Chemical Industry Featured In This Issue

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EDITORIAL

As We See It

It can hardly be that the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development served to encourage hopes of any real progress toward settled and normal international financial relations among the nations of the world. Secretary Snyder's remarks to the closing session of these meetings sound almost like a swan song. Said he: "It is scarcely necessary to restate the Fund's purposes relating to currency convertibility and freedom of exchange restrictions." Then he reminded his listeners that "these purposes were agreed to at Bretton Woods," and added that he "would like to reiterate that they are as important to us today as they were then."

The Secretary was obliged to admit "that the problems of the last five years—and those which may lie ahead—have made the prospects of achieving the Fund's objectives somewhat more remote." But he adds somewhat enigmatically that "we should not let the present difficulties obscure our vision, so that we lose sight of our ultimate goals." The remarks of the chief financial officer of the nation which contributed the lion's share of the resources to both the Fund and the Bank and which largely controls the policies of both institutions, were apparently inspired by the blunt statement a day or two earlier by Britain's representative that there is no likelihood that his country will be in a position during the next year or two to do a great deal in the name of currency convertibility or the relaxation of exchange restrictions.

Apparently warning that in the absence of such

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If Peace Comes, Can Deflation Be Far Behind?

By ARTHUR A. SMITH*
Vice-President and Economist,
First National Bank in Dallas, Dallas, Texas

Texas bank economist, in reviewing confused situation regarding inflation and fiscal policy and the effects thereof in a return to peacetime conditions, sees each "emergency" creating additional excuses to restrict economic freedom and erode away the capitalist system. However, holds there is no immediate danger of repetition of situation following 1929, though he predicts a "deflation emergency" may follow inflation, to be met with by more controls and planning.

Many people are seriously concerned about economic conditions. In my job as a bank economist, I talk with numerous individuals, and many write letters asking questions about the things that disturb them. Unfortunately, too many of them are selfishly concerned, and it was not until they began to see how they were being affected that they began to be bothered. It is also unfortunate that only a minority of Americans are really worried. The vast majority are still complacent and apathetic.

The Fear of Inflation

For several months now there has been a steady increase in the number of people who are distressed over what has been happening to the value of their savings. Inflation has finally made a selfish impression upon them. Almost invariably, the ones I talk with want to know how long this thing can last and what will be the aftermath of it all. And some seem to persist stubbornly in the conviction that we will experience deflation before long and then their savings will recapture their lost purchasing power.

One fellow whose thoughts and whose wishful thinking ran along this line asked me not long ago: "Suppose old Joe Stalin doesn't say anything about Margaret

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*An address by Mr. Smith before the 38th Annual Convention of the Mortgage Bankers Association of America, San Francisco, Calif., Sept. 13, 1951.

A Skeptical Chemist Looks Into the Crystal Ball

By JAMES BRYANT CONANT*
President, Harvard University

Head of leading educational institution reviews recent rapid growth of chemical profession and calls it an amazing social phenomena of our times. Predicts continued growth and diversification of chemistry activities, which will be beneficial to mankind, and concludes, despite advancement in atomic research, atomic weapons will not be used in war. Says peace cannot be achieved through magic, either physical or political, and with uniting of free peoples, there will no longer be fear of Communist aggression, so that second half of the 20th Century may prove to be period of disarmament.

An anniversary celebration is a time for reviewing the past or prophesying the future. As the title of my remarks indicates I have chosen the latter course. In so doing I have saved myself from a vast amount of historical investigation and you ladies and gentlemen from the tedium of a lengthy talk. For to do justice to the progress of American chemistry in the last 75 years would require a minimum of three hours. (And I might note parenthetically that 75 years ago a speaker honored with an assignment such as mine would have been expected to deliver an oration of approximately this length.) Not only would a look backward have required more time than any present day audience would permit, but the temptation to tell personal anecdotes would have been irresistible. For it is nearly half a century—45 years to be exact—since I started the study of chemistry; while I cannot claim to have been present at the birth of the American Chemical So-

Dr. James B. Conant

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*An address by Dr. Conant at the Ceremonial Session of the American Chemical Society, Diamond Jubilee Meeting, New York City, Sept. 5, 1951.

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

International Minerals and Chemicals—Peter L. Bernstein, Vice-President, Bernstein - Macaulay, Inc., New York City. (Page 2)

Gulf Insurance Company of Dallas —Charles V. Campbell, President. Campbell, Henderson & Co., Dallas, Texas. (Page 2)

Phillips Petroleum (common) — Walter A. Klees, Montgomery, Scott & Co., New York City. (Page 30)

PETER L. BERNSTEIN

Vice-Pres., Bernstein-Macaulay, Inc.
Investment and Industrial Counsel, New York City

International Minerals & Chemicals

The choice of a favorite—any favorite—always involves certain features which that favorite has to have. Our girl friend must have big brown eyes, our steak must be two inches thick, our automobile must be dazzling with chrome.

Peter L. Bernstein

In my case, my favorite company must be well situated in a market growing more rapidly than the rest of the economy, it must be well managed and financially sound with good earning power, and the price of its stock must be something less than out of this world.

On this basis, of course, I have more than one favorite girl on my string. Variety—and diversification—are the spice of life even in investments. But International Minerals and Chemicals has a special place among the redheads in my little black book (naturally, I have blondes and brunettes, too), and this is why:

Market—Most, but not all, of the business of International Minerals and Chemicals is in the production of fertilizers. Essentially, this is a company selling to the farmer to assist him in the production of food.

Who could ask for anything more, as the ditty goes? Here is a market supported by the government and whose favor is courted by every politician located a thousand miles on either side of the Mississippi River and even across the seas. Here is a market in which the buyers are in the best financial condition of their history. Here is a market which produces food—one thing the world cannot do without.

But even better than that, here is a market undergoing a fundamental technological revolution. The increased cost of labor and higher prices for the items the farmer must buy have together forced the farmer to realize that he is in the twentieth century, in which efficiency in production is the key to success. The result has been a tremendous growth in the use of agricultural machinery and fertilizer. And this technological revolution has paid off: In 1950, agricultural production was 20% above 1941, but farm employment was down 10%.

The use of fertilizer, particularly new types of fertilizer, has been an essential part of increasing farm efficiency. During the ten-year period 1941-50, consumption of fertilizer in this country more than doubled, climbing steadily from a monthly average of 438,000 to 900,000. And the first six months of 1951 show a gain of 6% over 1950.

But we are only beginning to scratch the surface. According to a recent Federal-State research committee survey, the wider use of fertilizer and better planting methods could increase the corn crop yield from 26 bushels an acre to 78 bushels an acre. New possibilities are also being explored in wheat and tobacco. One study pointed out that, on the average and at present prices, a dollar spent on fertilizer will bring the farmer eight dollars worth of additional crops.

International Minerals and Chemicals has been a leader in these developments. Between 1942 and 1951, its sales more than tripled and its earnings nearly quadrupled.

However, unlike the big agricultural machinery manufacturers, this outfit has in no way reached maturity. The potentialities of the market are still very great, and the management of International Minerals is pushing the company as hard as it can. The biggest new development is a ten million dollar plant in Florida for phosphate production (with uranium as a by-product), to be used in the rapidly developing field of animal feeds. Output of plant foods and potash is also being expanded, with new products and more efficient production methods being exploited. The management—although cagey about the accomplishments of their well-financed research organization—tells me that new developments, as yet unannounced, can be expected soon.

Financial Position—Nothing is duller than statistics, so I'll hit this just once over lightly. But I think it is worth noting that, on June 30th of this year, there was $15.6 million in cash and equivalent to pay current liabilities of $3.2 million, with long term debt of only $12.8 million. It is worth noting, too, that working capital has nearly tripled and net worth has doubled since the end of World War II. Earnings available for the common have risen steadily, and are now running about four times the 1945 level. Nor should we disregard a profit margin of 10%—after taxes— the best for any year since 1944, and substantially better than their closest competitors.

The diversification of product is another important factor in appraising financial soundness. International Minerals is moving fast in the fields of amino products, fine chemicals, and pharmaceuticals. Brand new research facilities will be devoted to these items. One of their most promising products is AC'CENT (pure monosodium glutamate), a food seasoner, and the management is confident that this type of product, and the by-products from its manufacture, have considerable promise for nutritional and pharmaceutical purposes.

Price—Selling for around 36, International Minerals is valued at eleven times earnings, and the $160 dividend yields 4.6%. A year ago the stock was at 16 and selling at about five times earnings.

But I still don't think it is too late to catch the boat, at least for the long pull. Sales over the next 12 months could easily reach $90 million, which would push earnings up to $4 a share and provide for some increase in dividend. A good excess profits tax base and heavy depletion allowances on mining operations have given the company a comfortable tax shelter. Expenditures on new plant may reduce working capital somewhat, but not enough to put any crimp in operations.

So there it is—a leading company in a solid and growing market, a good financial position plus product diversification, and a price which is not too high in view of the company's prospects. Some little redhead!

CHARLES V. CAMPBELL

President, Campbell, Henderson and Company,
Investment Counsel, Dallas, Texas

Gulf Insurance Company of Dallas

At a time like this (September, 1951) when the general market is historically high, and many individual stocks seem even higher, an investor must stick to fundamentals. Since it is our belief that fire insurance stocks are fundamentally sound and that they possess interesting investment prospects over the years, our attention is attracted to one of the "younger" companies in this "old" industry; namely, Gulf Insurance Company of Dallas, Texas.

Charles V. Campbell

Organized in 1925, Gulf has shown satisfactory growth, particularly in recent years. Total assets of $17½ million in 1950 contrast favorably with $5¼ million in 1941. During the 1942-50 period, net premiums written by Gulf and its subsidary rose 355% to slightly more than $11 million.

Underwriting results have been above average. Over the past decade, the ratio of losses incurred to premiums earned was 48.2% compared with an average of 53.4% for 50 stock fire companies. Underwriting expense to net premium written stood at 46.4% compared with 41.9% for the same 50 companies. These figures indicate that while the business obtained is costing more than that of other companies, the quality of the business, as measured by losses, is more satisfactory. The higher expenses are explained in part by the rapid increase in volume, development of premiums for a comparatively new and growing company being costly.

Management is aggressive and highly regarded witnin the industry, having demonstrated its ability to meet the ever-changing operating problems inherent in its field. The record during recent years has been particularly impressive with reported per share earnings of $9.60 and $10.23 for 1950 and 1949 respectively, excluding gain or loss on securities and market fluctuations.

The investment portfolio has been carefully supervised, and results over the past decade have been encouraging. In eight years of the ten-year period, investments showed appreciation in value each year, even though the general markets varied widely. Fixed income securities approximated 60% of total investments at the 1950 year end.

Cash dividends have risen from $100,000 per annum in 1941 to $285,000 in 1950. Dividends have been conservative, and have been less than two-thirds of the investment income. Investments now approximate $9.80 per dollar of capital contrasted with $3.10 per

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We Can Have Defense Structure and Sound Economy by End of 1953

By CHARLES E. WILSON*
Director of Defense Mobilization

Pointing out nation's defense program is matter of life or death, Mobilization Chief warns only language Communists understand is language of strength. Says considerable progress has already been made and defense production is rising, though there is shortage of steel, copper and aluminum. Tells of plans to spend $50 billion annually in next three years, and stresses defense economic controls and allocations as necessary to success of program. Expects adequate defense structure and sound economy by close of 1953.

First of all, let me thank you for embarking on a great public service—a nationwide speaking campaign to tell the story of defense mobilization of the people of the United States. In particular my thanks go to the men who, with so much patriotism and understanding, have laid the groundwork for this public spirited initiative — among them Cody Fowler, President of the American Bar Association; Charles Burton, National Chairman of the Junior Bar Conference; and Jo Morgan, Chairman of the Bar Association's committee on mobilization information.

Charles E. Wilson

In every state of the Union your speakers will soon be presenting to their audiences the basic facts about the program of preparedness which has been thrust upon the country by the policies and philosophy of the Soviet Union. I am sure the effect of your efforts will be widely felt. I am sure your efforts will be enormously helpful in bringing about a more thorough understanding of what defense mobilization means, and consequently of encouraging a spirit of national unity in the face of our common danger. What your speakers will tell the people is a matter of the most intimate concern to them.

It is, actually, a matter of life and death. The whole purpose of defense mobilization is to protect the nation and the world against a third world war—a war which could bring death to any household. And, in working out the plans for defense mobilization, the living conditions of every citizen are involved, because these plans necessarily must affect prices, wages, taxes, jobs, savings—basic things in daily existence.

I have long felt it to be a special responsibility of my job to keep the people informed about what the Office of Defense Mobilization is doing. I have felt that what they learn from the press, the magazines, radio and television should be supplemented by a flow of facts and figures from my office to keep the people up to date on what we are doing, why we are doing it and what methods we are using. That is why I so warmly welcome your cooperation in offering to provide speakers to carry the message to all parts of the country.

Informed Public Opinion Essential

I have implicit faith in the good judgment, the common sense, indeed the wisdom of the American people. But while it is a great mistake to underestimate people's intelligence, it is also a mistake to over-estimate their fund of information. Therefore, in giving out the facts concerning defense mobilization, you are enabling your fellow-countrymen to arrive at sound judgments and conclusions. And a solidly informed public opinion is worth many divisions of troops.

I said that defense mobilization has been thrust upon us—and I want to emphasize that statement. When World War II ended six years ago, the world had the right to settle down to a long period of peace and tranquillity. Instead, it has been a time of nervous tension because the Soviet Union has carried on unceasingly its monstrous design for world conquest and for the assassination of liberty and justice everywhere.

I do not have to review for this audience the long series of guerilla wars, broken treaties, political infiltration, subversive activities, and enslavement of once independent nations that has been directed from Moscow. Nor do I have to remind you how the free world was finally and thoroughly awakened by the sudden invasion of the Republic of Korea in June, 1950. It was that action which forced the United States to mobilize for defense.

The San Francisco conference was just another good example that you cannot do business with the Russians, cannot negotiate successfully with them, and the only way you can deal with them is from a position of strength. Fifty-one nations were represented at the conference. Forty-eight of them signed the peace treaty. Never before in history had so many nations signed such a document. There were only three dissenters — Soviet Russia, Poland and Czechoslovakia, the latter two states being the prisoners of Moscow. Russia arrived at San Francisco with the hope of

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*An address by Mr. Wilson at the Junior Bar Conference Luncheon, New York City, Sept. 16, 1951.

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The Pension That's The Fringe on the Top

By IRA U. COBLEIGH

Author of the Forthcoming Book "Expanding Your Income"

Giving some account of the origin of pensions, and of the influence of pension funds as a stabilizing factor in the market.

Whether looked upon as the last item in a collective bargaining agreement, or a concluding income contract for the twilight years of a retiring worker, the pension is indeed the fringe on the top; frequently comparing, in that respect, with the hair-do of the oldster when his income, from this source, commences! In a "security-mad" world this single word, "pension," has made such an impact on our economy, and our way of life, as to justify special treatment. The funds that assure these sunset incomes, if projected at their current rates of growth, might easily become, in a quarter century, pyramids of capital equalling to or exceeding the present magnitude of total savings bank deposits.

Ira U. Cobleigh

How did this pension idea get started anyway? Well it goes pretty far back in history. Roman soldiers, old and battle-scarred from the wars that put the Empire together, got some sort of life income as a reward; and the famous Praetorian guard at Rome lived by grants, very high on the imperial hog. Throughout the Middle Ages, soldiers as well as favored courtiers, whose fidelity and devotion to their monarch (combined frequently with a phenomenal flair for fawning) were noteworthy, also were granted royal pensions; and later poets and musicians were vouchsafed annual incomes from rulers partial to the finer things of life. All these stipends, you'll notice, related to the length or quality (or both) of services performed. The ordinary folk, as they reached advancing years, and loss of economic usefulness, looked for the most part to church charity for such security as they obtained.

Then, in the 19th century, there grew up in certain countries, partially as an offshoot of Socialist dogma, the concept that the State should provide at least a subsistence to the old and infirm, without special regard to length of service in a trade or on a farm; and even though the character in question had not been a particularly diligent or loyal worker. Such pension ideas took root in Germany and Sweden, but did not carry over to America till well into the 20th century.

In the United States all soldiers from the Revolution on have had pensions available to them, and by 1870 pension systems had developed for municipal and government employees such as firemen, policemen and teachers. Earliest among corporations to adopt long-range pension programs were the utilities and oil companies, enterprises which, unlike most industrials, had a steady upward growth curve, and relative immunity from destruction by depression. Then there were hundreds of small businesses where workers, grown old in service, were granted retirement bounties or gratuities, without any program more concrete than the resources of the firm, and the humanity of the proprietor, provided. But always there was the basic idea of rewarding long and faithful service.

Most of the older and larger pension plans involved payment into a fund by both employer and employee, and interest in the fund usually vested with the employee, giving him some right of withdrawal if he left service to work elsewhere.

Then came in 1935 the Social Security Act sired by the economic grief of 1932, setting forth the theory of government economic protection of the old, by a basic tax on employer and employed; and in 1937 the Railway Retirement Act set up under government supervision, a system of annuities from the fund built up from equal contributions by a railroad and its workers.

So by now it's clear to all that pensions are here to stay; that they may provide not only terminal rewards to the faithful and diligent but to the lazy and slothful as well; and they create under a semi-Keynesian theory, a continuous element of purchasing power, even after any contributions to national productivity has ceased.

Apart from Social Security which is merely a subsistence grant, the dynamic pitch for pensions in industry came with the Ford and General Motors agreements of 1949 when $100 a month minimum (inclusive of Social Security) was written into union contracts; and the heat was on for all other union bargainers to shoot for a retirement level of that sort.

Not all companies, however, have the size and resources of a General Motors; so that among the smaller echelons of enterprise, where current assets were lower, and mortality higher, a single contract covering tens of thousands of workers was out of the question. Further, among the smaller and weaker sections of industry the guaranty obligation of $100 a month retirement would have put many firms out of business altogether. So there developed the idea of so much-an-hour into a fund—sort of a pay-as-you-go pension, with as much pension income for as many qualified employees, as the accumulation of these per-hour payments could make possible.

So that we're not wallowing around in theory, let's take an actual example. In 1950 a union covering some 2,500 stevedores sought a pension agreement involving 50 employers. A five cent an hour payment (tax exempt to employers under Internal Revenue ruling) for all hours worked by each and all employees was to be paid into a fund, by employers only. The fund was to be administered by six trustees, three from the union and three from management. It was decided to set the pension age at 65, the minimum service period at 25 years, and minimum total hours worked at 16,250. With these "ground rules" and by consultation with an actuary a pension benefit of $35 a month to qualified retiring employees was agreed upon (this in addition to Social Security benefits, of course). Well this fund, not quite two years old, has now grown from zero to around $140,000 and, at present pace, will grow about $65,000 a year—excluding interest. And the trustees have an investment problem. Up to now all the funds have been in commercial bank balances, savings banks, and short-term government securities yielding totally less than 1½%. Quite obviously that's not enough. It's an incomplete and unenlightened way to deploy pension funds, and it deprives union members of the maximum benefits and hourly payments, hammered out at the bargaining table, should create.

Two solutions suggest themselves. First to lodge the trust funds with an insurance company under what they call a deposit agreement. Then when a worker arrives at age 65, the fund will purchase an annuity for that person. That way the insurance company retains the funds and supplies the pension payments, and all actuarial advice.

The other way is to operate the fund as is, retaining an actuary to pass on any increases (or decrease) of benefits or broadening of coverage appropriate, and selecting a bank for payment distribution, security custody, and for guidance in portfolio building. This latter method should improve the yield on funds. Today, funds confined to governments, yield around 2.60%; governments plus legal list bonds, 2.9%; general market bonds plus preferred stocks, 3.25%; and portfolios with 25% in common stocks, around 3½%.

If you just multiply the fund I described by several hundred (in building, trucking, clothing, etc.) you can easily see that these per-hour pension funds (added to the big company ones like General Motors, A. T. & T., etc.) constitute today a vast reservoir of capital—well over $3 billion. They could equal $30 billion in 10 years, if higher per hour payments are written in, and income is compounded. They will represent an increasing buying element in our security market. More particularly these funds represent a challenge to the investment fraternity as a great source of capital for future equity financing, for corporation bonds, for buying and leasing real estate and, in due course, private placement of securities. The pension funds are on the fringe of a fantastic growth. Common sense suggests that they may also become big common stockholders.

Business Man's Bookshelf

Chemonomics — Newsletter for the financial, commercial and technical aspects of the chemical process industries—R. S. Aries & Associates, consulting engineers and economists and specialists in chemical process industries, 400 Madison Avenue, New York 17, N. Y.

Comprehensive Classified Marketing Bibliography, Part II—David A. Revzan — University of California Press, Barkeley 4, Calif. —Paper—$3.50.

How To Make Money In a Declining Stock Market — 80-page book—Mark Weaver, Dept. C-1, Box 1130, Santa Monica, Calif.—$1.

Over the Counter Securities Review—One year's subscription to monthly magazine plus a copy of "Over-The-Counter Dividend Champions" and use of special free literature service—$3—Over-The-Counter Securities Review, Research and Promotion Co., Jenkintown, Pa.

Speculative Merits of Common Stock Warrants—Sidney Fried—Discussing the different phases of warrants — R. H. M. Associates, Dept. C, 220 Fifth Avenue, New York 1, N. Y.—$2 (or send for free descriptive folder).

Observations . . .

By A. WILFRED MAY

Let the SEC Investigate the Congress!

The Congressional investigation of the Securities and Exchange Commission will soon get under way. It seems to us that instead, the Commission might with equal appropriateness investigate the Congress for sabotaging it and the investor flock under its protection.

Ever since the initiation of our Federal securities legislation in 1933 and of the SEC police force in 1934, this sector's efforts toward restraining speculation have been vitiated by other counteracting policies of the Administration and the Congress.

A. Wilfred May

In the 1935-37 period we saw the margin requirements and other anti-speculation measures more than counterbalanced by the Governmental *alter ego's* expansionist policies of borrowing-and-spending and reducing the interest rate, which propped and extended the big bull market of that time.

Now the SEC's mission to maintain the nation's investment structure is being sabotaged by other branches of the government; not only through their generation of the "inflation" which is so adequately bolstering our 270-bull stock market against the threat of reduced earnings, but also, as we shall show, through taxation—past and pending.

Our capital gains tax has always, in discouraging profit-taking and in acting as an accentuator of the up-swing of bull markets, in itself constituted an important force toward investment imbalance. But now in view of the tax bill with even higher rates on individual incomes to be acted on this week by the Congress, we are struck by the additional harm to the markets resulting from the tremendous excess of those rates in the higher brackets over the maximum levy on long-term capital gains of 25%.

We thoroughly approve of the lawmakers' refusal to raise the 25% ceiling on the long-term gains levy; in fact for reasons of both equity and revenue production we would abolish this tax altogether. But abrogation of the capital gains tax is irrelevant to our point; which stems from the present great **differential** between the 25% maximum levy on speculative transactions and say the 50-90% levies on income, which differential so greatly raises the attractiveness of speculative profit, as against investment income.

This distorts and perverts the entire investment character of the market, as the participants' policies are confined to the seeking of successful predictions of changes in **market price** per se, in lieu of the proper investment function of appraising real **values** in terms of the likely constant return on the capital.

Investor Self-Delusion

This has resulted in a grand-scale self-delusion by the investor. For in concentrating his attention on change in capital price as an end in itself, he neglects the fact that price is dependent on income, that the former can only be justified by the latter. In his tax-induced wishful thinking, he forgets that if taxation or any other element precludes a satisfactory income return, then (short of liquidation) no basis for the price exists, other than the purely quick-sand gambling motive of buying because it is blindly hoped that someone will come along to take the stock off one's hands at a higher price.

It is true that the comparatively low-income bracket buyers of mutual fund shares do supply some market participants who can surmount the tax barrier to enjoy investment income. But their number is relatively small, and even here, especially 'midst bull markets, concentration on capital gain scorekeeping of the funds' achievements, including pay-outs capital-wise, supplant attention to the more drab but legitimate genuine investment return from regular dividends on the underlying securities.

If a market of this character of Peter-gaining-by-passing-on-to-Paul goes far enough in concentrating on capital gains, we get into a most dangerous situation—a la the 1929 bubble.

Sabotage from the Corporate Tax

Also undermining, instead of "protecting the investor," is our present and pending taxation of corporations. The excess profits tax promotes corporate extravagance and general profligacy, thus stimulating inflation and, like the corporate income tax at the present devastating rate, undermining the stability of the investor's companies.

Does all this perhaps manifest the fact that "protection of the investor" is no longer deemed important by our Washington *Powers-That-Be?* In any event, let this sabotaging of the investor and those responsible therefor, be investigated, along with the SEC's long-standing assignment to preserve him!

LETTER TO THE EDITOR:

Favors Smaller Trading Unit

Writer contends, since vast majority of shareholders hold less than 100 shares in single corporation, it would be in conformity with their interests.

Editor, The Commercial and Financial Chronicle:

In view of the increase by Odd Lot Brokers of from 1/8 to 1/4 point fee on stocks selling above 40, it seems only fair that the New York Stock Exchange should give some consideration to making a unit of trading which would conform more to the small stockholder's interest.

If a review was made of the list of stockholders of all important corporations, it would be revealed that the majority are odd lot holders. These people are the true owners of these corporations and it seems very unfair that they should be penalized when buying and selling to the extent of a quarter of a point—both in and out on at ransaction—and this in addition to an odd lot buying tax. This tends to make it almost impossible to trade in odd lots of our better grade stocks.

Take for instance the American Telephone & Telegraph. It is a known fact that 60% of these stockholders are odd lot holders. In the interest of the stockholders of this high-priced stock and also in the interest of the public in general, this writer feels that the unit of trading should be 10 shares or the stock should be split 10 for 1 and retain the unit of trading at 100 shares.

The Stock Exchange has over a long period of time advertised the fact that they try to maintain a free and open market. If this is true, then this writer maintains that a review of the stockholders' lists of all of the large and important corporations of our country should be made and the unit of trading brought into conformity with stockholders' interests and thereby cease penalizing the odd lot buyer whom, as mentioned above, is the backbone of the investing public.

WM. C. HARSH.

New York, N. Y.,
Sept. 11, 1951.

National City Bank Syndicate Offering Los Angeles Bonds

A group headed by The National City Bank of New York is offering $5,000,000 4¼%, 1¾% and 2% City of Los Angeles, California Sewer Bonds maturing 1952 to 1991, inclusive. The bonds are priced to yield from 1% to 2.25%, according to maturity. Other members of the offering group include: The Northern Trust Co.; Heller, Bruce & Co.; First of Michigan Corp.; Roosevelt & Cross Incorporated; Shearson, Hammill & Co.; Fidelity Union Trust Co., Newark, N. J.; Robert W. Baird & Co., Inc.; The Illinois Co.; Kaiser & Co.; Emerson Cook Co., and Wagenseller & Durst, Inc.

Joins Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Thomas A. Lysett is now associated with Bache & Co., 101½ West Market Street. He was formerly associated with Courts & Co. in Durham and prior thereto was with Lawrence R. Leeby & Co. and Thomson & McKinnon in Florida.

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 output for the nation as a whole last week resumed its upward course following a slight recession due to Labor Day in the preceding week. It was noted that while the production of some civilian goods was down the past week, military production advanced moderately above that in the corresponding week in 1950.

There was a slight increase in employment throughout the country and at the same time new claims for unemployment insurance dipped moderately in the latest week.

Steel operations advanced last week 1.7 points to 100% of capacity and are scheduled the current week to rise an additional 1.2 points, bringing the capacity rate up to 101.2%, or equivalent to 2,023,000 tons of steel ingots and castings for the entire industry.

The steel industry will produce the extra million tons requested by Defense Mobilizer Wilson in the first quarter of 1952, according to "The Iron Age," national metalworking weekly, in its summary of the steel trade this week. This prediction is based on three assumptions: that strikes will not cause large production losses; that the industry will be permitted to expand at its projected rate, and that shortages of raw materials, such as scrap, do not force production curtailment.

A careful check of mill superintendents by "Iron Age" editors shows that steelmaking is not suffering unduly from breadowns or lack of material for repairs.

Nor is there any likelihood that maintenance trouble will stymie production in the near future, this trade authority states. Rated capacity of steelmaking facilities is calculated to permit about one-eighth of furnaces to be down for relining at any given time. This permits orderly scheduling of production and rotating of maintenance—without drastic disruption of output.

Conversion arrangements, it points out, will continue to play a stellar role in the steel market. Though the government is directing some of this tonnage, it shows every indication of permitting this last frontier of the free steel market to continue—despite total CMP, since conversion, though costly to the consumer, makes it possible to produce more finished steel than would otherwise be turned out.

Conversion is expensive because, in addition to rolling fees, it involves extra freight charges from ingot source to rolling mill. If long or complicated transhipment is involved the freight charges become terrific.

Some steel users had been hoping to scuttle these expensive conversion arrangements. They had planned to cut costs by getting their steel at regular mill price through the Controlled Materials Plan. But now they are holding on to conversion for dear life. Others who had already cancelled conversion are jumping back into line.

They are finding CMP is no panacea for steel procurement. For one thing, some requests for steel have been scaled down rather drastically. Other users who have gotten satisfactory or liberal allotments find they can't get their CMP tickets honored because mills are booked solid. Even if they are able to get their orders on the books there is always the chance they will be bumped by military priority, the "Iron Age" concludes.

In the automotive industry, production of cars and trucks in the United States last week increased to an estimated 129,667 units from 97,547 the previous week when Labor Day upset assemblies.

Also responsible for increased output the past week were improvements in daily rates by Chevrolet and Buick, plus resumption of assemblies by Hudson after an almost complete suspension the preceding week, "Ward's Automotive Reports" stated.

Steel Operations Scheduled to Rise Further This Week

Continued tight supply conditions will prevail in the steel markets throughout first quarter next year, says "Steel," the

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The View Ahead in Chemistry

By C. E. KENNETH MEES*
Vice-President in Charge of Research, Eastman Kodak Company

Prominent research executive explains progress and problems in all fields of pure and applied chemistry. Shows use and service of chemistry in fields of biology, medicine, agriculture and synthetic products used as fibers, foods, antibiotics along with destruction of pests and disease. Stresses possibilities of further progress in chemistry, but warns great danger of next half century is that global chaos may obstruct scientific advance. Pleads for independence in research, and freedom from bureaucratic scientific controls.

I was requested in this address to forecast the future of chemistry. It is, of course, quite impossible to see the future, and the only indication that one can obtain is to look at the past and at the present, to assume that present trends will continue, and thus to deduce the future course of events from those of the present.

Dr. C. E. K. Mees

About 300 years ago, a great discovery was made—the discovery that knowledge could be derived from direct experiments, and this was the spark which initiated a complete revolution in the life of man. Before long, the use of the experimental method began to affect technology, engineering came into existence as an application of science, and machinery and factory organization took the place of hand labor and home industry.

Through the 19th century, the growth of science and technology continued at an ever-accelerating pace. Then, about 50 years ago, the scientific method was applied directly to industry, and at the present time almost all industries dealing with technical problems include in their organization a department devoted to the study of science and its application to the technology of the business. Some of these laboratories are undertaking the responsibility for the whole future of the industries to which they are attached. They are, in fact, no longer engaged simply in applying scientific knowledge; they are producing much of the scientific knowledge required.

The growth of scientific knowledge and its application to industrial technology is producing changes of great importance in our social and economic life, and the rate of change is continuously increasing, so that it may be compared to an autocatalytic reaction, of which the rate is increased by the products of the reaction itself. Such a reaction will commence slowly and then increase in rate and go faster and faster as the products accumulate. Sometimes the rate increases so much that the reaction becomes explosive, and the final form is entirely different from the original system. Sometimes, after a period of violent reaction, the system settles down into a new and stable form. No system which is changing at an increasing rate, and especially no system in which the product of the reaction increases the rate of change, can be stable, and it is probable by analogy, although it is not certain, that our present social system is in a completely unstable stage. Perhaps, after a period of violent change, it will settle into a new and stable phase, which will endure until some new cause provokes another period of change.

*An address by Dr. Mees at the Diamond Jubilee Banquet of the American Chemical Society, New York City, Sept. 5, 1951.

Some Chemical Problems

Let us examine certain chemical problems on which much attention is being concentrated and the solution of which may be expected in the next few decades. The fundamental problem of chemistry is the structure of the atoms and the nature of the forces which hold the atoms together and which enable atoms to combine to form chemical compounds. During the last 50 years the internal structure of the atoms has been unraveled, and we now know that they consist of a nucleus surrounded by a number of electrons occupying a series of orbits. Different elements have differing numbers of electrons and capacity to form chemical compounds, and their chemical properties depend upon the position and number of the electrons. The most important of these chemical properties are the valencies, the ability to combine with one or more atoms to form compounds. The nature of the valency forces is being elucidated, and with a more complete understanding of this subject, chemists will be able to direct their work on the synthesis of compounds and to understand the reactions of many substances which are at present obscure.

Whereas the outer electrons of the atoms control their chemical reactions, the properties of the nuclei belong to the realm of physics. The discovery that some elements are unstable and that their nuclei decompose spontaneously was, however, made by the chemists, and, as a result of the recent work of nuclear structure, the chemical elements have been increased in number. The heaviest atom which occurs naturally has 92 electrons. Recently atoms have been made synthetically having 93, 94, 95 and 96 electrons. Moreover, the elements having 43, 61, 85 and 87 electrons, which do not occur in nature, have been synthesized. It is not unlikely that elements will be synthesized in considerable quantity in the near future. If this seems improbable, we should remember that when the mass spectrograph was invented in 1920 it would have seemed quite incredible that within 25 years giant mass spectrographs would be used for the large-scale separation of isotopes at Oak Ridge. But the greatest importance of the work on atomic nuclei is without question that which leads to an understanding of the structure of the nuclei themselves and of the forces which hold them together. Here we may hope to profit not only from the particle accelerators and the nuclear reactors but from the work on the thermodynamical properties of substances at very low temperatures, such as that carried on with so much success by Professor Giauque at Berkeley and Professor Simon at Oxford.

In the study of many chemical reactions, the earthbound chemist finds himself at a disadvantage. Fortunately, he can transform himself into an astronomer and study the starry heavens. There he finds many things to interest him. The relative abundance of the chemical elements in the cosmos may give a clue to the origin of the stars and, incidentally, of the solar system, on which man has pondered for so long. The nuclear reactions which take place in the stars can be correlated with those which are studied in the physical laboratories. In the atmosphere of the sun, atoms lose their outer electrons and change their chemical properties and their emission spectra correspondingly. Surely, before long we shall try to carry out reactions at temperatures far above the few thousand degrees available in our furnaces and yet below the millions of degrees produced by nuclear reactions in the interior of the stars.

The astronomer-chemist cannot only study matter subject to a great range of temperatures; he can observe matter under a range of pressure far greater than that available on the surface of the earth. Most of the matter in the solar system and in the stars is at pressures of over 1,000 atmospheres. In the dwarf white stars, the pressure is so great that a cubic inch of the material would weight several tons; in the giant red stars, the matter is a gas at a density far less than we can attain by means of the best high-vacuum pumps available. But these red stars are still stars—concentrations of matter—and between the stars the astronomer can measure the nature of the molecules of matter dispersed to a much greater degree. Under these conditions, when an atom or molecule can travel a considerable distance and for a considerable time without encountering another particle, matter can exist in forms which are quite impossible in the crowded conditions of matter on earth, and reactions can occur which are unknown to the earth-bound chemist.

Chemistry and Biology

One of the points where knowledge is making its greatest advance is where chemistry meets biology. The chemicals which are most characteristic of living organisms are the proteins. Today chemists are actively engaged in the study of the proteins of the living cell, in which the analysis of structure by means of X-rays is promising to be of use. An understanding of the mechanism of cell growth may even lead us to a knowledge of the life processes themselves. Much of the work on cell growth is inspired by the desire to control the abnormal growth of cells which occurs in cancer. Very probably the keys to the cancer problem will be found eventually in the keeping of the chemists.

It has always seemed to me that a more intense study of the physiology of the invertebrates might be very profitable—perhaps more profitable than the direct attack on human physiology, on which far more effort is being expended.

In his address to the British Association a month ago, Professor Hinshelwood referred to the effect of chemicals in producing mutations of cells. Colchicine, for instance, produces new races of flowering plants by increasing the number of chromosomes, and such actions are not confined to the vegetable kingdom. According to the newspaper reports of his speech, Hinshelwood felt that the control of mutation by drugs might be used to control personality, just as synthetic polymers

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Pension Trusts Usher in New Investment Era

By WILLIAM HURD HILLYER

Calling attention to vastness of pension trust movement, Mr. Hillyer describes three approaches to pension plan practice; viz: (1) employers taking out employee retirement insurance; (2) setting up a fund administered by a trust company; and (3) direct employer administration. Finds latter plan increasingly favored by corporate executives who deplore "traditional policy thinking" of trust companies, and lists as types of employer managed funds: (1) Profit Sharing Pension Plan; (2) purchasing company's own stock; and (3) straight pension funds. Discusses investment problems of trust funds, particularly as to investment in stocks and FHA-VA mortgages.

The sky itself seems too low a limit for the pension trust movement. Following a recent survey by Morgan Stanley & Co., the word "astronomical" has been used to describe the size of reserves that the movement will require. This view is justified by competent testimony. According to a U. S. Steel executive who appeared before the Steel Industries Board, if the funding principle were applied to all American companies it would create a corporate liability of $65 billion—more than the combined working capital of the companies. Furthermore, it has been estimated that a $15 billion fund would be required for a $100 monthly pension to cover only one-third of the A. F. of L. plus C.I.O. union membership.

William H. Hillyer

"The problem of finding sound investment outlets for the accumulated reserves" is complicated and difficult.[1] As a unitary example, Vice-President Paul W. Wren of the Old Colony Trust Company in Boston calculates that around $14,000 is necessary to fund a pension of $100 a month for a worker retiring at 65. How, then, should a fund be invested, with due regard to mandatory income yield, safety of principal and the laws governing such projects?

What Is a Pension Trust?

Before attacking this question, we might do well to make quick contact with another: What is a pension trust—or, more broadly, a pension plan? To the average reader, both the phrase itself and the objective it connotes are fairly obvious and includes public as well as private retirement plans; but for our present purposes we need consider only those which are set up by firms and corporations for the benefit of employees. So rapidly has the idea back of such plans developed that they, in turn, are already divided and subdivided into classes and types. Manifestly, the appropriate investment policy in any instance depends upon the particular variety to which the plan belongs.

Approaches to Pension Plan Practice

There are three different approaches to pension plan practice. One is through an insurance company. By this method the employer takes out retirement insurance for his employees. In effect this is the same as if he had bought for each employee a life income annuity to begin at a certain age and was paying the premiums thereon in whole or in part. At all events he accumulates the "fund" by making payments to an insurance company. This method is generally known as the "insurance company plan" and has much to recommend it, chiefly because of simplicity for the benefit of smaller-company employees. It is, however, losing ground in competition with the "trusteed plan," under which the fund is held and administered by a trust company as trustee.

A compelling reason for this trend to the Trusteed Plan, say some of its exponents, is that the yields from investments are more in conformity with changing conditions and interest rates. Trust companies, it is urged, are far ahead of insurance companies in offering a plan that is more flexible for the employer, the insured and the institution itself.[2]

A U. S. Treasury survey in 1946 showed insurance plans as in greater number, but trusteed plans in the numerical aggregate as covering more employees. Of recent years, as already noted, the trend has been towards trusteed plans, though the Institute of Life Insurance has reported that the number of pension agreements underwritten by life insurance companies increased from 1,530 in 1940 to 11,020 in 1950.

The third approach to pension plan management is by way of employer company administration. This method is increasingly favored by those corporation executives who deplore the traditional "policy thinking" of trust companies.

As of March 31, 1951, the Treasury reports that a total of 15,345 pension and profit sharing plans had been submitted for government approval since 1942.

An extremely conservative estimate, that of J. F. Sullivan, Merrill Lynch, Pierce, Fenner & Beane, places 7,000,000 workers as presently under private pension plan coverage,[3] and some authorities give 10,000,000 as the estimated figure. "Every corporation will eventually have to install a pension plan," says one. Many competent observers agree in predicting that the number of plans (and presumably the dollar value of funds) will double within a very few years, though some sound a note of caution and see a yearly increase of between $500,000,000 and $700,000,000.[4]

Types of Private Pension Funds

Such is the setting for our special study of Private Pension Funds and their investment needs. Here, again, we have classes and types to deal with.

(1) Under the **Profit Sharing Pension Plan**, which is built up out of company profits, a rigid investment policy is indicated. "Such a plan's portfolio has no cushion," as an investment executive of one of New York's largest pension trustee banks aptly phrases it in talking with this writer. Then, too, he reminds us, the trustees are faced with the charge that top management pulls down a larger percentage of the fund, because the number of "worker" employees leaving the company is always larger than the number resigning from the management group. Yet the former get the smaller share. Again, when management reports a profit shrinkage, the insured rank and file are apt to grumble because they feel that their future is imperiled — except, of course, in those relatively rare cases where employee education respecting the business has been carried to great lengths.

(2) When the company's pension funds are invested in its **own stock**, there is nothing to discuss, because the plan is no stronger than the enterprise itself, with attendant long-time future hazard. It is open to similar objections with plan (1) above.

(3) **Straight Pension Funds.** These can be actuarily computed, and their expectancies can be charted with a fair degree of accuracy. Their initial flow is relatively large because they are at the outset "picking up" the coverage of present employees, some of whom may have reached an age requiring heavy reserves; but in time such funds tend to become static. Nevertheless, they do not "run out," nor is the plan

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[1] American Bankers Association, Trust Bulletin, June, 1951.

[2] New York "Times," May 20, 1951: R. F. Wickenden of W. Morss & Associates.

[3] "Private Pension Funds," June 1951: Merrill Lynch, Pierce, Fenner & Beane.

[4] Bankers Trust Company, Pension Division.

Public Enters Stock Market

By BRADBURY K. THURLOW

Partner, Talmage & Co.
Members, New York Stock Exchange

Stock market analyst, holding there are signs that some of the speculative sheep are beginning to stray back into the fold, sees indications stock prices will continue to rise until new dislocations, requiring correction, occur. Says bull market is not likely to end until greater public participation than now evidenced takes place.

In January of this year the writer expressed the view that public participation was beginning to appear in the stock market and that this activity signaled the probable start of a new phase of speculative activity rather than the end of the two year bull market. This view was not shared at the time by a number of professionals who held that the worsening business picture necessitated a rather severe decline in general market prices following which the rise would be resumed to the accompaniment of the usual fanfare. At this time some 50% of the "Balanced" common stock and bond funds adopted the same view and in consequence reduced their common stock holdings to the most conservative figures in many years. It is interesting and perhaps not too surprising to note that since the January article was written the market (as measured by the Dow Jones Averages) has at no time closed with a net decline of as much as 1% from the level prevailing at that time. It has now advanced over 13% while those who have done nothing but held their stocks have reaped another bumper crop of dividends.

B. K. Thurlow

Lost Speculative Sheep Returning to Market

Now, after seven months of frustrated and confused waiting for market collapse, there are signs that some of the lost speculative sheep are beginning to stray back into the fold. It would be well to ask again, in view of their past record, what may be the implications of this latest shift of sentiment. This time the stimulus of war news and contract awards seems to be lacking. Business in many segments of the economy is the worst it has been in 13 years and showing no signs of improvement. Inflation psychology has been dampened by one of the stiffest commodity price declines in recent years. Yet the stock market is staging a broad advance with daily increasing evidences of growing enthusiasm. The credit for this can hardly be taken by the leading forecasting services, 82% of which were reportedly predicting further price declines late in June, just before the present 33 point rise in the market averages got under way. Some other force was obviously at work.

