	Bonds
October 3, 1951	
Mountain Fuel Supply Co.	Debentures
Southern Union Gas Co.	Bonds & Debs.
October 9, 1951	
Arkansas Power & Light Co.	Bonds
Associated Telephone Co., Ltd. (Calif.)	Bonds
Pennsylvania Electric Co.	Bonds & Preferred
October 16, 1951	
Idaho Power Co.	Bonds
Public Service Electric & Gas Co.	Preferred
October 29, 1951	
Utah Power & Light Co. noon (EST)	Bonds

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.

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 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.

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.

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.

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."

★ Deep Rock Oil Corp. (9/19)
Aug. 31 filed 49,912 shares of common stock (par $1) to be offered for subscription by common stockholders of record Sept. 19 on basis of one share for each eight shares held, with an oversubscription privilege; rights to expire on Oct. 3. **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.

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.

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.

★ 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

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$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 Oct. 5 on the proposed financing program. **Offering**—Date indefinite.

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.

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.

★ **I-T-E Circuit Breaker Co. (9/25)**
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.

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. **Price**—To be 85% of current fair market value of the stock. **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.

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 debenutres dated Oct. 1, 1951 and due Oct. 1, 1966, and 40,000 shares of capital stock (no par), to be offered first to present stockholders (debentures to be offered are to be subject to prior issuance to shareholders in payment of a dividend in aggregate amount of $300,000). **Price**—Of debentures, at par (in denominations of $100 each) and of the stock, $10 per share. **Underwriter**—None. **Proceeds** — To increase working capital and to finance expanded merchandise inventory.

Loven Chemical of California
June 15 (letter of notification) 86,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Los Angeles, Calif. **Proceeds**—For working capital. **Office**—244 So. Pine St., Newhall, Calif.

Lytton's, Henry C. Lytton & Co., Chicago, Ill.
July 24 (letter of notification) 3,000 shares of common stock (par $1). **Price**—$6.87 per share. **Underwriter**—Straus & Blosser, Chicago, Ill. **Proceeds**—To Martin S. Goldring, a director, who is the selling stockholder. **Office**—235 So. State St., Chicago, Ill.

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 approved on 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.

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).

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) (9/25)**
July 27 filed 150,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record on or about Sept. 25 on a 1-for-5 basis (and to employees); rights will expire about Oct. 9. **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.

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.

★ **New England Gas & Electric Ass'n**
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**—Invitation for bids not expected to be issued prior to Oct. 1.

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 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.

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.

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.

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. (9/25)**
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.

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.

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.

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.

★ Thomas (I. P.) & Son Co., Camden, N. J.
Aug. 31 (letter of notification) 2,000 shares of non-voting common stock (no par) being 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.

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.

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**—To be supplied by amendment (approximately $18 per share—not $13 per share as previously erroneously reported). **Underwriter** — Coffin, Betz & Co., Philadelphia, Pa. **Proceeds**—To exercise options for purchase of capital stock of S. A. Woods Machine Co., Boston, Mass.

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 at company's office, Room 2033, Two Rector St., New York 6, N. Y. Statement effective Sept. 5.

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. Statement effective Sept. 5.

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 (approved 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.

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 at Room 1136, La Salle Street Station, Chicago 5, Ill., up to noon (CDT) on Sept. 18 for the purchase from it of an issue of $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., Chicago, Ill.
Sept. 7 it was announced that consideration is now being given to offering to common stockholders the right to subscribe to from 1,500,000 to 1,750,000 shares of convertible preferred stock (par $25). Stockholders will vote Oct. 25 on increasing common stock (par $25) from 16,000,000 shares to 24,000,000 shares and on authorizing 5,000,000 shares of preferred stock (par $25). Proceeds are to be used for construction program.

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.

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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 $157,00,000 to $300,000,000. **Traditional Underwriter**—White, Weld & Co., New York.

★ Goodall-Sanford, Inc.
Sept. 6, it was stated stockholders will vote Oct. 2 on approving creation of 80,000 shares of convertible preferred stock (par $50) and on increasing common stock to 850,000 shares from 600,000 shares. It is planned to issue and sell the preferred shares and up to $3,000,000 of debentures. **Underwriter**—Union Securities Corp., New York. **Proceeds**—To reduce bank loans. **Offering**—Expected in latter part of October.

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 recently offered. **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.

Illinois Bell Telephone Co.
June 27 W. V. Kahler, President, announced that this company (approximately 99.31% owned by American Telephone & Telegraph Co.) plans issuance and sale, sometime before the end of the year, of 682,454 additional shares of capital stock to its stockholders. **Underwriter**—None. **Proceeds**—To repay short-term loans and for new construction.

Kansas 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.

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.

★ New England Power Co.
Sept. 6 it was reported that company plans to sell about 50,000 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.; Merill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for construction program.