If the comparison made in January between that market and the earlier speculative markets of late 1927, 1935, and 1944 still holds good, we have our answer as to why stocks have risen rather than fallen since the first of this year: namely, they are probably in the process of going much higher. Lest this sound a trifle oversimplified as a reason, let us consider it in more detail. First, one must assume willy nilly that some people (even if they represent only 5% of those who try) are able to make money by interpreting correctly the present and future course of stock prices. These skillful, or lucky, persons will continue to invest as great a proportion as possible of their assets in stocks as long as they believe higher prices lie ahead. If the market, through some sudden shift in public sentiment, brings the price of certain securities they have been buying to lower levels than previously prevailed, then they will use their available money to buy a larger number of shares. It is not difficult to see that as long as they are right, those who sell to them on any pretext whatever must be wrong, and in today's market, where so much of any stock is kept locked up for permanent holding, a moderate amount of investment buying in an issue will suffice to keep it from declining far in price no matter what appears to be immediately ahead on the business horizon.

Bull Market to Continue

It is unnecessary perhaps to point out that those who have foreseen higher stock prices and have made money on this basis are (a) looking toward some condition of optimism in which prevailing high prices may be turned into profits and (b) aware that at any time and for a variety of reasons reactions in the main trend may occur which will be used by the foolish to lose, and the wise to strengthen, their positions. If we have emerged from such a reaction this summer, then it stands to reason that the public should be once more preparing to buy back the stocks they sold (or had not the courage to buy) at lower prices. It stands to reason that while this process goes on, stock prices will rise until new dislocations occur requiring another correction of the now familiar variety. The writer does not believe now any more than in January that the bull market is over or that it will be until we have seen much more public participation than has been witnessed to date.

Gerard F. Hulsebosch With Godnick & Son

Gerard F. Hulsebosch

Gerald F. Hulsebosch has become associated with Godnick & Son, 30 Broad Street, New York City, dealers in puts and calls. Mr. Hulsebosch was formerly with Herzog & Co. and prior thereto conducted his own investment business in New York.

Dealer-Broker Investment Recommendations and Literature

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

Chemonomics—Newsletter for the financial, commercial and technical aspects of the chemical process industries—R. S. Aries & Associates, consulting engineers and economists and specialists in chemical process industries, 400 Madison Avenue, New York 17, N. Y.

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

How to Make Money in a Declining Stock Market—80-page book—Mark Weaver, Dept. C-1, Box 1130, Santa Monica, Calif.—$1.00.

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

Liquor Industry—Analysis with special reference to **Distillers Corp.-Seagrams, National Distillers Products Corp., Schenley Industries** and **Hiram Walker-Gooderham**—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

Over the Counter Securities Review—One year's subscription to monthly magazine plus a copy of "Over-The-Counter Dividend Champions" and use of special free literature service—$3.00—Over-The-Counter Securities Review, Research and Promotion Co., Jenkintown, Pa.

Proprietary Drug Companies—Analysis of outlook with particular reference to **American Home Products, Bristol Myers,** and **Sterling Drug**—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

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

Speculative Merits of Common Stock Warrants—Sidney Fried—Discussing the different phases of warrants—R. H. M. Associates, Dept. C, 220 Fifth Avenue, New York 1, N. Y.—$2.00 (or send for free descriptive folder).

Value Line Investment Survey—Special four-week subscription offer including ratings and reports, special situation, recommendation, fortnightly commentary, and one issue of Supervised account—$5.00—Arnold Bernhard & Co., Inc., 5 East 44th Street, New York 17, N. Y.

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Aerovox Corporation—Comment in "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. In the same issue are comments on **Emhart Manufacturing, Filtrol Co. of California, Polaroid Corporation, Reeves Ely Laboratories** and **Remington Arms.**

Aetna Standard Engineering Company—Analysis—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, La.

Anglo-Canadian Oil Company, Ltd.—Review—James Richardson & Sons, 347 Main Street, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Arkansas Missouri Power Co.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Arkansas Western Gas Company—New bulletin—David A. Noyes & Company, 208 South La Salle Street, Chicago 4, Ill.

Bates Manufacturing Co.—Memorandum—Charles A. Taggart & Co., 1500 Walnut Street, Philadelphia 2, Pa.

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J. P. Morgan & Co. Inc. Plans Stock Dividend

Proposal involving 50,000 shares to be submitted at special meeting of stockholders on Oct. 17.

Henry C. Alexander, President of J. P. Morgan & Co. Incorporated, announced Sept. 19 that the board of directors of the bank had authorized the calling of a special meeting of stockholders to be held Oct. 17, 1951, for the purpose of acting upon a proposal to increase the capital stock of the bank from 200,000 shares of the par value of $100 each to 250,000 shares of the same par value. If such proposal is approved by the stockholders and by the Superintendent of Banks of the State of New York, the additional 50,000 shares will be distributed to stockholders of record Oct. 18, 1951, as a stock dividend at the rate of one share for each four shares then held.

Henry C. Alexander

Mr. Alexander stated that as a result of the proposed increase the capital of the bank would be $25,000,000, the surplus would remain at $30,000,000 and undivided profits would be approximately $8,500,000. He said that at the next dividend meeting the board intends to declare the quarterly dividend at the current rate of $2.50 per share, payable on the 250 000 shares which will be outstanding after the increase.

The notice of the special meeting will be mailed to stockholders on or about Sept. 26, 1951.

McClelland Whitely With Sidlo, Simons

(Special to The Financial Chronicle)

DENVER, Colo.—McClelland R. Whitely has become associated with Sidlo, Simons, Roberts & Co., First National Bank Building, members of the Midwest Stock Exchange. Mr. Whitely was formerly an officer of Otis & Co. of Denver.

With First Michigan

(Special to The Financial Chronicle)

DETROIT, Mich. — William H. Morris has been added to the staff of First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

Joins Hanrahan Co.

(Special to The Financial Chronicle)

WORCESTER, Mass.—Alvino V. Trifilo is with Hanrahan & Co., 332 Main Street, members of the Boston Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

The real significance of Governor Dewey's utterances upon the occasion of his recent visit to Washington, it seems to me, was lost upon the Washington correspondents. One and all, they reported his visit gave a fillip to the Eisenhower Presidential campaign. He visited, it was pointed out, with Senators who are avowedly enlisted in the Eisenhower cause. He also visited with Senator Taft who is not enlisted in the Eisenhower cause, but, we are told by the ever watchful reporters, he did not discuss politics with Taft. With the Eisenhower for President Senators, he is said to have discussed politics. And, at the conclusion of these political talks he is represented as having said that one thing that is really certain is that New York's heavy Republican delegation will be for the General.

Carlisle Bargeron

This is probably true but it doesn't necessarily represent the Governor's mind at all. To my mind there isn't much doubt that New York's 96 delegates will be for Ike and this apparently will be with Dewey's consent. It could easily be in spite of it. In the 1940 pre-convention campaign the New York delegation was taken right out from under him and voted for Wendell Willkie.

Dewey recalls this, and having been what was called an "isolationist"—that year, he doesn't intend, if he can help it, to be caught holding the bag this year. Eisenhower is the mood of the New Yorkers that count politically so Dewey is for him. What he really expects to accomplish through political shenanigans is something else.

In this light I think the newspapermen and commentators missed the real significance of his recent Washington utterances. He did his obeisance to Eisenhower, that is true. But then, he put himself in the MacArthur corner of the great controversy over whether the European or Asiatic theatre is the more important in this great racket, crusade or defensive warfare upon which we free peoples have embarked to keep the totalitarian monsters from overwhelming us, and maybe making taxes higher than they are now, perish the thought. Eisenhower is, of course, aligned with the European school.

It has always intrigued me about our American politicians that there should be a division of opinion, or a political issue upon the question of whether it was more important to meet Communism headlong in Asia or in Europe. A good place to meet it has long been right here at home but only such as Joe McCarthy and Pat McCarran, able Senators both, keep harping upon that. Our more "cultured" politicians such as Senators Knowland of California, and Henry Cabot Lodge, and the Truman Administration, now that it has been forced into it, prefer to meet Communism abroad.

But politicians being politicians and their having to have issues, the Republicans have, generally speaking, adopted Asia as the place where Communism must be met; the Administration, having more sense and realizing there are more votes from our alien minded population to be had, have adopted Europe. Loosely, MacArthur and Eisenhower symbolize the two schools of thought. The funny thing about it is that the American taxpayer gets a delightful rocking by either school.

To understand better what I mean, perhaps, you must recall that there was a tremendous political agitation against Dean Acheson on the ground that he was "soft" on the Commies. His critics had in mind not only the "softness" by which Soviet Russia had been permitted to take over Eastern Europe, but the saturation of Communists in the Washington Government. So the Dean and the Administration, by way of meeting this attack, decided overnight to become belligerent against the Communists in Korea, not to the extent of going all out to defeat them, but to an extent. The Dean also, of course, showed considerable enmity and aggressiveness against the Communists on the television out in San Francisco.

Well, it seems that as a price of Dean's and the Administration's decision to become belligerent in the matter of Korea, we must put up 10 times as many men and money and weapons for the defense of Europe. It is in Korea that we are having the war so the thing to do is to conscript men and produce arms and levy taxes for Western Europe.

Eisenhower, to repeat, is the symbol or maybe, the fall guy of this school of thought. Most of the Republicans under the symbolization of MacArthur, believe that Asia is the theatre for which we should construct our guns and train our men and that this will be cheaper than what we are doing. This is what Dewey seemed to say after his trip to Asia, and I can't understand why an Eisenhower man should be saying this. Somehow, I doubt that his talk with Taft was unpleasant in the slightest. You would be surprise how many Republican professionals are more interested in Dewey's shenanigans than they are in his protestations of Eisenhower friendship.

Readers Digest to Reprint Exchange Article By Funston

The October issue of "Reader's Digest," to be published Friday, Sept. 21, will include a reprint of G. Keith Funston's article, "Should You Buy a Share in America," from the current issue of "The Exchange" Magazine, published by the New York Stock Exchange.

Mr. Funston is President of the Stock Exchange.

Russell & Saxe Open Dept. Under Biel

Russell & Saxe, 60 Broad Street, New York City, announce that they have opened a Mutual Funds Department under the supervision of Ernest E. Biel.

With Edgar D. Andrews

(Special to The Financial Chronicle)

IPSWICH, Mass. — Sumner M. Chrimes has joined the staff of Edgar D. Andrews & Co., 2 Central Street. He was formerly with Chas. A. Day & Co.

Role of Chemistry in Promoting International Understanding

By HON. ALBEN W. BARKLEY*
Vice-President of the United States

Vice-President Barkley, in pointing out the "chemicalization" of industry, ascribes most of chemical progress to independent and uncontrolled research under private enterprise along with exchange of ideas with research at home and abroad. Lauds chemistry's contribution to intellectual development and its role in promoting international understanding.

As a layman, I am reminded that chemists speak a universal language. They were among the first scientists to accept an international set of symbols with which to identify the basic elements. Thus, the symbol for water is the same in any language. As a frequent banquet speaker I am promised relief by the fact that any druggist in any land would recognize the symbol for bicarbonate of soda. These symbols, that are so much a part of your thinking, refer specifically to the individual atoms that comprise the universe. Thus, the chemist may be credited, or accused, according as one may view the situation, with having opened the Pandora's box from which has come forth this atomic age in which we now find ourselves.

Alben W. Barkley

Thomas Jefferson in a letter to the Rev. James Madison, July 18, 1788, said: "Speaking one day with Monsieur de Buffon on the present order of chemical inquiry, he effected to consider chemistry but as cookery, and to place the toils of the laboratory on a footing with those of the kitchen. I think it on the contrary among the most useful of sciences, and big with future discoveries for the utility and safety of the human race. It is yet a mere embryon."

*Excerpts from an address by Vice-President Barkley at the Diamond Jubilee Banquet of the American Chemical Society, New York City, Sept. 5, 1951.

The Mechanical Revolution

Mr. Jefferson never lived to see his prophecy fulfilled, but he saw the beginnings. The mechanical revolution was well under way in his lifetime. His life corresponds with one of the great divides in human history. The age of mechanics was well under way in the 18th Century and continued to expand through the 19th Century. But we who have watched the course of American industrial development are aware that this century is the age of what has been called the chemicalization of industry.

We are living in an age of chemical revolution. Chemistry holds the key to much of our future. It holds the secret of "wealth from waste," the key to substitutes for scarce materials, and the source of much of our future food. In company with scientific agriculture, it has already postponed the time when the prophecy of Malthus may be realized. How long that prophecy may be deferred depends in large part upon the intelligence and the ingenuity of chemists and chemical engineers. It depends upon what can be derived from a lump of coal, from the lowly potato, from the trunk and leaves and roots of trees, and from the very soil itself.

No man, no group, no nation has a monopoly on this science of chemistry. The development of chemistry is the product of civilized man. It is a prime example of the fruits of international cooperation that transcends all boundaries but those of man's struggle with his natural environment.

In case after case, chemical discovery can be shown to have been duplicated by two or more scientists working in different laboratories, and often in different lands. Independently and apart, they worked toward the same goal, and yet, was it independently? During such meetings as these, ideas are passed from one to another. The experience of one worker, as reported here, may stimulate ideas and thoughts in the mind of another which can lead to results of which no man now dreams. Actual presence is not necessary. Ideas may spring from reports published in the American Chemical Society's "Chemical and Engineering News." It may come from reports in countless other journals and newspapers.

Only in free countries, where thought is encouraged, where one may exchange ideas and experiences with confidence, and where the incentives of private profit and public benefaction combine to give personal satisfaction does the spirit of discovery and invention prosper for long. Those are characteristics of the free countries: research and discovery smother and die in a totalitarian atmosphere. Only as we preserve our personal freedoms can chemists, chemical engineers, and other scientists do such work and achieve such results as mark the discussions of this great meeting.

Without chemistry and the work of chemical engineers few of our foods could be processed. Most of this is pleasant to the taste and highly beneficial to the health. Chemists may still be a long way short of producing bread that compares with the bread our mothers baked. Perhaps the combination of cookery with chemistry has something to be said for it.

Chemistry and chemical engineering are the basis of the distilling industry. But the production of alcohol is no longer dependent upon the fermentation of grains or molasses. The achievements in the production of synthetic alcohol from natural gas and petroleum are little short of miraculous. That similar principles have led to the production of a long line of synthetic rubbers, synthetic fibers, synthetic soaps, and more synthetic things than can quickly be listed is an indication of the numberless discoveries that lie ahead.

We Now Have More Trained Chemists

World War I found this country handicapped for lack of adequately trained chemists and chemical engineers, and with an industry woefully inadequate to meet the demands created by our sudden isolation from western Europe. Today, thanks to the leadership engendered in the American Chemical Society and the other great groups now meeting here, the American chemical industry has reached great stature. How much further it may go and how much larger it may grow depends largely upon the maintenance of an environment of freedom. Right now, however, as never before in the history of this country, in fact as never before in the history of the world, trained men and facilities are available for the chemical transformation of raw materials into articles useful to modern man. Never before has there been so great a volume of international trade in the products of the chemical industry.

In the defense of the free world, the chemical industries and chemists in all the free nations will be called upon to join their efforts in the great task of strengthening the armaments, the health, and the resources of freedom. Leadership in chemical fields, and in chemical production are among the best assurances that can be given for the protection and growth of free nations.

Chemical industry furnishes the great industrial basis on which all other industries rest, and the strong arm of national security which will cause foreign nations to hesitate before attacking us. It furnishes a form of preparedness that makes for peace on a basis so sound that our country has no fear of war as long as our chemistry is developed and encouraged.

Chemistry's Contribution to Intellectual Development

There is one great phase of civilization which is an outgrowth of the existence of the chemical industry which has not been touched upon, and that is the contribution of our industry to intellectual development. One of the fundamentals laid down by our forefathers for the best preservation of our liberties was the theorem that every child should be educated to full capacity. It was believed, is still believed and is undoubtedly true, that any civilization which develops better education of the average man will develop in that nation an intelligence which will ultimately safeguard it no matter what theories or isms may develop to threaten the stability of its institutions.

Chemical industry makes available articles, substances, mechanisms, educational devices, new discoveries, new applications and develops new industries, spreading beneficially its influences far and wide, from the great outdoors to the kitchen. Chemistry makes audible the voices of our leaders, cheapens the cost of books, enables the public press to exist, furnishes the technical substances for research and, indeed, makes life safer, easier and better for all.

Chemistry Has Promoted International Understanding

Of all the ways in which chemistry has served to promote international understanding, none is more dramatic, and few more successful, than the recent conquest of locusts in Iran. Officials of our State Department responded to the appeal of last April, when the Iranian Government called for help to avert a plague of migratory locusts from the region of the Persian Gulf. Within eight days of the signal for help, American cargo planes had landed in Iran with a load of insecticide, with equipment for spraying it, and with technologists from the Bureau of Entomology to direct its application. By early May the job was done and the various participants were on their way back home.

Thus, the expanding efforts of chemical research had freed a far away region of its worst locust plague in 80 years. Cooperation had been demonstrated between the governments of Iran, Great Britain, the United States, and perhaps other countries. Crops throughout 130,000 square miles had been saved. That means more food for thousands, perhaps millions of people.

As in the use of DDT for the control of malaria-carrying mosquitoes, and in other conquests through chemistry, of man's natural enemies, human beings have been protected and the span of life has been extended.

Clearly, the responsibilities of chemists and chemical engineers cannot rest with the protection of crops, and the saving and prolongation of human life. History is filled with wars caused by the demands of expanding populations for food and the means of life. Comparable with these are the migrations and the wars for new land to replace exhausted and eroded lands. Only as such situations are corrected can civilization advance.

Chemistry must contribute to the production of more food and more fiber; it must contribute to the stability and productivity of existing soils; it must continue to open new means for the use of productive labor, or all that has been done to increase the world's population can become a curse.

Never before in the history of mankind was scientific vision and leadership more necessary for the future of mankind. The 75 years of the American Chemical Society attest to such leadership within your profession. I am confident it will continue.

Congoleum-Nairn, Inc. Places Loan Privately

Congoleum-Nairn, Inc. has entered into a loan agreement with Prudential Insurance Co. of America under which it will at a future date borrow $10,000,000 on a 3⅝% 20-year secured note. Dillon, Read & Co. Inc. and R. W. Pressprich & Co. arranged the financing.

Congoleum-Nairn, Inc. plans to use the proceeds to pay short-term loans and to increase its working capital.

Municipal Revenue Bonds

By JAMES E. RODDY*

Vice-President, Scharff & Jones, Inc., New Orleans, La.

After reviewing history of municipal revenue bonds, New Orleans investment banker lists following fundamental factors relating to merits of these securities: (1) ample revenues and application of those revenues to payment of principal and interest; (2) good management of revenue producing project; (3) extent of productive life of project compared to life of bonds; and (4) carefully drawn enabling laws and administration provisions relating to project. Cites examples of important Revenue Bond issues.

Municipal governments are finding it more and more difficult to raise the funds necessary to furnish the services demanded by the public. Our municipalities are more and more embarking upon business activities which are in the main, service industries rather than processing or manufacturing enterprises.

James E. Roddy

These service industries are not entirely private in their nature, but depend upon public aid for their successful operation. Most common among these are waterworks, sewerage systems, electric light and power plants, gas plants, interurban transportation and toll bridges—and even now, off-the-street parking facilities.

Prior to this tremendous demand for services by government it was a comparatively simple matter for municipalities to care for their local government's needs, such as city halls, parks and jails, by financing from bond issues payable from the taxing power of the municipality.

Added to the demand for services by local authorities are the ever-increasing demands for social benefits by both the Federal and State governments. The increased number of sources to which the Federal and State governments must look for revenues by taxation in order to carry out these demands has eliminated those same sources of revenue for the municipal operations. Whether these increasing demands by government at all levels are good or bad is not important to this discussion, but their existence must be accepted in order to understand the recent trend to municipal revenue financing.

In the 18th Century England found it was impossible to continue to rely upon the labor of abutting rural property owners to keep country highways in the proper state of repair and found it necessary, in order to finance such highways, to make loans payable solely from tolls for the use of the roads. Possibly this was the father of the idea of such gigantic pieces of financing by revenue bonds as the present turnpikes which are now being constructed throughout the country, such as the Pennsylvania Turnpike, the New Jersey Turnpike and the toll roads in Oklahoma and Florida.

*An address by Mr. Roddy to the School of Banking of the South at Louisiana State University, Aug. 20, 1951.

Beginning of Municipal Revenue Financing

Municipal revenue financing seems to have been introduced in the United States by a revenue bond issue in the City of Philadelphia in 1861. At that time, Philadelphia financed the purchase of the privately-owned stock of the Philadelphia Gas Works by the issuance of bonds payable from the revenues of the system. However, this was not a simon-pure municipal revenue bond issue. In addition to the revenues of the gas plant, the city also pledged the full faith and credit of the city to the payment of the bonds. Possibly, Spokane, Washington, was the first municipality in the United States to issue bonds payable solely from revenues. In 1887 Spokane issued 8% warrants which were payable solely from 60% of the gross revenues of the waterworks system.

Gradually over the years, more and more the idea of financing by municipalities through the medium of revenue bonds took hold; and during the past ten years great strides have been made in this type of financing. In studying the compilation made by the "Daily Bond Buyer" of New York, one learns the growth of municipal revenue financing since 1942 has been phenomenal. According to this report, in the year 1942 there was a total of approximately $97,000,000 municipal revenue bonds sold as compared to approximately $600,000,000 in the year 1950. For the first six months of 1951 there has been sold a total of $311,085,000 of municipal revenue bonds, which would indicate that this year is likely to reach the record-breaking year of 1949, in which year approximately $683,000,000 of municipal revenue bonds were sold.

We learn from history that there are few original ideas. We also learn that the municipal revenue financing idea was not original in the United States but was in a large part borrowed from English finance. However, it does seem that the old adage of, "Show an American something good and he will show you how to improve it," is also true of revenue financing. Over the years much experience has been gained in this type of financing and techniques which have been established in this country are today followed by the investment bankers, lawyers and engineers who play such as important role in conceiving, designing and financing these projects.

Judging Bonds Not an Exact Science

One of our young salesmen, one day, asked me if I could not give him some simple formula of how to tell a good revenue bond. He felt that all like things should be comparable and, therefore, a yardstick of measuring the worth of any revenue bond issue should be available. I am still pondering on that question; and, unfortunately, I do not have the answer to give you today. The financing of public projects through the issuance of municipal revenue bonds, like all other financing, is not an exact science. Each issue must be tailor-made to fit the particular situation for which it is formulated. There are certain fundamental factors which must be present in any municipal revenue financing program. Those I shall try to point out.

(1) Ample revenues and the application of those revenues to the payment of principal and interest of the bonds. Of course, that seems to be a pretty simple statement and is probably that yardstick that my young friend is seeking. However, what represents a [illegible] revenue and the application of those revenues to the payment of principal and interest of the bonds becomes highly involved as each particular case is studied. The financing of a municipal revenue bond is generally for a period of anywhere from 10-40 years; and the projected revenues over the life of the issue must be studied not only from past experience or the present operation, but also from the standpoint of the future potential. In making such a study, the stability of the community represents a most important consideration in the appraisal of potential earnings in the future. It is important that the projected figures for the future be based on a table of experience, giving due consideration to possible changes in the future. It is important, also that in arriving at net earnings figures, due consideration of operation costs in the future be realistic and based on calculations which take into consideration future expansion with resulting increased cost of operation, as well as a margin of safety for possible increased cost of labor and materials. In this connection, the engineers who work out the feasibility reports of the financing are relied upon to be neither over-optimistic nor too conservative; and it is for that reason that in cases of major financing, engineers who have a record of projecting fairly accurately the earnings and operation costs of like projects are sought to give their engineering ability to the success of the setting up of the program.

In most cases there will be a coverage over and above the principal and interest charges and the operating expenses, which is considered the margin of safety. This coverage will range quite a bit in different types of issues. For instance, in the case of a leased property to a responsible user, there may be no excess coverage whatever, yet the bonds would be of highest quality. Later, I shall discuss such an issue.

In some cases the coverage may show as much as two to two and a half times the principal and interest charges after taking into consideration the cost of operation; and yet such an issue might be considered a "marginal" issue. I have in mind in this regard a construction project where the future of the population is difficult to forecast. We have seen "one-industry" towns which have gone along for years and supported the population of a community. If any reverses or any misfortune should happen to the one industry it is rapidly reflected in the community itself, which, of course, af-

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Our Foreign Aid Program Should Continue!

By HENRY FORD II*
President, Ford Motor Company

Reporting on observations made in Europe, leading automobile executive urges continuation of Marshall Aid to combat Communist aggression. Lists as three major objectives: (1) development of Allied military strength; (2) adequate military and economic aid to friendly nations; and (3) "unpartisanship" in support of foreign policy. Says present scale of foreign aid has no adverse effect on our economy, and praises work of "Radio Free Europe."

I have recently returned to this country from Europe. There I visited a front line. That front line is in Berlin, on the boundary line of a divided capital in a divided nation. Along that boundary line is being waged an endless battle of slogans, of product comparisons, of brand names, with the competitors using every technique in the advertising and propaganda book.

Henry Ford, 2nd

For instance, did you ever hear of a propaganda sewing circle? Well, they have plenty of them in Germany. Here is how they work. Groups of West Germany women gather to sew and knit. They meet in border towns along the East-West boundary line and invite women from the Russian zone of Germany to join them. And while this inter-zonal mending is going on, the Western hausfraus are telling their Red-dominated friends about the freedoms they enjoy.

I guess, in your business, that's what would be called word-of-mouth or testimonial advertising. And—just as in your business—it works. When it works, it irritates the competition. In fact, we were told by authorities that they have actually sent raiding parties into the Western zone, under cover of night, to break up these sewing circles. Many German women may have paid with their lives for taking part in a democratic sewing-bee.

*An address by Mr. Ford upon receiving the first annual joint award of the National Sales Executives and the Sales Executives Club of New York for "Outstanding Top Executive Salesmanship," New York City, Sept. 11, 1951.

Since my last visit to Berlin and Germany in 1948, great progress has been made in every area of the Western section. Even the difference between the appearance of the people of East and West Berlin is apparent to the casual tourist. In the Russian sector, depressed people stumble along through dusty and devastated areas with heads down. Occasionally, you see a bicycle, rarely an automobile.

In the free sector there are still shortages of food, housing, educational facilities, professional services and vital machines and materials. But there is hope and pride in the eyes of the people—and more than an occasional smile on their faces. They seem to be going some place.

Perhaps the most startling difference between the free and slave sectors of the divided capital hits you as you pass from west to east through the Brandenburg Gate, entrance to the Russian zone. There before you, rising four stories high in shining marble, a new Red embassy stands in solitary glory amid uncleared rubble, dust and dirt. The sharp symbolism of this structure—government first, people last—obviously escapes the master-minds of the Russian propagandists.

There, then, in Berlin these opposing forces face each other at close quarters. They form the battlefront of the cold war we read about in our newspapers. And in such an atmosphere of constant and rising tension, even minor occurrences can have far-reaching effects, for good or bad, upon the future of all of us.

Berlin—Cross Roads of World

For Berlin, I felt—as I walked its streets and talked with its people—is today the crossroads of the world, the point where East meets West against a backdrop of terror and tension. And I came away with a feeling that this is the place where the future course of world events is being formed. Berlin is the dramatic proving ground for cold-war strategy and theory.

In the American zone, we are represented by a corps of this country's most qualified men under the direction of a distinguished leader, U. S. High Commissioner John J. McCloy.

His wife, Ellen McCloy—who speaks German fluently and uses this ability to great advantage as the wife of the top official in the U. S. zone—is one of the most charming and energetic women we met in Europe. It is she, incidentally, who is credited with creating the inter-zonal sewing-bees I mentioned a few moments ago.

I have no doubt that across the boundary the Russian counterparts to Commissioner McCloy are also experts in their own way, chosen for their tested ability to prosecute relentless warfare with the most effective political, economic and propaganda weapons their leaders can provide for them.

I left Berlin with the big issue quite clear in my own mind. Peace is our goal—but we cannot accept a peace which fails to include strict guarantees of individual freedom.

Any attempt to purchase this peace by appeasement—or any abandonment of moral principles in exchange for short-range gains—will never work. It is ironically true that only by building our own military and economic strength and the strength of other nations dedicated to human freedom can we hope to win the only kind of peace worth anything.

Three Major Objectives

Paul Hoffman has spelled out the way in which Americans can discharge the grave responsibilities that go with our quest for a just peace. Testifying on foreign, economic and military aid before a Congressional committee, he made three major points: First, the development of Allied military strength to neutralize aggressive plans by Russia; second, the necessity of continuing economic as well as military aid for friendly nations; third, an attitude of "unpartisanship" in support of American foreign policy.

This makes sense to me.

It seems to me that these points form the logical triangular base for any pyramid of peace we hope to build. But by no means do I believe that large or small expenditures in Europe—or anywhere else—give us the right to force our particular type of political thinking upon people who may be living under entirely different circumstances and in different environments than ours. It seems to me that as long as we keep the goal of our campaign focused on the idea that freedom of the individual is the cornerstone of peace, it makes little difference how groups of individuals may decide to govern themselves.

And so, as I took a quick look at what was happening in Europe, questions like these kept asking for answers: "Are these front-line fighters in today's crusade for a free world getting all the help they need and can use from us? Are we in the home office providing them with all they must have to do the job?"

Foreign and Not to Much for Our Economy

I have learned since my return to this country that our gross national output is now on an annual basis of more than $329 billion—highest in the nation's history. In the fiscal year ended June 30th, we spent some $2.8 billion for E. C. A. programs abroad.

In other words, overseas economic aid alone was last year running at less than 1% of gross national product. 1% of gross sales has never seemed to me too much to pay to keep a business going and growing.

I was reminded a short time ago that England, in 1813, spent one-fifth of its national income to beat Napoleon on the Continent. Most of this amount, raised from the resources of less than 14 million people, was used to subsidize any nation in Europe that would actively cooperate to beat back the Napoleonic threat.

That money, it has since been agreed, was well spent. For it was the combined efforts of the Grand Alliance—Russians, Prussians, Austrians, Swedes, Spanish, Italians, Portugese—and not those of the English alone, that led a would-be dictator to Waterloo.

History does not, of course, often repeat itself. It does, however, seem to maintain a certain continuity. With this in mind, I think it is encouraging to recall that having finally won what in the second decade of the 19th Century appeared to be a costly peace, England went on to its most prosperous and peaceful era—the Victorian Age.

There is still another area in which we must work to avert war and gain permanent peace. We know about freedom. We know from experience what freedom can do for people. Our national income has increased 13 to 14 times in the last 50 years. The purchasing power of an hour's wages has nearly trebled, and the average worker's hours of labor have been cut a third in the same period. We know we have the best product. It deserves the best we have in sales and advertising efforts. As Paul Hoffman—another great salesman—has put it, "the Big Truth, backed by big deeds, overwhelms the Big Lie."

Our Good Propaganda Work

In connection, I had an opportunity while in Germany to learn about the great job being done by Radio Free Europe, the broadcasting station established by American funds, run under American technical direction, constructed at Munich by volunteer German labor and operated by a Czechoslovakia staff. Over this station—one of the most powerful in the world—messages of hope and freedom are beamed 11½ hours out of every 24 into enslaved Czechoslovakia.

Let me give you an example of the effectiveness of this work.

Russian-controlled Czechoslovakian newspapers are smuggled out of the country and reach Radio Free Europe offices a few hours after publication. A Czech commentator—a refugee from behind the Iron Curtain whose name and voice are known to his listening countrymen—reads item after item from the newspaper. "That is what your paper, edited by the Russians, tells you," he says. "Now listen to the truth." And he gives them facts to combat the "Big Lie."

Another example: Only a short time after the body of a patriotic and much-beloved Czechoslovakian priest is found outside the precincts of his native town, Radio Free Europe is on the air with the news of his murder and the name of his assassin.

It is easy to understand why every effort—largely unsuccessful—is made by the Russians to jam these brutally telling broadcasts that are daily finding and creating new holes in the fabric of the Iron Curtain. Just how much these broadcasts hurt is perhaps best measured by the offer we now understand has been made by the Reds in Czechoslovakia to release William Oatis, provided the Radio Free Europe operation is discontinued.

From what I learned about Radio Free Europe, two things impressed me more, perhaps, than others.

First, in the station's studios and control rooms at Munich, Czechs, Germans and Americans are working efficiently and effectively **together.** Inspired by a common urge, a common goal, they are really **united**—all economic, cultural, racial, political and language barriors to such unity have vanished. This Munich battalion of fighters against Communism has learned and is applying the lessons of cooperation all Western allies must learn and apply if we are to keep the cold war cold and win the peace without bloodshed.

Second, I could not help but be impressed with the great job of work small private groups of able Americans can do in such an effort. Radio Free Europe, for instance, owes at least an important part of its success to three top men in their professions who have left the comparative comfort, ease and security of their homes and jobs here in the United States to work for peace on the cold-war front. Such men—and most of you know them—as C. D. Jackson, a former Time-Life Vice-President, who is today President of the National Committee for a Free Europe, the organization responsible for the establishment of Radio Free Europe. And Robert Lang, formerly a public relations man with General Foods here in New York, who is today the director of Radio Free Europe. And Barry Mahool, originally in radio at Baltimore and later with the American Heritage Foundation, who is Lang's deputy director.

Such privately financed and privately directed American task forces as these—small in personnel, big in ability—can and are accomplishing much on the cold war's front line.

But they need and deserve all the help we, here at home, can give them. Let me take a moment or two to tell you something about that.

The funds for the work of Radio Free Europe—which, incidentally, has no connection with the Voice of America—were raised last year by a group of private citizens in this country through a Crusade for Freedom appeal that reached some 16 million Americans. This year, the "Freedom Crusade" is campaigning to raise approximately $3,500,000. The money will be used to construct at least two more powerful radio transmitters under the Radio Free Europe operation and to provide facilities for a Radio Free Asia to start as soon as possible a similar program for freedom in the Far East.

Here is an opportunity for every one of us, personally, to take a hand in the job that needs to be done. Watch for the campaign. Step in and give it your best professional boost. Your efforts can

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The Gold Mining Industry in Canada

By R. E. DYE*
President, Ontario Mining Association
General Manager, Dome Mines, Ltd.

Reviewing Canadian gold mining industry, Mr. Dye points out its value and importance in meeting Canada's foreign payments. Says this industry now finds itself in difficult straits, because of requirement all gold mined be sold to Canadian Government. Recommends Canadian gold mines be permitted to sell substantial portion of output in industrial and art craft markets. Criticizes International Monetary Fund regulations and says "cost-aid" or "dole" plan of Canadian Government to foster gold production is inadequate.

Whether gold is produced in your particular province or not, whether you individually believe in gold as monetary backing or as the only real money, acceptable as such and sought after throughout the world, and there has been some difference of opinion in this regard, you are all I am sure in agreement on certain aspects of the industry in Canada, to which I will refer.

The mining of gold has meant to us amongst other things:

(1) The production of one of our most valuable exportable products—over $200 million in 1941.

(2) The pioneering and opening up of vast territories in our North Country by the prospecting fraternity urged on in their work by the search for this metal, and the often resultant finding of important deposits of other metals and minerals.

(3) The establishment and maintenance of large and substantial communities.

(4) The provision of a counterbalance in days of depression.

It is with these things in mind that I present to you a review of the gold mining industry in Canada as it finds itself today, in the full belief that regardless of the effect of the incidental occurrences of the metal in any particular province, all of you are concerned with the impact of present conditions on the Canadian position as a whole.

In a very general way may I point out that since 1932 when restrictions were placed by the Canadian Government on the free export of gold and the industry was obliged to sell all its production to the government at a price fixed by it, our total good production up to and including the year 1950 has been: 72 million ounces, valued at over $2.6 billion. In 1932, the total Canadian Government gold holdings amounted to approximately 2.35 million ounces valued at $69.18 million (average price per ounce, $23.47). As at December, 1950, the Canadian Government gold holdings amounted to approximately 16.5 million ounces valued at $580.2 million (price $35 [U. S.] per ounce).

In the 19-year period, therefore, in addition to increasing her own gold holdings by some $500 million, Canada has benefited from more than $2 billion value of gold production which has been disposed of for U. S. dollars or any other currency required, or for goods in any country as needed, and that gold has never been subject in any country to depreciation of value on account of exchange differential, or to any barrier against admission into any country, tariff or otherwise. Few of our industries have provided such goods freely entering into any country in the world in good times and bad and readily exchangeable for all the things going to raise the standard of Canadian living.

*A report presented by Mr. Dye to the Conference of Provincial Ministers of Mines, Saskatoon, Saskatchewan, Sept. 6, 1951.

Present Situation

What I have said so far is background for my comments on the present-day situation and the future, which I will proceed with. The industry finds itself in difficult straits, not because it has used up its ore reserves, not alone because it finds itself presently in the "good times" swing of the pendulum, but because on top of this latter position the industry in Canada, due to the conditions imposed by the Bretton Woods Agreement and the Monetary Fund, finds itself caught in the web of "funny money." Controlled currency, that is the valuation of national currencies on an arbitrary basis and without much relation to gold holdings or other natural indices, adopted as a result of some new theoretical premise as an after-war aid in world reconstruction, is upon us. With it has come, in a large group of nations and countries including Canada, an arbitrarily fixed price for gold and an agreement by the few gold-producing countries in the group to refuse to permit the export of gold from their countries, except by the governments themselves.

It should be noted in this regard that some 2 million ounces a year are produced by countries which although members of the Monetary Fund, market their gold without regard to Fund controls. This quantity is additional to some 4.5 million ounces which Africa sells on the "industrial and artistic" markets, at premium prices.

With it also has come a wave of inflation such as we in this country have never experienced. Producers of all other goods and materials simply join the parade, as their costs go up they pass the increment on to the public in raised prices for their goods. The producers of gold, however, are caught in the jaws of a vice, one of which moves upward from the bottom, their increasing costs, and the other, fixed at the top, is the controlled price for their product.

We lay no claim to being economists in other matters than as reasonably good managers of our own business, but we can see a real inequity placed upon the gold mining industry by reason of the limitation placed on the freedom of doing business and especially upon the comparatively few countries of the group concerned in the Monetary Fund pact which produce gold. Canada is the second largest producer of gold, and by the same token is one of the greatest sufferers.

The Canadian Government has through Emergency Gold Mining Assistance and through a move towards a return to the original depletion allowance and modest tax relief, given some recognition to the national responsibility to the producers in the country in denying to them the world market and price for their product, but such help is inadequate in the circumstances and the form in which it is mainly given, namely, the "cost-aid" or "dole" is to say the least unpalatable.

Let me now review very briefly the changes that have taken place in the industry in Canada in the past 10 years, since 1941, the year of the industry's peak production.

Gold Production

In 1941, following government urge to the industry to produce more gold for exchange purposes and to bolster our war effort, the gold industry of Canada produced some 5.3 million ounces.

In 1945, after a period of restrictions of materials, supplies and manpower, production dropped to some 2.7 million ounces.

By 1950, with manpower more readily available, but still suffering under the fixed price and rising costs, production was increased to 4.4 million ounces.

Preliminary figures for the first four months of 1951 show a slight drop in production as compared with 1950. The upward trend of the past few years would thus seem to have ceased, even to be reversed.

Price of Gold

The average price received by the mines for their gold has been: 1941 to 1945, $38.50 per ounce; 1946, $36.75 per ounce; 1947 to 1948, $35.00 per ounce; 1949, $36.00 per ounce; 1950, $38.04 per ounce; 1951 (to July 27), $36.93 per ounce.

Costs

The wholesale index has risen from 90 in 1941 to 241.9 at the end of May in 1951.

Changes such as these have had their inevitable effect; for example, figures showing comparisons as between 1941 and 1950 give the following overall picture:

	1941	1947	1950
Number of mines in operation at end of year	135	76	79
Number of employees	32,551	22,906	*22,032
†Net income of stockholders	$29 million	$6.5 million	$11.2 million

*1949. †Bank of Canada Summary of 27 producing companies.

These figures pretty well tell their own story; I would only make comments with regard to two points, as follows:

As to the figures covering net income changes, obviously since they comprise the records of only 27 producers, complete coverage of the industry is not made, they are however comparative from year to year and indicative of the trend. It is to be noted with respect to the apparent increase in the earnings figures from 1947 to 1950 that in each of the years 1948 to 1950 inclusive, the Dominion Government has poured in between $10 and $12 million as "stop gap" Emergency Gold Mining Assistance. Any of this which might eventually produce profits is immediately taxed as such by both Dominion and Provincial Governments. A substantial portion of the assistance is thus returned to the source from which it came.

As to the immediate future, with costs continuing to rise, with "assistance" at about the same overall level in 1951 and with a drop in the price of gold from $38.50 per ounce in the first nine months of 1950, to $36.93 per ounce in the first six months of 1951, the process of deterioration of the industry must be accelerated this year.

I do not wish to labor the present situation unduly, most of you are already familiar with it in one way or another and in the circumstances will proceed to give some data having to do generally with the operations of the Emergency Gold Mining Assistance Act and its inadequacy in meeting the situation.

Ontario's gold production in 1950 amounted to some 2.45 million ounces.

The average cost of production for all the gold mines in the Province in that year was $32.67 per ounce, as against 1941 figure of $26.64 per ounce, an increase of $6.03 per ounce.

The controlled price received by the mines for their gold decreased from 1941, $38.50 per ounce; 1951 (average to July 27), $36.93 per ounce; decrease, $1.57 per ounce.

On the basis of 1950 production of these mines, 2.45 million ounces, the total loss in net income suffered in that year approximated: On account of increased costs, $14.9 million; decreased price of gold, $3.8 million; total, $18.7 million.

If on the other hand it could be assumed that given the same freedom of markets and price as enjoyed by all other industry, it would have been possible for the gold producers to maintain 1941 production figures when Ontario mines turned out some 3.19 million ounces, these figures would have become: Loss on account of increased costs, $19 million; decreased price, $5 million; total, $24 million.

Probably in the light of past experience of gold mines operating in years prosperous for the country as a whole, the true figure lies somewhere between these two.

As against this "Assistance," which as you know does not go to all producers in like amount per ounce or on any other basis, amounted in total to Ontario mines in 1949 to $5.8 million, a net annual loss to Ontario producers of something between $13 million and $18 million.

If Ontario cost figures were applicable, the total annual cost to Canadian producers as a whole would be between $24 million and $32 million.

Any way you look at it you can see that the blow is a staggering one to this industry, indeed would be such to any industry in our

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State Tax Collections in 1951

By V. J. WYCKOFF
Professor of Economics, DePauw University

Noting state tax collections in year ended June 30, 1951 approximated $8.9 billion or 12.6% above 1950, Prof. Wyckoff estimates total state revenues received, including Federal aid, as near $13 billion. Says current state revenues have risen along with increased national income and reflect also rise in general price level and growth as well as shifts in population. Concludes state governments are costing citizens only slightly more relatively than decade ago, but there have been significant changes in sources of revenue. Predicts government expenses at all levels, Federal, state and local, will continue to increase.

State tax collections (excluding levies for unemployment compensation) moved up during the 1951 fiscal year ended June 30 to establish a new high of approximately $8.9 billion, 12.6% above 1950, according to a preliminary report just released by the Governments Division of the Census. This climb in state tax collections has been almost unbroken for the past 35 years; the major exception was the group of three depression years of the 1930's.

V. J. Wyckoff

Add tax revenue to Federal aid received by the states during 1951 plus miscellaneous income and the result when all returns are in probably will show **total** state revenue not far from $13 billion. Yet even this sum will be somewhat less than expenditures by the 48 states, unless the experience of the last few years is reversed. For instance, in 1950 only eight states had general revenue (excluding borrowings) in excess of general expenditure, according to Census.

These dollar figures of mounting state tax collections spell out rather clearly the impact of taxation. There are some adjustments, however, especially on a 48-state basis which partly modify the apparent pressure of state taxes.

One adjustment takes place in answering a question about the burden of taxes. Because "burden" is a relative term, taxes paid must be compared with income available to pay such taxes. To obtain data on a person-by-person basis is out of the question, but estimates of national income are regularly compiled by a division of the Department of Commerce.

State Collections 3.4% of National Income

National income (total individual income, corporate profits before taxes, and adjusted inventory valuation) during the 1951 fiscal period averaged about $260 billion. State tax collections, thus, were about 3.4% of national income. This percentage was almost identical with that for 1941, the last pre-World War II year. Statistically, therefore, the payment by U. S. citizens of $8.9 billion in state taxes in 1951 was no more burdensome than in 1941 when only $3.6 billion was collected, because during these years national income (tax paying capacity) had increased by the same percentage. This offers no comfort, of course, to those whose personal incomes did not keep step with national figures.

Two other adjustments of the dollar amount of 1951 state tax collections should be made. One is to allow for price changes. If your own state government collected more taxes this year than last, and considerably more than in 1941, certainly one reason was the rising costs of its operations. Items of governmental expenditure are similar to those of any business: wages, fuel, supplies, maintenance, construction.

Such price changes can be allowed for in different ways, but probably the simplest is to say that from 1941 to 1951 prices paid by government for goods and services increased about 125%, and during the same period state tax levies advanced 147%. Put another way: although the dollar amount of state taxes increased from $3.6 billion in 1941 to $8.9 billion in 1951, all except about $800 million can be accounted for by price rises, i.e., inflation.[1]

One more adjustment in the dollar tax collection figures needs to be made, namely, for population changes. Governments are predominantly service institutions, and if the population of a state increases, there are more persons to serve. Thus, total expenditures probably will rise, which means more taxes, unless a state embarks upon the unwise policy of deficit financing.

But is state government costing more per citizen? The answer is an emphatic "Yes." In 1941 per capita state tax collections (excluding unemployment compensation) were $27 on an over-all, 48-state basis. In 1951 the figure was $58.50, an increase of 117%.

Consolidate these adjustments in state tax revenue for 1951 and what conclusion seem justified? It is that when allowances are made for increases in national income, in prices (including wages), and in population, the 48-state governments **as a group** are costing their citizens only slightly more than in 1941. The additional expense can arise from more services being offered by states to their residents. There also is the possibility of increased waste in operations.

Changes in State Taxes

From what kinds of taxes are the states obtaining most of their revenue; and have changes occurred in the last decade? These questions can be answered concisely by the data in Table I which includes the last prewar year and the global war year 1944.

The table offers the 48-state totals. Although every state taxes a few widely used commodities and services, such as motor fuels, alcoholic beverages, insurance companies, other sources of revenue in prior years have been used less fully. It is probable, however, that within a few years the financial needs of state governments will bring most tax bases into use by all of the states. Just since 1946 nine states have extended their tax levies to tobacco products.

Interstate comparisons of tax collections are always of interest even though they must be taken with a grain of salt. One reason for the salt is that in state X the highways and welfare may be almost entirely a state function, whereas in state Y the counties and townships may assume these responsibilities. In such a case the per capita tax collections of state X will be higher than for state Y, though the citizens in each state may bear the same total state-local tax load. However, interstate comparisons of state tax collections on a **per capita** basis are significant, and the recent Census preliminary report on state tax revenue for 1951 offers such calculations.

The following tabulation gives the five states with the highest **per capita** tax revenue, and the five lowest states:

State	1951 Tax Collections per Capita
High—	
Louisiana	$97.66
Washington	95.03
California	90.50
Arizona	88.75
Delaware	88.43
Low—	
New Hampshire	42.25
Kentucky	41.74
Nebraska	39.65
Alabama	38.19
New Jersey	34.74

Last year Louisiana, Washington, California and Delaware also were among the five top states, and Kentucky, Alabama and New Jersey were in the lowest five. Whether or not the old saw that "you get what you pay for" is applicable when per capita comparisons are made must be left for decision to the residents of the respective states. As has been mentioned such comparisons must take into consideration the degree of decentralization in governmental functions.

Although total tax collections for the 48 states increased 12.6% according to this preliminary report—and final figures will not show much change — six states brought in 20-40% more in 1951 than the prior year 1950. Arizona led the procession with marked increases in its net income and property taxes, and Massachusetts found its taxes on individual income and on corporations particularly profitable. Nebraska was the only state collecting a smaller tax sum in 1951 than in 1950. As far as new levies were concerned, Georgia started to tax general sales toward the end of its fiscal period, and Utah was listed for the first time with a tax on utilities.

Local Government Taxes

State tax collections, however, are but one part of total governmental finance. For instance local government tax collections from the first of this century to World War I exceeded total Federal revenue by several hundred million dollars, and were three to five times the tax collections of the 48 states. Two world wars, the rearmament of the last several years, and increasing reliance by local governments on state aid have changed the relative tax positions of these three levels of government.

The Federal Government for the fiscal year ended June 30, 1951 had net tax collections (excluding Social Security) of $45.1 billion; state government was $8.9 billion; for local governments a rough estimate of $8.5 billion may be made, an estimate is necessary because full data are obtained only every decennial. Add these sums and the total is $62.5 billion. But notice the change in rank: local and state governments now come rather close to bringing in similar tax sums; the Federal Government collects two and one-half times the local-state total, and in 1952 the Federal figure may well be around $55 billion.

Such tax sums should be enough to balance the budgets on the various governmental levels, and broadly speaking this is the case, or was true for the 1951 fiscal year. The Federal Treasury had a budget surplus which probably will prove to be about equal to the deficits of state and local governments when final figures are at hand.

A one year condition of approximately balanced budgets is not a trend, and when trends are observed the outlook for governmental finances is disturbing. Without discussion let me indicate two basic movements:

First, expenditures on each level of government will continue to increase because we, the people, are demanding more services and help from our governments, and at the same time are remaining indifferent (except in talk) to economies in civil and military administration. As public expenditure mounts it can be met only by increased taxes and debt. Debt should not be incurred for ordinary outlays, which now include rearmament, yet the public is allergic to higher and higher taxes except, perhaps, in a period of obvious emergency. Thus, it is a pretty safe bet that for the three levels of government combined both taxes and debt will increase during the years ahead, and especially so as long as international tension exists. A concomitant will be further inflation.

Second, there is evidence of more and more reliance by local governments (counties, townships, municipalities) on state governments, and by states on the Federal. This reliance for the most part takes the form of seeking grants-in-aid. In some respects the growth in importance of the role of tax collector by higher governments is desirable — there are possibilities of economies and uniformity in administration. But by tradition and by necessity the government which grants money also exercises some control over the way that money is spent.

This shift of the seat of tax administration and political power in America from the town meeting to the state capital, and now from the state capitals toward Washington, D. C., apparently is with our consent. After all we still have the right to vote in free elections, even though we may not usually do so. It seems, however, that more and more of us are becoming tired of the struggle to be self-reliant, and are craving from government the shelter of farm subsidies, of resale price maintenance, of a guaranteed fair return on a far value, of a minimum wage and maximum hours for work. Possibly this urge is characteristic of a mature economy, if such is our condition.

But if this desire for safety rather than risk is becoming deep rooted, let us be fully aware of the actual costs. Certainly we shall have bigger governments. Whether or not our governments (Federal, state, and local) also will be better will depend on our willingness as individuals to take an active, sustained part in politics.

TABLE I

STATE TAX COLLECTIONS, BY MAJOR SOURCE: 1951, 1950, 1944, AND 1941

TAX SOURCE (and number of states using the tax in 1951)	Tax Collections (Amount in millions) 1951 (Prelim.)	1950	1944	1941	% Change from 1950 to 1951	% Distribution 1951
General sales, gross receipts (29)	$2,001	$1,670	$721	$575	19.8	22.4
Motor fuels (48)	1,710	1,544	685	913	10.7	19.1
Alccholic beverage sales (48)	469	420	267	216	11.7	5.2
Tobacco products (40)	430	414	160	106	3.8	4.8
Motor vehicle, cperator license (48)	840	755	394	434	11.3	9.4
Individual, corporate incomes (31-33)	1,492	1,310	762	422	13.9	16.7
Property (45)	346	307	247	268	12.6	3.9
Death and gift (47)	196	169	112	118	15.9	2.2
Severance (24)	222	211	71	53	5.2	2.5
Other tax sources	1,226	1.129	646	501	10.9	13.8
Total tax collections	$8,932	$7,929	$4,065	$3,606	12.6	100.0

Reference: *State Tax Collections in 1951* (similar source for prior years), Bureau of the Census, Washington, August 1951. The numbers in parenthesis indicate the number of states using this particular tax source in 1951; 31 states tax individual net incomes, 33 states tax corporate net incomes.

[1] The Bureau of Labor Statistics wholesale price index was used to measure changes from 1941 to 1951 in costs of supplies and materials; the Bureau of Census reports on state and local government payrolls were the obvious source for information on salaries and wages of public employees. Wholesale prices slightly more than doubled, and payrolls increased by 142%; an unweighted combination of these two percentages gives 125% as an estimate of increases in operational costs of state government compared with tax revenue increases of 147% from 1941 to 1951.

The Role of the Unlisted Securities Dealer

By JOHN F. EGAN*
Vice-President, First California Company, San Francisco
President, National Security Traders Association

Though upholding regulation of the security markets, Mr. Egan says it alone is not enough to protect investors, and investor education is equally important. Describes nature of unlisted securities markets and points out influences are constantly at work to compel good faith on part of those engaged in them. Cites code of ethical conduct of the NSTA, and stresses securities dealer's role in making markets for local securities. Urges new educational program by NSTA.

It is a great privilege to address this distinguished group, who are devoting their careers to making it possible for Americans to invest more safely and more wisely in American corporations. While you gentlemen usually neither approve nor disapprove of any specific investment, you have set an ever higher standard of conduct in the securities business by requiring complete and objective information to be provided to the investing public. You have continued to develop a constantly higher moral sense based upon a more thorough objectivity in the sales approach among those thousands of people who, like myself, actually *sell* securities to the public.

John F. Egan

Over the years, you have also consistently striven to expose and drive from the market place, the swindlers who were so persistently fleecing the public out of their hard-earned savings by high pressuring them into unduly speculative and phony enterprises, the true nature of which they were unable to comprehend.

Is There Too Much Regulation?

But as typical Americans who cherish their freedoms, many of us in the securities business perhaps at times may grumble and complain about too much regulation. Much as we would like to see less of it and burdensome as it may be at times, we must admit that it has been, on balance, definitely in the best public interest. And furthermore, while we may not always admit it, this same regulation has probably been to our own real self-interest. It is almost axiomatic in the securities business that the successful salesman must merit the complete confidence of his prospect and that this can best be instilled by a careful policy of understatement and objectivity in the sales presentation. This is one of the principal virtues that our securities regulatory bodies have so consistently and so wisely encouraged.

As a typical and timely case in point, let's take a quick look at the rapidly growing Mutual Fund industry. Two years ago, in spite of careful self-regulation within the industry, somewhat less than low-pressure sales methods began to creep up here and there where, by loosely worded and over-glowing sales literature, inexperienced investors were turning to mutual fund shares as a cure-all, believing that they would be assured ridiculously high dividends, almost certain profit possibilities and even an ability to redeem their shares at purchase price or better on demand. The SEC, in voluntary cooperation with the Mutual Fund managements and investment dealers generally, took prompt steps against permitting this situation to spread. As all of you know, they prepared a "Statement of Policy" regarding Mutual Fund sales literature which seemed to many at the time to constitute almost a denial of free speech. But I think that, troublesome as this regulation first seemed, the principal Mutual Fund sponsors and dealers will agree that the objectivity required by these new regulations, rather than retarding the salability of their shares, has actually made them more realistically attractive and has enabled the investor to more intelligently select the type of fund that most satisfactorily suits his individual circumstance.

There is another important and popular field of investment which still seems in need of better sales presentation. I refer to the so-called "riskless" investments payable in a fixed amount of dollars, such as government and municipal bonds and savings and loan association certificates. These are splendid investments in their place, but the "truth in securities" code does not apply to them. Hence those who invest in these media are not advised of the possible risk of loss of purchasing power of their dollars due to that "old devil, inflation."

Let us by all means help our government solve its fiscal problem, but the statement I heard recently that "an interest return of 2.9% (if held to maturity) constitutes a 33⅓% "profit," is in my opinion definitely "misleading."

To make it short, I sincerely believe that **regulation** of the securities markets has been necessary and has proven beneficial. But let us now observe that regulation alone is not enough. **Education** today is of equal or even greater importance.

The Over-the-Counter Markets

I would now like to comment briefly on the "over-the-counter" security markets, the role of the unlisted securities dealer and the organization and functions of the national security traders association.

There are two markets for the buying and selling of securities. One is the "listed" market provided by stock exchanges. The other, and much the larger of the two, is the "over-the-counter" market which is not housed under any one roof or even under several roofs. It is, rather, a combination of all of our financial communities and the individual firms in those communities. It is both a national and a local market.

Many securities are traded exclusively or preponderantly over-the-counter. These include 99% of the shares of the banks of the country, about the same percentage of insurance company stocks, all equipment trust certificates, most real estate bonds, many railroad, industrial and public utility securities and all bonds of the United States Government, its territories and instrumentalities. It also embraces all municipal securities—issues of states, cities, towns and their instrumentalities. Also included in the over-the-counter market are nearly all new issues of securities. It is through the mechanism of the over-the-counter market that new securities are originally distributed to the public. In addition, the facilities of this market are employed for the distribution of blocks of listed securities. A large volume of **professional** trading of listed securities is also done over-the-counter. This trading goes on between dealers, and between dealers and customers such as banks and other large institutions.

Any one trading in this vast and important market must be familiar with the means and methods for transacting business in the market. Mistakes and misunderstandings can be costly.

An over-the-counter transaction is usually consummated by telephone or via teletype of telegraph. A written confirmation mailed immediately may not reach its destination until the second or possibly the third day following. Consequently, good faith in such matters is essential. In fact the integrity of the spoken word is the keystone of over-the-counter activities.

Two influences are constantly at work to compel good faith on the part of all who engage in that market. One is the individual's own reputation for integrity which he must of necessity zealously guard if he is to remain in business. The other is the availability to members of the NASD code of procedure for handling trade practice complaints which may arise from violations of association rules.

In most cities those who are active in over-the-counter trading are known to each other. The individual's reputation becomes an open book to everyone engaged in the business. Thus, deviations from recognized standards of conduct are common property within a short time.

The NSTA Code of Ethical Conduct

A code of ethical conduct between members in over-the-counter trading has developed over the years and is recognized and observed by everyone of integrity in the business.

Perhaps the greatest contribution to the national economy by the thousands of unlisted securities dealers is their effectiveness in making markets for "local" securities.

Investors like to put their savings in their own "backyard." The company by which they are employed, the local electric of gas company, the bank in which they do business, the big corporate employer and taxpayer in their community, these are the companies that people can see working at first hand and understand. They know their managements in person or by reputation. It is common local gossip as to their labor relations, their responsibilities to their community and their money making potentials. Making markets in the stocks of these local companies is where the local unlisted securities dealer can and does render his most constructive public service.

Work of the NSTA

So much for the role of the unlisted securities business. I now wish to talk about the National Security Traders Association. This association is an organization quite unique in the investment business. Although it is composed of 30 important regional groups, functioning independently, its membership comprises 4,000 **individuals — not** investment firms. There are no fixed dues. No one is forced to join. No one is ever assessed. We welcome the individual membership of owners, partners, or employees of large firms and small firms, stock exchange member firms, or unlisted dealers. Ours is the most democratic organization that exists in our business.

For many years it has been the sole purpose of the members of this association to get together both regionally and nationally for the purpose of getting personally acquainted with each other. We all like to know as intimately as possible the boys with whom we are making trades and doing business each day, usually over the wires and throughout the nation. We also strive to know the commissioners and the staffs of the SEC and various state regulatory authorities.

We feel that on a personal man to man basis we can get along fine with them, understand their thinking, and they understand ours, by discussing our mutual problems at first hand, and getting their advice and assistance personally rather than through the intercession of lawyers (although we love and use lawyers at the proper time.

We now feel that, worthy as our purposes have been, we are having forced upon us a matter of destiny, an additional and far more important service to the people of America and to all of the members of the Banking and Investment Fraternity as well.

We believe that it is now imperative in the public interest that a highly objective and independent campaign be immediately launched to explain to all segments of our population, the necessity for thrift and savings and prudent investment of these savings, not only in insurance, bank deposits and government bonds, but especially in the corporate stocks of American industries.

A New Educational Program

The necessity for such an educational program is well expressed in a current article in the press by a gentleman whom I think you all know—Hon. James J. Caffrey, former Chairman of the Securities and Exchange Commission. Says Mr. Caffrey, (I quote in part): "Sound capital formation is one of the principal foundations of the American business system. There must be a reasonably balanced equation of debt against a sound backlog of so-called 'risk' or equity investment. . . . Savings of individuals invested in cash, savings and other bank deposits, savings and loan associations, private life insurance (excluding social security, etc.) and U. S. Government, municipal and corporate bonds, for the 15 months ended March 31, 1951, increased by approximately 12.6 billions of dol-

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*An address by Mr. Egan before the National Association of Securities Administrators, Oklahoma City, Okla., Sept. 18, 1951.

Our Number 1 Growth Industry

By J. ALBERT WOODS*
President, Commercial Solvents Corporation

Executive of leading chemical concern reveals recent rapid expansion of chemical industry in U. S. and its contributions to global health and welfare as well as its use in agricultural pursuits and in food preservation, clothing and timber supplies. Lauds research activities of chemical industry under free enterprise, but warns of danger to nation from governmental extravagance and bureaucratic confusion.

Those of us so engaged, take justifiable pride in the achievements of the chemical industry. Investment bankers call it a "growth industry" and no one has yet challenged its right to bear that title.

J. Albert Woods

For 30 years my association with various parts of this industry has been a thrilling and satisfying experience. Perhaps my viewpoint is prejudiced, but I know of no other business where enthusiasm, devotion and excitement all play such roles in the daily lives of those who are a part of it.

From the turn of the century until 1914 the industry just about kept pace with our general economy. We took our first real spurt between 1914 and 1929. It is more than passing signifance that, following the great depression, the chemicals as a group had recovered all their losses by 1935, whereas manufacturing production generally took another two years until 1937 to equal the pre-depression level.

*An address by Mr. Woods at 18th Annual Meeting of the National Agricultural Chemicals Association, Spring Lake, N. J., Sept. 6, 1951.

From 1939 to 1943, manufacturing production rose 136%; chemical output increased 243%. "Financial World" magazine is my authority for saying that in 1950, the output of industrial chemicals was 13% above the wartime peak while manufacturing output was still 19% below it. While it is true that great expansion has taken place during wars, it is a libel to say that chemical producers are "capitalist warmongers" because it is a provable fact that, with the possible exception of military explosives, the industry's products are just as essential in peace as in war.

There is a constant effort to produce new products, to find new uses for old products — to develop new processes, new raw material sources, better quality, lower prices — all of which contribute to greater markets and wider uses.

A $4 Billion Expansion Plan

Dwight Moody, Chemical Editor of the New York "Journal of Commerce," pointed out in a very recent article that the chemicals industry is now committed to a further $4 billion expansion plan this year which, topping steel's expansion plans by $800 million, is the greatest of its type ever seen n this country. It compares with roughly $5 billion invested by the industry in new plants and facilities in the five years following the war — a period which saw its total assets shoot up 60%.

While it takes teamwork on the part of all in every great enterprise and industry, and while sales and production engineers and purchasing departments have made notable contributions to our progress — it is my opinion that the keystone in the arch of the chemical industry is research.

It is research that has made possible the rapid progress that has been made in the field of pesticides.

Never before in the history of agricultural technology have pesticides played such an important role as they have in the last five years. The phenomenal development of revolutionary new pesticides has accounted for the rapid advances associated with the industry.

Growth will continue because ample supplies of food, forage and fiber cannot be produced without them. Secretary of Agriculture Brannan recently emphasized this point by saying . . . "Adequate machinery, fertilizers, and pesticides — **the farmer's tools of production** — must be kept available."

It might be well, therefore, to highlight, even to this educated audience, a few of the valuable and significant contributions being made by your industry — and mine — to the economic improvement and well being of the world.

(1) Pesticides and global health —The development of DDT and other new insecticides for controlling disease-carrying insects is recognized as one of the most important advances in medical history. The control of malaria, typhus, encephalitis, dengue fever, yellow fever, filariasis, and other diseases has improved the health of man and increased his life expectancy throughout the world.

Few people realize that malaria, the most important disease of man in the world, can be effectively and economically controlled merely by spraying insecticides within homes. According to the Expert Committee on Malaria, World Health Organization, ". . . territories whose total population reaches about 350 million are numbered among those where malaria is being mastered; and in a large part of these regions, the disease has already ceased to be a public health problem" . . . "there are almost 50 million inhabitants of different parts of the world, particularly in rural areas, who have been shielded against the scourge of malaria . . ." through the use of insecticides. Almost complete elimination of malaria from the United States was hastened by the spraying of 800,000 homes last year by the U. S. Public Health Service and the State Health Departments.

One of the greatest public health accomplishments yet achieved with insecticides was the outstanding control of major epidemics of louse-borne typhus during World War II. Authorities agree that the use of DDT stopped the typhus epidemic in Naples, Italy and subsequent outbreaks elsewhere in the world—saving thousands of lives.

Today, in Korea, as well as in Japan, the use of pesticides in protecting our troops from insect annoyance and disease is a routine measure for increasing combat effectiveness.

(2) Pesticides and timber — Lumber is by far the major construction material. The depletion of our forest reserves, a vital factor in the prevention of floods and soil erosion, used to be more than a threat. However, today, millions of acres of valuable forests are saved annually from destruction by insect pests through aerial application of insecticides. The development of highly effective and cheap protectants has for the first time provided a tool with which to reduce tremendous losses from injurious forest insects in inaccessible areas. Heretofore, losses due to insect epidemics were accepted because no methods were known for directly combating forest pests.

In addition to protecting vital timber stands, millions of board feet of stored pulp wood, green logs, and lumber are rendered immune to insect attack by the use of insecticides. Protection does not halt there. Chemical preservatives are applied to structural timber to protect it from deterioration from termites and decay, saving countless sums in renovation and rehabilitation.

(3) Pesticides and clothing — The value of using new pesticides for cotton insect control has been clearly demonstrated in combating the boll weevil. The importance of using them is illustrated by data obtained from the U. S. D. A.; in two community-wide experiments conducted in central Texas, fields which were sprayed or dusted produced a yield of 415 pounds per acre compared with 178 pounds from the untreated fields. The net profit was about $54 per acre. A similar large-scale test carried out in 1950 gave an average gain of $74.84 per acre. It is obvious what this type of control would have meant if applied to the entire heavily infested cotton area. In 1950 it is estimated that 3,900,000 bales and 1,600,000 tons of cottonseed were lost with a gross dollar damage of more than $900,000,000. Preliminary estimates indicate that the 1951 crop will be one of the largest if not the largest in our history.

This high yield will be due in no small measure to the use of pesticides. For example, cotton growers are now treating crops even if no evidence of infestation is in sight, as compared to the old technique of application only after a 20% infestation has been noted. The importance of pesticides as insurance can also be illustrated in another way — the farmer has a large investment in land, equipment, fertilizers, and seed, and for a few cents is able to insure his investment with the proper use of pesticides. In many instances banks and other leading agencies specify pesticide treatment for crops on which money is loaned.

Approximately four years ago one-third of all cattle hides produced in the United States were damaged by grubs which meant an average loss of approximately 20 million annually in this country alone. With the use of modern control measures this loss has been greatly reduced. Dipping of sheep stimulates animal growth giving higher yields of better quality wool.

Although damage to wool and wool products by insects has been estimated to be about one-quarter billion dollars per year, it is difficult to obtain reliable information. Needless to say, millions of dollars worth of clothing are saved thru the use of insecticides to control moths, carpet beetles, and other destructive pests.

Pesticides are an important factor in protecting animals as well as plants which supply the fibers for our clothes and again protecting them from other pests after they have been produced as finished goods.

(4) Pesticides and food—Everyone recognizes that the use of toxic materials for pest control may be hazardous and that steps must be taken to safeguard workers in manufacturing plants, users of pesticides, and consumers of food products.

The present ballyhoo and hullabaloo, however, has placed all the emphasis on **hazards of use** rather than the **great benefits derived from their proper use.** Moreover, pesticides are **chemical protectants** rather than **chemical additives.** As protectants and used during production or storage, pesticides are certainly not in the same category as chemical additives which may be used in processing or preservation of food.

Legislation alone cannot replace actual policing of the food supply to insure quality and purity. An expanded research program on the toxicology of new pesticides and methods of their analysis is recognized as necessary and desirable. Greater effort to educate the user on the proper application of pesticides must be pursued.

It is only fair that the public be given all the facts and not just statements prefaced by the word "may" which arouses the fear of the American public against the methods of use and application of pesticides in the protection and storage of our food.

Fruit and vegetable pests must be controlled by chemical protectants or the grower will go out of business and the consumer would suffer. Of the large quantities of pesticides used, only small amounts come in direct contact with the edible portion, i. e. potatoes, peas, beets and corn. On foods where insecticides are directly applied, the timing of treatment is such that only minimum residues remain at harvest which in most cases are removed after further processing. It should be pointed out that with one of the most widely used insecticides DDT, not one case of human death has been proved as due to exposure or from residues on foods.

In 1949, the value of crops saved from grasshoppers alone by insecticide control was placed at $72 million — a saving of $55 for each control dollar spent. Hundreds of other remarkable savings might be cited.

In 1950, over a million acres of small grain in Oklahoma, Texas, and Kansas became heavily infested with greenbugs. Up to that time there had been no known practical control for this serious pest. A new insecticide was successfully applied and saved many millions of bushels of needed small grains.

In this country, the many plant diseases that attack fruit, vegetable, cereal, and forage crops are estimated to cause losses amounting to $2 billion each year. Many fruit and vegetable crops require the addition of fungicide dusts or sprays to prevent losses attributable to fungus or bacterial diseases. For example, in controlling late blight on potatoes and tomatoes, treatment is made to guarantee a marketable crop. Thus, routine application as a preventive must be made, regardless of whether the disease may be less prevalent than usual.

Plant growth regulators are receiving greater acceptance because of their value in controlling growth rates in the production of many fruits. This has resulted in the production of top quality products. Other uses of plant growth regulators are for improving storage qualities of both fruits and vegetables.

Many kinds of foodstuffs, including grain, cereals, flour, dried fruits, cured meats, and cheeses, are highly susceptible to infestation by insects and heavy losses are likely to occur unless adequate protection is given them. The infestation may start in the field during the growing period, in processing plants, during shipment or in storage.

High and low temperatures and sanitary measures in processing plants and storage are helpful in combating infestation but often do not eliminate or prevent it. Because of this inadequacy, fumigation has long been depended upon to protect thousands of tons of diversified foodstuffs annually. Fumigation is also used to a limited extent to rid fresh fruits and vegetables of insect pests not yet widely distributed, thus preventing or retarding their spread.

In recent years outstanding results have been obtained in controlling weeds and undesirable woody shrubs and trees. This has made practicable the tremendous increase in grazing lands for greater production of livestock. Chemical control of weeds may be achieved at much lower costs than by cultivation and in wheat, rice, and many other field crops it is the only practicable method of weed repression. These developments have greatly reduced the amount of farm labor required at a time when manpower is an important factor.

Without going any further it can be concluded that billions of dollars and millions of tons of food and feed are saved each year through the proper use of pesticides. But, we must not overlook the fact that losses by various insect pests in the United States are still estimated to be

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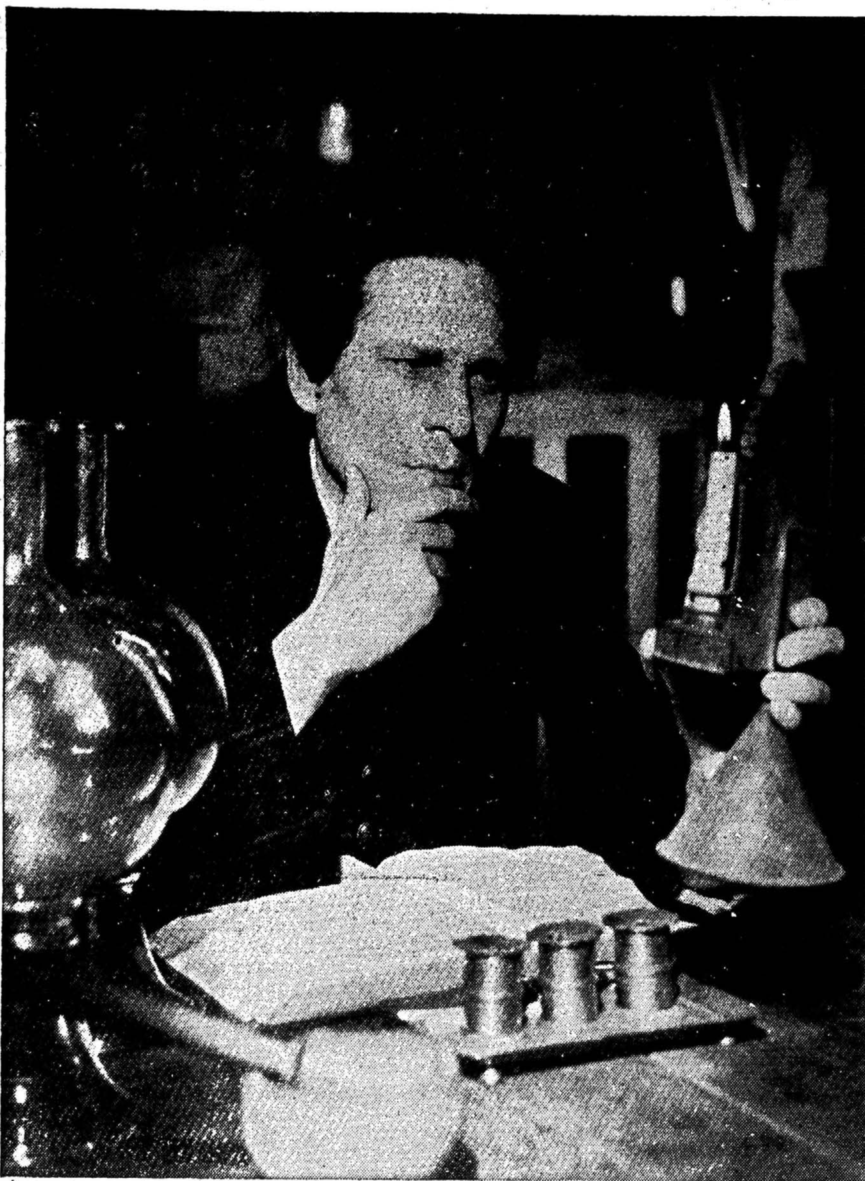
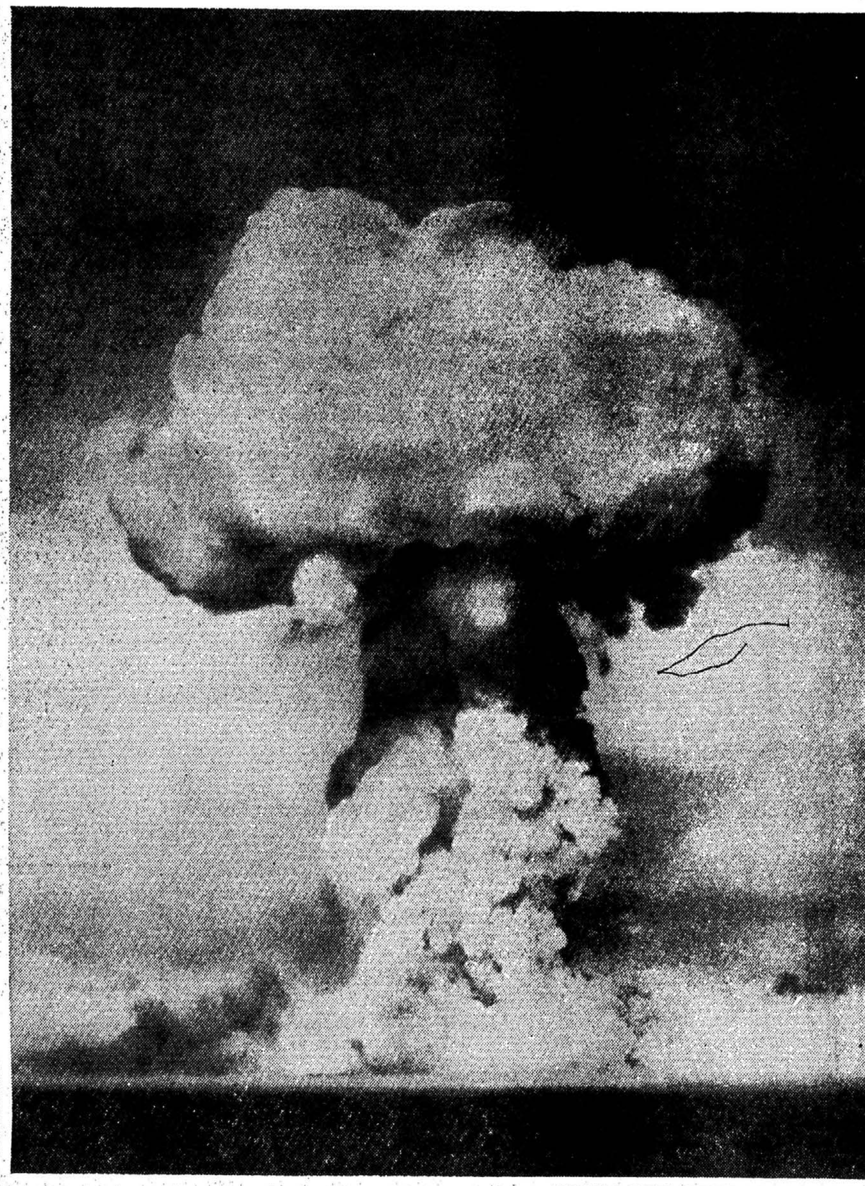

JOSEPH PRIESTLEY (1733-1804).


ATOMIC EXPLOSION AT BIKINI.

Of candles and chemistry . . .

Less than 200 years ago, in a gloomy laboratory in England, Joseph Priestley, the "father of modern chemistry," discovered oxygen with the aid of a sealed glass and a candle.

Today—in the age of atomic energy—chemistry has come a long way. But America's greatest progress began little more than a generation ago.

During World War I, it became painfully obvious that we had been too long dependent on Europe for dyes, pharmaceuticals, intermediates —and indeed, even for many basic chemicals.

Clearly, America needed to become more self-sufficient in the whole field of chemistry.

It was with this in mind that Allied Chemical & Dye Corporation was formed, in 1920, through the consolidation of these five companies:

The Barrett Company
General Chemical Company
National Aniline & Chemical Company, Inc.
Semet-Solvay Company
The Solvay Process Company

By integrating the production of these companies, Allied has helped America become self-sufficient in the chemicals needed for virtually every basic industry in America.

Since 1920, Allied has built a world-wide reputation for quality products, and contributed importantly to the advance of American chemistry through research and improved manufacturing techniques.

In today's atomic age, Allied's integrated production will stand America in better stead than ever—by providing a dependable source of supply for basic chemicals to meet constantly growing civilian needs . . . and for the successful defense of our American way of life.

ALLIED CHEMICAL & DYE CORPORATION

61 BROADWAY, NEW YORK 6, NEW YORK

THE BARRETT DIVISION
Barrett
Chemicals, Coal-tar Products, Building and Paving Materials, Resins, Plasticizers, Fertilizer Materials.

GENERAL CHEMICAL DIVISION
BASIC CHEMICALS GC FOR AMERICAN INDUSTRY
Acids, Alums, Sodium Compounds, Insecticides, Fine and Reagent Chemicals.

NATIONAL ANILINE DIVISION
NATIONAL N DYES
Dyestuffs, Food Colors, Intermediates, Pharmaceuticals, Textile Dyeing Assistants, Synthetic Detergents.

SEMET-SOLVAY DIVISION
SEMET SOLVAY COKE
Coke and By-Products, Coal, Wilputte Coke-ovens.

THE SOLVAY PROCESS DIVISION
SOLVAY Alkalies Chemicals 70 YEARS OF SERVICE 1881 1951
Alkalies, Chlorine, Nitrogen Products, Methanol and Formaldehyde.

Customs Simplification Bill Would Upset Organic Chemical Industry

By S. C. MOODY
President, Synthetic Organic Chemical Manufacturers Association of the United States
Vice-President, American Cyanamid Company

Mr. Moody contends Customs Simplification Bill, now before House Ways and Means Committee, by changing fundamentally basis of values for assessing duties, would strike vital blow to U. S. organic chemical industry. Says if "American Selling Price" Method of assessing import duties is eliminated, dye industry particularly will suffer serious damage. Stresses value of organic chemical industry in national defense.

During the past several years there have been a number of bills introduced into Congress, and certain actions taken by the State

S. C. Moody

Department under the Trade Agreements Act that are extremely upsetting to the organic chemical industry, and which in our opinion will have very far-reaching effects. There is before the Ways and Means Committee of the House at present the bill known as the "Customs Simplification Act of 1951," which, if passed in its present form, and without the amendments we have advocated, would be a tragic mistake and would affect a great many American manufacturers and particularly a very large number of the smaller producers.

The organic chemical industry is difficult for the layman to understand and appreciate because it involves so many products and covers so many fields of application. Not only does the industry produce dyes, but also it manufactures pigments, chemicals for plastics, resins, perfumes, flavors, pharmaceuticals for the human and veterinarian fields, compounds used in all rubber manufacture, synthetic fibers, and many other fields that are almost too numerous to mention.

The bill before the Committee proposes a fundamental change in the basis of value for assessing duties and, as stated before, would strike a vital blow at this great defense industry.

To understand our point of view properly, it is necessary to review the highlights of the history of the organic chemical industry, with particular emphasis on dyes and the products, called "intermediates," from which they are made. The first synthetic dyestuff was discovered by the British chemist, William Henry Perkin, as far back as 1856, but the actual commercial development of the industry was undertaken by Germany, and for nearly 60 years they succeeded, by one means or another, in keeping the "know-how" and production of these products almost exclusively to themselves. The result of this was that, at the outbreak of World War I in 1914, neither the United States nor Great Britain nor France had an organic chemical industry worthy of the name. It is really striking how closely the history of the British chemical industry parallels that of our own. The Association of British Chemical Manufacturers published a very excellent report in 1949, from which the following is a quotation:

"In 1914 this country was largely dependent upon Germany for supplies of many essential products, particularly dyestuffs, drugs, and other fine chemicals. The chemical industry of Germany, on the other hand, was in 1914 both comprehensive and well organized. It was already producing a wide range of synthetic organic chemicals, and had in fact attained such a lead over other nations that Germany had almost a world monopoly. Thus, whereas Germany produced 83% of the world's dyestuffs, Great Britain produced only 3%, and these mainly of the simpler types.

"The outbreak of World War I, therefore, found Britain in a serious position from the chemical point of view. Drastic steps had to be taken to repair these grave deficiencies. By the end of the war the vital importance to the national economy, both in war and peace, of a strong organic chemical industry, was fully recognized by the government, and legislative steps were taken in the years 1920 and 1921 to assist its future development."

These protective measures are still in effect, despite British criticism in recent years of our own measures. Why do the British particularly feel so strongly about the preservation and expansion of this chemical industry? To quote again from this same report:

"It should be stressed that in the dyestuffs industry **more than in any other,** research is an essential of the **normal** pattern. This type of research has inevitably led to the discovery of products useful outside the field of dyestuffs manufacture . . . the section of the industry making dyestuffs also manufactures an **extensive range of other materials,** including **rubber chemicals, polymers, synthetic resins,** and **finishing agents.** It also manufactures substances required for human and animal medicines and pest control."

For example, Sulfanilamide, first of the "wonder drugs," was synthesized about 1895 in France during research on intermediates for making dyes. Its therapeutic value was not discovered until about 1935.

The United States found itself in almost exactly the same situation at the outbreak of World War I. We were producing less than 10% of our dyestuff needs by weight, and only 5% by value, and furthermore, the small number of United States manufacturers were wholly dependent upon Germany for the intermediates from which dyes are made.

As early as 1916, President Wilson realized how handicapped both Great Britain and ourselves had been because of this lack of organic chemicals, and **urged** that Congress take steps to insure the development of a **strong and self-sufficient industry.** Action was finally taken through the Tariff Acts of 1922 and later of 1930, to encourage the industry's rapid expansion. You know, of course, the part that the organic chemical industry played during World War II. The situation was completely reversed from that of 1914. Now we had many plants scattered through almost the entire country, with thousands of trained chemists, chemical engineers, and more particularly, highly-skilled operators, foremen, and the administrators who were quickly able to gear their production to the manufacture of chemicals that were vital to the war effort.

Without this tremendous reservoir of talent and trained personnel, how could we have built plants so quickly for synthetic rubber, aviation gasoline, explosives, sulfa drugs, anti-biotics, vitamins, insecticides, and above all, atomic energy, to mention only a few of the chemical developments.

If the "American Selling Price" method of assessing import duties is eliminated, the dye industry particularly will suffer serious and perhaps irreparable damage. If it does, this will affect other branches of the industry that supply not only intermediates, but other chemicals — acids, alkalies, solvents, etc. — to the 45 dye manufacturers in this country. If, as we predict, the industry does suffer, the very first effect will be to discourage research and development. Make no mistake in not believing that Research and Development Staffs will be cut. They will. It requires no stretch of the imagination to picture how rapidly this, perhaps the most important of all of the assets of the industry, will disintegrate and disappear. We **know** from past experience that if the basis of valuation of imports is changed from "American Selling Price," which is the **actual** selling price in the markets of the country where lively and keen competition exist — if this basis be changed to export value, or foreign value, or some other basis which leaves it entirely in the hands of the foreign producer, **to manipulate as he finds necessary** — a large segment of our domestic market will be thrown open to the importer. For all practical purposes, there is only one major producer of dyestuffs in England, one in France, one in Italy, three in Switzerland, and according to recent reports, five in Western Germany, all of which have expanded their capacity tremendously since the end of World War II. Japan has a large organic chemical industry, and in recent years, Belgium, Holland, and Sweden have encouraged the formation of large chemical industries. Forty percent of Germany's prewar capacity in East Germany is now behind the Iron Curtain, and this together with the Czechoslovakian, Polish, and Russian producers, constitutes a tremendously formidable threat.

All of these producers are cartel-minded, and have operated their businesses under cartel arrangements for decades. There is no question but that every effort will be made by foreign producers to obtain footholds in our home markets. Recent concessions made at Torquay were only the opening guns in this campaign. At this conference concessions of nearly 50% were made on organic intermediates running into the **thousands.** The results will not be apparent immediately because of the upset conditions of rearmament, but in years to come, the **impact will be terrific.**

It is most significant that in the interest of national defense, every other major producing country controls imports of organic chemical compounds rigidly. These controls are effected either by means of licensing systems, exchange controls, or both. Surely with world conditions as upset as they are today, this is no time for our government to risk our own security.

Secrets of Life Processes to be Probed by Future Chemists

Dr. N. Howell Furman, President of the American Chemical Society, at its Jubilee Meeting, predicts this field of research will absorb much of chemists' work in next 25 years.

Speaking on "Chemistry and the Future" before several thousand chemists and chemical engineers from more than 40 countries a general assembly of the American Chemical Society at the Manhattan Center in New York City on Sept. 3, Dr. N. Howell Furman, Chairman of the Department of Chemistry in Princeton University, and President of the Society, stated that "It is probable that in the next quarter century more chemists will be busy with a study of the chemistry of life processes in plants and animals than with any other general area of research.

Dr. N. H. Furman

"We can look forward with assurance toward the conquering and alleviation of many of our remaining physical ills when the chemistry is more fully understood," Dr. Furman added.

There is reasonable hope, moreover, according to the distinguished chemist, that an important part of animal food requirements may be synthesized in "rather compact photosynthetic factories." He cited the rapid recent strides made with atomic tracer methods in research on photosynthesis, the mysterious process by which plants use sunlight to convert carbon dioxide, and water into the carbohydrates of plant tissue.