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.
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. Registration of debentures expected about Nov. 20.

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 Water & Power Co.
July 25, stockholders approved issuance of 78,507 shares of cumulative preferred stock (par $100). Proceeds will be used for expansion program.
Aug. 7, it was reported company may issue and sell $8,000,000 to $10,000,000 of first mortgage bonds. Probable bidders may include: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co. Proceeds will be used for expansion program. Financing not considered imminent.

★ Public Service Co. of Indiana, Inc.
Sept. 6 company sought permission from Indiana P. S. Commission to issue and sell approximately 325,000 additional no par common shares to common stockholders at rate of one share for each 10 shares held. **Underwriter**—Expected to be Blyth & Co., Inc. **Proceeds**—To finance construction program. **Offering**—Expected early in October. **Registration**—Tentatively expected about Sept. 17.

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.

● Public Service Electric & Gas Co. (10/16)
Sept. 6 company applied to New Jersey Board of Public Utility Commissioners for permission to issue and sell 249,942 shares of cumulative preferred stock (par $100). **Underwriters**—Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co., New York. **Proceeds**—For additions and improvements to plant property. **Registration**—Tentatively scheduled for Sept. 26.

● Raytheon Manufacturing Co.
Sept. 7 stockholders approved an increase in the authorized common stock (par $5) from 2,250,000 shares to 3,000,000 shares. The company has no present financing plans but wishes to have the shares available in case a favorable opportunity arises.

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.

● Sundstrand Machine Tool Co.
Sept. 4 it was reported that company may soon offer to common stockholders about 94,064 additional shares of common stock on a one-for-four basis. **Underwriters**—Shields & Co., New York; Bacon, Whipple & Co., Inc., and Rodman & Linn of Chicago.

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.

● Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

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World Bank and Monetary Fund Meetings Highlight World Economic, Political Schisms

reserves, declared that the Institution should face today's facts "realistically" and that credit-worthiness of a member rather than matters of exchange restriction should determine availability of the institution's resources. The British spokesman frankly averred that instead of urging liberalized trade and payments, the Fund should press for control measures to enhance exchange stability, avoidance of internal and external price fluctuations, and protection of the member countries from fructuations in their balance of payments.

Rifts Regarding the Internal Economies

Directly stemming from this basic rift over *external* controls, are differences evidenced over *internal* policies. Pieter Lieftinck, Netherlands' Governor of the Fund and Bank, and his country's Minister of Finance, affirmed the principle that the tighter the internal economy, the less need for external controls. This is contrary both to the United States principle that the desirable free economies on the home and foreign fronts go hand in hand, and also is contradicted by the British experience under socialism where it is being demonstrated that external restrictions are needed to keep afloat the planned economy at home.

A Statement From Secretary Snyder

In discussing this exchange and payments situation with this reporter, Secretary Snyder stated that he is as firm as ever in pressing for control-abrogation and currency convertibility, but that if it is found necessary and justifiable after full investigation and consideration for "some countries to continue dragging their feet" and for the sterling area device be continued, then the restrictions should be removed by indivdual nations piecemeal.

John W. Snyder

Our Reporter's Report

Despite the backdrop of a strong seasoned market there is no rush on the part of potential buyers for new issues now reaching the offering stage.

Emphasis, however, seems to be on the side of demand in the listed market where offerings are scant, and demand, though light, appears sufficient to keep prices headed higher.

Yet new emissions since Labor Day have not been what might be termed "out-the-window" deals. Columbus & Southern Ohio Electric's $12,000,000 of new bonds, brought out a week ago, are still available, with this issue reported somewhat between 60% and 70% sold.

More recent new financings appear to be caught in much the same situation. Even the highly rated Alabama Power Co.'s $15,000,000 of 30-year first mortgage bonds, brought out as 3¼s to yield about 3.15%, proved a bit on the slow side.

Still a difference of only 67 cents a bond separated the two top bids out of a total of nine submitted indicating bankers were thinking in pretty much the same pricing channels.

Insurance companies are not particularly active in the new issue market at the moment. Their attention continues to be diverted chiefly to the field of private deals. Such institutional buying as has been making its appearance, say observers, has been coming chiefly from trusts and pension funds.

Tenn. Gas Transmission

The biggest undertaking in weeks, Tennessee Gas Transmission Co's offering of $45,000,000 of new first mortgage pipe line bonds brought out two bids with the successful group paying the company 100.307 for a 3½% coupon rate.

The runners-up offered to pay 100.799 but they specified an interest rate of 3⅝%. On the reoffering, priced at 101.44 to yield 3.40%, dealers reported demand sluggish and there was an immediate repricing to 100.718 or a 3.45% basis.

It was recalled that an earlier issue by this company, catching the market in a somewhat sour mood, hung fire for considerable time before it finally was turned loose by the syndicate.