In considering the possible accomplishments of coming years, Dr. Furman said, it is essential to realize that "a future along lines that we like to contemplate is dependent on the preservation of our essential freedoms and our way of life." President Truman's special message to the Diamond Jubilee Meeting which stressed this point was cited by Dr. Furman, who declared:

"As much of our productive effort as is needed will certainly be devoted to this end in the years ahead."

We have no choice, Dr. Furman continued, but to "maintain our military preparedness in the atomic energy field until present political and ideological conflicts are resolved or sufficiently eased."

The major emphasis now being placed upon the power output of nuclear reactions is encouraging, and "substantial power from this source for normal uses should come in this century," probably before the Society's centennial in 1976, was the prediction of Dr. Furman, and he added:

"We may expect the uses of fission products to multiply in the solution of problems of chemical mechanism and in the more complete understanding of all surface phenomena.

"We may predict wider use of rare metals and alloys, new uses of minerals and inorganic compounds, and apparently limitless work to be done in the preparation of organic compounds and mixtures. From such efforts will continue to come new 'wonder drugs,' fibers, plastics, coatings, and a host of products that will be useful to agriculture, industry and human health."

An important future problem, Dr. Furman stated in the course of his remarks is that of giving free play to the scientific search for truth without a multitude of constraints in the form of reports and contractual details.

It is also important to train young chemists to cope with problems that cut across broad areas, the speaker continued, noting that individuals devoted to broad areas of science used to flourish in the laboratories of universities, various research foundations and laboratories supported by private means.

"We need to foster ways in which gifted individuals can recapture the broad perspective that some of our early chemists had and their freedom of research pursuits," he declared.

The whole problem of future research is in great measure tied in with the young university scientist, who now finds his salary at "the minimum tolerable level" and his time divided between teaching, research and committee work, Dr. Furman said. Since the young scientist's promotion seems to depend upon volume and quality of his published work, "long-range research cannot be undertaken unless he sees ways to chop up the publication into small bits." Some progressive industrial leaders have seen the dangers involved in this system, and have come to the rescue with fellowships and grants-in-aid, Dr. Furman pointed out, and government contract research also has been helpful, but "a stable and free long-run plan for support of research in universities still needs to be worked out."

It is heartening, Dr. Furman said, to know that many young scientists of excellent qualifications are still willing and eager to embark on careers of university teaching despite the problems entailed.

"As we turn toward the century mark of our society's organization and toward the nation's bicentennial, we are clearly in the critical years—the years of decision as to our essential freedom and our way of life," Dr. Furman declared. "Whether future historians will call this the chemical century, the scientific century, or the catastrophic century will depend in no small measure on the beliefs, the powers and the activities of the groups that are here represented. Let us resolve to use our skills and talents, together with whatever persuasive powers we may possess, toward every constructive action for the future benefit of mankind."

Campbell Director of Can. Bk. of Commerce

TORONTO, Ont., Canada—Hon. G. Peter Campbell, K.C., L.L.D., was elected a director of The Canadian Bank of Commerce, it has been announced. Senator Campbell has been a member of the Canadian Senate for Ontario since 1943 and is senior member of the law firm of Arnoldi, Parry & Campbell of Toronto. He is President of the Federal Commerce and Navigation Co. Ltd. and is a director of a number of other companies including The Confederation Life Association, Crown Trust Co., Maple Leaf Milling Co. Ltd., Massey-Harris Co. Ltd., Stone and Webster Canada Ltd., Toronto Elevators Ltd. and Canadair Ltd. (Canadian subsidiary of Electric Boat Co.).

Forecasts Vitamin Cures for Mental Ills

Texas University chemist tells of possibility of treating numerous obscure diseases by studying specially genetically controlled needs of patients.

Hope for the treatment of mental disease through the diet was held out by Dr. Roger J. Williams, of the University of Texas Department of Chemistry, in a talk before a session of the American Chemical Society's Diamond Jubilee meeting in New York City on Sept. 4, Dr. Williams said that "the possibility of treating numerous obscure diseases by giving attention to special genetically controlled needs is real and may result in at least a minor revolution in the field of medicine."

Dr. R. J. Williams

"Because mental powers," he added, "are in some cases demonstrably correlated with individual metabolic patterns, the study of the latter offers a bridge between biochemistry and psychology and an open door to a better understanding of mental disease and to a probability that nutritional treatment based on individual needs may be developed."

As evidence of at least one ailment that could be traced to diet, Dr. Williams cited alcoholism, which he said "definitely has roots" in the characteristic pattern of an individual's use of food and "has been treated successfully by nutritional means."

Dr. Williams also predicted that "a whole new pharmacology will ultimately have to be developed, based on a recognition of individual metabolic patterns (use of food)." The difference in effect of a particular drug among various individuals is dependent on the individual pattern, he said, and such "individual responses can make the difference between life and death."

"The more useful drugs," he noted in this connection, "are those which have a relatively uniform action; large numbers of chemicals, however, never have been used because they cannot be relied upon to produce predictable results. Even the most uniformly acting drugs, moreover, depart significantly from the 'norm' when aplied to a substantial number of cases."

The efficient use of drugs, he indicated, would require preliminary study of individual dietary need.

Dr. Williams based his conclusions on "the fact that each human individual possesses a distinctive metabolic pattern which is intimately related to his health and other problems."

The existence of these patterns, he said, "is a reflection of the existence of different enzymatic patterns."

The enzymes to which Dr. Williams referred are chemicals which are found throughout the body that carry on the life functions without being destroyed or changed too greatly in the process. Some enzymes, for example, are secreted and digest food in the stomach. Others in other organs can combine basic chemicals in such a way as to form living matter.

It is believed that animals inherit their enzymatic pattern from their parents, he noted, and the pattern of the offspring may be a mixture of that of the parents.

But the existence of different enzymatic patterns for different individuals, he said, is caused not by the "*absence* and *presence* of different enzymes—these are presumably substantially the same in all individuals—but by the variation of relative efficiencies of the different enzyme systems."

"These differences in enzymatic patterns," he concluded, "in turn must make for difference in the need for the various raw materials required for synthesis (body building). The list of nutrients required by a series of human individuals may be identical, yet the pattern of needs may be different from individual to individual."

All this adds up to the fact that diet influences mental and other diseases through metabolic patterns.

N. K. Ransom Opens

Norman K. Ransom is engaging in a securities business from offices at 55 Liberty Street.

Malvern Hill Co. to Be Formed in N. Y. C.

Malvern Hill & Co., Inc., will be formed shortly with offices at 115 Broadway, New York City, to act as underwriters and distributors of municipal bonds. Officers will be Malvern Hill, President; William M. Baer, Vice-President, and D. M. Brackett, Secretary. Mr. Hill is Vice-President of Stranahan, Harris & Co., Inc.

A. B. Wheeler Assoc.

LOUDONVILLE, N. Y.—A. B. Wheeler & Associates has been formed with offices at Colonial Green. Archibald B. Wheeler, formerly with Raymond D. Palmer & Associates, is proprietor.

Yannopoulos Opens

Dino Yannopoulos is engaging in the securities business from offices at 10 East 85th Street, New York City.

Everything in High Gear! —But When It Ends?

By COL. HERBERT G. KING
Member, New York Stock Exchange

Colonel King, reporting on nationwide trip, finds economy in high gear, with the country enjoying a grand spree, but concludes we all know it will end, but when?

All through the trip that I have just completed and which took me across 30 states, the thing most evident was prosperity; never before has it seemed so wide-spread. Everywhere I found great activity; factories working three shifts, business booked to capacity, shortages of critical materials, housing and skilled labor, and people spending money with reckless abandon. The feverish activity was most noticeable in the boom centers where war orders are being filled and in the oil producing states like Texas and Oklahoma, but the acceleration was to be seen and felt everywhere. Indeed, prosperity has really come to many people and they are enjoying it. The question foremost in the minds of everyone and the one asked of me most often was, "How long can it last?" Thoughtful people seemed fearful that it may end suddenly and cause a let-down similar to 1929.

Col. Herbert G. King

The farmers appeared to be very prosperous and were busy harvesting record crops and fattening greats herds of cattle and hogs. Their farm equipment and machinery was all of the latest and improved designs and they were applying all of the scientific knowledge they had acquired to increase the production of their farms. Through their earnest efforts, they are producing the maximum at a minimum of cost and time. This country's great farms are something to behold and one soon understands how this nation has been able to feed the entire world.

The heavy industries are also enjoying a great boom. War orders have them booked to capacity for many months to come. The manufacturing centers are buzzing and war orders are no longer sought because of the great demand for products other than those essential for national defense. What the harassed executives now seek, are raw materials and skilled labor. Labor is enjoying a field-day and confidently expects another wave of wage increases this fall.

Everything is rushing on full tilt and it is the general relief that inflation will go further and that we shall see higher prices. Of course a sudden ending of hostilities in Korea or an internal upset within Russia itself could cause a turn-about-face and throw our economy out of gear. It is so largely dependent upon war orders as a whole that the transition to a peacetime economy would mean a painful readjustment that would be fatal to many marginal producers. However, officials in Washington seem confident that the menace of communism will be with us indefinitely and that our war preparations will have to be kept going for many years to come.

Just how long it will continue is anyone's guess. We all know it will end sometime and probably much sooner than anyone anticipates, but in the meantime, the country is enjoying a grand spree. Many people are indulging in luxuries they never had before and many of the conservative ones are saving more than they ever saved before.

On the political front, I found that everybody feels sure that President Truman will run again and that General Eisenhower will be the Republican candidate. They all think that Taft deserves the nomination but they do not think that he could win. It is the general belief that the magic of Eisenhower's name can place him in the White House. The next few months are going to be most eventful and have a great influence upon the future of this country and they will bear watching.

Boston Investm't Club Dinner Meeting

BOSTON, Mass.—The first dinner meeting of the season of the Boston Investment Club will be held on Sept. 26 at the Boston Yacht Club at 5:30 p.m. The speaker will be Walter K. Gutman, senior analyst of Goodbody & Co. His subject will be "Alice in Wonderland" Economics, a talk on special situations.

Continued from page 6

The View Ahead in Chemistry

made to replace natural fibers, or substances such as rubber, can be made specifically to have certain definite properties, often those which do not occur in the natural materials. This suggestion sounds to me rather like Aldous Huxley's "Brave New World." I'm not sure that I wouldn't rather leave the personality of my descendants to nature than to have it controlled by a State Personality Board.

Chemical Medicaments

Closely allied to biochemistry is the study of chemical substances as medicaments. The discovery of the application of the sulfonamide compounds to medicine about 15 years ago opened the eyes of the world to the possibility of radical changes in the field of medicine, and when this was followed by the introduction of penicillin and then other antibiotics, the practice of medicine was very greatly modified. Certain surgical operations heretofore considered dangerous or even impossible may be performed successfully owing to the recently discovered antibiotics. Operations on the lungs and heart, for instance, might have involved a great risk of infection or contraction of pneumonia. Today such operations are normal risks since the surgeon can protect his patient against many bacteria by the new drugs, but here we are only at the beginning and research in the field is advancing at a very great rate.

Many other types of drugs are being produced; antihistamines, which relieve the sufferer from allergies; hypnotics; sedatives and anaesthetics. So much has, indeed, been done to diminish the pain as well as the danger of childbirth and to ease the suffering of incurable disease that the products of chemistry are literally with us from the cradle to the grave. We are already able to synthesize the vitamins and hormones, so that we can obtain such substances as the estrogens and the cortical steroids. Before long, we should be able to make enzymes and to produce inhibitors to control the action of the enzymes. Before the Society celebrates its centennial, we should be able to understand the nature of the viruses and to control the virus diseases.

Our knowledge of the action of drugs is largely empirical. In the case of the sulfa drugs, it appears likely that they act by competing in reactions in the body with substances essential to the life and growth of bacteria. Undoubtedly before long the action of most drugs will be understood, and their administration will be based upon science rather than on tradition and experience.

Other Fields of Chemistry

Among the many fields of work in pure chemistry which can be foreseen are discoveries to be made in connection with metallurgy, important advances in the chemistry of layers, discoveries which are certain to be made in relation to the kinetics of reactions, and the behavior of catalysts.

There are three ways in which chemical reactions can be achieved. In the traditional method, the starting materials are dissolved in a suitable solvent and then allowed to react, usually with the aid of heat. The process was admirably described by Berzelius' servant when she was asked what her master did. "He puts a lot of stuff in a big flask and he boils it Then he puts it in a smaller flask and he boils it. Then he puts it in a tiny flask and he boils it. And then I throw it down the sink."

Then there are the reactions in the gas phase. In the place of reactors, stirrers, pumps, and a mass of connecting pipes, the chemical engineer erects a set of furnaces in which, at varying pressures and usually at high temperatures, chemicals are transformed into other substances as if by magic. And the whole operation is controlled from a switchboard where operators, usually girls, watch indicators showing the behavior of the equipment and the nature and yield of the product. After I had been through one of these plants, with its row of operators watching the switchboards, I remarked that at last I knew what a chemical engineer looked like: it was a little girl in bobby socks.

The third method of carrying out reactions is the method of the future. We know that the possibility exists because it is that which is used by living beings, plants and animals. When a chemist makes indigo, he starts by oxidizing naphthalene with fuming sulfuric acid, and then he goes through a most complicated series of reactions, crystallizations, purifications, and finally produces indigo. But when a plant makes indigo, it doesn't do any of these things; it just makes indigo. The plants make morphine and other alkaloids, quinine, and rubber, the coloring matter of flowers, vitamins. The plants make the material they themselves use for growing; they transform the carbon dioxide of the air together with water into chemical substances of which we are only just beginning to learn the nature and then into sugars and starches and the cellulose, of which they are mostly composed. How rapidly plants grow and how complex are the reactions that enable them to grow! In the same way, animals produce the chemicals that they need in their bodies, very complex chemicals. ACTH and cortisone, whose preparation in the laboratory is a recent triumph of synthetic chemistry, can be made by any ox or pig. We don't know how they do it, but we shall find out. We shall find out how the plants make chemicals and how the animals make chemicals. We can already begin to guess how they do it. It is almost certainly a matter of catalysis. The classical processes of organic chemistry don't generally use any catalysts at all. Gas reactions require catalysts, but the catalysts are apparently only moderately effective, and the reactions require high temperatures and pressures. Living beings use catalysts, which are so effective that the reactions go directly at normal temperatures and pressures. Before long we shall understand the nature of these catalysts and be able to prepare them, and then we shall be able to make chemicals by the direct methods employed in nature instead of by the complicated apparatus of the chemical engineer.

The Field of Applied Chemistry

Now I must turn to the field of applied chemistry, and looking around this glittering room, my thoughts naturally turn to the subject of clothes. The last 20 years have seen the natural fibers —cotton, linen, wool, and silk—supplemented by new fibers produced synthetically by chemical processes. Today a host of still newer fibers are appearing, almost all of them built up by condensation and polymerization from chemicals derived from the hydrocarbons of petroleum and natural gas. The substitution of these new fibers for the natural materials produced by agriculture is likely to involve grave economic problems. Already we have before us the example of the displacement of Japanese silk by nylon. But in all probability we are facing not a surplus but a shortage of fibers.

As the standard of living improves, the masses of Asia and Africa are going to demand clothing, and as in housing, where people are no longer willing to endure the conditions that they have previously suffered, we shall find it difficult to supply the new demand. If the demand for clothes by the poorer people of the world increases very greatly, we shall be faced with an actual shortage of textile fiber. There will not be enough wool and cotton to make the clothes. I think that if I were to say this to many of my technical chemical friends in this audience, they would say: "Let us make nylon." But that reminds me of the answer that Marie Antoinette gave to the people of Paris when they shouted for bread and she said: "Why don't they eat cake?" The fiber that we require for clothing the masses of the world must not be primarily the best fiber nor the one which we should prefer to make. It must primarily be cheap, very cheap. I have had a vision of vast areas growing some tropical grass or reed giving a heavy yield of cellulose per acre with little cost for cultivation and then of the solution of the broken down cellulose by some simplified process akin to that used for making viscose, so that the cellulose from the grass could be converted into fibers at an extremely low cost.

Chemistry and Food Supply

Perhaps the most serious problem for the chemists of the future is that relating to the food supply required for the ever-increasing population of the world. Fifty-five years ago Sir William Crookes warned the chemists of Great Britain that the world was in danger of starvation from the exhaustion of the nitrate deposits of Chile, then almost the only known source of nitrogen in an available form. That danger was averted by the synthesis of nitrates and ammonia from the air. Since then the progress of technology in agriculture and the use of machinery in cultivation have greatly increased the production per acre and have made available vast new areas for the growing of food.

A great factor in the restriction of population has always been the incidence of disease. When populations become crowded and the supply of food begins to fall, epidemic diseases always occur on a vast scale. The application of chemistry, bacteriology and hygiene to medicine, however, has rapidly decreased the seriousness of epidemics and is now limiting the effect of the endemic diseases, especially in the tropics. The application of chemical insecticides is particularly effective in eliminating the scourge of malaria. Before many years have passed, the insect-borne diseases will have largely disappeared. We cannot fail to rejoice at the reduction in the amount of human suffering and sorrow effected by the progress in hygiene and medicine. But with the decrease in early deaths from disease, the population of the world is increasing at the rate of 22 million people a year, and as the population grows, the threat of famine increases. The problem involves two very distinct branches of science. The control of the birth rate is a problem for the sociologists working with the specialists in public health, but to give them time to do their work the immediate need is an improvement in the production of food, especially in the tropical regions of the world.

The possibilities for the chemist are great. Much of the land has been cultivated with little fertilization until it is exhausted. It requires potash, phosphate, and especially nitrate. Some of the new chemical factories established with American assistance in southern India will show what can be done in this way. Insecticides are most valuable for the control of pests and plant auxins produced synthetically will regulate growth and control weeds. Perhaps we may eventually produce food directly by enzymic reactions or raise a food crop on the oceans instead of the land.

The chemist is by no means alone in this fight. He will be supported by all his scientific brethren and especially by the plant geneticists, who are greatly increasing the productivity of crops, and the phytopathologists, who wage never-ceasing warfare with pests of all kinds. Nevertheless, Paul Mangelsdorf warns us: "The great danger of the next half-century is that global chaos will prevail before man has succeeded either in harnessing solar energy or in stabilizing his own reproductive rate."

These problems, of the global supply of food and clothing, that I have put before you illustrate the responsibility which the chemist must accept for the application of science to the needs of the future. It is, indeed, largely to the scientists that the public is looking for that rise in industrial production which we shall need if we are to maintain our standard of living and to carry the new burdens which we have assumed. It is no longer necessary for us to plead for the support of scientific research by industry or to protest against its neglect, except in quite minor and isolated instances. But the prospect is by no means calm and serene. Our work is in no danger of neglect, but it is quite seriously threatened by the possibility of interference and control.

There are many who feel that scientific work should be planned in detail. In technological work we can plan; indeed, we must plan. But the planning must be done by those who understand the work thoroughly. Some years ago, I rated the ability of different people to plan industrial research, and I may perhaps repeat it tonight: Best of all is the planning of the research worker himself, and next, that of his department head or group leader. After that we can only assess the probable error of the planners. The research director may be wrong half the time; a committee of any kind will be wrong most of the time; and a committee of vice-presidents would probably be wrong all the time. We have much to learn about the organization and direction of industrial research. We shall continue to study its problems and to gain experience in its operation.

But behind our applied research and our technology lies the great field of science, and the advance of science is the hope of mankind. Here we need no direction, and we shall resist any attempt to impose direction upon us. We insist on our right to be free, free not only in our life but in our work, free to pursue our studies and our investigations wherever the spirit may lead us. Man cannot live by bread alone; the function of science is not merely to add to our ease of living. Nourishment, shelter, health and leisure are not ends in themselves. We need a minimum of all of them, but many of those who have raised the human spirit and have made man but a little lower than the angels have lacked the material comforts of life. More precious than these—vital in the true sense of the word—is freedom. In this cause we must all stand united—academic and industrial scientists alike—all who have worn the toga and taken the vows of science.

Darwin Clark Opens Houston Office

LOS ANGELES, Calif.—To provide greater service facilities for its industrial, consumer and financial clients in Texas, Darwin H. Clark Co., one of the oldest and largest advertising agencies in Los Angeles, has opened a Houston office under the direction of Jack Rittenhouse, nationally known agency executive, editor and designer of fine printing. The agency has leased a two-story building at 1103 South Shepherd Drive, Houston, for its Texas operations. The firm's Los Angeles headquarters are located in its own two-story building at 1139 West Sixth Street, Los Angeles, and the two offices functioning together provide exceptional facilities for planning, designing and producing unusually effective advertising. The firm also is the exclusive Los Angeles and Houston member of Transamerica Advertising Agency Network, with associate offices in 15 leading cities from coast to coast.

Jack Rittenhouse for the past five years has been director of technical publications and an account executive with the Clark agency in Los Angeles. Previously he was head of his own agency in Chicago and Executive Secretary of Transamerica Advertising Agency Network. He is a past President of the Southern California Industrial Editors Association and a director of the International Council of Industrial Editors, a member of the Texas State Historical Association, The American Institute of Graphic Arts, and the Zamorano Club of rare book collectors. He is the author of numerous technical, factual and fiction articles, as well as two books, one of which was selected as one of the best western books of 1949.

Bache Inaugurates New Training Program

A program of training in supervisory techniques for Bache & Co. employees is being conducted at the firm's offices, 36 Wall Street, New York City, by Jules M. Graubard, personnel director, starting Sept. 17.

This type of training is in addition to the regular training program for sales personnel and is intended to emphasize the key role of the department heads in the field of improved employee relations. This program is in response to recommendations for such meetings from department heads apparently sensitive to the importance of day-to-day personal relationship with their employees, Mr. Graubard said.

The first series of conferences, to be attended by 18 of Bache's supervisory personnel, will include a cross section of partners, top administrators, department and section heads. Mr. Graubard has had considerable experience in the human relations field, having conducted similar meetings for private industry under the auspices of the Cornell School of Industrial and Labor Relations.

Missouri Brevities

Stix, Baer & Fuller Co. of St. Louis, on Sept. 18 filed a registration statement with the Securities and Exchange Commission covering 216,694 additional shares of common stock, of which 143,400 shares are to be sold for the account of members of the Baer and Fuller families and 73,294 shares for the account of the company. The price of the stock, which is currently selling at between $21.25 and $22.25 per share, will be determined a few days before the public offering which is expected on or about Oct. 9. The issue will be underwritten by a group of investment bankers headed by Goldman, Sachs & Co., New York. The net proceeds to the company will be added to working capital. The common stock, which is currently traded in over-the-counter, is expected to be listed on the New York Stock Exchange.

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Earnings on the application of Guy A Thompson, Trustee of the **Missouri Pacific Railroad,** to pay over $35,000,000 in accrued interest on bonds of the Missouri Pacific and its subsidiary, the International Great Northern RR., will be held by Federal District Court Judge George H. Moore, at St. Louis, on Sept. 28.

The Trustee filed two petitions: one to pay a total of $33,478,575 on MOP first and refunding mortgage bonds including series A, F, G, H and I, in installments every six months, for the period of 1943 to 1946; the second petition was to pay $1,610,000 in interest on first and refunding mortgage bonds of a Missouri Pacific subsidiary, the International Great Northern Railroad, for the same period, including the A, B and C series.

For the Missouri Pacific, the payment would be on bond principal of $232,190,500 and for the International Great Northern on bond principal of $17,250,000.

Mr. Thompson said the earnings of the railroad justify making the back payments and said the payments should be made under three conditions: (1) that the proposed reorganization be finally approved in which case the interest payment should be credited to the cash distribution item in that plan; (2) that if the reorganization is modified or changed, the payment should be applied or credited as may be appropriate in light of the terms that may then be approved; (3) if the reorganization plan is rejected then the payment should be credited as the court directs.

If the court approves the payment MOP and its subsidiaries would still owe nearly $55,000,000 in back interest on first and refunding mortgage bonds.

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The National Gas & Oil Corporation of Shreveport, La., a subsidiary of **Mississippi River Fuel Corporation of St. Louis,** on Sept. 7 filed a registration statement with the SEC covering 900,000 shares of $5 par common stock. The offering will be underwritten by a Union Securities Corp., New York, syndicate and the proceeds will be used in connection with development of gas and oil wells in Louisiana and Texas. At present National Gas & Oil Corp., which was organized in February, 1950, has 900,000 shares outstanding, all of which are owned by the parent company.

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Despite a gain in dollar volume of about $12.5 million, net income of **Flour Mills of America, Inc.,** for the fiscal year ended May 31 was only $311,122 as compared with $612,278 in the earlier period. The increased volume of business, according to President Henry H. Cate, was more than offset by increases in grains, wages and taxes. After allowing for preferred dividends, earnings for the past year were equal to 54 cents per common share, contrasted with $1.25 per common share in the year preceding. Net earnings for the latest fiscal year were augmented in the amount of $68,934 in consequence of a tax adjustment.

Dividends have not been paid on the common stock since July, 1950, because of a provision in the indenture covering the 3¾% first mortgage debt which does not permit payments when the working capital is below $4½ million. As of May 31, working capital was $3,904,159. It was increased by nearly $100,000 during June and July. Through current profits plus sums returned to working capital from depreciation it is hoped a resumption of common dividends will be possible in the near future, Mr. Cate said.

The five-year improvement program has been just about completed and involved the expenditure of $7,290,075. The additions were financed, except for $1,825,334, entirely from earnings. The latest project of the program, the warehouse and bulk storage unit at St. Louis, is scheduled to be completed by Oct. 1.

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Lovett C. Peters, Financial Vice-President, of Laclede Gas Co., St. Louis, on Aug. 30, announced that it has been the company's practice to publish earnings only quarterly when they are released to stockholders and others. A review of policies in the industry indicates that many utilities publish their earnings figures monthly. This company has decided to adopt this practice, beginning with the earnings statement for the 12 months ended July 31, 1951 which showed a net income of $2,870,837 equal to 87 cents per common share. This compared with a net of $2,479,712, or 98¢ per common share for the preceding 12 months period. The number of common shares outstanding increased to 3,039,860 from 2,511,188 a year ago.

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National Bellas Hess, Inc. for the year ended July 31, 1951 reported net sales of $36,617,523 and a net profit of $827,109, or 35 cents per common share, after income taxes, which compares with net sales of $32,099,238 and net after taxes of $668,546, or 28 cents per common share, for the preceding fiscal year. The company's long-term loan, providing for repayments through 1957, was increased from $1,000,000 to $1,500,000 during the year just closed. The company, exercising its option to purchase the main North Kansas City plant at 14th and Swift, took title thereto upon final payment of $237,000; but a 15-year $700,000 mortgage was simultaneously secured from the New England Mutual Life Insurance Co. of Boston, Mass., and at the sale time a commitment for a $400,000 mortgage on the new extension was obtained, from the same company. A substantial portion of the mortgage money has been allocated to finance new equipment for the expanded plant.

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Western Auto Supply Company (Missouri) reports for the month of August sales of $16,127,000 compared with $16,501,000 in August of last year, a decrease of 2.3%. For the eight months to Aug. 31, 1951 sales totaled $103,429,000 compared with $100,048,000 in the corersponding months of 1950, an increase of 3.4%. In August of this year the company owned 266 retail stores and in addition sold to 2,597 wholesale accounts. A year earlier Western Auto owned 268 retail units while wholesale accounts numbered 2,555.

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Sales of **Edison Brothers Stores, Inc.** in August totaled $5,873,654, a gain of 6.48% from a year ago. Sales for the first eight months of 1951 reflect an increase of 5.16% over the same period last year.

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A syndicate headed by **G. H. Walker & Co.,** of St. Louis, recently purchased $2,400,000 St. Louis County, Jefferson Barracks Bridge toll revenue bonds, comprising $1,500,000 2¾s, due on April 1 and Oct. 1 from 1952 to 1961 inclusive, and $900,000 2½s, due Oct. 1, 1965. The County will apply the proceeds to the redemption of the original bridge bond issue which was brought out in 1945 and carrying an interest rate of 3¾%. The lower interest rates on the refunding bonds is expected to result in a saving to the County of $250,000.

Joins King Merritt

(Special to The Financial Chronicle)

JEFFERSON CITY, Mo.—Lacy J. Roberts is now associated with King Merritt & Co., Inc.

With Livingston, Williams

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robert F. Sailor is with Livingston, Williams & Co., Inc., Hanna Building.

Connecticut Brevities

Another unit of the Hockanum Mills at Rockville has been sold by J. P. Stevens & Co. The Daniels Mills is reported to have been sold to **Double B Products Co.,** of Hartford, which manufactures chemical specialties, including floor wax.

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The **Bridgeport Hydraulic Co.** has applied to the Public Utilities Commission for a modification of its December, 1950 order calling for immediate construction of a reservoir dam at Pine Rock. Due to material shortages and the indicated success of wells being drilled, the company does not deem it necessary to construct the dam at this time. At the hearing it was stated that an issue of additional common stock is planned in 1953.

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Hartford Electric Light Co. is calling for payment on Oct. 1 at par and interest $70,000 of its 3% 1937 series debentures. Payment will be made by Hartford National Bank & Trust Co.

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In connection with the program to increase output of machine tools for the defense program the National Production Administration has issued a Certificate of Necessity for 75% of $1,830,090 to be spent by **Niles-Bement-Pond Co.** on purchase of machine tools.

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In the year ended June 30, **The Torrington Company** earned $3.55 per share compared to $3.24 in the previous year. During the year the number of employees increased from about 6,000 to 8,000. Plant capacity is being increased and the total floor space will exceed 1,500,000 square feet when the program is completed. Certificates of Necessity covering about $3,300,000 have been received. It is expected that the expansion will be financed without using outside funds.

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Powdrell & Alexander has sold its plant at Glendale, California, which had been used to produce curtains. As of the end of August the company's backlog of orders amounted to $3,500,000, all for civilian use. During the first six months of 1951, sale amounted to $10,104,407 and earnings to $385,551 or $0.64 a share compared to $0.26 for the similar period a year earlier.

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The annual report of **North & Judd Manufacturing** for the fiscal year ended June 30, 1951 shows earnings of $4.26 per share after a contingency reserve of $1.04 per share. It was stated that a large proportion of sales were the direct result of the national emergency. During the year the company paid additional taxes of $310,328 on prior years income as a result of the former policy of carrying inventories below market value and below cost. The restatement of inventories resulted in an increase of $1,155,361.

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Yale & Towne Manufacturing Co. is spending $2,114,865 to increase production at its electric truck plant in Philadelphia. A Certificate of Necessity has been obtained to cover 75% of the cost.

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Preliminary plans are being made for a second bank in Westport. At the present time the community is being served by **The Westport Bank & Trust Co.** The new bank, which will have an initial capital of $225,000, will be called **The First National Bank in Westport.**

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Bigelow-Sanford Carpet Company has licensed the Roxbury Carpet Co. to produce Corday type carpets under a contract which calls for royalty payments to Bigelow on all carpet manufactred by the patented process. The Corday process, which was introduced several years ago, can be used to weave a wide variety of rugs.

Wall Street Post Installs Officers

Standing on the very spot where George Washington was inaugurated as the First President, a new panel of officers was installed in Federal Hall Memorial Building by Wall Street Post No. 1217, American Legion.

Heading the new slate is Commander Donald A. Raphel, Vice-President of Appeal Printing Co. In his inaugural address, Commander Raphel set the theme for the Legion's new, enlarged program. Highlighting the new program is the formation of a Community Relations Committee designed to serve the financial community and to promote American ideals and institutions.

One of the principal events is the American Legion sponsored Bill of Rights Day, Sept. 25, 1951.

Other officers installed are: Vice-Commanders: Haven R. Sevilla, 1st: Joseph A. Fischer, 2nd; Mildred L. Bodnar, 3rd. Claplains: Rev. John L. Cunningham and Asst. Dan Jordan Masin. Executive Committee: John J. O'Kane Jr. (John J. O'Kane, Jr. & Co.), P. C.; Alfred W. Miller. P. C.; George A. Searight (Eisele & King, Libaire, Stout & Co.), P. C.; William F. Scanlan, P. C.; Richard Hettler, P. C., and Dan Jordan Masin.

Joins A. M. Kidder Co.

(Special to The Financial Chronicle)

FORT LAUDERDALE, Fla.—Ephraim Banning IV is with A. M. Kidder & Co., Fort Lauderdale National Bank Building.

A. M. Kidder Adds

(Special to The Financial Chronicle)

SARASOTA, Fla.—William O. Corbin has joined the staff of A. M. Kidder & Co., 203 South Palm Avenue.

With Waddell & Reed

(Special to The Financial Chronicle)

FALL RIVER, Mass.—Ernest W. Borden is with Waddell & Reed, Inc.

Vast Expansion Forecast for Chemicals Derived from Petroleum

Dr. Wayne E. Kuhn, of The Texas Company, expresses optimism on petro-chemical future, but warns, as a young, growing industry, it is full of hazards and not a touchstone for profit.

Addressing the annual meeting of the National Petroleum Association in Atlantic City on Sept. 13, Dr. Wayne E. Kuhn, Manager of the Technical and Research Division of The Texas Company, pictured a vast expansion in the immediate future for chemical products derived from and related to the petroleum industry.

Dr. Wayne E. Kuhn

Looking to the decade ahead, Dr. Kuhn stated: "The present rate of expansion probably will not slacken for some time to come. Petrochemistry has grown from a 350-million-dollar industry to one of one-and-a-quarter billion dollars in just ten years. It has come of age, but it is far from mature. By 1962 it should assume its permanent position in the expanding field of synthetic chemicals.

"Today," he continued, "about 25% of all chemicals being made in the United States are petrochemicals. During the next decade the figure will increase to more than 50%."

This relatively new American industry which produces chemicals from oil field and refinery gases will be worth more than $5 billion ten years from now and its production will have increased from today's 16 million pounds annually to about 64 million, Dr. Kuhn estimated.

Predicting increases in production up to 1,000% by 1962 for some of the cinderella chemicals which provide the raw material of most synthetics, Dr. Kuhn foresaw a decade of continuous expansion for the amazing petro-chemical industry.

However, Dr. Kuhn sounded a note of warning to the assembled oil men, regarding some aspects of future developments.

"It is a young, growing industry, full of hazards—it is not a touchstone for profit," he warned the group.

Dr. Kuhn pointed out that "The petro-chemistry industry, whether it be the ethylene derived-chemicals part of the industry or the industry in its entirety, by reason of its spectacular progress has a singular allure for the individual, the group, or the already existent company contemplating entry into or expansion of the field. However, there are various caution signs—many of which are obscure—which should be carefully observed. It will be useful and enlightening to examine some of them and to weigh their implications."

Continuing, Dr. Kuhn stated: "The implications apply, of course, in greater or lesser degree according to particular circumstances. But, on the basis of a variety of data presently to be shown, it is clear that enthusiasm must be tempered with caution when the critical decisions are being made which will commit a new entrant in the petro-chemical field to initial major investment.

"There is no assurance that the enterprise will be profitable: petro-chemistry is a young, growing industry full of hazards—it is not a touchstone for profit. The careful, studied approach is especially recommended for the individual or group schooled only in petroleum technology. In the latter field, the traditional thinking is oriented to moving a large volume of products which, by their nature, are quite unlike purified chemicals.

"The processing of purified chemicals is governed by severe restrictions—physiological effects, toxicity considerations, safety requirements, international chemistry standards, innumerable legislative controls and so on—and by the demand for an endless variety of grades of products required by the chemical market. Thus, between the petroleum and the chemical industries there is a fundamental difference of thought.

"The first caution sign for the newcomer is that of investment requirements. It is true that there would be little difference in investment costs if the chemical plants were as large as our refineries. In major refinery equipment, it is recognized by everyone that with increased size the investment cost per barrel thru-put drops significantly. In general an eight-fold increase in size of essential refinery equipment would reduce investment costs per barrel thru-put by 3. A review of equipment sizes in petroleum refining and in chemical industries as well as other like comparisons seems to indicate that the average petro-chemical installation is about ⅛ of the size of the average petroleum refining equipment. On this basis, due to size, the comparative investment requirements per barrel in the petro-chemical industry are about three times those in the petroleum industry."

Robert Janshoff Joins Dean Witter & Co.

Robt. W. Janshoff

CHICAGO, Ill—Robert W. Janshoff has become associated with Dean Witter & Co., 141 West Jackson Boulevard. Mr. Janshoff was formerly Trading Manager for Otis & Co. in Chicago.

Charles A. Frank

Charles A. Frank passed away at the age of 88 at his home in St. Petersburg, Fla. Mr. Frank who was First Vice-President of the Broadway Savings Bank was a senior member of Charles A. Frank & Co., investment firm, until 1942 when he joined Delafield & Delafield.

Slight Decline in August Construction

F. W. Dodge Corporation survey, however, holds 1951 will see peak in construction contracts.

Construction contract awards in the 37 states east of the Rockies showed slight decreases during August as compared with July, this year, and with August of last year, but the eight-month total for 1951 was a strong 17% ahead of the corresponding period 1950.

F. W. Dodge Corporation, construction news and marketing specialists, report that the huge construction volume piled up in the early months of this year is keeping 1951, so far, on top as a record building year.

With but four months to go till the end of 1951, the eight-month total of $11,450,750,000 is pressing closely the $14.5 billion total for the entire year of 1950. In August, contracts amounting to $1,262,811,000 were 8% less than July and 18% lower than August, 1950. Non-residential awards in August were $475,957,000 or 11% below July and 12% lower than August 1950.

Residential contracts of $567,566,000 were 4% higher than July but 25% lower than August a year ago. Public and private works and utilities at $219,288,000 were 26% less than July and 14% below August, last year.

Eight-month totals compared with eight months 1950 were as follows: Nonresidential, $5,079,135,000, up 52%; residential, $4,439,437,000, down 5%; public and private works and utilities, $1,932,178,000, an increase of 7%.

Canadian Securities

By WILLIAM J. McKAY

Only a few years ago many recent spectacular Canadian developments were merely ambitious predictions of a few close observers of the Canadian economic situation. It was confidently anticipated for example that Alberta would eventually rival the State of Texas as an oil-producing area. Since the 1947 Leduc discovery, this possibility which was previously considered to be highly remote is now generally accepted to be in the realm of probability. Similarly not long ago commercial development of the iron-ore of Quebec/Labrador was considered to be a project realizable only in the far distant future. Now it is clearly established that this area will eventually become one of the world's main sources of supply of this essential metal.

In the same category as these two outstanding situations that have already immeasurably broadened the Dominion's economic horizons there still remains a long latent project that is just beginning to receive serious attention—the development of the fabulous Athabasca oil sands. This geological freak of nature as a result of volcanic upheaval and glacial erosion has left exposed a vast oil-pool on the surface of the earth. Instead of extensive blind drilling to determine the location and extent of deposits it is possible by visual survey and shallow excavation to determine the limits of this extraordinary reservoir of oil deposits. The present estimates of their extent range from 1,500 to 30,000 square miles. United States experts have placed the amount of ultimate reserves in this area at the fantastic total of 100 to 250 billion barrels. In order to commence to appreciate the tremendous importance of these figures it is only necessary to consider that the proven Canadian reserves are now only 1.3 billion barrels and the total known resources of the entire world are less than 100 billion barrels. Thus if present plans are consummated Canada can ultimately become the world's major source of oil supplies. In addition of course the current $200 million exploration program in other parts of Western Canada will certainly produce further contributions to the Dominion's output.

World events however point up the necessity for the Western world to develop in the shortest possible time additional oil reserves that will be less exposed to adverse political influences. No country outside the United States is better situated in this respect than Canada. Moreover following the construction of the requisite pipe-lines the Dominion ultimately will be in a position not only to furnish its own needs but also to supply adjacent states south of the border. The problem of transport from the oil sands area appears to be relatively simple. At the present time a pipeline of about 250 miles is envisaged that would enable the oil distillate to be conveniently delivered in Edmonton, the Dominion's oil refinery and pipe-line center. In addition to the tremendous potential value of the oil content of the sands it is believed that they will also yield sufficient sulphur to satisfy a large proportion of the requirements of the pulp and paper industry. Furthermore recent research has indicated that the waste sands remaining after separation of the oil will furnish commercial quantities of rare minerals among which the highly strategic alloy metal vanadium is attracting especial attention.

In view of the vast potentialities of the Athabasca oil sands project the Alberta Government has taken the commendable initiative in inviting technical experts from the United States, Britain, France, and Latin America to discuss the possibilities of early commercial exploitation. Representatives of the Anglo-Iranian Oil Co., have already studied the question and have submitted their findings to the British Government. There is little doubt therefore that after remaining dormant for over 30 years since their possibilities were first recognized, an ambitious scheme will soon be announced to turn this huge economic asset to commercial account.

Looking back a mere 10 years in the light of recent events the dramatic economic progress made by Canada has exceeded even the most optimistic prophecies. Until recently the tremendous promise of Canada's mineral-rich Laurentian Shield, the potential and natural gas oil reserves of the Prairie provinces, and the almost limitless water-power resources which permit the growth of the largest aluminum industry in the world, received scant recognition either at home or abroad. Today in view of the epochal economic developments that are taking place in rapid succession the belief is generally held that Canada is now at a stage of dynamic economic expansion similar to that experienced by this country 40 years ago.

During the week interest in the external section of the bond market was largely confined to the new $50 million Ontario issue. The recent spate of Canadian flotations in this country will shortly be augmented by new loans to be raised by the Provinces of Nova Scotia and Quebec. The internals were steady in sympathy with the firm tone of the Canadian dollar which was little affected by the recent sudden weakening of sterling. Although a further devaluation of the pound offers no solution to the present British economic difficulties, even in the event of this improbable step the Dominion currencies, and in particular the Canadian dollar and the Australian pound are not likely to follow suit. On the contrary both countries would probably seize the opportunity to make an upward adjustment of their currencies viz-a-viz the United Kingdom pound. Stocks were generally buoyant with U. S. and European demand still strongly in evidence particularly for oil, base-metal, and raw material development stocks, but the recent enthusiasm for the gold issues was dampened by the U. S. Treasury statement that there was no intention of paying more than $35 per ounce for the metal.

N. Humphries With Wm. C. Roney & Co.

Norman Humphries

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Norman D. Humphries has become associated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges, and other exchanges. Mr. Humphries was formerly associated with the Keystone Company of Boston for many years.

Edward Ryan V.-P. of Boston Fund

BOSTON, Mass.—The directors of Boston Fund, Inc., 111 Devonshire Street, announce the election of Edward F. Ryan of Manchester, Mass., as a Vice-President of the Fund.

A former member of the firm of Ryan & McManus, members of the New York Curb, Cleveland and Chicago Stock Exchanges, Mr. Ryan became associated with Boston Management & Research Co., investment adviser of Boston Fund, in 1949.

The other principal officers of Boston Fund, an investment fund with redeemable shares and assets of over $70,000,000, are Henry T. Vance, President; Robert L. Osgood, Vice-President; and Evan V. Shierling, Treasurer.

Continued from page 13

The Gold Mining Industry in Canada

country. That the gold industry survives at all is a tribute to the qualities of doggedness and faith possessed by the builders of our mining empire.

Just one more comment on assistance before proceeding with my remarks. I stated earlier that the form in which "cost-aid" or the "dole" is mainly given is to say the least unpalatable. I don't think I need enlarge on this statement but would like to give you just a few more figures to illustrate one undesirable aspect of the situation resulting from "cost-aid."

The basis of "Emergency Assistance" is to provide payments against increasing costs. Its implementation was motived, no doubt, by the act of fixing the price of gold in the face of rising costs and limitation of available markets.

The method of payment however involves a sliding scale of aid based on rising ounce costs, hence the loose reference to "marginal" mines.

The maximum rate in 1951 is paid to mines with ounce costs of $42.75 or over such that at $37 gold, mines with costs of $42.75 per ounce would just break even on operating costs. With costs of $37 assistance payments would be $3.75 per ounce, but at $22 costs the assistance payments are nil. These figures are based on equal production in the base year and the designated or assistance year.

The effect of such a system is to move in the course of time all mines from the class of no assistance to the "marginal" group. No mine, even the most profitable, can continue indefinitely to absorb ever increasing costs against fixed selling price. In all cases ever increasing tonnages of lower grade ore are being converted into waste rock through rising costs.

An examination of the figures applicable to gold mines in Canada with costs of $30 per ounce of less, over the three years of assistance, 1948-1950 inclusive, is of interest in this regard. The following tabulation illustrates the trend:

Diminishing Proportion of Canada's Gold Produced At or Below $30 per Ounce Costs

Year	No. of Mines with costs at or below $30	Production Ounces	Total Canadian Production Ounces	% of Total Ounces produced at or below $30 costs
1948	27	1,585,000	3,529,000	45
1949	24	1,682,000	4,123,500	41
1950	17	1,368,000	4,443,000	31

"Dole System" Inadequate

From these figures it is seen that with gold at $35 per ounce only 17 gold mines in all Canada would have operated in 1950 with a margin of $5 per ounce or better. It is apparent that in the short space of three years from 1948 to 1950, 10 additional mines accountable for 14% of the total gold production of the country, have been moved out of that group into that less secure class showing a margin of $5 or less per ounce between costs and a $35 gold price.

As well as being inadequate to meet the situation, Emergency Assistance as presently practiced is moving the whole industry into the "marginal" class or beyond. As in the case of all "doles" it is further tending to pauperize the business of gold mining and destroy its initiative.

At this point let me hasten to say that I have no desire to be simply destructive in my remarks. I believe, and the facts will show, that "Emergency Assistance" has done a real job in keeping alive a considerable number of mines which would otherwise have succumbed years ago. On an emergency basis and as a temporary expedient it has been effective in this regard.

While I have no knowledge of the government's view in the matter, I think the year-to-year basis on which it is presently being carried on is indication enough that the Dominion Government does not for a moment regard it as any permanent measure to deal with the situation. Pronouncement by cabinet ministers and others from time to time support this view.

In the circumstances I think you will agree with me that no government would have gone to this effort and the expense necessary to institute and keep going "Emergency Assistance" for four years unless it had in mind that the situation was indeed a temporary one and one that could be corrected or would correct itself in time.

The great difficulty with the industry is that time is running out and the situation is becoming more and more desperate.

How Situation Can Be Corrected

What then can be done to correct the situation?

Persistently since 1947 the gold operators of Ontario and Quebec, who produced in 1950 some 80% of Canada's total gold, have represented to the Dominion Government the desirability and indeed the necessity of lifting all restrictions against the price and marketing of our gold.

In December, 1950, the gold producers of Ontario together with those from other provinces, waited upon a committee of the Dominion Cabinet and made still further representations, mostly in the form of briefs.

The brief of the Ontario operators contained the following:

"We submit firmly and in the full belief that we know the business whereof we speak, that the only real cure for the gold-mining situation today is an increase in the price for the product commensurate with the increase in costs of labor and supplies to which gold mining, as every other industry, has been subjected.

"How this is to be brought about we are unable to suggest at the moment. We are bound to accept that Canada cannot perhaps act alone in the situation in that the market for gold is international and agreements are not to be lightly broken in these troublesome times. We submit, however, that the rights of the smaller nations, the producers of gold, have not been properly recognized in the move to hold gold as a product for international control and benefit.

"We urge that the Government of Canada join forces with the Government of South Africa in pressing on every possible occasion for a removal of the handicap to gold mining brought about by the present economic measures and urge in the meantime adequate compensation to the gold-producing countries and the industry in those countries for the financial handicap they alone have been forced to assume.

"*In the interim*, we respectfully submit that the temporary measures proposed for 1951 will not be sufficient to avoid a great deal of hardship and that some measures be taken now to at least ease the situation."

The interim measures suggested were:

(1) The extension of the Emergency Gold Mining Assistance Act for a further period and to include coverage over a greater proportion of the ounces produced.

[NOTE—The period of the Act was extended for one year (1951) and the number of ounces on which payment is to be made increased from one-third to one-half.]

(2) That the administration of the Act be carried on with a broader interpretation as to what constitute costs.

(3) That the base rate of 50% depletion previously allowed to gold mines and their shareholders be restored.

(4) That Canadian mines be given the same privileges of selling a substantial portion of their product on the limited market for "industrial and artistic" gold as has been enjoyed by South African gold mines for nearly two years.

As to item 4, repeated advances on the part of the industry are met with repeated refusals on the grounds that:

(1) The whole question of gold marketing is under study by the International Monetary Fund whose report is not yet ready.

(2) The market for this gold has improved a little, but is not going to be so good in future.

(3) The benefit which the industry might obtain from such sales would not be as great as already being provided for them under Emergency Gold Mining Assistance.

In this regard the inference that the privilege to sell all or a portion of the Canadian production of gold on the industrial and artistic markets available in part to South African producers was suggested *as an alternative* to Emergency Gold Mining Assistance is *incorrect*. The request put forward by the industry clearly suggests this *and* the other three adjustments or arrangements detailed above, as *interim* measures pending a proper and complete rearrangement of the position of gold which can only be brought about in our opinion by joint action of several governments.

The industry does not recognize this "industrial and artistic" market as a "free" gold market, indeed, it is quite a restricted market in so far as price and distribution is concerned, and while substantial and growing in volume has its limitations in both respects.

The free market which is spoken of in the industry involves the complete lifting of restrictions throughout the world on sale, ownership and movement of gold.

Canada's total gold production in 1950 was some 4,430,000 ounces, of which approximately 4 million ounces came from gold mines and placer operations, the balance being from our base metal operations as a byproduct.

With similar privileges in effect here as in Africa, whereby 40% of our gold would be made available for sale on this industrial and artistic market, 1.6 million ounces could be disposed of at say an advance in price of $4 per ounce for a total of $6.4 million (U. S.). This would mean just about $1.50 per ounce additional income spread over our total production.

For the first part of 1951 the price of gold received by our mines under the free Canadian dollar has approximated $37 Canadian per ounce. In 1950, the price up until October was $38.50 per ounce, a loss of income of $1.50 per ounce.

With assistance in 1951 being paid at approximately the same total, $10.5 million, as in 1950, such added income as might be derived from "industrial" sales would just about balance the loss suffered by the mines from the reduced selling price. Assistance plus premium sales would simply have the effect of maintaining for the gold mines their 1950 position in so far as income is concerned. Increased costs being experienced would still have to be absorbed.

Mr. Chairman, in conclusion, I would say that the gold producers of this country feel that the facts of the situation in which the gold industry finds itself and the future poor outlook for that industry if present restrictive measures are maintained, should be made clear to all Canadians, whether directly interested in the business or not. I have tried to make these things clear and can only urge that you should concern yourselves in the matter. I believe that "industrial" sales and any other measures that will ease the situation in the meantime and pending that final adjustment of conditions economic, to which we all look forward, should be provided for. I particularly like the idea of industrial sales because it costs the Canadian taxpayer nothing, and its benefits accrue equally to all production with no strings attached.

Beer & Co. Offers Leon Land & Cattle Co. Stk.

Beer & Co. of Dallas, Tex., are offering 260,000 shares of common stock (par 10 cents) of Leon Land & Cattle Co. (a Texas corporation) at $1.15 per share.

The net proceeds will be used to pay off a vendor's lien note of $210,000 and to reduce by $40,000 the shorter-term improvement-loan indebtedness. The remaining $10,000 will be added to working capital.

The Leon company, organized on July 17, 1951, has acquired by purchase an extensive ranching and farming business formerly owned by Leon Farms Corp. near Leon Lake, five miles west of Fort Stockton, Texas. It owns in fee approximately 10,015 acres of land, of which about 3,000 acres are now being irrigated and cultivated.

At Aug. 20, 1951, there were issued and outstanding 740,000 shares of common stock.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — John M. Christoffersen is with Walston, Hoffman & Goodwin, 621 Southwest Morrison Street.

Joins Robert Baird

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Donald H. Windfelder is with Robert W. Baird & Co., 110 East Wisconsin Avenue.

Trial and Error in the Field Of Mortgage Financing

By WILLIAM A. MARCUS*

Senior Vice-President, American Trust Co., San Francisco

Asserting Federal Government is now on trial for home financing, West Coast banker sees program greatly complicated by rules, regulations, controls, rival agencies, conflicting fiscal policies and confusion of thought. Calls Housing Acts of 1948, 1949 and 1950 inflationary, and says drop in price of Federal bonds, following unpegging, caused switching from mortgages to U. S. obligations, and thus created scarcity of funds for home financing. Calls for interest rate changes on V.A. and F.H.A. loans to compensate for increased yield on U. S. bonds.

We, in the West, are still considered by many to be pioneers. So, it seems to me to be an opportune time to briefly speak to you of this pioneer State, mentioning some of its accomplishments and some of its problems in the fields of home construction and mortgage financing. Perhaps a clearer understanding of the geographical, climatic, financial and even political differences between one area of the nation and another may lead toward a solution of today's mortgage problems now being shared by lenders, builders, borrowers, and the government.

William A. Marcus

For over 100 years, since the gold rush days of 1849, men and women have been attracted to California by its mild climate, its beaches, mountains and fertile lands, its forests, mines and streams, the opportunity both to work and play, to produce and save, and to share in the ownership and development of this Golden State. Notwithstanding the steady influx of people who brought their worldly goods with them and not withstanding the production and thrift of its growing population, never during its history as a state has the accumulation of wealth in California been sufficient to take care of its need for funds with which to extend railroads, build power plants, erect homes, factories and warehouses, and to fully expand its agricultural and commercial activities.

Just as people from other states and from other nations have been attracted to California, so capital from outside of its borders has sought and found entrance to this state, where greater opportunities for financial gain were offered than in the older money centers of the world. In the early days, bond issues on its larger projects were financed by British and Continental European capital, later on by banking houses and investment firms of New York and other financial centers within the United States. Still later, insurance companies and others interested in mortgage investment loaned substantial totals on both urban and farm properties. Meanwhile, the state grew in population from less than 100,000 in 1850 to a half million in 1870, to a million and a half at the turn of the century, to three million at the start of World War I, to six million just before World War II and to 11 million today. Its banks grew from $100 million resources in 1870 to $400 million in 1900. In the next 25 years their assets increased almost tenfold to $3.5 billion and jumped to $15 billion in the period between 1925 and 1950. Its Savings and Loan Associations, born shortly before 1900, have in this half century built up resources of $1.5 billion.

But, still more funds were required to meet the needs of this growing state. The mortgage investments of banks in California reached a total of $2,700,000,000, as against time deposits of $5,900,000,000 at the close of last year. The Savings and Loan total was $1,300,000,000 of mortgages against slightly larger total resources. Meanwhile, insurance companies are currently lending over $1.5 billion against mortgages on California property.

More Capital Required

It is estimated that an additional $500 million from other sources outside of California is invested in California mortgages. In other words, while California's banks and Savings and Loan Associations show a present capacity and willingness to invest $4 billion in mortgages there has been room for an additional $2 billion to come into this state for mortgage investment. California's need for mortgage funds is not being filled today.

During the past century free enterprise flourished, capital as well as labor received a fair reward for its industry, the natural laws of supply and demand more often guided the economic destiny of California than state or federal edicts or controls. Imperfections in the free enterprise system were often in evidence but one by one they were eliminated as the state and nation developed and acquired experience. Californians have learned much through trial and error.

One of the recognized weaknesses of the financial structure was the pattern of mortgage lending up to and including the banking holiday of 1933. Prior to that time the majority of new homes were financed under a system (if you call it such) of first, second, and sometimes, third mortgages. the purchaser would give the bank or other lender a first mortgage on his property, written on a one year flat basis, expecting it to be carried for an additional three or four years before renewal. He would give the builder a modest down payment and sign a substantial second mortgage at a high rate of interest and requiring heavy monthly payments. The system called for frequent renewals of notes with attendant heavy costs. The holder of the first, or second mortgage often would demand payment at maturity, sometimes forcing refinancing of the obligations when the mortgagor could least afford additional expenditures. All too frequently the owner was unable to refinance his debts and the second mortgage holder took over the property by deed or foreclosure.

The FHA Program

So, when the National Housing Act was passed in 1934 inaugurating the Federal Housing Administration and introducing the long term single mortgage loan plan, Californians were among the first to give it a cheer and immediately encouraged borrowers to apply for loans under its provisions. The plan went over well and California led all other states in the volume of Federal Housing loans, at all times accounting for over one-sixth of the nation's insured loans on single family dwellings. The figures are impressive—over 400,000 Federal Housing loans totaling $2¼ billion, have been made on California homes.

Among other of its good points, California lenders saw in the FHA system the advantages of having uniform measures of value, standard methods of appraising, similar documents for FHA loans made in different states, and a mortgage insurance program that would give marketability to a very important segment of investments which up to that time lacked an open market.

True, many lenders looked with suspicion upon the Federal Government entering this field, fearing firstly, ill effects on those lenders who would merely lean upon the crutch of government insurance, secondly, the possibility of Federal control of interest rates and the sponsorship of loan terms based on untried experimental ideas of social welfare; and, thirdly, the expansion of the government into the whole field of residential construction and home financing.

Within the first year of operation 5,000 lending institutions throughout the nation measured these risks and decided to support the FHA program along the lines of its original concepts. These mortgagees had faith that the free enterprise system would prevail and that regardless of which political party might be in power, sound economic practices would be observed to the end that the thrifty whose funds were invested in mortgages might receive a fair return for their industry, while borrowers were safeguarded from paying unduly high rates or subjecting themselves to unnecessary hazards of foreclosure, and above all that artificial barriers would not be set up to prevent the full action of sound economic laws.

Government on Trial

Just as we in California have lived and learned through trial and error, in the home financing field from 1849 to 1935, so it seems to me that the Federal Government is now on trial for its experiments in this field for the past 15 or 16 years. I am not one to say that the nation has not benefited from the experiments. Nor am I willing to say that the present guaranteeing, insuring, or lending policies of the Veterans Administration, the Federal Housing Administration, or the Federal National Mortgage Association, are in the best interests of the entire economy of the nation. I do not plan to fully explore these questions as they undoubtedly will be discussed by others on your program. But, as a Californian, I want to restate a few of our problems and then to point out what has happened and what is happening to our builders, our lenders, and to home buyers by reason of: (1) Interest rates set at unrealistic levels by the government; (2) Passage of the Housing Act of 1950; (3) Change in the government's fiscal policy regarding its bonds; and (4) Substantial withdrawal of institutional lenders from the private secondary market for government insured and guaranteed mortgage loans.

Our problems today are much the same as they have been during the past century, but greatly complicated by the Federal Government's rules, regulations, controls, rival agencies, conflicting fiscal policies and confusion of thought. In California we have 7% of the nation's population. By reason of this state's growth, both under peacetime and wartime conditions, we must build yearly between 15 and 20% of all the new residential units in the United States. We must have capital to supplement our own if we are to do this job. Private capital is willing to come to this state if it is permitted to receive a fair return which must be equal to what it would earn at home. The bulk of this capital in the past has been furnished by institutional lenders, notably the insurance companies, who for the most part must pay agents a fee for taking care of the many details of servicing mortgage investments within the local areas. Mutual savings banks of New York and New England have recently been empowered to invest in FHA and VA loans beyond the borders of their states. But they must also pay a servicing charge on out-of-state loans, which naturally cuts the yield on these investments below the yield on "over-the-counter" loans if the interest rate is the same.

Dearth of Mortgage Money

Most of California's problems in the home mortgage field are national in character and are well understood by all of you. But there is a particular problem in California, shared by other states, principally in the West and Southwest, where accumulated dollars are not sufficient to provide mortgage funds for building requirements. Our problem is reversed in New England and New York where savings funds have accumulated faster than the demand for mortgages to build homes in their local communities. These funds are entitled to employment in areas of need, to the great advantage of all sections of the country.

This problem of providing a free flow of investable funds from one section of the country to another can be greatly aided or greatly harmed by state and Federal lawmakers and by those given the responsibilty of administrating the laws after enactment. Californians during the past three years have frequently pointed out their particular problems, which really are the problems of the entire nation, to Congressmen and to the administrative heads of the agencies concerned. Long before the Korean War and long before Regulation "X" and related VA and FHA credit controls were thought of, we in California could see the coming shortage of mortgage money due to the unrealistically low rates of interest set by the government. We had a preview of what was to come when the Federal Reserve Bank partially withdrew its support of government bonds and when both the Federal Reserve Board and the Treasury Department took further steps at the end of 1947 to put the brakes on inflation, even then running rampant.

Return Inadequate

With the drop in the market price of government bonds which followed that action and with the corresponding increase in yield, insurance companies and other large investors withdrew from the market for government-insured or guaranteed loans and, as far as 4% VA loans were concerned, remained out of the market for the greater part of two years until conditions readjusted themselves. Meanwhile, California institutions for the most part financed builders of homes for veterans on the combination FHA-VA 505(a) loan plan which enabled capital to earn about 4.4% as against the 4% VA rate and did attract a certain amount of needed outside money. We had pointed out to the Veterans Administration that borrowers under this plan would be paying 4.8% interest, including mortgage insurance, instead of what we thought would be a fair rate of 4½%. So, when Congress authorized an increase of rate to 4½% in 1948 we were surprised and disappointed that the Administrator of Veterans' Affairs and the Secretary of the Treasury failed to exercise that authority. As a result, the veterans paid more for their loans and the secondary market continued spotty. Heavy charges for building and financing veteran homes were made by some "in and out of the market" builders and lenders and the resultant unwanted 4% loans were dumped into the government's Federal National Mortgage Association.

Scores Federal Agencies

Meanwhile, despite President Truman's repeatedly stated desires to combat inflation, his party leaders and others in Congress were pouring in more and more inflationary bills such as the Housing Acts of 1948, 1949, and 1950. Like many other omnibus bills, those Acts contained some helpful measures entirely offset by the more harmful ones. For instance, the one practical formulae of taking care of veterans' loans in California, in the absence of a private market for VA 4% loans was the combination 505(a) loan. Congressmen knew its importance in areas of great housing need—but what did they do about it? Why, they killed it in the "Housing Act of 1950," and in the same Act they stated: "either private lenders will lend at a 4% rate or the government will," and then proceeded to appropriate $150,000,000 for that purpose. That is just one illustration of many which could be given to show the lack of coordination between the Executive and Legislative branches of the government, between the administrative heads of the bureaus concerned, and the failure to recognize the working of economic laws.

Let's skip the October, 1950, period of Regulation "X" and the related controls of VA and FHA, remembering, however, the inexcusable huge number of veteran loan exemptions that were permitted to get under the wire. We, in California, were not worried by regulations to control credit; we knew that the excesses of 1950 would shorten the supply of mortgage dollars irrespective of credit controls.

Let us look at what happened on March 3 of this year, when by accord between the Treasury Department and the Federal Reserve System the new 2¾% non-marketable bond was offered in exchange for the restricted 2½% issues and the Federal Reserve System withdrew its market support of government bonds.

The price of all government bonds fell, the 2½s dropping to 2 or 3 points below par. High-grade corporate and utility bonds moved in the same direction and the yield on both government and corporate bonds rose accordingly. This natural result must have been foreseen by government economists. Likewise, they must have known that the market for government-guaranteed and insured loans would soften and that many former investors in FHA and VA loans would seek bond investment if the net yield on bonds looked better than that on mortgages. Furthermore, they must have known that the movement of any sizable block of 2½% government bonds into he 2¾% non-marketable classification would largely stop the switch from government bonds into mortgages. Consequently, it should have been apparent that there would be less money available for mortgage investment than formerly and that the reduced amount would have to compete with other investments now automatically made more attractive. But no effort was made to coordinate the acts of the Federal Reserve System and the Treasury Department with those of the Veterans Administration or the Federal Housing Administra-

*An address by Mr. Marcus before 38th Annual Convention of the Mortgage Bankers Association of America, San Francisco, Calif., Sept. 11, 1951.

tion to the end that simultaneous rate action might then have been taken on VA and FHA loans to compensate for the market dislocations caused by the change in fiscal policy.

We have struggled through six months of confusion and uncertainty, yet no remedial steps have been taken by the government to correct the situation created by it.

These are just a few sketchy comments on our mortgage problems. They are made to invite your thoughts and action particularly as you are now meeting in the state which accounts for one-sixth of your business. I want to say emphatically that these comments are not made as a personal criticism of the individuals heading the departments concerned and who are endeavoring to administer their responsibilities according to the laws enacted by Congress. Many of those gentlemen are our guests here and I am proud to number them among my friends. Nor are these remarks an appeal for higher rates or more funds for the benefit of California's lending institutions. On the contrary, we are mindful of the need of full support of sound programs that will retard inflation and strengthen the defenses of our country even if loaning activities are thereby curtailed. The welfare of California's home builders and buyers, of merchants and farmers, and of bankers and industrial workers is inseparable from the welfare of the entire nation.

Your convention program is a full one, and the next few days will give you much to think about. Nevertheless, I ask you to study these five problems during your stay here and during the ensuing months:

(1) How to provide a satisfactory yield on VA and FHA loans in the West and Southwest when sought by New York and other eastern mortgagees in competition with their local "over-the-counter" rates.

(2) How to bring into closer harmony the practices and philosophies of the Loan Guaranty Division of the Veterans Administration and those of the Federal Housing Administration.

(3) How to show the various veteran organizations that a sound economy is of greater importance and less costly to their members than a preferential interest rate on mortgages.

(4) How to present facts and figures to Congressmen and to the public so that we may obtain sounder housing and home financing legislation than that enacted in the past six or seven years.

(5) How, through private enterprise mortgage lending agencies, and through freely operating secondary markets, to best serve the entire economy of the nation including home buyers, veterans, builders and the thrifty whose savings make home financing possible.

Gentlemen, this is a large order, but one worthy of your endeavor. If you can solve any one of these problems you will have won the lasting gratitude of many Californians.

No Likelihood of Drastic Credit Controls!

In speaking to the Second Annual Investment Seminar, sponsored by the New York State Bankers Association in cooperation with the Graduate School of Business Administration of New York University, Dr. Marcus Nadler, who is Professor of Finance at the institution, predicted there will be no drastic quantitative credit control, despite the powers given the Federal Reserve.

Marcus Nadler

"There is no question," Dr. Nadler stated, "that the Reserve authorities have the power to break the backbone of inflation through drastic quantitative credit controls. If the Federal Reserve Banks were to begin to sell large amounts of government securities in the open market and at the same time raise the discount rate they not only would bring about a material increase in money rates but also force the commercial banks to liquidate loans and securities, thereby causing a decrease in the volume of bank deposits. Such a policy at present is impossible because it would interfere with the rearmament program and with the production of essential civilian goods. Drastic quantitative credit controls, therefore, cannot and will not be used during the present emergency, no matter how great the inflationary dangers may be."

"The purpose of the new open market policy instituted by the Reserve authorities early in March of this year was not intended to bring about an increase in money rates. That was only incidental. The prime purpose was to make availability of Reserve Bank credit to the member banks more risky and to reduce the marketability of long-term government securities, thus reducing the potential supply of investment funds at the disposal of financial institutions."

"The long-term government and high-grade bond market seems to be in good position. Savings by individuals have increased and unless their fear induces again a wave of anticipatory buying; individual savings ought to be large. Commitments by institutional investors have to a considerable extent been met and the supply of funds at the disposal of pension funds and insurance companies is bounds to increase."

"The short-term rate will tend to be firmer, primarily because of the seasonal increase in the volume of loans which occurs toward the end of the year. This will be further accentuated by the demand for bank credit to finance military production and the enlargement of essential plant and equipment. The high cost of doing business further will increase the need for bank credit. A further moderate increase in the short-term rate, therefore, is possible. Whether or not the money market will revert to the position which occurred often prior to 1933, namely, when the short-term rate was higher than the long-term rate, is impossible to state. It would, however, not be surprising if this were to take place in the not distant future. After the end of the year the demand for bank credit should decrease, accompanied by a softening of short-term rates. To a considerable extent, however, the movement of short-term rates will depend on the type of financing undertaken by the government. If the Treasury continues to finance its cash requirements through the sale of Treasury bills, short-term rates are bound to remain high."

"Irrespective of the inflationary dangers, the low point in prices of government and other high-grade bonds has already been seen. However, it is also certain that during the emergency money rates will not return to the level which existed prior to March 1, 1951. Only after the rearmament program begins to taper off and capital expenditures by corporations begin to decrease, can one expect a material decline in rates on high-grade bonds."

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to display a reactionary tone, with volume and activity still on the restricted side. Buyers appear to be cautious, especially in the longer end of the list. Short-terms seem to be in good demand with somewhat easier money. It appears as though quite a few money market followers believe the longer end of the list will tend to back and fill for a while until at least the lower reaches of the trading area become more clearly defined. To be sure, the thinness of the market and the still prominent amount of professionalism do not make current price movements too significant.

Despite the lack of volume in the market, there continues to be quite a bit of switching going on, especially among the restricted issues. The present trend is from the lower coupon issues and the near-term eligibles into the June 1967/72s and the Vics. The main operators have been small life insurance companies and charitable organizations. The bank-eligibles have been pretty much in the doldrums, save for the nearer-term maturities and certain of the tax-sheltered issues.

It seems as though the combination of profit-taking, and a withdrawal of buyers, in a thin and inactive market continue to keep the trend of Treasury obligations on the uncertain side. There appears to be a more general feeling now that the upper reaches of the trading range have been marked out, at least temporarily, and the market will probably spend some time consolidating and working out a level from which there will be attraction again for prospective buyers. It is also evident that the restrained reception accorded the $100 million World Bank issue did not help the government bond market.

Dealer Inventories Lightened

Dealers that have had inventories of Treasuries, and these were not large, according to reports, but it seems there are always too many of them when the market is reactionary, have been taking advantage of the not too numerous bids in order to get into more liquid positions. Nevertheless, despite some dealer and trader selling, the market for government obligations has not been depressed from the pressure of liquidation. There has been more of a tendency to quote prices down, which is not at all uncommon when the trend is uncertain and buyers are on the sidelines. As a whole, however, because of the thinness of the market, price changes do not mean too much yet, since there is more than a passing amount of professionalism about the whole thing.

Large institutional holders of Treasury obligations, particularly the longs, are not showing any changes in their attitude toward the situation, since they are still on the sidelines as far as liquidation is concerned. Most of them have been out of the market for a long time as buyers and there is nothing in the wind yet to indicate any alteration of that position. Savings banks continue to report increases in deposits and this is bound to have a favorable influence upon the government market from both the short- and long-term viewpoints. How soon before these institutions may be on the other side of the picture is purely a matter of conjecture. Nevertheless, there are not a few in the financial district who are of the opinion that it will not be too long if the present trend continues with savings deposits.

The reason given for the recent strength in the government market, it seems, is based mainly upon the belief that those who were sellers at higher levels have been replacing these positions. Even though prices were pushed up in this operation, these inventories were still reinstated at considerably better quotations than they were liquidated at. This buying, which took place during June, July and part of August, may have been completed as a whole. Whether there will be a tendency to take on more bonds if prices should recede further is a matter which time and the extent of the decline, if and when it might come along, will determine.

Pension Funds Favor Short Issues

Pension funds which have been among the principal buyers of the higher-income Treasuries seem to have gone over to the shorter side of the market, with reports indicating they have been giving the bill market quite a bit of attention. This does not mean, however, that there has been a cessation of purchases of the Vics but it does indicate the size of the acquisitions has been reduced considerably. However, this process may be reversed at any time. The money that is now being put into the near-term obligations by pension funds, according to advices, has been earmarked eventually for equity shares.

Government trust accounts, it was reported, had been making purchases in the open market of selected tap issues, but indications now are that these commitments have not been important, and there is some question as to whether this buying will assume greater proportions in the near future.

Commercial banks, it seems, have not come off their sideline seats as far as the longer eligibles are concerned. There is still a window shopping interest around, however, for the 2½s due Sept. 15, 1967/72, but as yet there is no inclination to have this become anything more than just that. The longer partials, especially 1960/65, however, continue to be well taken when they come in.

With R. J. Plunkett

(Special to THE FINANCIAL CHRONICLE)

WAUSAU, Wis.—Mrs. Esther D. Garland has joined the staff of Raymond J. Plunkett & Co., First American State Bank Building, members of the Midwest Stock Exchange.

Joins Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Joel E. Martin has joined the staff of Bache & Co., Johnston Building,

Two With Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Russell M. Bate and Marshall V. Hardenbrook are now associated with Paul C. Rudolph & Co., Bank of America Building.

F. F. X. Kastner Opens

TENAFLY, N. J.—Frederic F. X. Kastner is engaging in a securities business from offices at 7 Birchwood place.

Baltimore Bond Club Sponsors Lectures

BALTIMORE, Md.—A series of lectures on "Investment Securities: The Family's Approach" is being sponsored jointly by the Bond Club of Baltimore and Johns Hopkins University to be held Tuesday nights at 8:30 p.m. beginning Oct. 2. The lectures will be followed by a period of discussion. The fee for the series is $12.

Topics to be treated, and the members of the Bond Club who will lecture are as follows:

Your Financial Future. Why Invest?—W. Lloyd Fisher, Baker, Watts & Co.

Financial Literature—Henry C. Evans, Stein Bros. & Boyce.

Type and Purpose of Various Investment Media—Jack A. Kolscher, George G. Shriver & Co.

Formulation of an Investment Program—Edward K. Dunn, Robert Garrett & Sons.

Government Bonds and Municipar Securities—Charles G. Lord, Baker, Watts & Co.

Railroad Securities—C. Newton Kidd, Stein Bros. & Boyce.

Mutual Funds and Investment Trusts—W. Carroll Mead, Mead, Miller & Co.

Public Utility Securities—Joseph W. Sener, John C. Legg & Co.

Capital Goods Securities—William J. Price, III, Alex. Brown & Sons.

Consumers Goods Securities—T. Rowe Price, T. Rowe Price & Associates.

Bank and Insurance Securities—John C. Legg, III, John C. Legg & Co.

How to Read an Annual Report—Joseph F. Turner, Alex. Brown & Sons.

How to Buy Securities—Albert G. Warfield, Merrill Lynch, Pierce, Fenner & Beane.

Allen & Co. Add

(Special to THE FINANCIAL CHRONICLE)

LAKELAND, Fla. — James I. Black, Jr., has been added to the staff of Allen & Co., 211 East Lemon Street.

Charles V. Snedeker

Charles V. Snedeker, partner in Snedeker & De Bard, New York City, died on Sept. 5.

With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Thomas J. Julian is with Thomson & McKinnon, 272 South County Road.

Prospects of Sterling Convertibility

By PAUL EINZIG

Dr. Einzig, in commenting on pressure on British Government to restore sterling convertibility, holds it is unlikely that Chancellor Gaitskell will be able or willing to yield to it. Points out Britain's balance of payments have deteriorated, and, if gold convertibility were restored her gold reserve would be depleted.

LONDON, Eng.—The annual meeting of the International Monetary Fund is expected to provide another opportunity for reaffirming the principle of convertibility of currencies and for urging the member Governments to aim at the achievement of that end. In particular the British Government is likely to be pressed—in private if not in public—to hasten the necessary steps for restoring the full convertibility of sterling into dollars. The American desire for a convertibility of sterling into dollars is well understood in London. It is realised that the Anglo-Japanese financial agreement which has just been concluded is likely to strengthen political pressure on the Washington Administration in favour of insisting on an early convertibility of sterling. For, as a result of this agreement, Japan's trade with the sterling area will henceforth be on a sterling basis instead of a dollar basis. It is hoped, however, that American opinion will understand the need for the conclusion of that agreement which should go some way towards lessening Britain's dollar difficulties and which, to a large extent, merely restores a normal state of affairs. Nevertheless, American exporting interests are likely to regard this arrangement as yet another blow, and they are likely to insist that the disadvantages derived from it could only be rectified through a restoration of sterling-dollar convertibility.

Dr. Paul Einzig

It seems unlikely that Chancellor Gaitskell would be able or willing to go very far to yield pressure in this respect. As a result of the rise in raw material prices and the adverse change in Britain's terms of trade, the British balance of payments has deteriorated considerably since the beginning of this year. Even though the efforts to maintain dollar exports have been relatively successful, it is as yet premature to judge the effect of the rearmament drive on Britain's dollar position. Nor is Britain's dollar position the only one that counts. Even if the trade balance between Britain or the whole sterling area on the one hand and the dollar area on the other were to remain reasonably satisfactory, Britain would be exposed to a depletion of her gold reserve as a result of sterling-dollar convertibility. Through a deterioration of the dollar position of other countries outside the sterling area. The dollar deficit of various Western European or Latin American countries might easily deteriorate, and sterling-dollar convertibility would then induce them to throw the burden of their dollar deficit on Britain and the sterling area.

During the next two years Britain will have to bear a considerable burden in the form of increased rearmament expenditure. Her economic position is liable to be affected adversely through raw material shortages and inflation. It would not be wise or reasonable to expect her to consent to add considerably to these burdens by agreeing prematurely to a restoration of sterling-dollar convertibility. Even in the absence of such a move it might become necessary for the Governments of Britain and other sterling area countries to introduce drastic cuts in dollar imports for the sake of maintaining the gold reserve in face of adverse pressure. Should Britain agree to full convertibility these cuts would have to be made more drastic in order to cope with the increase in the adverse pressure. American exporting interests would stand to gain very little if an increase of their sales to countries outside the sterling area were to be offset by export cuts that would be forced upon the sterling area by a deterioration of their dollar position brought about by convertibility.

An alternative to the cuts in dollar imports would of course be a return to Marshall Aid or a corresponding increase of American military aid. This would only mean, however, that once more the American taxpayer would pay for American exports. Everybody in Britain is greatly relieved that there has been so far no need for reverting to Marshall Aid, and it would be a matter to universal regret if, as a result of a deterioration of the gold position through premature convertibility, Britain would have to become once more dependent on American economic support. The acceptance of American military aid is not considered to be detrimental to Britain's prestige, in view of the fact that it is needed for the strengthening of military defenses against the common enemy. On the other hand, it would be considered greatly humiliating if six years after the end of the war Britain were to be compelled by circumstances to apply once more for American economic aid.

First things must come first. While the American desire for the removal of discriminatory trading through the inconvertibility of sterling into dollars is understandable, it would be a pity if for the sake of achieving that end Britain were forced to take measures leading to a material weakening of her economic position. Taking a long view this would not be in accordance with American interests. Economic stability in Britain is one of the basic necessities from the point of view of successful defense against communism. Any substantial weakening of that stability would go a long way towards offsetting the beneficial effect of Britain's increasing military strength. To some degree it will be necessary to sacrifice economic strength for the sake of military strength. This is an additional reason, however, against sacrificing economic strength more than it is absolutely inevitable in connection with rearmament.

The moral and practical justification of the pressure for early convertibility has weakened considerably as a result of the rearmament drive. For one thing, the industries of the United States are now, or will soon be, fully occupied by arms production, and generally speaking they will not feel unduly the disadvantages of British competition resulting from the continued inconvertibility of sterling. In any event, British competition itself is likely to weaken materially as a result of Britain's growing rearmament requirements. Holders of sterling may not be in a position to place orders in Britain for relatively early delivery. This will mean that there will be a demand for American goods to the extent to which they are available, and to the extent to which dollars could be provided for their payment. Those agitating for sterling convertibility would like Britain to supply the dollars needed by third countries. To some extent this would be possible through a depletion of the sterling area's dollar reserve. Even though that reserve has increased considerably since the devaluation of sterling in 1949, it is far from being excessive. In any case to some extent Britain may have to put up with gold losses through the operation of the European Payments Union. To that extent Britain would bear the burden of the dollar deficits of Western European countries. It would be unwise to insist on increasing the extent to which Britain should contribute towards meeting the dollar scarcity.

Once rearmament is completed and a normal balance between raw material and manufacture prices is established, a time might arrive for the reconsideration of the question of sterling-dollar convertibility. In the meantime, however, no useful purpose could be served by pressing Britain to repeat the mistake made in 1947 when convertibility was prematurely restored. This time the consequences of such action might be even graver than they were four years ago.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

William H. Moore has been elected Vice-President of **Bankers Trust Company** by the Board of Directors, it was announced on Sept. 19 by S. Sloan Colt, President.

William H. Moore

Mr. Moore, who has been with the bank since 1938, is in the out-of-town division of the Banking Department covering the Far West territory. He is a director and member of the executive committee of American Can Company, and a director of The Delaware, Lackawanna & Western Railroad Company. He is also a member of the New Jersey Republican Finance Committee and of the Board of Managers of Memorial Hospital, Morristown, New Jersey. He became an Assistant Treasurer of Bankers Trust in 1948 and Assistant Vice-President in 1949.

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At a regular meeting of the Board of Directors of **The National City Bank of New York** held on Sept. 18, Richard E. Thomas, formerly Assistant Cashier, was appointed an Assistant Vice-President.

* * *

At the meeting of the board of directors of **The New York Trust Co. of New York,** held on Sept. 4, a quarterly dividend of $1 per share on the capital stock of the company was declared payable Oct. 1, next, to stockholders of record at the close of business Sept. 14, according to an announcement by Harry F. Littlejohn, Secretary.

* * *

The National City Bank of New York announced, on Sept. 10, the opening of its new 686 Broadway Branch Building, replacing the branch formerly located at 682 Broadway. The new structure is on the east side of Broadway, just north of Great Jones Street. It is a modernized, air-conditioned unit, in charge of William J. Rigney, Manager. National City and its predecessors have had an office within a block of this address since 1852.

* * *

The Bank of the Manhattan Co., New York City, has promoted Richard H. Leslie to Vice-President and Treasurer, and Charles A. Agemian to Comptroller. Mr. Leslie formerly was Vice-President and Comptroller, and Mr. Agemian an Assistant Vice-President of the bank.

* * *

East River Savings Bank of New York announces that Maurice N. Trainer, President of the American Brake Shoe of New York, and Chairman of the Board, Dominion Brake Shoe Co., Ltd.; and Clifton W. Phalen, Vice-President of American Telephone & Telegraph Co. in charge of personnel relations, have been elected as members of the board of trustees of the East River Savings Bank.

* * *

President John F. Krepps of the **Home Savings Bank of White Plains, N. Y.,** was the guest of honor at a dinner recently given by the 44 employees and trustees of the bank at the Westchester Hills Golf Club upon the occasion of Mr. Krepps' 50th anniversary with the bank. Mr. Krepps was the recipient of a testimonial book signed by those present, a wrist watch, and a portrait painted by Edmund F. Ward, a commercial artist and a trustee of the bank. Mr. Krepps entered the bank's service on Sept. 10, 1901, and according to the "Reporter Dispatch" of White Plains, he rose "through the ranks to Assistant Secretary, Secretary and Trustee, First Vice-President in 1925 and President in 1931 when the bank faced the most critical period in its history." "Under his leadership," says the "Reporter," "it weathered the depression and increased its assets."

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The Adirondack Trust Company marks its 50th anniversary Sept. 18 in its recently remodeled and redecorated building at Saratoga Springs, New York. The bank received its charter on Sept. 18, 1901.

* * *

George Avery White, President of State Mutual Life Assurance Company of Worcester, Mass., died Sept. 12 at the age of 55.

He was a director of the United States Envelope Co.; **Worcester County Trust Co.** and **Worcester County Institution for Savings.** In the banking field he had been a member of the Executive Committee of the American Bankers Association.

* * *

The United States Trust Company of Paterson, N. J., was consolidated on Aug. 31 with the **First National Bank and Trust Company of Paterson,** under the charter and title of the latter. Advices in the weekly Bulletin, Sept. 10, of the Office of the Comptroller of the Currency stated that the initial capital stock of the consolidated bank is $3,750,000, divided into 150,000 shares of common stock of the par value of $25 each. The initial surplus is $3,750,000, with initial undivided profits and reserves of not less than $5,240,000. The First National Bank and Trust Company had a capital of $3,000,000, while the United States Trust Company had a capital of $600,000. Details of the proposed consolidation appeared in our issue of July 26, page 343.

* * *

John K. P. Stone has recently been appointed Assistant to the President, Harry W. Edgar, of **The Citizens Trust Co. of Summit, N. J.** Mr. Stone has been a director of the Citizens Trust since January, 1946, and a member of its Executive Committee for the past three years. Mr. Stone has had an extensive experience in the investment securities business, starting in 1924 with Stone, Webster & Blodget, Inc., and since 1937 with G. A. Saxton & Co., Inc., of New York City. The Citizens Trust Co., organized in 1923, is the youngest of Summit's three banking institutions and has progressively grown with the needs of the Summit area. Besides, Mr. Edgar, President and Trust Officer, the official family includes: C. B. Keeney, Vice-President; R. O. Peterson, Vice-President, Secretary and Treasurer; Alma L. Hellquist, Assistant Secretary and Assistant Trust Officer, while E. S. Durkee and W. G. Knowles are Assistant Treasurers and W. H. Rockwell, Auditor. John D. Hood is Chairman of the board.

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The Manasquan National Bank of Manasquan, N. J., increased its capital, effective Aug. 30, from $100,000 to $200,000 by a stock dividend of $100,000.

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The Parnassus National Bank of New Kensington, Pa., capital $75,000, was placed in voluntary liquidation Aug. 27, having been absorbed by the **Mellon National Bank and Trust Company** on Aug. 25.

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With the assistance of a nation-wide selling group of dealers in securities, the **Central Bank for Cooperatives, Washington, D. C.,** is offering publicly $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.

* * *

The National City Bank of Evansville, Ind., has increased its capital from $500,000 to $1,000,000; $400,000 of the new capital resulted from the sale of new stock, while the additional $100,000 was brought about by a stock dividend of that amount. The enlarged capital became operative Aug. 27.

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At their regular September meeting — Sept. 11 — directors of the **United States National Bank of Denver** elected an additional Vice-President of the bank, viz.: Thomas Hildt, Jr., formerly Vice-

President of the New York Trust Company. The board announced that the appointment of Mr. Hildt was not a replacement for the recently vacated office of Executive Vice-President, but rather an addition to the executive staff of the bank. The bank's Vice-Presidents at present are Albert S. Brooks, Executive Manager of the Trust Department; Emmett J. Digman, Manager of the Livestock Loan Department; Neil F. Roberts, F. M. Petersen, and George A. Gribble. Mr. Hildt, who was born in Baltimore, Md., was educated at the Hotchkiss School, Lakeville, Conn., and at Yale University. Following his graduation in 1936, he went to work for the New York Trust Company, and during his first few months was sent to the Maryland Trust Company in Baltimore, where he obtained his preliminary training in bank operations. Subsequently he worked in various departments of the New York Trust Company, of which four years were in the Credit Department. He served for four years in the armed forces, in various locations, with the Air Transport Command. Since his return to the New York Trust Company in 1945, he served as Assistant Treasurer, Assistant Vice-President, and Vice-President of that bank.

* * *

The new Fruitridge office of the **Anglo California National Bank,** at 5693 Stockton Boulevard, **Sacramento,** opened for business on Sept. 4, according to announcement by Allard A. Calkins, President. John R. Wilson, Assistant Vice-President, is manager, and F. S. Stillwell, Assistant Manager. Anglo's Fruitridge office is its third in Sacramento.

* * *

Directors of **The Bank of America National Trust & Savings Association of San Francisco** have advanced S. C. Beise, heretofore Executive Vice-President, to the post of Senior Vice-President of the bank, according to announcement by L. M. Giannini, President. Mr. Beise is Chariman of the bank's Managing Committee and Coordinator of Administration. At the same time, the directors advanced Jesse W. Tapp to the position of Executive Vice-President. Mr. Tapp, who has been Vice-President in the field of loans and investments, is a member of the Managing Committee. He and Russell G. Smith, Executive Vice-President in charge of international banking activities, were also appointed to the General Executive Committee of the bank. H. M. Bardt, Vice-President and Senior Trust Officer, was added to the Managing Committee and appointed a member of the Advisory Council of the Board. Mr. Beise has served the bank as an administrative officer since 1936. He was a banker in Minnesota and Michigan for several years and subsequently a National Bank Examiner before going to California. Mr. Tapp is a specialist in agricultural economics, has rendered service as such not only to the bank but to the National Administration. At present, in addition to his duties with the bank, he is a special adviser to Economic Stabilizer Eric A. Johnston on stabilization of agricultural prices.