World Bank Offering

Naturally the vast bulk of the investment world's attention this week was turned toward the $100,000,000 offering of the World Bank brought to market yesterday.

Virtually all investment bankers and dealers had a participation in this huge undertaking, and the consensus was that the deal would prove out a real success.

Carrying a 3¼% coupon rate the bonds, prices at par, afforded a yield of 3.25%, not far off the 3.15% basis prevailing in the market for the previous issue.

Ontario Bonds Due

Bankers are slated to bring out $50,000,000 of new debentures of the Province of Ontario early next week, probably on Wednesday. This will be the second large Canadian offering in recent weeks, the Province of Alberta having sold an issue here several weeks ago.

The current offering will be made both in the United States and in Canada through investment banking firms.

Proceeds will go to the Hydro-Electric Power Commission of Ontario which in turn will apply the funds to liquidating construction outlays and repaying bank loans.

National Container Corp.

Another negotiated undertaking headed for market next week involves 15-year debentures and convertible preferred stock of the National Container Corp.

This offering, due out on Wednesday, includes $20,000,000 of debentures which will be handled by one banking group, and the preferred by a separate syndicate.

Accruing funds will put the company in a position to take care of part of its construction costs and to prepay an outstanding loan.

J. A. Hogle Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Wayne C. Norgard is with J. A. Hogle & Co., 428 North Camden Drive.

With Hegeman & Co.

(Special to The Financial Chronicle)

Stamford, Conn.—Raymond R. Head is with Hegeman & Co., 300 Main Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Within a month President Truman may be expected to "decide" how much the total defense program shall be boosted, and in what respects.

When this decision is announced, there will be a great rustle of interest as to how many air wings or "groups" as they used to be called, he will hit upon as the new target for the Air Force.

Those wise in the aviation industry point out that it will be well to be wary of the number of these air wings as such. For instance, the present goal is 95 air wings, but of only three squadrons to a wing. That totals 285 squadrons.

On the other hand, the President could graciously "compromise" on 138 air wings instead of the astronomical figures of from 175—loosely talked—down to the 163 air wings proposed by Chairman Carl Vinson of the House Armed Services committee.

But if these 138 air wings were filled out to four squadrons each, that would total 552 squadrons, almost double the present legal Air Force build-up target.

* * *

In view of the prospective early October adjournment of the present session of Congress, the customs simplification bill probably will be put over until 1952. This bill proposes customs administration reforms generally favored by business groups.

Three-fourths of the bill, on the other hand, carries provisions implementing the General Agreement for Tariffs and Trade, in the opinion of Congressmen. They mean to cut out all of the bill except that which relates directly to customs simplification.

* * *

Despite the fact that the Congress seems headed toward giving the Export-Import Bank another $1 billion of loanable funds, influential Congressmen have not back-tracked on their idea of checking into what they call, the "political loans" of this institution.

All year a Senate Banking subcommittee has been trying to get a couple of weeks free to go into this thing. DPA, Defense housing, and so on have preempted all the available time. With the prospective adjournment, an investigation is out for this session. An investigation probably will have a hard time getting going next year also because DPA and some housing legislation, among other things, will again be on the docket. And 1952 is an election year, making it difficult to conduct inquiries of this character.

* * *

Congress went just about the whole way toward repealing Regulation X's stricter terms on housing mortgage loans, for housing costing $12,000 or less per unit.

For years and years the building industry, home buyers, and others have subsisted on an interest rate and a volume of credit sustained by government guarantees and insurance. The pressure on Congress to repeal Regulation X in fact if not in name, demonstrates to the conservatives that an indirect subsidy develops a vitality to survive cutting down just as much as direct Treasury subsidies to favored groups.

And, as one official said, "Regulation X was repealed before it was tried." He was alluding to the fact that most of this year's housing construction has been sustained on pre-regulation loan commitments, expressly exempted when the regulation was instituted nearly a year ago.

* * *

You can just about put it in your hat that even if the Republicans come up next June with a candidate branded a sure thing and Harry's "Hooper" is lower than limburger cheese, that the GOP will concentrate as never before on the election of Representatives and Senators.

One reason for this is that the GOP "Class of 1946" comes up for reelection in 1952. That "Class" consists of the several Republican Senators who came in on Truman's unpopularity in 1946 to help give the GOP the two-year control of Congress.

Statistically the odds are against the GOP. They have more hostages to fortune than the Democrats, whose cupid dolls of Senators are in general located on shelves where they will be harder to hit.

Republicans will expend effort on Congressional elections for another reason:

Statistics show that in 1948 a total of 60,000 additional Republican votes in three states would have defeated Truman, elected Dewey.

On the other hand, it would have taken some 300,000 more Republican votes than were cast in 1948 to give the GOP a bare working majority of 218 seats in the House, assuming these were all channeled in close districts. To have achieved the election of a House Republican working majority of 25 in 1948 would have required 480,000 more GOP votes in 59 relatively close districts.

These figures, professionals point out, tell only one story. In 1948 Democrats and their labor allies, where they had them, figured that Truman's goose was cooked and that they had better work like blazes and get out their own supporters if they wanted to get elected. They counted Truman out and concentrated on saving their own skins.

In the process, a sufficient number of additional Democrats were lured to the polls to vote for their Congressional and Senatorial candidates so that even though Truman was neglected by the former, enough Democrats who otherwise would have stayed home, went out and voted also for Truman, to make his election possible.

* * *

Don't be surprised if you don't hear of a lot of people talking about the plan of the States Righters to run their own candidate in 1952 to help slip Harry out of the White House.

Bill Boyle's scouts probably suspect it, and within a reasonable time can get wind of the broader plans of the Democratic enemy. However, knowing about it and being able to act upon it without formal announcement of plans, are two different things.

If the States Righters were to tell the whole wide world, **on the record**, of their intentions, then it would be incumbent upon the "Fair Deal" Machine to start working to try to bring in pro-Truman Democratic delegations to the party's national convention next year.

So long as the Dixiecrats don't announce their revolt, Boyle is hog-tied. He doesn't have the argument to go out and undercut the regular Democratic machine. When the Dixiecrats get ready to walk out on Harry in 1952 they will all be duly-seated, regular Democratic delegations, free of contest except for free-lancers.

* * *

Chairman Brent Spence of the House Banking committee has given a virtual commitment to Rep. Albert Cole (R., Kans.) that he will favor an amendment to the Defense Housing Act next year requiring that no Title IX year requiring that no Title mortgage insurance shall be committed nor no direct government housing constructed in a critical defense housing area unless the municipality in which the defense housing is to be located has provided or contracted to provide for adequate sewage treatment facilities.

Mr. Cole is trying to protect wildlife from river pollution. However, if the amendment is adopted it will result either in more municipal financing or additional direct Federal aid for sewage treatment facilities, or probably both.

* * *

John Snyder is having more fun than a youngster with a new electric train with his discovery that despite taxes and inflation, the real national income **overall** is 40% greater than in 1939.

Excluding intangibles, such as what of the future income and security of any class with a government running into enveloping inflation, the physical fact asserted by the Treasury Secretary is momentarily true, said a competent statistical source.

This overall figure, however, does not reflect how inflation and "progressive" taxation has revolutionized the relative position of different economic classes, making the poor richer, as it were, and the well-to-do poor.

Count only Federal income taxes and inflation, a married couple with one dependent, and take the case of all rentiers whose actual dollar income is little better than 12 years ago. Thus, assuming no change in income, the persons variously in the $500 per year, $1,000, and $2,000 income class, would actually be 42% worse off in real income than in 1939, while the persons whose $5,000 income had not increased in 12 years would be 47% worse off, said this statistical source, and the family with $10,000 of income from such things as rents, royalties, interest, and insurance income would be 48% poorer in comparison with the national average of 40% better.

On the other hand, if one made the assumption, obviously false, but for purposes of illustrations, that all in these income groups benefited by a dollar income in 1951 equal to the national average of 266% of the income of 1939, the disparity in income classes is even more clear.

The $500 income couple would be 55% better off.

The $1,000 couple would be 48% better off.

The $2,000 couple of 1939 would be 43% better off.

The $5,000 couple would be 33% better off.

The $10,000 couple would be only 27% better off.

Easy money housing advocates have the hungry eyes upon the $5.6 billion of reserves for GI life insurance as a source of money for direct government loans to veterans for housing. This is a project upon which they will work in 1953.

(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

"It's the only way J. C. Van Ticker would pose for us—Guess he's still sore at that editorial we wrote about him!"

Business Man's Bookshelf

"Operation Bootstrap" in Puerto Rico—Stuart Chase—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—Paper—$1.00.

When You Buy Insurance Play the Percentages—Booklet describing the role of the independent insurance agent and broker—Paper—Copies on request—The Atlantic Companies, 49 Wall Street, New York 5, N. Y.

Multi-Employer Bargaining—Jules Backman—Graduate Division of Public Service, New York University, Washington Square, New York, N. Y.—Paper

Calin-Seley & Co. Opens

LOS ANGELES, Calif.—Calin-Seley Co. has been formed with offices at 618 South Spring Street to engage in the securities business. Partners are E. Calin, formerly of Crowell, Weedon & Co., J. H. Seley, C. A. Seley and J. C. Seley.

Putnam & Co. Add

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Mason Turner is with Putnam & Co., 6 Central Row, members of the New York Stock Exchange.

Curtis Lipton Co. Formed

LOS ANGELES, Calif.—Curtis Lipton Co. has been formed to engage in the securities business from offices at 511 South Serrano Avenue.