* * *

Directors of **Union Bank & Trust Co. of Los Angeles** at their September meeting voted to submit to the stockholders a proposal to increase the number of authorized shares of capital stock by 30,000 shares, from 70,000 to 100,000 shares. According to Chairman of the Board Ben R. Meyer, this increase in the number of authorized shares is desirable because of expanding business.

At their meeting, the directors also approved an increase in the number of authorized directors from 19 to 21. This proposal will also be submitted to the stockhold for approval.

Socialism Is Here Now!

By A. V. BODINE*

President, Manufacturers Association of Connecticut
President, The Bodine Corporation, Bridgeport, Conn.

Prominent Connecticut industrialist in pointing out we are far advanced toward a high degree of socialism, cities "seizing the cash returns of owners of instruments of production" through taxation as illustrating his assertion.

Thoughful Americans have been deeply concerned over the trend toward socialism. The truth is that we already have socialism in America, not complete as yet, but far advanced.

A. V. Bodine

Freedom and dignity of the individual was the cornerstone upon which our nation was founded and the leaven which caused it to prosper and grow up to assume the leadership of the free world in less than 150 years. In harmony with this concept of individual freedom, the tools of production in our free enterprise or adventure capitalist economy are controlled by individuals rather than by the State. And the ownership of these instruments of production must always remain in the hands of individuals so long as we have the moral courage to provide freedom and dignity for the individual American citizen and to make it possible for the citizens of other State-ruled people to achieve.

Our instruments or production are now owned overwhelmingly by millions of individual stockholders in our corporations which produce 95% of all manufactured goods. The legal ownership of a corporation, or of anything else, has no significance in itself. Ownership is meaningless except as it means the right of the owner to receive all the returns and benefits from the object owned. The value of a corporation to its owners derives solely from the cash dividends received — current and prospective. Profits earned are valueless if they are taken by the government. Profits earned are valueless if they are plowed back into the company as surplus except as they will possibly result in larger cash dividends in the future. The owner who keeps his stock never gets anything from it except dividends. If he sells the stock, what he gets for it depends entirely on its prospects of future dividends.

It is 100% socialism when the government seizes the instruments of production physically, as in England. And it is socialism when the government seizes the cash returns from the owners of the instruments. Reduce the legal right to receive earned profits and you reduce ownership. Destroy the right to receive earned profits and you destroy all ownership. Government now takes 47% of the earnings of corporations. This apparently leaves 53% for the owners, but they do not get it. This is true because corporations can no longer live by selling stock to investors. Savers will not risk their money in enterprises whose earnings are confiscated. In the past three years only 5% of the new capital going into enterprise has come from the sale of shares. But corporations must have new capital to stay alive. To maintain and increase equipment, they must plow back earnings as surplus.

"88% Socialism" in U. S.

In recent years they have been plowing back about 60% of the profits left after taxes. So this leaves only about 21% of earnings to go to the owners. Unfortunately, they do not keep this small fraction. As soon as they get the dividends, the Personal Income Tax Collector calls—for dividends are taxed twice. The amount of personal income tax on dividends varies widely with the individual. It has been estimated that it averages about 40%, but it is probably higher. On the basis of 40%, this leaves the corporation's owner with somewhat less than 13% of his company's earnings. Thus the government destroys approximately 88% of the value and, therefore, of the ownership of the instruments of production under our present so-called free enterprise system. This is 88% socialism. It is a peculiarly unfair type of socialism because it masquerades as free enterprise. Government provides no capital. . . . Does no saving, and bears no responsibility of management. The owners of the enterprise do all the saving, provide all the capital, carry all the burdens of management.

*Part of an address by Mr. Bodine at 136th Annual Meeting of the Manufacturers Association of Connecticut, New Haven, Conn., Sept. 11, 1951.

McManus Correspdt. For Three Firms

Joseph McManus & Co., 39 Broadway, New York City, members of the New York Stock Exchange, announce their appointment as New York correspondents of Blair F. Claybaugh & Co. with offices in Harrisburg and Pittsburgh; Walter J. Connolly & Co., Inc. of Boston and Crockett & Co. of Houston, Texas, and the addition of Harrisburg, Pittsburgh, Boston and Houston to their direct private wire system. George Dedrick, formerly of Blair S. Claybaugh & Co., has joined the McManus organization and will supervise the Harrisburg and Pittsburgh wires.

Jesup & Lamont Admit

On Oct. 1 M. Chapin Krech will become a partner in Jesup & Lamont, 26 Broadway, New York City, members of the New York Stock Exchange. Brendan G. Rafferty will retire from the firm on Sept. 30.

William Esbaugh

William Hardy Eshbaugh passed away at the age of 71 on Sept. 12. Prior to his retirement he had been a partner in the firm of Palmer & Co. which was dissolved in 1931.

New Hugo Marx Office

MONTGOMERY, Ala. — Hugo Marx & Co. of Birmingham, announce the opening of a branch office in the Bell Building, under the management of S. Brooks Holleman.

Now Lenart, McHugh Co.

Effective Sept. 20 the firm name of N. D. Biddison & Co., 115 Broadway, New York City, members of the New York Stock Exchange, is being changed to Lenart, McHugh & Co.

Andre Florian

Andre Florian, retired stock broker, passed away at the age of 57.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Earnings of New York banks for the quarter to end Sept. 30 will be determined in large part by the tax provisions made by the different institutions.

The new revenue bill, which is expected to become effective within the next several weeks, will change substantially the tax liability incurred by corporations. Its final form may not be known until after Sept. 30. As a result the question arises as to whether or not and at what rates, the banks should provide tax reserves for the expected increase in this liability. Another uncertainty in the present situation is whether the new tax measure will be retroactive to April 1, as has been discussed, or Jan. 1.

Regardless of the considerations, however, there is little question that banks, as well as other corporations, will be liable for higher taxes before the year is finished. Thus, the net earnings for the third and fourth quarters will depend upon the manner in which the tax liability is provided for on the books.

At the present time it appears that the combined normal and surtax will be increased five percentage points from 47% at present to 52%. The overall tax ceiling would also be increased from 62% to 70% and the new tax measure would be retroactive to April 1.

Many banks have been going on the assumption that the new rates would only be retroactive to July 1. Accordingly, they have not made any tax provision except at the existing rates.

If the new rates are retroactive to April 1, it will mean that these institutions will have to provide additional taxes out of current earnings from the third or fourth quarters or both. Naturally, if the full provision is taken in the third quarter, earnings comparisons with the previous quarter or those of last year could be rather unfavorable. Should the final bill be made retroactive to Jan. 1, comparisons would be even more unfavorable.

It is understood that some banks have already started to accrue taxes at the higher rates while others are waiting to see the final form of the new bill. Unfortunately the statements to be published at the end of this quarter may not give any indication of the tax treatment. It is hoped that explanatory statements will be added to reports so that stockholders will be informed about such unusual accounting charges. Otherwise the rate of earnings and operating results will be obscured.

Generally, operating conditions in the third quarter have been favorable. Pre-tax earnings are expected to show improvement over those of the previous quarter as well as the comparable period of a year ago.

Loan volume has been maintained at a high level and in recent weeks seasonal factors have increased the total to a new record. Figures at the end of September are expected to show a substantial gain over those of June 30.

Some inventory loans have been liquidated because of uneasiness on the part of manufacturers and retailers. Also, consumer loans have been declining. The loss of volume on these accounts, however, has been more than offset by expansion of defense activities.

Another consideration in current operations is that many of these loans have been made at higher rates, especially compared with those of a year ago.

Over the past year interest rates have been firming, partly because of credit restraint policies instituted by the government and also because of the large demand for credit, both of which are somewhat interrelated.

This factor has also helped the return on investments. Holdings of government securities have not increased but the return on these investments have. For example, on 90-day Treasury bills, the rate in July, 1950 was around 1.17%. At present the return is 1.65%. On 9 to 12 month issues the rate was about 1.23% a year ago, as compared with a return of about 1.70% at present. This has meant that maturing issues could be rolled over at a better rate.

Expenses, of course, have continued to move gradually upward. The gain has not been large and has been absorbed in the higher operating earnings. The lower assessment from the Federal Deposit Insurance Corporation has helped in this respect.

The combination of these various factors should result in an improvement in pre-tax income. Final earnings for the quarter will be determined by, and should be reviewed in the light of, the expected increase in tax rates.

Railroad Securities

Missouri Pacific

After having been dormant for some months the volatile and highly speculative Missouri Pacific old preferred enjoyed one of its periodic spurts of activity late last week. In fact, at one time trading on the New York Stock Exchange had to be suspended temporarily because of the accumulation of buy orders with little or no stock offered at nearby prices. The increased activity was accompanied, as usual, by rumors that important reorganization developments were impending. It is a moot question as to whether the rumors inspire the renewed interest in the shares or whether the renewed interest inspires the rumors. Be that as it may, there is little question but that the large short interest had considerable influence on the market action.

The background of this situation obviously invites periodic hopes and disappointments. The reorganization has been so long drawn out, all plans so far submitted have been so violently disapproved by certain security groups, and there have been so many changes in the long years of bankruptcy, that it is impossible lightly to dismiss any of the recurring rumors as too fantastic. Also, bulls on the road's junior securities probably see some cause for satisfaction in the recent request to the court for payments against back interest on the senior, 1st and Refunding Mortgage, bonds.

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The ICC reorganization plan specifically provides that any cash payments made to the bondholders subsequent to the Jan. 1, 1948 effective date are to be credited against cash allocated under the plan, and interest payable on new securities. It is estimated that even with the recently proposed payment, holders of the present 1st & Refunding bonds would still be entitled to nearly $65.00 per $1,000 bond as of Jan. 1, 1952 in additional interest accrued on bonds allocated them in the reorganization plan. If the plan is consummated, then, the present junior security holders derive no benefits from the proposed large interest distribution.

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Meanwhile the District Court hearing on confirmation of the plan, based on the results of balloting held earlier this year, has been postponed. It had been scheduled for Sept. 15. This will allow an opportunity for ICC hearings on the question as to whether or not there have been developments since the plan was formulated of sufficient magnitude to warrant a reopening of the whole case with a view toward major changes. It is the contention of certain groups that basic improvement in earning power and territorial growth make the present plan obsolete. It is obviously impossible at this time to even guess at the ultimate outcome. One thing this is certain, however, and that is that final settlement is still a long way off. In the meantime the old preferred will probably continue as a speculative football.

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The Security I Like Best

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Writing business in 16 States, Gulf is in a favorable position to continue its growth by participating in the development taking place in its territory. Although operations are large enough to effect considerable economies, it is my feeling that the rate of growth is fairly constant and relatively unlimited. An investor in Gulf Insurance Company shares may expect substantial income and appreciation from his investment in the years ahead.

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One cannot help but be plagued with questions such as: best for what investor?—best for how long a period?—best for what purpose? Obviously there can be no single security that is best in all ways for all investors unless one had the temerity to assume that it is possible to forecast the single issue that will, at one and the same time, offer the best return, the greatest principal protection, and yet give the largest principal appreciation over any period of time. The only way these can be assured in a single issue is by hindsight, and while that often is the subject of much conversation, it doesn't help toward successful investment experience.

The best security is a carefully selected, thoughtfully diversified, and continuously supervised group of investments that in part furnish an assured income, in part furnish dollar security, and in part offer the probability of increase in value and income to compensate for the increases in the cost of those things the investor must buy.

For the last named purpose—and it is a most important one—my choice a little over a year ago was Phillips Petroleum common. For the same purpose today I think it is difficult to find an issue more completely appropriate even though it is almost twice the earlier price.

The most interesting combination of principal security, assured income and dollar growth possibilities, I find among sound quality convertible preferreds when not too much above their "investment" worth. Careful selection from among these issues can give a happy combination of all three desirable qualities to meet today's uncertainties.

It seems to me that the most important decision at this time is how much of one's investment should be committed to the fluctuating type of security. It may not be fashionable but it may prove important to mention that securities that rise considerably in value can—and probably will—decline in value as well. Having much more than offset the rise in living costs up to now, shouldn't one take every step to preserve that principal gain? How else can the average investor have funds available to buy volatile securities when they are at more attractive levels?

There are three important factors involved when one invests in volatile securities that may—and often do—change substantially as to both principal and income rate. In order they are: when to buy; then what to buy; and last, but by no means least, when to sell. The first two of these questions should have been answered long since. If they were answered well, the investor's principal and income has increased more than in proportion to the rise in living costs.

Is it not now wise to remember that the third question has often in the past proved quite as important as the other two?

Today my favorite security is an invested position, not completely devoid of "appreciation" issues, but mainly in issues that can be expected to supply the investor—principal-wise—with the dictionary definition of security as "freedom from apprehension."

Public Utility Securities

By OWEN ELY

The Electric Utilities' Construction and Finance Program

Since the end of World War II the electric light and power industry has increased its capacity about 50%, and by the end of 1954 capacity should be double that of 1945, according to industry plans. However, the industry is now deeply concerned over its ability to carry out this program promptly.

Manufacturers such as General Electric and Westinghouse Electric now have ample plant capacity to make all the generators, transformers and accessory machinery that the utility industry needs—on the usual 2-3 year schedule after orders are placed—but Washington's Controlled Materials Plan (which undertakes to divide up the supply of scarce metals and other commodities among various industries and companies) does not recognize the urgent need to maintain the construction of new utility plants on schedule, and has not yet granted the necessary priorities or allotments to the makers of electrical generating equipment. This is despite the fact that an adequate supply of electric power and manpower is vital to all production, both defense and consumer.

Twice a year the Edison Electric Institute prepares a survey of electric construction plans, generating capacity, etc. The latest regular edition was April 1, but it was found necessary to issue an interim bulletin on July 1. According to the latest estimates, generating capacity at the end of 1951 may be 500,000 kw. short of the industry goal, and at the end of 1952 the deficiency may amount to some 3-4 million KW, unless the government allots more copper, steel, etc., to the manufacturers of electrical equipment.

This will probably lead to two results: First, there may be some regional power shortages with accompanying "brown-outs," and other restrictions. In the Pacific Northwest the Federal Government has installed large hydro-generating plants such as Bonneville and Grand Coulee. The former has been selling a considerable amount of power to the private utilities in the area, and hence most of the latter have not undertaken large building programs of their own. Grand Coulee is being used largely for irrigation pumping. Large aluminum plants have been encouraged to locate in the area because of the anticipated supply of cheap hydro power. Now, however, with the drought conditions currently prevailing, a power shortage is impending and Bonneville has announced that it expects to reduce deliveries to the private utilities.

Another section which may have some difficulty in meeting all power demands is the southeast, where the government has located the huge new hydrogen bomb plant being constructed by duPont. However, there are substantial plans for new steam generating capacity in that area which eventually will help to reduce dependence on hydro generation (currently handicapped by drought, the same as in the northwest).

These sectional shortages will be alleviated by the great flexibility of the nationwide "grid" system of electric power. Thus a group of northern companies was recently asked to help TVA (in Tennessee) cope with its rapidly growing demands by making a combined 100,000 KW of capacity available. Power from other areas can also be sent to the southeast if necessary. On the Pacific coast there has been a move to send power from California to Oregon and Washington, but this is being resisted by the California utilities because they do not have much excess capacity, and about two years ago had to use "brown-outs" themselves.

Thus the industry is having growing pains despite its huge expansion. It could not increase capacity much during World War II because generators couldn't be manufactured. The postwar program would have been ample to "catch up" if the big new defense load hadn't also been dumped in the utilities' lap. Even this too can be handled if adequate materials for generators are made available. The industry in recent years has had to get along with reserve capacity of 5-10%—much smaller than was considered necessary in the old days. It had scheduled its expansion program so as to raise capacity to some 15-20% by 1954. The present cutbacks will mean that it will probably have to limp along with 5-10% on an overall basis, and shortages in one or two areas, depending on the supply of rain for hydro power.

Second, the program cutbacks will mean that many utilities will have to continue using obsolete equipment, which they had hoped to relegate to a "standby" status for use during peaks and emergencies. And some of them will also have to buy expensive power from other companies. This will mean lower earnings for these companies (particularly hydro companies afflicted by droughts) unless they obtain rate increases.

The electric utilities had planned to spend about $7.2 billion through 1954 for construction, but this program may be slowed somewhat if equipment deliveries are delayed. According to Edison Electric Institute estimates, this money might be raised as follows: "internal" cash (depreciation, amortization, surplus earnings, etc.), 37%; debt, 40%; preferred stock, 4%, and common stock, 19%. The latter is somewhat of a residual figure after estimating the other percentages.

Will individual utility companies, with higher taxes and irregular earnings due to use of inefficient equipment, be able to maintain present dividend rates and sell nearly $1.5 billion of common stock over the next three years? Because of the current impact of higher taxes it may prove necessary to raise rates in many cases. President Gadsby of the Edison Electric Institute, in a recent talk before the New York Society of Security Analysts, indicated his belief that the state commissions would cooperate by granting rate increases without the long delays which have frequently characterized regulation in the past.

A recent example was the 6% increase (about one-half of the requested amount) granted Rochester Gas & Electric by the Public Service Commission of New York. In its decision the Commission stated specifically that it wanted to help the company sell more common stock when necessary. However, the Commission refused to grant a sufficient increase to offset pending increases in income tax rates, since the exact amount of these taxes could not then be determined.

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Pension Trusts Usher in New Investment Era

ever terminated by execution as are ordinary personal or corporate trusts. This latter characteristic should be borne in mind when appraising the proper investment needs of employees' private pension funds and the impact of such needs on the general investing and economic picture.

Due to the actuarial stability of straight pension funds, they are preferred both for insurance company and trusteed plans, as well as for company - administered plans, and form the bulk of corporate employee retirement resources.

In the early days of pension trusts only "legals" (bonds so designated for life insurance companies in New York State) were considered by New York pension plan trustees. Pension men elsewhere were similarly rigid in their views. Since 1947, however, there has been a relaxing tendency away from the all-legal-bond pattern and even towards equities, impelled partly by a growing scarcity in the bond market and partly by a desire to earn a higher rate of income.

Why is income rate so important to the welfare of a pension trust fund—more important, in the eyes of experts, than appreciation in market value of principal? This is because, for one thing, an improvement of ½% in the fund's income will reduce by 12% the principal required. Furthermore, market value profit is often a one-way street which the prospering employer corporation cannot conveniently enter. Conversely, market value depreciation often coincides with a less prosperous time for the employer.

Such dilemma, a natural accompaniment of capital risks, is exceptionally sharp in the case of common stocks held by pension funds, now that a U. S. Treasury requirement of valuation at market rather than at cost moves into possibility. Pension Actuary Geoffrey Calvert, in a conversation with this writer, expresses the opinion based on a study of current official thinking, that before long a Treasury ruling will require valuations above or below cost if prevailing market values justify. He feels that the valuation range will run somewhere between cost and market.

"At any rate," says Mr. Calvert, "there is a noticeable Treasury drift towards unrealized capital gains; and this, of course, brings unincurred capital losses into the picture. As one result of such probable rulings, the company having common stocks in its pension portfolio would find its tax credit curtailed in good years when stocks are up and in bad years it would be squeezed to reinforce a shrunken fund when stocks are down and its cash resources are at low ebb."

Nevertheless, Mr. Calvert, along with other competent authorities, sees justification for the moderate inclusion of common stocks in pension funds. This view is based on the assumption that inflation will continue, in which event sound equities will "keep on appreciating and will assist in readjustments faced by beneficiaries due to high cost of living."

Swing Towards Equities in Trust Funds

The swing towards equities in trust funds is the second phase of a general movement away from highly liquid, low income yielding bonds that began years ago among insurance companies. The first phase was into mortgages and resuited in the insurance companies achieving somewhat higher yields than the trustees who clung to bonds. Later the insurance companies began putting modest proportions (say 10%) of their investments into common stocks, and still more recently pension funds have followed suit.

A third phase—really the first in reverse order—is being entered by the pension world, particularly in the South, and is towards mortgages. We shall revert further on to this highly significant movement.

Though pension trust anomalies are frankly admitted by such qualified observes as Vice-President Warfield Hobbs of the City Bank Farmers Trust Company, he pays homage to the growing poularity of equities for pension portfolios. In his opinion, as expressed to this writer, the corporate employees' retirement trust is an occupant of new dimensions, and its projection into time will make necessary a constructive reappraisal of trust investment principles.

That such re-appraisal is already well on the way may be inferred from the hitherto unpublicized presence of real estate in some of the most opulent pension funds — stores and other buildings purchased by the fund and in most cases rented to the employer-corporation on long-time lease. Oddly enough, real estate equities are being purchased for certain conservative funds by investment managers who so far have shied away from first mortgages.

Because the pension trust is new dimensional—because it is in constant flux without fixed termination and cannot well be benefited by profits from enhancement of principal—it is primarily if not wholly concerned with income yield. Furthermore, since it is in no sense a trading fund and is not subject to sudden calls or withdrawals, liquidity is not important. The problem of pension fund investment is thus narrowed and simplified.

Competent authorities agree that funds should be "balanced," with a due proportion each of low-risk (with the usual low income) securities and of equity assets such as common stock, bearing a higher degree both of risk and income. The most widely accepted ratios in the two baskets are respectively 70% and 30%. Assets in the low-risk basket, consisting mainly of U. S. Government and top-grade corporate bonds, earn an average of 2½% and those in the equity receptacle around 3½% to 4½%. Authority for the lower figure on common stocks is Mr. Wren of the Old Colony Trust, above quoted.

The overall yield on a conservatively managed trust fund is estimated at from 2½% to 3¼%.[5] Average yields of component securities have been officially worked out,[6] and when these figures are applied to the trust portfolio suggested by a major investment house,[7] we get a revealing composite picture (see "Generalized Portfolio," Table I). Common stock yield in the table is unusually high:

[5] Trusts & Estates, March, 1950, p. 164.

[6] Federal Reserve Retirement Fund (American Banker, Jan. 20, 1950).

[7] "Private Pension Funds," supra.

TABLE I—GENERALIZED PORTFOLIO

	Proportion	Aver. Yield
U. S. Govts.	20%	2.36%
FHA mtges.	--	---
Corp. bonds:	40%	2.94
RR. 3.33%		
Public utility 2.82%		
Industrial 2.67%		
Pfd. stocks	15%	3.06%
Common stocks	25%	5.29%
	100%	3.18%

FHA Mortgages as Investments

Outstanding in this set-up is the relatively high yield of FHA insured mortgages, although these are indirect Federal obligations and therefore properly classifiable next to U. S. Govts. in the "minimum risk" category. Hence the query: Would not both safety and yield be improved if at least 35% of the hypothetical fund were put into FHA insured loans, with corresponding reduction in corporate bonds and preferred stocks? Such a move would leave the common stocks intact (obedient to prevailing trend of opinion) yet provide a stabilizing balance against them. Moreover, the proportion of minimum risk assets would be lifted from 20% to 55% while improving the fund's yield by some 49 percentage points (see "Revised Portfolio," Table II).

TABLE II—REVISED PORTFOLIO

	Proportion	Aver. Yield
U. S. Govts.	20%	2.36%
FHA mtges.	35%	*3.69%
Corp. bonds:	10%	2.94%
RR. 3.33%		
Public utility 2.82%		
Industrial 2.67%		
Pfd. stocks	10%	3.06%
Common stocks	25%	5.29%
	100%	3.67%

*Net after servicing.

The 3.67% revised overall average is in line with informed opinion, as expressed by Eastern Mortgage Service Co. and veteran Midwest mortgage banking opinion.

"We believe," says G. H. Dovenmuehle, Jr., Vice-President of the Chicago mortgage firm bearing his family name, "that pension funds with the aid of FHA and VA loans "can net above 3½%," with aid of a servicing plan.

Interest rate on FHA insured loans is 4¼%. In Table II their yield is shown at 3.69% after due allowance for servicing, on the assumption of purchase at a price slightly over par. Actual pension trust costs can be reduced and the net yield correspondingly increased by employing an independent mortgage servicing agent at the customary fee of ½ of 1%. Overhead cost in addition to this fee should be negligible, for the servicing agent keeps all records and files, handles all collections, delinquencies, tax problems, and remits each month a single check covering principal and interest on all the serviced loans. These he has ordinarily originated and inspected. At year-end he submits a detailed report of each individual loan specifying principal balance and reserve accounts. These 20-year loans, according to experience of mortgage bankers, have a 7- to 8-year actual average maturity.

Both FHA insured 4¼% and VA guaranteed 4% loans are at this writing purchasable around par. The latter have certain advantages in case of foreclosure because of their immediate cash payoff, which includes an allowance for reasonable foreclosure expenses and delinquent interest.

Losses on mortgages insured by the Federal Housing Administration are paid with debenture bonds bearing 2½% interest. It is common knowledge that FHA usually calls these bonds upon issue, so that the mortgagee is reimbursed in cash. Should they remain outstanding the mortgagee who desires liquidity need not sell them in an unfavorable market, because he can apply these debentures at par plus accrued interest to the annual FHA mortgage insurance premium payable on the remainder of his portfolio. There is no government guarantee charge on VA loans. The FHA annual premium of about ½ of 1% is really paid by the mortgagor and held in escrow by the mortgagee.

Representative mortgage men such as N. N. Wolfsohn, President of Philadelphia's Eastern Mortgage Service Company, freely admit that "mortgages must necessarily involve more handling expense than do stocks and bonds." "However," he hastens to add, "investigation of life insurance companies' experience reveals that the relatively slight additional expense is well justified by the more attractive yields." His own company, servicing some $200,000,000 of loans and reputedly the country's largest single-office mortgage concern, is particularly partial to FHA insured and VA guaranteed loans under present conditions. He could see no reason for the slowness of pension men to invest heavily in government guaranteed mortgages, other than a natural aversion to excessive paper work and to possible troublesome foreclosures. In any event, mortgage service experts say FHA insured and VA guaranteed loans should be bracketed with government bonds as non-risk assets.

That mortgage servicing is currently furnishing the answer to "trouble and expense" objections seems clearly evidenced by the fact that, according to a Mortgage Bankers of America survey, there were $42 billion in mortgages outstanding last year-end under service contract arrangement. This reflected an increase since 1946 of nearly 300% and a rise from 46% to 60% proportionately to the total. Over $500,000,000 of FHA loans were placed in 1950 by mortgage brokers, according to Richard M. Hurd, pioneer lending authority and Vice - President Teachers Annuity Association.[8] He, too, believes that a mortgage program should be a balanced one and should contain loans large and small, some FHA's, some VA's. He favors the acquirement of these loans through a mortgage banker by whom they were originated.

Demand for FHA and VA mortgages (particularly the latter) on behalf of fiduciary-type funds may be judged from figures currently released by the Institute of Life Insurance, showing that life insurance companies added $3.9 billion to their holdings in mortgages during the 12 months ended June 30, 1951—a record high. Of this sum, $900,000,000 and $1.3 billion, respectively, were FHA and VA mortgages.

Although a slackening of mortgage investment followed the withdrawal of price support from government securities last March —with consequent market readjustments and a revision of current investing policies — this condition is already yielding to the pressure of mounting demand. Talk of trying to get the interest rate increased on FHA and VA mortgages is subsiding.

Factor of Non-Taxability

With the removal of legal obstacles in certain States and a fuller awareness of FHA-VA mortgage merits on the part of pension investment managers, shortages in such loans will foreseeably develop. As these shortages arise they will from time to time be relieved by reason of the still enormous residential demand, satisfaction of which will be the same token have benign social consequences.

Another unique feature of pension trust funds is their freedom from taxation under existing laws. Here we have an insatiable deep freeze into which taxable mortgages and securities are being sunk in what bids fair to become a tax-free colossus. So long as such exemption continues it will react favorably upon the taxable sector of investments, which embraces corporate bonds and stocks as well as government taxables and individual mortgages. On the other hand, the exemption will serve to lessen such market benefit as might otherwise accrue to municipal and government non-taxables. In plain language, industrial capital requirements and individual housing demands will be more easily met because less subject to adverse comparison with tax-exempt securities.

[8] American Banker, May 9, 1951.

Bond Club of Detroit Elects Officers

Frank P. Meyer   Ernest B. Kelly, Jr.

DETROIT, Mich.—At a recen[t] meeting, the directors of The Bon[d] Club of Detroit elected the following officers and directors fo[r] for the year 1951-52:

President, Frank P. Meyer of Michigan Corporation; Vice-President, Ernest B. Kelly, Jr. of Halsey, Stuart & Co.; Secretar[y] Treasurer, Robert D. Savage [o]f Crouse & Co.

Directors elected include th[e] officers and Reginald MacArth[ur] of Kenower, MacArthur & Co., r[e]tiring President; Charles C. Be[c]tel of Watling, Lerchen & Co.; Merle J. Bowyer of Braun, B[os]worth & Co.; and John K. Ro[ney] of Wm. C. Roney & Co.

The following Committee Cha[ir]men and members were appoint[ed]: Program Committee: Ernest Kelly, Jr., Chairman; Fred Bo[...]ton, H. V. Sattley & Co.; T. Nor[...] Hitchman, Kenower, MacArt[hur] & Co.; R. M. McConnell, Bache [&] Co.; H. Terry Snowday, Bla[ir] Rollins & Co., Inc. Entertainme[nt] Committee: Robert D. Savag[e] Chairman; William C. Davis, Wat[...]ling, Lerchen & Co.; Wilfred [...] Friday, Siler & Co.; Raymond J. Laude, Goodbody & Co.; Robert J. Moons, Manley, Bennett & Co. Publicity Committee: John [...] Roney, Wm. C. Roney & Co[.] Chairman; Frank H. Kemp, R. O'Donnell & Co.; George M. T[...]deck, Hornblower & Weeks; He[n]ry Vander Voort, Nauman, M[c]Fawn & Co.; Palmer Watlin[g] Watling, Lerchen & Co. Memb[er]ship Committee: Charles C. Be[c]tel, Chairman; E. Price Ki[m]brough, Municipal Securities, In[c.] Robin G. Mace, Goldman, Sachs [&] Co.; Don W. Miller, Titus-Mi[ller] & Co.; William C. Roney, Jr., W[m.] C. Roney & Co. Finance Co[m]mittee: Reginald MacArt[hur] Chairman; Victor P. Dhooge, Ma[n]ley, Bennett & Co.; Frank [...] Voorhies, Goodbody & Co.

The Club, which this year [is] observing its 36th anniversar[y] will entertain its members at t[he] Country Club of Detroit on Sept. 25 with a golf party and outing to open the current year activitie[s].

Continued from first page

If Peace Comes, Can Deflation Be Far Behind?

Truman's singing and we don't get into a full-scale war with Russia? Then what?"

Now that question may sound funny to you, but he was serious. Think about it just a minute. What he really could have asked was: If peace comes, can deflation be far behind?

A highly significant economic development is already evident. The National City Bank of New York in its Monthly Letter on Economic Conditions and Government Finance, April, 1951, reports the following:

"The dominating fact is that the country is turning out substantially more goods and services than ever before in peacetime, and more than 90% of the output is still for civilian use. People who underrated industry's productive power are finding that supplies are more abundant, even in durable goods, than they expected a few months ago. More of almost everything, including automobiles, is being turned out than at this time last year. Rising inventories reflect the enormous output."

Suppose Joe doesn't? And I think he would be a fool if he did, and he knows it. America has a tremendous economic problem at home which she has not solved. Only emergency after emergency has kept that problem from plaguing us. And I sometimes think that there are people, maybe in positions of authority, who would rather face "emergency" than have to deal with that problem, because it will take some brains to do the latter.

But the point I began to develop is that many people cannot keep from believing that some day prices are going down and we will have another depression. Then with their savings and their government bonds they can buy up cheap what the rest of us must sell.

My thinking about this can best be presented by referring to two letters which came to my office within the past two weeks. The first one came from a banker in Dublin, Texas. Here it is. He starts out by saying: "I am interested in reading the history of inflation in some particular country and wonder if you could refer me to some book that might give this."

Then he goes on to say: "Also I would like for you to tell me if our inflationary program is pretty well following the pattern of other countries which have experienced inflation."

That is all of his letter except that he winds up by saying: "Please do not go to much trouble in this connection. If it is any trouble, an answer to this letter will not be necessary. Thanks."

In the banking business no one wants to lose *any* customers. The writer of the letter is a correspondent of ours, so I was not about to let his letter go unanswered.

Inflation in Germany

Well, here is my answer. I gave him the names of some books, which he may or may not read—likely not. Then I went on to say:

"Most fantastic of all inflation episodes in our lifetime was that of Germany after World War I when the German mark went from 2.48 marks per one American dollar in March, 1919, to 1,810 marks per dollar in December, 1922, and to 1,000,000,000,000 (one trillion) marks per dollar in December, 1923. A good book on the German inflation is James W. Angell's, *The Recovery of Germany.*

"Our inflation, I think, is less excusable than that of most countries, because we are vastly stronger in real economic terms than any other country. Also, we should know better. I am convinced that our inflation is mostly due to our changed philosophy of economics and government. America has been deluded into accepting the false philosophy of planning, and the planners hide their schemes and the cost of their schemes by manipulating money and credit.

"In other countries bad inflation has generally come from the ravages of war. But we did not have a single bomb dropped on our homeland and none of our production facilities were destroyed.

"I am sure that most of our trouble is traceable to the day when politicians began to promise the people something for nothing and led the people to believe that government has magical power to create wealth out of thin air.

"We have gone quite a distance down the road of inflation, but we can and will go much farther. Remember that no country has ever turned back. We are not going to return to the dollar any of the value taken out of it. No one now living will ever see the day when the dollar will buy again what it did in 1940."

The second letter which I have here also came from a banker. He lives in Port Lavaca, Texas. He raised three main questions. But let me quote you the entire letter:

"I am wondering if you would mind giving me your views on several matters which are continuously on my mind?

"Do you feel like we can continue to enlarge the debt position of our country without threatening the economic structure? I ask you this question with the thought in mind that our government may not pursue a 'pay-as-you-go' policy such as they have been talking about and am wondering just what the consequences would be.

"I have recently been to Washington, St. Louis, Pittsburgh and other spots in the Mid West and East and it is my impression that business has been off generally all over the country. People do not seem to be buying for the last two or three months as they have been. I am wondering just what the reason is for a lack of individual buying. Is it due to less income or is it the result of individual objections to higher prices, or is it something else?

"Can you foresee a repetition, at any time soon, of the situation we had from 1929 to 1936? I have tried to picture in my own feeble mind the situation as it is and as it compares with that of 1929, 1933, and 1936. I cannot see how we can follow the same course. However, it does seem to me that unless we operate our National Government on a balanced budget from now on that we shall be in danger of something. Because, after all, our individual operations and business operations are practically all based upon our government.

"Thank you in advance for the time you may be able to give me on these matters."

That is some letter! You don't answer one like that in just a few words. In my reply I tried to tell him exactly what my own reactions are to the situation as I see it. Regardless of how we got where we are, the very fact that we have done so conditions our behavior from this point on.

The Menace of Our Fiscal Policy

But here is my reply:

"You are not alone in being disturbed by the fiscal conditions of the country. Many people have asked me just about the same questions you have.

"Most of them are people over 50 years of age who are personally concerned because they fear further loss of purchasing power of their savings accumulated over the years.

"Then there are others (usually under 50) who want to shape their current course to meet what may come. They are seeking ways to gain, if possible, through inflation, or at least to protect themselves against the day when a house or a building might cost vastly more in dollars.

"A very significant thing is that only a small minority of people are bothered. The great masses don't understand much about economic matters. They live from day to day. Their usual answer to higher prices is to try to get more income.

"Inflation is an insiduous thing. Its distastrous consequences are generally not realized until it is too late to stop the process. In some respects it is like dope. The economy gets a boost or stimulation out of it—everybody feels good. Any efforts to shut it off must run head-on into opposition of millions of folks who think they are doing right well under it.

"After inflationary seeds have been sown, some time elapses before they sprout. Vast debts may be contracted in the meantime. Then when it is proposed to check inflation, millions of debtors immediately think in terms of how they are going to pay off their debts. As a rule, debtor classes in history have been cheap-money advocates, and I think they are today. They want to pay off their debts in cheap dollars. Then, too, you must not forget that Uncle Sam himself is the world's largest debtor. It is seriously questionable whether the Federal debt can be managed, let alone paid off, with anything but cheap dollars.

"A further factor, and one of major import, is our changed philosophy of economics and government. The philosophy of planning has seized America and has a strong grip on us. Powerful control and planning devices in the scheme of the planners are money and credit. Both are at the mercy of political will. And, as a consequence, politics more than sound economics will shape America's course.

"To stop inflation will require sacrifice. It will upset the schemes of many folks. I cannot find sufficient numbers of people or groups who are willing to make the sacrifice.

"Now with the above remarks out of the way, let me go about answering your question *as I see the answers.*

Some Questions

"Question 1. Do you feel like we can continue to enlarge the debt position of our country without threatening the economic structure?

"We can (and will) go a long way down the road of inflation without collapse. But I think every step we take along that road does threaten our free enterprise economy just that much more, because every step further increases the power of those whose theories would nationalize and socialize us. I think this is the most significant element in the whole inflation picture, and it is being overlooked by bankers, industrialists, and others who ought to be most concerned. I am sure that if they realized the ultimate danger they would be the first to come out strongly for 'pay-as-you-go' policy.

"Your attention is called to the experience of other nations. France is a good example. You can remember when the franc was worth 20 cents in American money. Today you can get three francs for one in terms of our money since World War I. And if you go as far back as 1900, you will find that the franc has lost 137/138ths of its purchasing power, because our dollar is worth only 31% of its 1900 real value. Despite this tremendous loss, in her money's value, France has not 'legally' repudiated her money or her debts. Of course, we know that her economy has been damaged.

"I think I should make a little clearer my reasons for saying that we weaken our free enterprise economy as we take each step further along inflation's road. You realize that inflation is an artificially generated condition and tends to build up forces that ultimately generate a reaction unless the artificial stimulus is continuously increased (like dope). Some day the skyrocket spends its power and turns down, then deflation sets in. Deflation, however, is every bit as serious as inflation. Deflation means liquidation, defaulted debts, bank failures, unemployment, depression, and all such undesirable conditions. And the people will not let the government sit idly by while all that takes place—and no administration wanting to stay in office or get in office would sit idly by anyway. The government will start pulling out all the tricks in its bag to stop deflation. Deficit spending will be the greatest of all the tricks, and if that is not sufficient others will be used, including the printing of paper money.

"Remember, we have on our statute books right now such laws as bank deposit guarantee, social security, FHA mortgage insurance, and countless other measures which commit Uncle Sam to support the economy against deflation. You might say that the government can't do it, but don't forget that the fractional reserve banking system and the printing presses are both at the disposal of the government. Of course, in the process, you can bet that new socialistic devices will be introduced as the centralized power of the government increases. Very likely we shall see the nationalization of banking, public utilities, coal mines, railroads, steel mills, petroleum and other great basic industries.

Question 2. Do you feel we will continue to have government support of farm prices?

"Yes, if prices show signs of turning down. Another agency among those I referred to above is the CCC. We are not about to abandon the farm support program forever. We may suspend a part of it for a while, but only so long as farm prices are not headed down. Too many votes are involved. Likewise, the philosophy of planning won't allow it any more than it will permit the abandonment of the other New Deal measures. And, as I suggested above, we have gone so far along the road that any turning back would not be tolerated by the masses of people.

"Question 3. Can you foresee a repetition, at any time soon, of the situation we have from 1929 to 1936?

"No, I cannot—not soon, say in the next 25 years, because with our tremendous real economic strength (natural resources, technology, manpower, etc.) it will be possible for the planners to take us a very long way down the road of inflation. A physically strong man can take more dope and over a longer period before he is destroyed by it than can a physically weak man. And so a strong nation can stand more inflation doping than a weak nation.

"The least threat of return to a situation like that of 1929-1936 would be met full force by the planners. How would they meet it? By great public works programs, by more foreign aid (the Marshall Plan, Point IV, etc.), by restricted farm production and supported prices, and the like. You know the list. Now, it is important to realize that these will be paid for by deficit financing. In other words, the planners fight deflation with inflation. What I fear most of all is that the damn fools will find an excuse to resort to the greatest of all inflation engines, which is WAR. In my judgment, the 'prosperity' we have enjoyed in this country since 1940 was a result of WAR. It is seriously questionable whether the New Deal would have gotten us out of the depression by the means it had adopted.

"If you will read the Report of the Joint Committee of the Economic Report on the January, 1951, Economic Report of the President (82nd Congress, First Session, Report No. 210), you will be shocked to see that the authorities in Washington are saying that 'the defense program now under way, it has been generally agreed, may last 10 to 20 years.' I think they can make it last that long.

"Mind you, I fear that the most overlooked, the most neglected damage being done to America is the destruction of her real economic strength—the depletion of her natural resources and the abandonment of the sound economic principles which made us a great nation. Saddest of all is that this is happening 'by vote of the people.'

"Mark my word, some day not too many years off the planners will say to us: 'We must conserve our resources. We have such little left. So we must put them under government ownership.' Just as certain taxes may become so heavy as to destroy venture capital, so might the President say, 'We don't have enough steel mills. The government must build some.'

"Sorry that it was necessary to write you such a long reply. But your letter asked questions that I could not answer fairly in a briefer reply.

"May I say that these views are not necessarily those of the bank. I urge you to remember that they are my own, and I sincerely hope that they are wrong."

You can readily see that I am not very optimistic about the future of our capitalistic system. It is steadily eroding away. Each "emergency" creates additional excuses to restrict economic freedom.

When someone raises the question, "What are we going to do about it?" I must confess that I can find no encouraging answer. The American people have swallowed so many illusions, and we have allowed ourselves to be taken so far down the road toward socialism and communism that "the planners" have us in a position where they know that not many of us would be willing to bear the sacrifice necessary to stop the trend. Our selfishness got us here, and I guess it will keep us going to the point where turning around will be impossible. Out of the "inflation emergency" will come a "deflation emergency" which, they will tell us, can be met only by more "controls" and "planning." I see no end.

Of course, I occasionally meet someone who says that he is terribly disturbed, but since he has only a few more years to live, he is going to let somebody else worry about it. Well, if the people who have grown up in the other era abandon the cause and if the kids growing up now do not know about the principles that made America great (and too little of it is being taught in our schools), then there is a real problem of who is going to stop the erosion.

I wish I knew the answer. And, furthermore, I wish the problem bothered you as much as it does me.

What Remedy Against Inflation?

Another part of my job at the bank is to listen to people who ask, "What shall I do with my money to protect it from inflation?" Sometimes it is a temptation for me to ask them how they have been voting in the last few elections, but that would not do any good, and it might offend someone.

So I resort to the old trick of making the point by indirection. When the fellow is under 40 and has children, I have a stock answer for him that is both sound and insinuating.

When he says he has children, then I say: "The best thing you can do with your money—the best investment of all—is in good health, good education and good character for your kids. If that takes all your money, it is the best investment you can make. You have then provided your children with some things that the tax-collector of the future can't take away from them. And, come the revolution, somebody is going to have to be the commissars, and the well-educated kid of good health is going to stand the best chance." Fortunately, most of them get the point.

When the fellow is up in the years, say above 60, and is worried over his money, about the most you can do is to tell him to shut his eyes and hold on to his government bonds with the hope that his shrinking capital will outlast him. I told one fellow one time: "Remember, you can't take it with you." He said, "Well, I'm damned if I'll go then."

Morgan Stanley Group Offers Cone Mills Stk.

Morgan Stanley & Co. and 63 associated underwriters on Sept. 19 offered for public sale 400,000 shares of Cone Mills Corp. common stock at $30 per share. The offering covers 100,000 shares for each of four stockholders, representing in each case only a portion of their present stock holdings. The company has been operating for 56 years and is one of the largest manufacturers of textile fabrics in the United States.

The company is the largest domestic producer of denims and cotton flannels. It also produces a wide variety of cotton and rayon fabrics. Its manufacturing operations are integrated from the processing of raw materials through the production of finished fabrics and products. The company and its subsidiaries operate 18 plants in North Carolina, and one each in South Carolina and Alabama. Sales of the company's products are handled by a wholly owned subsidiary.

For the five months ended May 31, 1951 consolidated net sales were $78,997,993 and net income was $5,954,743, equal after preferred dividends to $1.71 per share of common stock. For the calendar year 1950 sales were $161,601,644 and net income $14,192,986, or $4.07 per share of common.

The company has paid cash dividends on its common stock in each year since 1914. Dividends totaled $2.60 per share of common in 1950 and dividends of 40 cents each per share were paid on March 5, June 1 and Sept. 1 of this year.

With Vance Sanders

(Special to The Financial Chronicle)

BOSTON, Mass.—Philip A. Mills is with Vance, Sanders & Co., 111 Devonshire Street.

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The State of Trade and Industry

weekly magazine of metalworking, the current week. But indications are mill scheduling will be on a much more orderly basis than it has been since last July when the Controlled Materials Plan went into effect. Everything points to more realistic allotting of tonnage by the National Production Authority from here on, which means there will be better balance between production and CMP ticketed orders. Also, restoration of the historic pattern for booking orders will make for more satisfactory mill-customer relationships, it adds.

Except for military requirements and needs covered by special government directives, the steelmakers generally are booking no tonnage for shipment beyond first quarter next year. In fact, with fourth-quarter schedules still subject to change for one reason or another, it is highly improbable that the mills will commit themselves too far ahead, this trade paper notes. At present, consumers can place no more than 70% of their fourth-quarter allotments for first quarter. Consequently it will be some time before the steel producers can fully set up schedules for that period. Allotment forms for first quarter are now being mailed by NPA, consumers being allowed until Oct. 1 to return these for final screening.

While government regulations permit the placing of tonnage orders with the mills for distant delivery, it is interesting to note that some consumers have not yet been advised as to their allotments for fourth quarter this year. Even the deadline for conversion of unrated tonnage to CMP for the period has been extended from Sept. 10 to Sept. 25. Delay in mailing out fourth-quarter allotments is said to be the cause for this extension.

Major market attention is riveted on scrap, "Steel" points out. This critical raw material holds the key to future developments as regards steel supply conditions. So far high-level steelmaking operations have been maintained, only minor breaks being experienced at the various production centers. Now, however, an acute shortage of scrap threatens over the coming winter unless current government-sponsored salvage drives bring out substantial tonnage soon.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 101.2% of capacity for the week beginning Sept. 17, 1951, or an increase of 1.2 points from a week ago.

This week's operating rate is equivalent to 2,023,000 tons of steel ingots and castings for the entire industry, compared to 100%, or 1,999,000 tons a week ago, and 100.4%, or 2,007,000 tons a month ago. A year ago it stood at 100.4% of the old capacity and amounted to 1,936,400 tons.

Electric Output Gains in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 15, 1951, was estimated at 7,137,652,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week was higher due in large measure to the return to a normal work week following the Labor Day holiday, in the preceding week.

The current total was 342,282,000 kwh. above that of the preceding week; 688,551,000 kwh., or 10.7% above the total output for the week ended Sept. 16, 1950, and 1,558,547,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Drop 11.6% in Labor Day Week

Loading of revenue freight for the week ended Sept. 8, 1951, which included the Labor Day holiday, totaled 732,908 cars, according to the Association of American Railroads, representing a decrease of 96.483 cars, or 11.6% below the preceding week, due to the holiday.

The week's total represented a decrease of 18,541 cars, or 2.5% below the corresponding week in 1950, but an increase of 108,946 cars, or 17.5% above the comparable period of 1949.

Auto Output Rises Sharply Above Labor Day Holiday Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 136,452 units, compared with the previous week's total of 103,224 (revised) units, and 185,421 units in the like week of 1950.

For the United States alone, total output dropped to an estimated 129,667 units from last week's revised total of 97,547 units, when Labor Day interrupted assemblies. In the like week of last year output totaled 176,296 units. Canadian output in the week totaled 6,785 units compared with 8,154 units a week ago.

Total output for the current week was made up of 100,581 cars and 29,086 trucks built in the United States and a total of 4,745 cars and 2,040 trucks built in Canada.

Business Failures Move Sharply Upward

Commercial and industrial failures rebounded to 164 in the week ended Sept. 13 from 116 in the preceding week, Dun & Bradstreet, Inc., reported. Casualties were about even with a year ago when 164 occurred, but were below the 1949 total of 185 for the similar week. Continuing well below the prewar level, failures were down 39% from the 269 concerns which succumbed in 1939.

Liabilities of $5,000 or more were involved in 129 of the week's casualties, mortality in this size group increased from 91 in the previous week and exceeded the 117 which occurred last year. Small failures, those having liabilities under $5,000, rose to 35 from 25, they were not as numerous as in the comparable week of 1950.

Wholesale Food Price Index Declines to Lowest Level In Nine Months' Period

Down for the fifth successive week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., for Sept. 11 fell to $6.79, from $6.82 the week before, and is now at the lowest level since Dec. 12, 1950, when it was $6.77. Compared with last year's figure of $6.68 it shows a rise of 1.6%, but it is 7.1% below the 1951 high of $7.31 touched on Feb. 20, last.

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 Touches Lowest Level Since November of Last Year

Continuing its mildly lower trend, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped to a new low since early last November the past week. The index finished at 297.91 on Sept. 11, as against 298.29 a week earlier, and with 290.17 a year ago.

Grain markets at Chicago were generally firmer last week with both futures as well as cash prices registering moderate advances over a week ago. Demand for corn futures was stimulated to a large extent by reports of cool showery weather which is delaying the maturing of the crop. Trading in wheat was less active; market receipts were smaller.

Strength in wheat was also dominated by weather conditions which hindered harvesting in the Northwest and delayed operations in the Canadian Spring wheat belt.

Country offerings of oats were small. Despite the large accumulation of Canadian oats, prices rallied in sympathy with the rise in corn. Trading in rye was slow but the market strengthened along with other grains.

Flour prices were firmer; bookings for the week were at a greatly reduced rate following the activity of the previous week. Cocoa dipped sharply at mid-week. Selling was prompted by reports of a reduction in the minimum Bahia price to this country and a rumor that Brazilian offerings to Europe were being made at reduced quotations. Coffee showed strength throughout the week under the stimulus of broadened demand for green coffee by roasters. Raw sugar trended lower as buying interest lagged pending improvement in the demand for refined sugar. Hog prices were fairly steady at around the lowest levels since last January. The cattle market remained firm. The average selling price for steers for the week reached the highest since July, 1948, when cattle prices were at their all-time high.

Domestic cotton prices moved irregularly although recovering slightly from the sharp decline of the previous week.

A steadier undertone developed in the latter part of the week. The improvement was attributed to mill and export price-fixing, a lack of hedging pressure, uncertainties in the Korean situation, and the possibility of large loan entries.

The first report of the season on entries into the government loan stock, issued during the week, showed entries through Aug. 30 of 8,130 bales. Sales reported in the ten spot markets last week totaled 181,900 bales, as against 199,000 the week before, and 243,100 in the corresponding week a year ago. Confirming earlier predictions, the Sept. 1 forecast of the Department of Agriculture on this year's crop indicated a yield of 17,291,000 bales. This was up slightly from the estimate of a month ago, and compared with last year's small crop of 10,012,000 bales, and with a ten-year (1940-1949) average of 12,030,000 bales. Activity in cotton textiles was relatively quiet with prices of some print-cloth constructions showing an easier trend.

Trade Volume Reflects Modest Gains for Week & Year

Spurred by extensive promotional sales of Fall clothing and house furnishings consumers increased their buying in the period ended on Wednesday of last week. Retail dollar volume was slightly above the levels of both the preceding week and the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its review of trade.

Consumers generally concentrated their purchasing on moderately priced goods.

Fall sportswear and children's apparel were among the best sellers last week. Women's suits and woolen and faille dresses were in large demand; sweaters and skirts also sold well. Cocktail dresses attracted very favorable attention. There was a slight pick-up in the demand for costume jewelry. Volume in men's wear was at a high level. The approach of the hunting season in many areas stimulated the demand for out-door clothing and equipment.

Except for major appliances and television sets, the consumer interest in household furnishings increased noticeably the past week.

Volume in bedding and living-room furniture expanded considerably. There was a slight increase in the consumer buying of curtains and draperies. China and kitchenware attracted favorable attention, but there was scant interest in floor coverings.

The consumer buying of food rose slightly last week. There continued to be a substantial demand for fresh fruits and vegetables. While poultry and pork sold well, the buying of beef diminished somewhat. Volume in frozen foods and beverages was high and steady and dairy products were popular. There was a slight dip in the demand for confectionery and bakery products. Retail volume in canned foods was slightly below a year ago.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 1% below to 3% above a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

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

While the dollar volume of wholesale trade increased slightly in the week, it remained close to the corresponding 1950 level. Buyer attendance at the major wholesale centers was substantially above the levels of both a week ago and a year ago. There were many requests for merchandise appropriate for Winter holiday promotions.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 8, 1951, decreased 2% 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 3% is shown for the four weeks ended Sept. 8, 1951. For the year to date department store sales registered an advance of 4%.

Retail trade in New York last week dropped an estimated 5 to 8% as a result of mild weather which tended to slow-up sales of seasonable merchandise.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 8, 1951, increased 2% from the like period of last year. In the preceding week an increase of 1% (revised) was registered above the similar week of 1950. For the four weeks ended Sept. 8, 1951, a decrease of 2% was recorded below that of a year ago, and for the year to date volume advanced 7% from the like period of last year.

E. F. Hutton Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Donald C. Encoe has been added to the staff of E. F. Hutton & Co., 623 South Spring Street.

Mutual Funds

By ROBERT R. RICH

Fund Questions Market Trend; Cites Adverse Economic Factors

There is evidence that the stock market is ignoring certain current adverse developments, the investment firm of Calvin Bullock declared in its monthly analysis, "Perspective."

Although it was noted that the level of the Dow-Jones industrials may be somewhat misleading, buoyed up as it is by a selective demand for oil and chemical stocks, the analysis stated, "recent economic developments suggest a reexamination of the civilian sector of demand may be of major economic importance once more."

"These economic developments have already been well publicized: first, a decline in the rate which consumers are spending their income for durable and semi-durable goods; second, a relaxing of inflationary pressures to an extent to permit actual price weaknesses in certain lines; third, a transition from a period of accumulation of business inventories to a period of decumulation; and fourth, a lag in the rate of increase of direct defense expenditures—at least a lag behind original expectations."

"Perspective" stated that the decline in the rate of consumer spending out of income, accompanied by an approximate doubling of the amount of personal savings in the second quarter as compared with the first, is of major significance in explaining current developments, but that its long-run significance is hard to appraise.

"Is it merely a temporary reaction to the spending spree that went before?" the report asked, or is it, "the long awaited signal that consumer deferred demand for durable goods is at last exhausted, and that consumers believe the future level of defense expenditures is not likely to cut back the supply of civilian durables below normal current needs?"

Although there is good reason to suppose that the rate of consumer spending out of current income has fallen too low and that it will recover, consumer attitudes that there will be no major shortages of civilian goods could prove to be essentially correct, the investment management stated.

"For one thing," the analysis remarked, "the temporary bulge in demand for civilian goods may have produced a temporary bulge in plans of business men to expand civilian plant capacity, and this additional demand for manpower and materials may subside somewhat.

"Second, expenditures for direct defense needs may increase at a slower rate than originally contemplated, and may never reach the peak of $70 billion originally planned. Instead, defense expenditures may level off at a peak of about $55 billion and be spread out over a longer period of time. Meanwhile, of course, large inventories will provide an additional supply of consumer goods to meet demands in excess of current production rates."

"All this," the analysis comments, "does not spell any collapse in industrial activity. But it does suggest that the transition to a period of increased defense expenditures can be made with less risk of inflationary pressures in the civilian sector of the economy.

"If this interpretation is correct the garrison economy into which we are entering will differ substantially from the World War II period. In the first place the war-induced prosperity made effective the demand for civilian goods that had been deferred because of a decade of stagnant economic activity preceding the war. We may well be entering the garrison economy with the backlog of deferred civilian demand largely exhausted. Second, it is possible that the garrison economy may succeed in avoiding the creation of any additional deferred demand."

LARGE CAPITAL gains are on the books of the Blue Ridge Mutual Fund, and it is expected they will be paid in the form of dividends prior to March 31, 1952, George A. Sloan, President of the Fund, announced, following a meeting of the board of directors.

Mr. Sloan also announced that the Board approved a dividend policy which anticipates that payments will be made in February, May, August and November of each year.

Because of the organizational and other problems attendant on the setting up of the business the ordinary net income and capital gains distributions for this year will not be paid on the regularly adopted dividend dates, but will be paid on various dates prior to March 31, 1952.

Such distributions will include the undistributed net capital gains of Blue Ridge Corporation. Payment of the entire ordinary income and capital gains by March 31, 1952 will satisfy the requirements of the Internal Revenue Code for exemption of the Corporation and Blue Ridge Corporation from income tax, he said.

The 60-day waiting provision on the Deferred Redemption Certificates of the Company will be terminated according to Mr. Sloan's announcement. All shares submitted for redemption on and after Sept. 21, 1951 will be redeemed on Nov. 20, 1951 at the then asset value. Subsequently the redemption will be made promptly, following the usual practice of open-end investment companies. The recent asset value on the fund per share was $10.69, compared with $9.90 on June 28, 1951, the date of the absorption of the assets of Central States Electric Corporation by the company and the merger with Blue Ridge Corporation.

EATON & HOWARD Stock Fund has been placed on the list of legal investments for savings banks in New Hampshire. Securities on the list are specifically legal for insurance companies and trustees. The Fund met the final requirement for qualification when it recently reached a size of over $10,000,000.

This development carries significance for individuals and fiduciaries in any state, who are interested in the so-called "Prudent Man Rule." Under that "Rule," a trustee is "to observe how men of prudence, discretion, and intelligence manage their own affairs." It was noted by the Fund that the placing of the company on the New Hampshire legal list is an indication that the Fund is considered a suitable investment for "men of prudence, discretion, and intelligence."

AN OFFER to shareholders of Independence Shares Corporation whereby they may exchange their holdings, without cost to them, on a basis of actual net asset value, for shares of Delaware Fund, was announced by the management of Delaware Fund. There are approximately 2,000 holders of Independence Trust Shares.

The offer has been transmitted to holders of Independence Trust Shares in a letter signed by the President of Independence Shares Corporation, Alfred H. Geary.

"As you know," Mr. Geary wrote his shareholders, "the shares you presently own represent an investment in a fixed group of securities selected 22 years ago. That this selection was sound is attested by the price at which these securities are selling at the present time. However, enough time has elapsed since the selection of this group of securities to make it self-evident that in the long run the management-type fund, wherein management is constantly studying the investment outlook and periodically changing the list of securities in which a fund is invested, better serves the needs of the investors."

The offer will remain open until Nov. 1, 1951 and thereafter may be withdrawn by Delaware Fund at any time. The offer also applies to shares of Independence Trust Shares owned through Capital Savings Plan Contract Certificates.

Under the agreement, holders of Independence Trust Shares taking advantage of the exchange offer would receive cash for any excess asset value not equal to a whole share of Delaware Fund.

The exchange is recommended by the management of Delaware Fund, Inc. and endorsed by the officers of Independence Shares Corporation, the sponsor of Independence Trust Shares and Capital Savings Plan Contract Certificates.

Independence Trust Shares has total assets of approximately $2,500,000 with 1,013,000 shares outstanding, and is a fixed trust. Delaware Fund is an open-end, fully managed Mutual Fund with total assets in excess of $10,000,000, equal currently to $17.63 per share.

TELEVISION set production this year is estimated at 5,300,000 units as against a volume of 7,500,000 units in 1950, according to the annual industry survey released by Television Shares Management Company, the investment advisor of Television-Electronics Fund, Inc.

In its annual forecast, Television Shares Management Company states that outlook for demand appears to be far more favorable than recent sales within the industry would indicate. Relaxation of credit controls, lower set prices, high and rising consumer income and the opening of the coast-to-coast network are cited as among the contributing factors to a favorable appraisal of the outlook for the balance of the year.

Television Shares Management believes that the heavy inventory accumulation, to which they called attention in a study issued in May, may be a fortunate factor from the consumer's viewpoint, because of the tight situation which is developing in certain materials. Dealers are likely to be faced with the problem of obtaining sufficient sets to supply the demand rather than that of disposing of inventory. Early next year many items such as copper, nickel, aluminum, and cobalt will probably be far more difficult to secure than now.

Despite the recognized ingenuity of the industry's engineers in cutting down or eliminating the use of critical materials, set production is expected to suffer. An offsetting factor from the manufacturer's standpoint will be that as civilian production begins to fall off, production of military equipment will in many cases have begun to rise rapidly.

Present planning indicates that the peak of military production will have been passed late in 1952 and critical materials may then become more readily available for civilian production. The lifting of the freeze expected to take place by the end of the year, will allow the construction of new television stations, adding untapped markets.

The demand from these areas will cause an expansion in the market for telesets. Television Shares Management Company points out that telecasting now consists of only 107 stations operating in 63 markets, of which 52, including the new West Coast markets, have a network connection. Within the foreseeable future, the estimate is for more than 1,000 telecasting stations with gross revenues of $1,000,000,000.

By way of comparison, the Federal Communications Commission stated that the television broadcasting industry in 1950 had gross revenues of slightly under $106,000,000.

The top 10 manufacturers and the estimates for 1950 and 1951 are as follows:

Top 10 Televison Producers

	Estimated Units 1951	1950*
R. C. A.	700,000	950,000
Admiral	625,000	875,000
Philco	625,000	875,000
Emerson	400,000	550,000
General Electric	400,000	425,000
Motorola	400,000	660,000
Zenith	300,000	450,000
DuMont	130,000	240,000
Crosley	100,000	140,000
Hallicrafters	100,000	172,000
Total	3,780,000	5,337,000
Balance of Industry	1,520,000	2,163,000
Total Industry	5,300,000	7,500,000

*Revised.

THE TRADE magazine "Steel," has called attention to Growth Companies, Inc. as an example of a new type of company that is just beginning to be developed in the mutual fund field.

The publication described this type of company generally as one that specializes in investing in smaller, growing firms or companies with new technical processes or ideas that need more venture capital.

"Growth Companies," "Steel" commented, "makes its investing decisions partly on the basis of the research programs of the firms in which it is interested. To assist in the evaluation of such programs are board members of Growth Companies who include Clyde E. Williams, director of Battelle Memorial Institute; Zay Jeffries, retired Vice-President of General Electric Co. and past President of the American Society for Metals; Roger Adams, head of the University of Illinois Chemistry Department; and Bayard D. Kunkle, retired Vice-President of General Motors Corp." Growth Companies announced that, in the future, shareholders may elect to take distributions or dividends in stock in full or fractional shares. Previously this election in lieu of cash has been limited to full shares.

ARRANGEMENTS HAVE been completed to enable investors to purchase stock in the Pell, de Vegh Mutual Fund on an organized periodic savings plan. The fund stated it would assume the burden of the bookkeeping involved.

Inv. Dealers of Canada To Offer Secs. Course

TORONTO, Ont.—The Investment Dealers Association of Canada has announced that present plans call for a new offering of the Association's Course I about Sept. 30.

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The Role of the Unlisted Securities Dealer

lars, while investment in corporate stocks (preferred and common) for the same period increased by only 1.1 billion, or **only 8% of the total.** . . . This **equation** of capital flow is highly unsound. More of the American people's s a v i n g s **must** be channeled into 'risk,' or ownership investments. O t h e r- wise, not only will socialization of industry be encouraged, but also the safety of our people's holdings of savings deposits and life insurance (the assets of which are invested largely in debt instruments) may be placed in serious jeopardy. . . . It is obvious that the time has never been more propitious for the launching of a broadly conceived and vigorous educational program . . . to explain . . . the advantages to individuals of becoming owners . . . of the stocks of American business and industrial corporations."

We believe it is fitting and proper that every stock exchange and their member firms, every organization of security dealers and brokers, the chambers of commerce and all industrial corporations and trade associations, large and small, take an active part in supporting such an effort. **We believe** that it is our duty as members of the National Securities Traders Association to lend our individual time and experience in furthering such a program of education. Fortunately, there is such a program all ready to go that has been under careful preparation for the past two years, planned and sponsored by a legitimately chartered educational institution operating on a non-profit basis. I refer to the program being inaugurated by the recently formed "People's Savings and Investment Service" as a special project of the Institute of Fiscal and Political Education.

The trustees of this Institute, the Policy Committee of this program, and their editorial staff, are composed of an enthusiastic group of well known Americans, including prominent economists, educators, lawyers and financial writers. The Institute states, and I quote: "It is conducting this program in the furtherance of free enterprise, the assumption being that a stockholder is a capitalist, and consequently not prone to accept the principles of collectivism which are so prevalent in the world today."

It is expected that this program will be launched definitely within the next few weeks. Its initial undertaking will be to make available to the metropolitan, country, farm, and labor press and industrial house organs, simply written and authoritative articles on thrift, savings and investment, written by well known financial writers, and to make available for existing radio and television programs authoritative speakers and other factual information pertaining to investment and other fiscal subjects. Activities beyond this will depend upon the funds which are available to the Institute.

I can think of many things that such an organization might undertake. For instance, I know of no university course in financial journalism. Aside from our law schools, there is taught only a smattering of the workings of the SEC and the State regulatory bodies. We all "Meet our FBI." Why can't we see on television some day a program entitled, "Meet Your SEC?" Or instead of "Mr. D. A." how about "Mr. C. C." (Corporation Commissioner)? Why can't someone write a really useful textbook which would "sell" capitalism to Americans? Such a textbook should be appealing, convincing.

I know of no other existing organization that is currently interested in or equipped and staffed to give its full time to investment education in all its aspects. I believe that this one is capable of great accomplishment. I think that we in the securities business should be its biggest and most enthusiastic supporters.

You who have the responsibility of administering the laws and regulations can furnish invaluable aid in such a program through your sympathy and support.

In closing, may I ask for your help in this great and important task of educating the millions who now have very little comprehension of the important place occupied by our business in making America great. The industry of the United States, it is said, won the last two wars. The mother of that industry is investment capital. To fail in our duty of channeling this life fluid, capital, into American industry now — when more than ever we must demonstrate our power to the world—would be to sacrifice our heritage and surrender to our country's enemies.

Pa. Pow. & Lt. Stock Offering Underwritten

Pennsylvania Power & Light Co. is offering a new issue of 542,484 shares of common stock without nominal or par value at $24 per share to the holders of its common stock and to its employees. Stockholders of record Sept. 18, 1951, will receive rights to subscribe to additional common shares at the rate of one share for each seven shares of common stock held. Employees have the privilege of purchasing 150 shares or less per employee during the subscription period at the subscription price of additional common stock not subscribed for by exercise of rights. The subscription offer expires 3 p.m. (EST) Oct. 31, 1951.

Drexel & Co. and The First Boston Corp. head an underwriting group which will purchase any unsubscribed shares of the offering.

Proceeds from the sale of the additional common stock will be used for construction expenditures or to reimburse the treasury therefor. Construction expenditures of the company for the four and one half years ending Dec. 31, 1955 are estimated at $143,000,000. Of this $12,700,000 are scheduled in the last half of 1951; $38,500,000 in 1952; $41,300,000 in 1953; $32,500,000 in 1954 and $18,000,000 in 1955. The company estimates on the basis of present conditions that to complete the construction program, approximately $75,000,000 in addition to the proceeds from the sale of the additional common stock, will have to be raised from the issuance and sale of securities. The balance, it is expected, will be obtained from internal sources. The company cannot state, according to the prospectus, when the additional financing will be undertaken or the nature thereof, except that some additional financing will probably be undertaken during the first half of 1952.

A. E. Weltner Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Edward B. Weltner has been added to the staff of A. E. Weltner & Co., Inc., 21 West 10th Street.

Securities Salesman's Corner

By JOHN DUTTON

An Idea for Getting Your Story Before Dentists and Doctors

If your town is anything like mine it takes about two weeks' advance notice to see a doctor (unless you are almost ready to die). The waiting rooms are filled with people—sometimes my wife waits for two to three hours when she takes one of the children for a visit to our pediatrician. He is so busy he won't accept any more patients. My dentist likes to go fishing, and we are good friends. He has a boat, a motor, and all kinds of rods, and equipment galore. The only time he is able to talk with me is when he has me in the chair and my mouth is so full of cotton that I can't answer back.

All these fellows are making money. They are so busy that they wouldn't have time to discover some good investments, even if they had the training and required knowledge to do so, which they will all admit they do not possess. Many of them would be extremely interested in some of the new modern plans for capital accumulation which are now being offered by the v a r i o u s Mutual Funds. But the trick is to see them at a **favorable time.** You can't talk investments with a doctor when he has an office full of patients. His mind isn't on it.

Why Not Try the Medical Societies?

The first step in getting before any market is to find a method that will put you in contact, in a favorable way, and at a time when your prospective buyer can be relaxed so that he can consider your proposition without interruptions. It is even better if you can reach from 25 to several hundred prospective buyers at one time, rather than making personal calls, telephone calls, writing letters, and doing all the extra time-consuming preliminaries which are necessary if you are going to cull out the 5 to 20% of the people with whom you can do business in any group.

Why not then take a subject that the doctors will find **educational and interesting.** For example, what doctor is not interested today in setting up a financial program that will give him a depreciation reserve that can be built up in his earning years so that later on he can have the benefit of an income that works for him, when he can't work anymore? I have just read a little booklet prepared by Wellington Fund of Philadelphia. It is entitled, "A Personal Investment Account for the Professional Man." There is enough right in these short few pages to serve as an outline for a talk that would be highly interesting and instructive to any group of medical men. Other funds have booklets and advertising on this subject.

One approach is to make an appointment with your doctor, or one of your good friends who is a doctor or dentist. Suggest that you want to tell him your story and ask him for his advice about getting it before his Medical or Dental Society. Go to see him at his home, after hours, at lunch, or where, and when, you can see the busy man. Tell him you want to give him information about an investment idea that professional men all over the country have found to be one of the best answers as to how they should invest their money. Tell him you can't spend the time trying to see all the doctors that need to know about this vital matter, and that you want to come before a group of his contemporaries at a meeting and tell them about it. He can help you arrange this.

Another approach would be to go directly to the secretary of the societies in your community and suggest that you would like to make a talk on "Investment Planning for the Professional Man" or some other subject of interest. You could even intersperse some related ideas in your talk such as "The Importance of Making a Will," or any other idea that you believe would be attractive to the group. Make it plain that you are not going to try and sell anything but that you have valuable information which busy doctors cannot obtain without going to a lot of time and trouble. Make it a service proposition.

Your Talk Can Sell You

If you can stand before a group of intelligent professional men for one-half hour, and you can give them the benefit of the knowledge which you can put into one short talk, you are going to make more of an impression, and do a better job of selling yourself than you could do in a hundred hours of office waiting. Be yourself, know your subject, **put You into it.** Talk to those doctors from their side of the fence. Review their problems briefly—they know them anyway —show them how they can solve them, if they have the proper **counsel.** That is where you come in.

Obtain a list of those who attended the meeting. You can do this by offering literature on the subject you are discussing. Booklets from the funds, tax guides, etc., are good for this purpose. Offer several items, let you audience check them off on cards which you can have distributed before the meeting starts. In this way you can obtain an idea of those whose interest has been aroused. Some may wish to ask questions — answer them briefly. Make appointments with those who would like to know more. You may open some doors right at the meeting. Follow this up by personal letters, telephone calls. Make sure of one thing—that you have sold yourself. The rest is easy. People want you when they know that you can help them **solve a problem.**

If you work among professional men remember that they are all very aware of the fact that every doctor knows every other doctor. They are a small group in even the largest community. So respect their confidences. Impress upon them that you will do this. Once you start to do business in a certain group, such as doctors and dentists, you will find that they will talk to each other about you. If you have made a few big sales to several of the leaders in the field you will discover that this in itself will help you to sell the rest. It's a hard field to break into—but they are good prospects today—they have the money to invest, the need for sound investment counsel, and the only problem is to get them to give you the time you need to discuss this vital matter with them. If you can start their minds working on this subject through such a plan as suggested here, it should not be difficult to sell them the importance of taking the time it requires for making the necessary analysis of their individual financial problems.

Continued from first page

As We See It

relaxation of restrictions access to Fund loans would continue to be restricted. Mr. Snyder said that "the use of the Fund's resources is important, but it should be linked to earnest efforts toward the achievement of the goals for which these resources were provided. The fact that these resources have not been used in the past as extensively as some members wished indicates to me that the difficulties in international finance which many countries have faced in recent years have not lent themselves to solution through short-term financing."

Short-Term Financing Not Suitable

We should have supposed that Mr. Snyder would have realized from the very beginning that the kind of difficulties which stood in the way of freer trade and freer international exchange relationships did not and would not in the calculable future lend themselves to "solution through short-term financing." The truth of the matter is, of course, that it is almost equally doubtful whether many of them in existing circumstances lend themselves to solution through any sort of "financing," or at least through any sort of financing alone. The fact that the International Bank has been making loans on a fairly liberal scale without having the desired effect of freeing or appreciably helping to free foreign exchange markets is eloquent testimony to the fundamental nature of the problems which surround international financial relations in this troubled world of ours.

These difficulties often go back, of course, to the accumulated obligations of two wars. There is likewise the impaired production facilities of many of them. Internal social turmoil led a number of them to abandon in whole or in part the free enterprise system which alone is really capable of production miracles, and to the adoption of costly as well as inefficient socialistic schemes of one sort or another. Political conflicts in others have rendered it doubly difficult to move ahead satisfactorily in the production of the goods and services wanted at home and abroad—the things which alone can cure the economic ills either at home or in relations with other countries.

Lack of adequate capital facilities has doubtless been a serious handicap in more than one case, but capital equipment, if it is to be available, must be made by someone. It does not spring full grown from fine phrases about human welfare or human rights. Neither does it necessarily come into being merely because someone has somehow acquired created funds for the purchase of it. Work, hard unremitting toil as well as "austerity"—we had almost said "blood, sweat and tears"—is the price of salvation in the circumstances now existing. There is all too much evidence that all too many of the people on this globe have "gone soft" in the matter of daily, persistent, vigorous work—whatever may be the case in the matter of hardship or danger. There is abroad—in this country in many instances, as well as in others—much too great a disposition to suppose, apparently, that someone somewhat owes the great rank and file a "decent living."

The Root of the Trouble

This state of affairs is at the root of much of the international exchange and trade difficulties of the day. It is true that in some instances, as in the case of Britain, there was a great draft made upon those willing to extend credit during both the major wars of this century, particularly World War II. It could be that in any real sense of the term there are a number of bankrupt nations in the world today. If this is the case, it is not likely to prove possible for these peoples to borrow their way out of their difficulties, either at short-term or long-term. There can not be much doubt that a substantial part of postwar loans will ultimately join World War I loans in the limbo of forgotten debts.

Of course, it is true enough, as we have been reminded more than once within the past week or two, that the titanic effort now being made under United States leadership to get the so-called free world armed to defend itself has in several basic respects altered the face of all these things. It has had and will continue to have its effect upon trade balances and hence upon balance of payments position of a good many of the more important countries of the world. It is inevitable that it should do so. Despite our prodigious generosity, it has imposed a new and additional major burden upon many peoples—or will do so, assuming they proceed as demanded of them. Just what they could do were they willing to go to work heartily and without stint, we, of course, could not say. We feel certain that a great deal of current difficulties, would vanish in such an event, but problems would remain, of course.

Expecting Too Much of Us

As for our part, we should feel much better satisfied with the situation, and we are confident that there are many who would feel better satisfied with the current state of affairs, if there were not so great a disposition on the part of so many to take the attitude that they are doing the United State of America a great favor to protect themselves against the encroachments of communism. Canny Britain has, of course, long been making the most of her value to the "free world" as a base for operations on the Continent of Europe. France continually acts as if her own life were not at stake in all this, and there are a good many others who seem to have about the same impression.

It is in fields of this nature and not in loans, whether long-term or short-term, or in grants, that the solution to many current problems are to be sought.

Continued from first page

A Skeptical Chemist Looks Into the Crystal Ball

ciety, I certainly knew the organization when it was very young. One story only from a former era I shall inflict upon you because it seems to me symbolic of the changes which have occurred within this century with respect to our profession. It represents a bench mark in the history of American science and society, so to speak.

When this country entered World War I, it so happened that a leading professor of chemistry was a relative of the then Secretary of War. Taking advantage of that fact, he called on him in the first week after war was declared to offer on behalf of the American chemists the services of the profession to aid in the war effort.

The Secretary said he would look into the matter and asked his caller to return a day later. When he did so the Secretary of War thanked him once again for his offer of assistance, asked him to transmit the thanks to his fellow chemists, but said it would be unnecessary to accept the proffered assistance because, on looking into the matter, he found the War Department had a chemist.

Growth of Chemical Profession

The story may well be apocryphal, but nevertheless in essence true. If Secretary Baker made any such remark in 1916, he was only a little behind the times. For at the turn of the century neither the government nor industry in the United States was employing more than a handful of trained chemists. Today the numbers are counted in the tens of thousands. Fifty years ago the only positions available for the few rare individuals who from time to time obtained the Ph.D. degree were teaching positions in the colleges. Today we graduate annually a thousand and the nation clamors for more. In 1902 chemical engineering had not developed as a profession. Today there is a great shortage of chemical engineeers in spite of the fact that more than 15,000 have been trained in the last five years. In short, the growth of the chemical profession within the lifetime of many of us here has been one of the amazing social phenomena of our times. It takes no crystal ball to show that this chemical revolution will affect the balance of the century. Whether the curve will continue to mount at the same rate of annual change is an open question; but that there will be vastly more members of this nation who were trained as chemists and chemical engineers in 2001 than there are now in 1951 seems to be one of the few certainties of the future. Notice I define the members of our profession in terms of their specialized education, not their employment. For one of the highly significant aspects of the development of chemistry in the last 100 years in all countries, but particularly here in the United States, is the way chemists have infiltrated into all sorts of positions in scientific and industrial life. This process will continue. The line between chemistry and the other natural sciences will surely become less definite as time goes on. The wise comprehensive policy of the American Chemical Society long ago was based on the central position of chemistry in the applied sciences. Therefore, in terms of the all-embracing definition of chemistry, pure and applied, characteristic of this organization one is safe in predicting that the work of the chemist in the United States has only just begun. The breadth of his scientific training and the strategic position of his science will make him one of the key figures in an urbanized, mechanized society dependent for its very life on the careful control of a multitude of chemical reactions.

All of which is easy to foresee, all of which, by the way, places heavy responsibilities on those concerned with the education of chemists and chemical engineers. For the overtones of our technological civilization will in no small measure depend on the value judgments of those who build and operate the industrial plants. If time permitted and the occasion were more appropriate, I would intrude on your attention a pet educational hobby of mine, namely, the role of history in liberalizing the education of the scientist and engineer. For the proper study of history—not the memorizing of names and dates, but a deep study of some significant periods—may be the best introduction to the vagaries of human nature. In the words of a 17th century scholar, John Selden, "it may so accumulate years to us as though we had lived even from the beginning of time."

Chemistry in the Balance of the Century

But let me turn to my crystal ball and try and glimpse the outlines of the balance of the 20th century. In so doing, I wrap the mantle of Robert Boyle around me, for he was the original skeptical chemist, you will recall. He was skeptical of the claims of the alchemist, and I shall follow in his footsteps to the extent of questioning the prophecies of some of the modern alchemists — our friends the atomic physicists. For I see in my crystal ball—to be sure, a plastic one, as befits a chemical age—I see in this instrument of prophecy neither an atomic holocaust nor the golden abundance of an atomic age. On the contrary, I see worried humanity endeavoring by one political device after another to find a way out of the atomic age. And by the end of the century this appears to have been accomplished, but neither through the triumph of totalitarianism nor by the advent of world government.

Unless my readings are vitiated by a huge systematic error, the next 50 years prove that human nature is tough and unyielding to a high degree. Neither the forces of good nor evil prevail to the extent that has been prophesied by some writers in the last few years. The year 1984, for example, does not glare with menace in my crystal ball. Men and women still continue to be unregimented in many portions of the world. Paris, Berlin, London, New York, Moscow still stand physically undamaged by any enemy action since World War II. They still represent focal points for diverse national outlooks, though the alignment has shifted first one way and then another since 1951. The Marx-Lenin dogmas are still honored in vast areas, but so, too, are the watchwords of the 18th century French and American Revolutions: Liberty, Equality, Fraternity. But time and local conditions have greatly modified the operational meaning of both the philosophies of dialectical materialism and Christian rationalism. As to the philosophical presuppositions which underlie that extraordinary social and political phenomenon of the second half of the 20th century, the awakening of the Far East—they cannot be even suggested to a mid-century audience of Westerners.

The fine structure of the future is beyond the resolving power of my equipment. That I may as well confess. Therefore, the new scientific discoveries, the new theories, the various minor revolutions in physics and inorganic chemistry are not discernible. As to those major revolutions in biochemistry, which by 1985 has become the recognized successor to what was once called biology, to these epochal events I need only allude in passing. What must be described are the slow but steady changes in the production of energy and food. The era of liquid fossil fuels is by the close of the century coming to an end, and the worry about future coal supplies is increasing. For reasons I will explain in a moment, atomic energy has not proved to be an expedient way of lengthening the period in which man taps the sources of energy stored in the earth's crust. Solar energy, on the other hand, is already of significance by the time the American Chemical Society celebrates its 100th anniversary, and by the end of the century is the dominating factor in the production of industrial power. The practical utilization of this inexhaustible source of energy, together with the great changes in the production of food, has already had enormous effects on the economic and hence political relation of nations. With cheap power, the economical production of fresh water from sea water became a reality. This was about 1985, and made more than one desert adjacent to a seacoast a garden spot. This last statement may seem to some of you altogether incredible. Let me, therefore, insert at this point a technical footnote, so to speak. You must understand that my apparatus which forecasts the future operates on a special principle. I feed into it certain ideas which might lead to revolutionary innovations, at least in theory, but are now regarded as impossible. The machine then scans the future decade by decade on the frequency of the idea in question. If the results were not at times surprising, there would be little use of such a piece of equipment, I am sure you, as scientists, will all agree. I might note parenthetically that it is an interesting fact that as regards the possibility of distilling fresh water from the ocean, no one has publicized the well-known fact that in theory the energy requirements are extremely low. For example, one gallon of gasoline provides on combustion somewhat more energy than that theoretically required to distill 9,000 gallons of fresh water from the ocean. (Notice I say "energy," not "heat," for, as many of you are well aware, it is mechanical energy that is required in the modern compression stills.) A corresponding theoretical figure which has been given wide publicity is the energy content of a few grams of Uranium 235 which are said to contain enough atomic energy to drive the "Queen Elizabeth" around the world. The one figure has perhaps as much relevance to future practice as the other.

But let me return to the question of the future of agriculture. The use of new techniques has made the world food situation in 1999 something quite different from what it was 50 years before.

These alterations coupled with the discoveries about the relation of dietary factors to the birth rate and the rapid rise in the standards of living in nations once overcrowded seem to provide the new century—the 21st—with an answer to Malthus. The problem of overpopulation, while not solved, promises to be in hand before 2050. This last forecast may seem to you clear evidence that my prophetic machinery has gone wrong, that my plastic crystal ball is cracked. But let me add a microphone to my equipment and listen in to what people are saying about this subject as the 21st century dawns. They date the changed attitude towards population to the year 1951 when Nehru advocated the establishment of birth control clinics in India and 1961 when the biochemists made available cheap and harmless anti-fertility components to be added as one saw fit to the diet. As the decades went by and the 20th century drew to a close, the attitude of the religious leaders of the world on this subject, so they say, completely altered without any diminution of religious feeling.

Chemical Fuels

Turning to fuels, I find that from carbon monoxide and hydrogen, the chemist was producing not only liquid fuels but all manner of chemicals early in the second half of the 20th century. This revolution in industrial chemistry, by the way, led to the premature senility of more than one teacher of organic chemistry, for in place of the orthodox transformations the rebellious student now substitutes "process gas" plus a suitable catalyst and who can say he is wrong? I note in passing that by 1990 the beverage industry is based entirely on synthetic ethyl alcohol, microorganisms being used only for a minor fermentation to give flavor as is now the case in producing sherry. Carbohydrates are used no longer for producing beer or wine or distilled spirits.

The problem of conserving the fossil fuels still left has become closely related to the problem of the economic production of carbon monoxide. Each area of the world came up with different answers, but as the century came to a close those answers appeared to be converging. The underground gasification of coal, the conversion of cheap crops into process gas are just two of the ways found for supplying the chemical factories of each nation with adequate raw material. The so-called extractive industries are now transformed into chemical industries, the completion of a revolution which started in the United States after World War I, when chemical engineering entered the petroleum industry.

What About Atomic Age?

But how did the industrialized nations of the world avoid deindustrializing each other by atomic bombs, you may inquire? Only by the narrowest of margins, is the answer; and only because time and again when one side or the other was about to take the plunge during the period of intensive armament that preceded the great settlement, the expert military advisers could not guarantee ultimate success. Of course, the turning point was in 1950, the first year when collective security became a reality. For when the free world had once made up its mind to meet each type of military threat of the Soviet Union with a defense against that threat and no longer relied on the magic of atomic bombs, from that moment on hopes for an eventual disarmament revived. By the middle of the 1950s, I see balanced forces again at the disposal of the Atlantic Treaty Nations. It is then clear in Moscow that there can be no easy march to the Channel ports. To be sure, for a decade or more the series of battles in different parts of the globe and the economic sanctions had time and again nearly precipitated World War III. People in the United States and in Russia had become somewhat accustomed to living under the shadow of the 20th century volcano—atomic bombs. But after years of such anxiety and with the economic power of the free world backed by some measure of political stability, the time to consider a way out of the atomic age had clearly come.

Unless my observations are in error, I find the 1960s a time when constructive steps away from war are first being taken. Fifteen or 20 years after the first atomic bomb was fired, a sober appraisal of the debits and credits of the exploitation of atomic fission had led people to decide the game was not worth the candle. Of course, experimental plants were producing somewhat more power from controlled atomic reactions than was consumed in the operation of the complex process, but the disposal of the waste products had presented gigantic problems—problems to be lived with for generations. The capital investment was very great. But quite apart from the technical difficulties there was the overriding fact that the potential military applications of atomic energy were inherently inimical to the very nations that controlled the weapons. A self denying ordinance seemed but common sense. Once the illusion of prosperity for all through the splitting of the atom vanished from people's minds, the air began to clear. The dividends from the great discoveries of the 1940s were recognized to have been the introduction of powerful new tools of investigation in both pure and applied fields of chemistry. The success of a vast technical undertaking to make atomic weapons showed what could be done in other radical departures. The rapid progress in the utilization of solar energy is thus seen as a consequence of the atomic energy development.

The mood 15 or 20 years from now, as I glimpse it, is conditioned by a set of technological military and political factors quite different from those operating in the year 1951. Just enough agreement is then possible in the United Nations to proceed with gradual disarmament. Just enough inspection proves to be possible to enable even the most suspicious to trust an international guarantee to the effect that there is no assemblage anywhere of vast amounts of fissionable materials and of guided missiles. The existing stocks of fissionable materials are put beyond the immediate reach of any nation. The possibility of wholesale atomic raids by a nation which treacherously repudiates the treaty is eliminated, sufficient information at least can be guaranteed to settle men's doubts about that sort of war. (And by the 1960s I see people unconcerned about the existence of a few bombs more or less in another nation's arsenal.) But most significant of all, people by then are beginning to realize that it is protection against invasion by foreign soldiers that is of prime importance. If frontiers can be held against aggression, then atomic bomb threats to industrialized centers are not only unnecessary but outmoded. Clearly, an industrialized civilization could destroy itself and thus leave the world to those peoples not yet heavily urbanized and mechanized. But people are saying, as I listen in on the 1960s, what sense is there in that? Admittedly the individual components of this civilization are distrustful of each other. Admittedly each must protect its integrity if need be by force of arms, but why continue to live on an artificial earthquake fault of one's own making?

The date of the great settlement is not clear in my reading of the future, but sometime between 1960 and 1980, the climate of opinion alters. The rearmament of the free world has done its work. Armies, navies, planes are still on hand but the trend is towards less rather than more military power. So I see the physicists and engineers at that time relieved of a terrible responsibility and gladly turning to labors more congenial than making fission and fusion bombs or guided missiles. I see the chemists in increasing numbers continuing to crowd into fields once reserved for others, and thus an era of peace and prosperity really begins to dawn.

Conclusion

So much for prophecy. Now in conclusion, let me come down to earth. The world of science has passed through a shattering experience in the last ten years. Hundreds of man-years of scientific and technical genius have been spent on improving instruments of war. And now once again the process is accelerating. The hopes for a decreasing emphasis on military force born in 1945 have proved illusory. The free world is once more threatened by totalitarian aggression. We now realize that in this century at least free men can protect themselves against disaster only by facing the possibilities of war realistically. Peace cannot be achieved through magic either physical or political. We have invented machines to do much of the labor once performed by slaves or serfs, but there is no mechanical or scientific substitute for those personal qualities on which our liberties are based. Ideas must, if need be, be fought for. Frontiers must be protected against invasion by human beings ready to die if necessary. And those frontiers are for us in the United States the world frontiers of freedom. When World War II ended we believed in miracles—some in the miracles of science that would protect us militarily with a minimum of inconvenience, certainly without blood or tears—others believed in international miracles which have not come to pass.

It is easy to be defeatist about the prospects for peace and freedom and to forecast the future only in terms of a global war. I have ventured to do otherwise and with all sincerity. To my mind the prospects are far more hopeful than they were two years ago. The peoples of the free world have been awakened from their dreams of an easy peace, they have faced up to the realities of the mid-twentieth century. Before long they will be armed and ready. When that day comes the fear of Communist aggression will cease to haunt Western Europe. When that day comes, one can begin to talk about a real settlement of the international situation. Ideas that must now be regarded as Utopian will once again have vitality and meaning. All this may seem to the pessimists among you—those who believe a third world war to be inevitable—as so much wishful thinking. But because I have so much confidence in what free men can accomplish when once aroused, I believe that in spite of grim years ahead this second half the 20th century may yet prove to be a period of gradual disarmament and peace.

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Municipal Revenue Bonds

fects the population and necessarily must affect the revenues of the particular project. Examples of this type of community would be ones supported by a lumber mill, or one which is supported by the operation of oil wells. Either of such industries could conceivably withdraw its entire operation, leaving much of the population idle. The factor of ample revenues can only be judged by knowing the overall picture of the project; and here it is up to the individual who is appraising the security to satisfy himself that the figures, as projected, are realistic and represent a margin of safety under the most adverse conditions. The investment banker in setting up the financing is well aware of this factor, and while he is dependent on the technical advice of the engineer in this regard, he must, himself, be satisfied that the debt being incurred is payable over a period which will not hamper the operation of the project and which will amply secure the bondholder.

Management Factor

(2) Management is perhaps the most important factor in the success or failure of a municipal revenue producing project. In considering the investment merit of municipal revenue bonds serious thought should be given to this factor. Management should not be subject to the vicissitudes of the local government. It should be entirely independent. When writing legislation giving authority for a particular type of municipal revenue financing, the lawyers who prepare this legislation make every effort to see that an independent board or authority for the operation and maintenance of the utility is established. Here, too, professional skill is relied upon in that the investment banker who is charged with the overall setting up of the financing has the lawyer draft a legal document which will provide for the proper management of the project so long as any of the revenue bonds are outstanding and in the hands of the public.

(3) The improvement to be constructed should be studied from the viewpoint of its productive life as compared to the life of the bonds which are to be issued for its construction. In the case of general obligation bonds payable from taxes, the investor does not have to concern himself with whether or not the paving to be laid will be usable during the entire life of the bond issue because after all whether or not the improvement is dissipated before the bonds are matured, he can feel safe in the fact that taxes must still be levied for the payment of his bonds.

This is not true in the case of revenue bonds. Ample provision must be made in the original financing program for reserves to be set up where necessary to replace worn out machinery as well as provide for extensions and improvements to the system. It is obvious that in the case of an electric utility the life of the generators, as well as the capacity for future expansion, must be taken into consideration in projecting the future operation of the facility. Proper safeguards in a good municipal revenue bond are generally provided so that money will be available for future needs of this type, either from revenues or further anticipated borrowings.

Likewise, a waterworks utility must be studied not only as to the life of the physical property which goes into the construction of the system, but also the life of the water supply which is to be used. In this connection, the engineer must be relied upon to give sound advice in the choosing of materials, as well as the type of construction.

(4) Since the enabling legislation for the issuance of revenue bonds is particular rather than general in nature, it is most important that the resolution, ordinance or indenture under which municipal revenue bonds are issued be drawn with a most careful legal skill. In drafting much of the legislation for the issuance of revenue bonds, a section is included that gives to the officials of the issuing authority powers which they may exercise at their discretion. This permits flexibility in the actual provisions of the bonds as ultimately issued, and also makes for a shorter statute than is possible if every minute detail is prescribed. While this discretionary power adds to the ability to work out a satisfactory bond ordinance or resolution or indenture, it also adds to the responsibility of the attorney who draws the document in that such covenants as may be included therein are proper and may be upheld should any legal contest be instituted questioning their legal status. Generally this document will include covenants providing control of the expenditures for maintenance and operation of the utility; the preparation of an annual budget; provisions for independent audits; provisions for insurance, and provisions for reserve funds for future contingencies as well as any other provisions that may be peculiarly necessary.

Here again, the investment banker charged with the overall setting up of the financing must rely on the professional skill of the attorney to see that all proper covenants are included in the indenture which becomes the contract between the holder of the bond and the issuing authority. The purchaser of municipal revenue bonds should be satisfied that the legal advisor is of the highest type and rely on him just as the investment banker did in underwriting the issue.

One of my friends asked me, one day, why we had prepared such an elaborate circular on a municipal revenue bond issue which he had received. He was accustomed to receiving the one-page circular which is orthodox on tax secured bonds; and decided, since we gave him such a wealth of information on this particular issue, that either we must have considered it an awfully hard issue to sell or that there was somewhere in this multitude of information some catch which he would overlook. It is impossible to offer a municipal revenue bond otherwise, as unless the prospective purchaser of a municipal revenue bond has the whole story before him he is hardly able to appraise the value of the security. Furthermore, it is my opinion that purchasers of municipal revenue bonds, and more particularly bankers who purchase municipal

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

By this you've probably got a belly-full of Dow Theory and how markets are supposed to act once one average confirms the action of the other, and how meanwhile your stocks are quietly thumbing their noses at you. All of it must be pretty exhilarating, amusing or even disgusting. It all depends on what you hold and what they've done since you got in.

* * *

If you're a devoted follower of the Dow Theory you must know that the rails—the bad boys of the current market—must go through 90.08, the highs made last February, to confirm the recent performance of the industrials and make it a genuine bull market. You also know that if you've stood around hopping on one foot waiting for the signal, you've missed some lucrative moves.

* * *

In the past week or so there's been increasingly more forecasts about a coming reaction. Just to keep the record straight I don't think this is the best market in the world. But I'm skeptical when I find too much company.

* * *

Under ordinary conditions this would not only be a dangerous market for bulls but an ideal breeding period for bears. But a little thing like a capital gains tax has upset all calculations. The average holder of stocks is naturally reluctant to cash in when he knows that so much of his profit will have to go to the tax collector. This condition is widespread and in my opinion is a major reason for the lack of technical reactions. This very condition may eventually be the chief contributing factor to a collapse of serious proportions. Such an eventuality isn't around any foreseeable corner. But the seeds for such an event are growing. I'd hate to be long when the harvest is taken in.

* * *

There are also widespread convictions that the huge armament program will keep our business boiling for years to come. It's comfortable to feel that way but I can't help thinking what happens to expendable income (after taxes) with prices going up and taxes taking bigger slices. The market and the economic picture it reflects is full of strange contradictions. If you can't sell cars at one price, raise the prices. If the public hasn't enough money to pay the higher prices, take some more away from it via increased taxes. How that adds up to a solid prosperity escapes me.

* * *

But despite the cross-currents, more intense today than ever to my memory, the chances are that stocks will go still higher. Instead of reactions I think you'll see dullness. Yet even though I believe the foregoing, I prefer to hug the sidelines and let the potential profits go to the next guy. There are too many pitfalls around for me to feel comfortable.

[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.]

Neary, Purcell & Co. Formed in Los Ang.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Neary, Purcell & Co. has been formed with offices at 210 West Seventh Street, to engage in the securities business. Partners are Brian F. Neary, Carl M. Purcell, member of the Los Angeles Stock Exchange, Charles L. McKinney, and Thomas C. Bowles, member of the Los Angeles Exchange. Mr. Bowles formerly conducted his own investment business as an individual dealer. Other partners were all associated with Barbour, Smith & Company.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ernest K. Limpus has become associated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

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Municipal Revenue Bonds

revenue bonds, should have the complete information regarding the issue. In the case of a banker, he would certainly want this information in his credit file just as he would want the full financial information of any business which he was financing.

As mentioned earlier in our brief history of municipal revenue bonds, a good portion of our present-day ideas were borrowed from our English cousins. Among the outstanding is the "Statutory Authorities" which first came into existence in England in 1815. They originated in connection with the management of harbors; and today 330 of Briton's harbors are so managed. The main principles that came to be embodied in the statutes are as follows:

(1) Administration of the undertaking by a commission.

(2) The commission to be independent of the local municipal corporation.

(3) Segregation of the commission's revenues from those of the city.

(4) Authorization to borrow money.

(5) All borrowed funds to be secured by the board revenues alone.

Examples of Revenue Bonds

Back in 1921, the biggest authority and simultaneously the largest single issuer of revenue bonds in the United States was created in the form of the Port of New York Authority. As of Aug. 31, 1950, this Authority had $314,331,000 of revenue bonds outstanding. Obviously copied after the earlier Port of London Authority (even in name) this later edition was a municipal corporate instrumentality of the States of New York and New Jersey created with the consent of Congress by the compact of April 30, 1921 between the two States to carry out their pledge of faithful cooperation of future planning and development of the Port of New York. The corporation consists of 12 commissioners, six from each State appointed by the respective State Governors for overlapping terms of six years, serving without compensation. The corporation is authorized to purchase, construct, lease and/or operate terminal and transportation facilities within the Port of New York District, to make charges for the use thereof, and to borrow money and to secure the same by bonds or mortgages. The Port of New York Authority does not have the power to levy taxes. It derives its income from tolls, rents, etc., received from its bridges, tunnels and other properties. You will see from the setup of this Authority that all of the principles incorporated in the original Authority of London are incorporated in the Port of New York Authority.

The cities that are included within the boundaries of the Authority are the Cities of New York, Newark, Paterson, Passaic, Jersey City and Hoboken. Some of the famous crossings which are operated by the Authority are the Outer Bridge Crossing, the George Washington Bridge, the Holland Tunnel, the Lincoln Tunnel, the Port Authority Grain Terminal, the Port Authority Inland Terminal, LaGuardia and International Airports and the Newark Airport.

The operation of these properties and many others which are owned by the Authority are unified so that the revenues therefrom shall be applied to the cost of construction, maintenance and operation thereof as a group and that such bridges, tunnels and other properties shall, as a group, be in all respects self-sustaining. The bonds that have been issued for the construction of all of these projects are, as above stated, payable solely from the revenues of the properties. A good portion of the presently ontstanding bonds are all secured in like manner regardless of the specific purpose for which they were issued; however, the Authority also hase outstanding issues of bonds which are the full faith and credit pledge of the Authority but secured by particular revenues, such as the bonds which were issued for air terminals. These carry a pledge of the revenues of the various airports which are operated by the Authority.

Another "Statutory Authority" of real interest is the Chicago Transit Authority. Anyone who visited Chicago prior to 1947 is familiar with the inter-urban transportation system as it then existed. Prior to that time five different companies; namely, Chicago Railways Co., Chicago City Railway Co., Calumet and South Chicago Railway Co., Chicago and Western Railway Co., and the Southern Street Railway Co. were operated jointly by trustees and receivers of the properties of the companies under an appointment by the District Court of the United States in a reorganization proceedings designated "Chicago Surface Lines." In addition, the elevated railroads and their extensions (the major portions of which are in the City of Chicago and portions outside of the City, but within the metropolitan area) were known as The Chicago Rapid Transit Co. and the Union Consolidated Elevated Railway Co. These, also, were operated by permanent trustees appointed by court proceedings under the designation of "Chicago Rapid Transit Lines." The Chicago Motor Coach Co. also owned and operated a separate competing system of motor coach lines within the city. Five major attempts were made to reorganize this system under private ownership, but all were unsuccessful.

In order that better accommodations of a more economical use to the public of the transportation system be afforded, it was deemed desirable that all of this conglomeration of utilities be combined, improved, extended and operated in conjunction with the subways owned by the city. To that end the Chicago Transit Authority was created as a political subdivision. The purpose of this authority was to acquire, construct, own, operate and maintain for public services a transportation system in the metropolitan area of Cook County. The governing and administrative body of this Authority is the Chicago Transit Board. The Board consists of seven members—three appointed by the Governor of Illinois with the advice and consent of the State Senate, and four by the Mayor of Chicago with the advice and consent of the City Council. Each appointment of the Governor is subject to the approval of the Mayor of Chicago and each appointment of the Mayor is subject to the approval of the Governor. The initial terms of the members were staggered from 1-7 years and all succeeding terms are for a period of seven years.

In order to carry out the intent of the Authority $105,000,000 of Chicago Transit Authority revenue bonds were issued in 1947. These revenue bonds are secured by and payable solely from revenue or income derived from the transportation system of the Chicago Transit Authority. In the issuance of these bonds proper covenants were established for the bond reserve fund, depreciation reserve fund, the operating expenses reserve fund, and modernization fund. Of course, also proper safeguards were incorporated to maintain rates sufficient for all expenses of operation and the payment of the bond issue. The soundness of the financing program as worked out is evidenced by the fact that these properties are now being operated and improved from the revenues of the system.

Locality seems to have no important part in the problems confronting metropolitan areas. Right here in our own southern port of New Orleans a unique piece of financing was worked out through the issuance of revenue bonds. As you know, from the time of its founding Now Orleans has been a center of both water and land transportation, and more recently, air transport. As a matter of fact, New Orleans was the location of the second railroad operating in the United States. The old Pontchartrain Railroad was founded in 1830 and has since been acquired by the Louisville and Nashville Railroad. Because of its location as a terminus for eight major railroads through the years the city has been bisected by rail lines entering into the various stations. For years, ways and means have been discussed and studied whereby some solution to the problem of properly handling the railroad facilities could be accomplished. The several railroads having different stations in the city made it next to impossible to plan properly for the vehicular traffic, as the rails crossed practically every major traffic artery of the city. After years of engineering study and negotiations with the railroads a plan was worked out whereby a Union Terminal Station would be built and all passenger trans would be serviced at that central point. By this plan, definite arrangements could be made for overpasses and underpasses for the consolidated rail lines which would enter the city.

The only problem being left was—how the matter could be financed. Naturally, the taxpayers of New Orleans felt no obligation to the railroads to build and maintain a station. Furthermore, the railroads felt little obligation to spend millions of dollars changing their routes which had been established over the years and to discard their stations which they had previously built and maintained themselves. Through revenue bonds, the plan of financing was worked out whereby the City of New Orleans would build a terminal station and issue revenue bonds for the construction costs. The railroads agreed that they would lease the station from the city for an amount which would be sufficient to pay the principal and interest on the revenue bonds issued for its construction, and in addition to paying this amount they would also pay annually amounts necessary for the maintenance and operation of the station, as well as other miscellaneous costs, such as the servicing of the bond issue. While the contract, which is a most involved, technical document, sets forth in detail the liability of each of the railroads for accounting purposes, the entire amount due each year under the lease is an *insolido* payment and constitutes a joint and solitary obligation of the carriers.

Under the agreement, construction, operation and maintenance of the terminal is vested in the New Orleans Union Passenger Terminal Committee. As presently organized, the committee will have a total of 37 votes, three of which will be cast by representatives of the city and three representatives of the city acting through the Public Belt Railroad Commission. The remaining 31 votes will be divided among the carriers.

In the issuance of the $15,000,000 revenue bonds, the agreement with the railroads further provided that should this amount of money not be sufficient for the completion of the entire project, the carriers were to pay whatever further amounts might be necessary for its completion. Under this system of financing a most difficult problem was solved and a most unique and well secured bond issue resulted. The security behind the bonds, of course, is unquestionable in that it is inconceivable to think that eight major railroads serving one of the country's most important ports could not earn sufficient revenue to pay the amount of their lease on this property. Inasmuch as this lease money is an operating expense of the railroads, even though one or all of the railroads might be in receivership, the payments for this bond issue to the City of New Orleans would prime the payments of the railroads' own debts. It is interesting to note that in rating this bond issue, Moody's Investment Service gave them a rating of "Aa," whereas the same rating service gives the general obligation bonds of the City of New Orleans payable from ad valorem taxes only an "A" rating.

Earlier I stated I would tell you of a bond issue which showed no coverage whatsoever in the amount of revenues over and above the principal and interest charges which was of high quality. This is the issue I had in mind.

It has not been my purpose in giving this brief outline of the three issues to make a study of them. My only purpose in touching on the issues is to give a concrete example of modern day municipal financing which includes all of the important factors which we have already discussed.

While in each of these cases all of the important factors are included in their setup, we find that there is no yardstick by which each may be measured. In the case of the New York Port Authority, an important service necessary to the tremendous populations of the States of New York and New Jersey has been worked out and the earnings from the various bridges, tunnels, etc., are all thrown together to service the bond issue and create the first factor—ample security. In this particular undertaking it is recognized that in order to make it a success a monopoly of such services had to be put into the hands of the Authority. The earnings from the particular properties and the cost of their operations, while highly technical, had to be based on the need of the community and the future development of the area. The stability of the metropolitan area of New York and its future possibilities lend a great part to making these bonds of a very high quality.

In the case of the Chicago Transit Authority, we have a similar metropolitan area and similarly we have a transportation problem. However, the very nature of the transportation service is of a more questionable nature in the minds of many due to the fact that the operation of street railways involves many difficulties; first, in the tremendous cost of the equipment; and second, in the replacement problems that are inherent in this type of business. Added to these problems are the problems of cost of operation, both from the standpoint of labor and materials. Also, in this case while a monopoly of the transportation system has been provided, in so far as possible, there is still the unpredictable future of individual transportation by automobile.

In the case of the New Orleans Terminal, the problem was one of facilitating private enterprise and still creating a public convenience for the street traffic of the city. Here the financial stability of the private enterprise which was to lease the utility from the city played an important part in the quality of the bond.

The very fact that each municipal revenue bond must stand on its own feet and not be sold as a class makes it possible for the prudent investor to study each issue on its own merits and choose what he considers a bond which is well secured. Because of this fact, the price at which each municipal revenue bond reaches the market is based very much on the quality of the bond offered and in most cases such bonds offer a more attractive income to the investor than he might receive in buying bonds secured by taxation.

We might conclude, therefore, that any judiciously issued municipal revenue bond will not prove to be a drain, even indirectly, upon the taxpayers and should be beneficial to the consumer of the services which their issue makes possible.

Likewise, if judiciously purchased they should reward the buyer beyond what he can expect to secure from other municipal or public obligations.

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We Can Have Defense Structure and Sound Economy by End of 1953

breaking up the conference, or prolonging it to an agonizing point. She failed. Why? Because the anti-Communist world had the diplomatic strength to carry the day.

Obstruction at Kaesong

The truce talks at Kaesong—if they can be so called—show that we are dealing with an enemy whose mental processes are obscure and whose actions bear no relation to ordinary civilized usages. For more than two months our emissaries have been attempting to obtain agreement on the terms of a cease-fire order—in vain. This is far more time than was needed to negotiate the end of both world wars combined.

In World War I, five days were required to silence the guns; in World War II, two days' negotiation brought about the cease-fire order in Europe. Four days were needed to stop the war in the Pacific. For more than nine weeks we have been negotiating at Kaesong, and still no settlement is in sight. Not only were immensely greater forces involved in the two World Wars, but the cease-fire details were far more complex than in Korea.

Our envoys at Kaesong are met with evasion, time-consuming chatter, petty interference and preposterously false charges—all this while the war goes on and men are still being killed. The enemy, who has received the most punishing blows in battle, continues to splash the conference table with the blood of his men and our own. How do you deal with people like that?

We must conclude—as we indeed have done—that the only language they understand is the language of strength. And that is why we are building America's might. In the next two or three years, we must increase the power of America's armed forces and weapons to so formidable a point as to discourage any though of general aggression on the part of the enemy.

In the past year, considerable progress has been made toward that goal. Since January, military orders have been placed at the rate roughly of a billion dollars a week. At the same time, industry has been tooling-up for the vast job of defense production. In many instances, military items are already rolling off the production lines.

Defense Production Rising

In many others, production is about to begin. We are entering a new phase of the overall defense production program. Some items are on schedule; some are running somewhat ahead; some running behind schedule. On the whole, the production effort is good.

Prior to Korea, the delivery of military end items was at the rate of $500,000,000 a month. Delivery of such items has now tripled and is proceeding at the rate of $1,500,000,000 a month.

Even so, we have reached a point where we have to step up our program substantially, and we are making a very vigorous effort to do so. That is the reason that the announcement has recently been made of a cutback in civilian production for the fourth quarter of this year beyond our original estimates.

In other words, we simply have not enough steel, copper and aluminum to meet the vast demands of the military, to insure the required supply of modern weapons, etc., and at the same time provide for full civilian production.

There is, of course, nothing surprising about this; in fact, the amazing thing is that the United States is able to embark on an enormous program of preparedness without seriously disrupting its normal civilian economy. It is not a question of guns or butter. We are going to have guns *and* butter—except that we must be content with less butter.

In our three-year program of defense mobilization we are planning on spending some $50 billion a year. It is hard for the mind to understand just how much money that is. It is 50 times the cost of running the entire government of 40 years ago. Even so, at the height of the defense program, the cost will consume only about 20% of the country's entire production of goods and services. Eighty per cent of that production will remain for civilian uses.

War consumes enormous quantities of real wealth—in the form of oil, metals and materials of all kinds. Even a country so blessed by nature as ours is feeling the pinch of war's voracious appetites.

We are facing shortages of various kinds—for example, in the case of copper. Even in 1950 before our defense programs had gotten well under way, the consumption of copper for civilian production alone taxed the output of the mines. Now, with defense production added, we are living a hand-to-mouth existence so far as copper is concerned. That is why the recent strike in the West was so serious as to cause almost immediate Presidential intervention.

Higher Steel Output Required

The picture is brighter in the case of steel though I am completely dissatisfied with the forecast in some quarters that there will be a letdown in the first quarter of 1952. Instead of a letdown in that quarter, I am going to insist on an increase of 1,000,000 tons over the last quarter of 1951. We are expanding the production of steel from 100,000,000 tons pre-Korea to about 118,000,000 tons. Already about half of this increase is in sight. But the picture would not be nearly so bright if it were not for the fact that our fast-disappearing deposits of iron ore in Minnesota are being supplemented by iron ore from Venezuela. In addition, it is our good fortune that vast amounts of iron ore have been discovered in Labrador which will in due time become available to our steel mills.

We have had another stroke of good fortune in regard to sulphur, a product of vital importance in many phases of industry. Only a few months ago, the sulphur outlook was exceedingly dark. Our supplies, which one seemed inexhaustible, were running out. In addition to our own needs, our allies were clamoring for increased allocations.

At this point, a huge deposit of sulphur was found at the southern end of the Mississippi delta in Louisiana. It is the biggest discovery for many years, and by 1953 it is expected to add some 500,000 tons annually to world supply. It is an interesting example of American good fortune.

But our luck cannot hold out forever and the time has come when even the richest country in the world has to consider the problems of raw material scarcities and the need for conservation. Once again, the answer is that war is responsible for most of the scarcities and that another general war would leave the world bankrupt of many of the things needed for the high standards of living to which we all aspire.

That is why I look upon defense mobilization as an insurance policy for the future, a policy on which the premiums are heavy but which can save the world from unmitigated disaster. For it is only by building America's strength that a third world war can be prevented.

Controls Are Necessary

In the process of building up our strength, it has become necessary for the government to exercise control over the economy which would be odious in normal times. For instance, there simply is not enough steel, copper, aluminum and many other materials to meet all the demands of defense and civilian production alike. Therefore the government is compelled to divide up the limited supplies in such a way as to give defense the first preference, and to apportion the remainder for civilian uses. If this were not done—if government had to compete with private industry in an open market—prices would rise fantastically and a condition of economic anarchy would result.

By the same token, it becomes necessary to regulate prices, wages, rent and credit to keep the nation on an even keel. I do not like this regulation any more than you do, but in the present world crisis all of us have to face up to the facts of life. When so large a part of the national production must be set aside for defense, the resulting civilian shortages set the stage for runaway inflation—a tragedy whose effects would be felt in every household. That's why safeguards are necessary, and why they have always been necessary when a country faces the danger of war and the overmastering needs for defense.

In this connection, the people themselves can help in the anti-inflation fight in many ways—by refusing to spend for unnecessary things, by refusing to hoard, by avoiding black markets, and by putting their savings into Defense Bonds. Just now a drive is on for the sale of Defense Bonds. To buy them is not only a matter of patriotism but a good investment.

Hoover's Role as Food Administrator

I do not suppose any man was ever more devoted than Herbert Hoover to the principles of free enterprise and to the ideals of rugged individualism. Yet Herbert Hoover, in his memoirs, tells how he invented and applied controls during World War I. He says of the Food Administration which he headed that it was "our government's first big venture in assuming great economic powers," and he adds that "the war made thi necessary."

Mr. Hoover put a price of $2.20 a bushel on wheat and a price of $15.50 per hundredweight on hogs. To stabilize sugar, he bought for the government the entire Cuban and American crops. He went in for rollbacks, too. As a result o controls, food prices, which ha risen in a three-year period ove 82%, were slowed down to an increase of less than 1% a month.

As Food Administrator, Mr. Hoover obtained legislation t give guarantees to the farmers, t suspend exchange trading so a to prevent speculation and hoarding, to fix trade margins, to eliminate waste in manufacture an distribution, to organize the foo trades and enable the governmen to buy and sell food where neede to supply the armed forces an safeguard guarantees to farmers To help pay for the war, Mr. Hoover proposed what later became the excess profits tax.

If such departures from business as usual were necessary some 30 or 35 years ago, it is easier to understand why they are necessary today, when the United States finds itself the leader of the free nations in a life-and-death struggle with a sinister power whose aim is mastery of the world.

The tasks ahead of us, especially in so far as they relate to production, are peculiarly suited to the genius of the American people. That was proved in the last wa when our factories poured fort such an astonishing volume o products as to require cutbacks even before the war ended.

Standby Facilities Needed

In the coming months, the emphasis is on greater and greater production to meet the goals tha have been set—18 full division for the Army, 1,100 vessels for the Navy and 95 Air Force groups and it is possible the latter figure will be augmented. In addition, we must establish standby facilities and production lines that could be used in case of emergency.

If, at the same time, our citizens exercise some restraint and sel discipline, we will finish the yea 1953 with a magnificent structur of defense and a sound and stabilized economy.

All this presupposes a stror and informed public opini n whose power, welling up fr the grass roots, will serve as mighty moral, intellectual an spiritual force.

I am confident you men of t Junior Bar Conference and Ame ican Bar Association will be tremendous help in inspiring suc support of the defense mobiliz tion program. With the help o God and the wisdom of the people, we cannot fail.

Offering to Merck Holders Underwritten

Merck & Co., Inc. manufactur ing chemists, Rahway, N. J., ha commenced an offering to it common stockholders of 244,50 shares of $4 convertible secor preferred stock in the ratio of on share of new preferred stock fo each 30 shares of common stoc held of record on Sept. 18, 195 at a subscription price of $104 pe share.

Transferable warrants to sub scribe to the new preferred stoc were mailed to common stock holders yesterday and will expir on Oct. 3, 1951. Goldman, Sach & Co. and Lehman Brothers hea a group of 106 underwriters o any unsubscribed shares.

Each share of the new preferred stock is convertible into 2.9 shares of common stock. Proceeds from the financing are expected to be used for construction of additional manufacturing facilities and to increase working capital.

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Our Number 1 Growth Industry

$4 billion annually . . . and that is a real challenge to us.

To meet this challenge the chemical industry alone will this year spend millions of dollars on research projects in the development of new pesticides. However, if unreasonable restrictions are placed upon the use of pesticides required for food production, it will necessarily stifle research and the development of new and improved materials. As responsible executives, you and I know that research must be directed into fields where there is some chance of bringing a product into commercial production within a reasonable length of time.

It is certainly unfortunate that there has been an attempt on the part of certain groups to impute a sinister meaning to the use of chemicals in protecting food, clothing, and the other necessities of life. Such groups fail entirely to recognize the honest competitive function which modern research plays in the development of new uses for chemicals.

Vast Research

The chemical industry today spends a vast sum for research. The total can hardly be approximated since not all companies report their research expenditures. We do know, however, that the leading companies in the strictly chemical field spend an average of about 3% of their total sales dollar and the pharmaceuticals will run as high as 7 to 10%. The total sum certainly runs in many, many millions of dollars. As an example, my own company — Commercial Solvents — is spending better than $2 million a year on research. Research expenditures of other companies in the industry range from well below this figure to the $38 million spent by duPont in 1950.

A substantial percentage of such large sums is spent for research in agricultural chemicals, including pesticides for application in the food growing, and food processing branches of the business. In addition, governmental and educational sources contribute many millions more to research efforts in these fields.

Could any one think that these vast sums are being used to develop products which will fool the public and injure the ultimate consumer?

Far from this, the chemical industry is acutely aware of its responsibility as a guardian of the public health. I referred before to the "honest competitive function" which research plays, and it is worth while to elaborate a little on this point.

New products are developed by private enterprise for profit, and in the world of free enterprise this is the fundamental reason for the tremendous research and development expenditures which I have mentioned.

But if any chemical concern attempted to put out a product which was detrimental to the public health, its competitors would quickly and happily make that fact known. Free enterprise and the profit motive, in fact, act as powerful influences against the reckless introduction of new products.

Our Country's Danger

Today we have vastly improved weapons at our command and we are upon the threshold of still greater advances in insecticidal technology. To relax our research and development or to be hampered by more restrictive regulations and controls will halt the progress we are making.

In closing I wish to spend a few minutes on another subject which is definitely Your Business — and Mine. I refer to this country of ours.

What I am about to say is not said in any spirit of partisanship — rather it comes from a troubled and concerned mind. However, I make no apology for what I am now going to say.

Today we are engaged in mortal combat with two great enemies — Communism and Inflation. Both work from without and from within. Their purpose is sinister and insidious. Their aim is destruction. We must fight them both. Unfortunately, in fighting communism we play right into the hands of our other enemy — inflation.

When we entered World War I, our national debt was $1 billion. At the start of World War II it was $60 billion. It stands today at over $260 billion. Our leaders talk of a national budget in excess of $70 billion and yet seem most unsympathetic toward any suggestions of reducing nonessential expenditures. There are some 2¼ million people on the federal payrolls, exclusive of military personnel. I recently heard the great Virginia statesman, Senator Harry F. Byrd, say that over 2,200 new employees were being added daily.

This country can be controlled to death, taxed to the point of diminishing return and spent to utter destruction.

Of course, we should build our defenses so strongly that we fear no other power. Certainly we should give economic aid to our friends and allies — but extravagance and waste should be eliminated and the dissipation of our money and our resources, either at home or abroad should be stopped forthwith.

Above all else our respect and faith in the morality and honesty of public officials should somehow be restored.

Stop Confusion in Our Government

It seems that we move from one emergency to another and from crisis to crisis. The world looks to this country for leadership but unless we can stop confusion in our own government and put our own house in order, such leadership cannot be given. Insidious inflation and unrealistic fiscal policies threaten a paralysis of a system we call free private enterprise.

There are those in this country today, who seek to destroy our freedom of action and our system of free enterprise. Let us never forget that these false leaders aim to destroy the very system that has provided the highest wages and the highest standard of living ever known in any country in all the history of the world. Though some in high places have not set a very good example, we should turn our backs on such people and such philosophies.

By any standards of comparison this land of ours, which is so much Your Business — and Mine has been and will always remain the best place in all the world in which to live. It is worth saving! And how can that be done?

Well, listen please, to some words spoken over 90 years ago by the immortal Lincoln. Enroute to Washington for the first inaugural, he paused in Indianapolis and there made a little known and seldom quoted speech. Hear his words:

"In all trying positions in which I shall be placed, and doubtless, I shall be placed in many such, my reliance shall be upon you and the people of the United States. I wish you to remember, now and forever, that it is **your** business, and not mine, that if the union of these states and the liberties of this people shall be lost, it is but little to any one man 52 years of age; it is a great deal to the 30 millions of people who inhabit the United States and to their posterity in all coming times. It is your business to rise up and preserve the union and liberty for yourselves and not for me. I appeal to you again to constantly bear in mind that not with politicians, not with presidents, not with office seekers, but with YOU is the question—shall the union and shall the liberties of this country be preserved to the latest generations."

That is Your Business — and Mine.

Bankers Offer Two Issues of National Container Securities

Offering of $20,000,000 of 4½% 15-year sinking fund debentures due Sept. 1, 1966 and 480,000 shares of $1.25 convertible preferred stock of National Container Corp. was made on Sept. 19 by two underwriting groups. The debentures are priced at 100% and accrued interest and the stock at $26.25 per share. Halsey, Stuart & Co. Inc. and Van Alstyne Noel Corp. jointly headed the debenture offering group while the stock was offered by a group headed by Van Alstyne Noel Corp.

All of the proceeds from the sale of the debentures will be deposited with The Marine Midland Trust Co. of New York, as fiscal agent, in trust in a construction fund. Moneys in the construction fund will be used for the construction of a 500-ton per day kraft pulp, board and paper mill near Valdosta, Georgia, which will substantially increase the company's annual kraft pulp, board and paper production. Of the net proceeds from the sale of the prefererd stock, $6,422,000 will be applied to prepay $6,175,000 principal amount of 4% notes of the company, due March 1, 1964. Approximately $3,000,000 of the preferred stock proceeds will also be deposited in the construction fund and the balance will be added to the general funds of the company, and used to reimburse its treasury for capital expenditures in connection with acquisition of timberlands, plant improvements and expansion and for additional working capital.

Each share of the new preferred stock is convertible into 1.68 shares of common stock. The stock is subject to redemption at any time at $27.50 per share, plus all accrued or unpaid dividends. The debentures are redeemable at prices ranging from 104½% to 100%. Sinking fund redemption price of the debentures is 100%.

National Container Corp. and its subsidiaries are engaged primarily in the manufacture and sale of corrugated and solid fibre shipping containers and multiwall bags made principally from kraft pulp of their own manufacture. Production of kraft paperboard in the United States in the past ten years has risen from 1,987,600 tons in 1941 to 3,557,200 tons in 1950. The company and its subsidiaries achieve a substantially integrated process in the manufacture of their containers. Kraft pulp and paperboard are manufactured in four mills located at Jacksonville, Fla.; Big Island, Va.; Tomahawk, Wisc., and Ontonagon, Mich. A portion of this paperboard is sold to other box manufacturers, but the company uses the greater part of it in the manufacture of its containers at nine converting plants.

A. A. Tibbe Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Gladys Abington is with A. A. Tibbe & Co., 506 Olive Street.

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Our Foreign Aid Program Should Continue!

help to bring true a prophecy made by a great American 125 years ago.

At that time, the citizens of Washington were preparing to celebrate the fiftieth anniversary of the Declaration of Independence. Thomas Jefferson, its author, was invited as guest of honor. He was too ill to do so. Instead, he wrote:

"May the Declaration of Independence be to the world what I believe it will be—to some parts sooner, to others later, but finally to all—the signal of arousing men to burst the chains under which ignorance and superstition have persuaded them to bind themselves."

That is from the last letter Jefferson ever wrote. A few days after writing it, he died. But when its prophecy does come true—"to some parts sooner, to others later, but finally to all"—history will record **America, not Moscow,** as the home of the world revolution that eventually leveled the barriers between men and brought freedom and peace to mankind.

It will be a long, slow and trying process. Its cost will be high. But it is a process that must prevail.

I believe that we are today winning the cold war's fight for freedom—in Berlin, in Germany, in Europe. If the tide is turning, one reason is because Comrade Stalin is making at least one bad mistake that no good sales manager—in a campaign with all the world looking on and listening in—should ever make. He is trying to sell two conflicting ideas at one and the same time: A righteous desire for universal peace wrapped up in a constant threat to wage world war.

But our efforts, I believe, eventually must meet with success—for we have nothing to sell but freedom and nothing to gain but peace.

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Dealer-Broker Investment Recommendations and Literature

Central Illinois Public Service Company—Bulletin—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Illinois.

Chicago Pneumatic Tool—Circular—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Columbia Gas System—Brief discussion in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street. In the same issue are two suggested $10,000 portfolios, one of quality issues and the other of Growth Stocks. Also in the issue is a brief discussion of **Mining Corp. of Canada.**

Gulf, Mobile & Ohio Railroad Company—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin on **New York, New Haven & Hartford vs. Missouri Pacific** or **International Great Northern.**

Hanson-Van Winkle-Munning Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of the **Cigarette and Motion Picture Industries,** and of **Bowser, Incorporated,** and a memorandum on **Washburn Wire Co.**

Inland Steel Company—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Joseph Dixon Crucible Company—Report and commentary—Parker and Weissenborn, Inc., 24 Commerce Street, Newark 2, N. J.

Mexican Light and Power Company, Ltd.—Analysis—Ralph F. Carr & Co., Inc., 31 Milk Street, Boston 9, Mass.

National City Lines—Analysis—Herbert E. Stern & Co., 30 Pine Street, New York 5, N. Y.

Naional Container Corporation—Bulletin—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

Nuclear Instrument & Chemical Corp.—Memorandum—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

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

Puget Sound Power & Light Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Ray-O-Vac Co.—Memorandum—The Milwaukee Co., 207 East Michigan Street, Milwaukee 2, Wis.

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.

Sterling Oil of Oklahoma, Inc.—Analysis for dealers only—Lilley & Co., Packard Building, Philadelphia 2, Pa.

Tejon Ranch Company—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Third Avenue First & Refunding 4s/60—Bulletin—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

United States Leather Co. — Memorandum — Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

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

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

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. 23	101.2	100.0	100.4	100.4
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 23	2,023,000	1,999,000	2,007,000	1,936,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Sept. 8	6,278,200	6,231,800	6,231,250	5,908,830
Crude runs to stills—daily average (bbls.)	Sept. 8	¶6,705,000	6,666,000	6,592,000	5,971,000
Gasoline output (bbls.)	Sept. 8	22,136,000	22,140,000	22,135,000	19,595,000
Kerosene output (bbls.)	Sept. 8	2,620,000	2,622,000	2,353,000	2,172,000
Distillate fuel oil output (bbls.)	Sept. 8	8,732,000	9,572,000	8,906,000	7,891,000
Residual fuel oil output (bbls.)	Sept. 8	8,865,000	*8,741,000	8,598,000	8,285,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 8	114,871,000	115,201,000	118,186,000	106,381,000
Kerosene (bbls.) at	Sept. 8	31,980,000	30,417,000	28,611,000	26,640,000
Distillate fuel oil (bbls.) at	Sept. 8	90,430,000	87,282,000	81,692,000	71,597,000
Residual fuel oil (bbls.) at	Sept. 8	48,328,000	47,596,000	46,792,000	42,727,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 8	732,908	829,391	809,354	751,449
Revenue freight received from connections (number of cars)	Sept. 8	612,958	680,468	666,540	642,885
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 13	$189,224,000	$160,461,000	$214,929,000	$219,743,000
Private construction	Sept. 13	102,892,000	61,277,000	117,291,000	123,324,000
Public construction	Sept. 13	86,332,000	99,184,000	97,638,000	96,419,000
State and municipal	Sept. 13	62,586,000	74,586,000	58,596,000	77,314,000
Federal	Sept. 13	23,746,000	24,598,000	39,042,000	19,105,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 8	9,235,000	*10,595,000	10,175,000	10,173,000
Pennsylvania anthracite (tons)	Sept. 8	592,000	872,000	703,000	763,000
Beehive coke (tons)	Sept. 8	113,800	*127,100	139,200	127,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Sept. 8	289	*303	252	295
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 15	7,137,652	6,795,370	7,164,469	6,449,101
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 13	164	116	158	165
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 11	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Sept. 11	$52.69	$52.69	$52.69	$46.61
Scrap steel (per gross ton)	Sept. 11	$43.00	$43.00	$43.00	$40.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 12	24.200c	24.200c	24.200c	22.200c
Export refinery at	Sept. 12	27.425c	27.425c	27.425c	22.425c
Straits tin (New York) at	Sept. 12	103.000c	103.000c	103.000c	105.000c
Lead (New York) at	Sept. 12	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	Sept. 12	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	Sept. 12	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 18	98.83	99.05	98.92	101.75
Average corporate	Sept. 18	111.62	111.62	111.07	115.63
Aaa	Sept. 18	116.41	116.22	115.63	119.82
Aa	Sept. 18	115.43	115.43	114.85	118.80
A	Sept. 18	110.34	110.34	110.15	115.43
Baa	Sept. 18	105.00	105.00	104.14	109.24
Railroad Group	Sept. 18	108.34	108.34	107.80	111.81
Public Utilities Group	Sept. 18	111.44	111.44	110.70	116.02
Industrials Group	Sept. 18	115.43	115.24	114.66	119.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 18	2.58	2.56	2.57	2.37
Average corporate	Sept. 18	3.08	3.08	3.11	2.87
Aaa	Sept. 18	2.83	2.84	2.87	2.66
Aa	Sept. 18	2.88	2.88	2.91	2.71
A	Sept. 18	3.15	3.15	3.16	2.88
Baa	Sept. 18	3.45	3.45	3.50	3.21
Railroad Group	Sept. 18	3.26	3.26	3.29	3.07
Public Utilities Group	Sept. 18	3.09	3.09	3.13	2.85
Industrials Group	Sept. 18	2.88	2.89	2.92	2.68
MOODY'S COMMODITY INDEX	Sept. 18	451.0	453.5	458.4	474.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 8	262,017	184,783	166,587	191,916
Production (tons)	Sept. 8	161,170	216,789	223,293	180,467
Percentage of activity	Sept. 8	71	93	94	81
Unfilled orders (tons) at end of period	Sept. 8	566,141	470,841	607,643	738,187
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Sept. 14	149.4	149.2	148.0	135.6
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	Sept. 1	26,153	25,316	33,813	22,266
Number of shares	Sept. 1	766,124	732,686	980,026	670,102
Dollar value	Sept. 1	$33,035,485	$32,384,364	$45,228,327	$28,706,532
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 1	24,510	22,960	29,250	23,381
Customers' short sales	Sept. 1	211	252	502	222
Customers' other sales	Sept. 1	24,299	22,708	28,748	23,159
Number of shares—Total sales	Sept. 1	697,344	634,813	815,218	663,011
Customers' short sales	Sept. 1	7,448	7,834	14,911	8,893
Customers' other sales	Sept. 1	689,696	626,979	800,307	654,118
Dollar value	Sept. 1	$27,855,249	$26,670,690	$35,722,885	$25,091,286
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 1	222,600	192,610	217,160	214,530
Short sales	Sept. 1	------	------	------	------
Other sales	Sept. 1	222,600	192,610	217,160	214,530
Round-lot purchases by dealers—					
Number of shares	Sept. 1	295,400	275,430	381,510	229,660
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR— 1926 = 100:					
All commodities	Sept. 11	176.8	*176.8	177.2	169.7
Farm products	Sept. 11	189.7	188.4	190.9	181.3
Grains	Sept. 11	184.0	180.0	181.1	166.5
Livestock	Sept. 11	255.9	255.8	263.8	241.5
Foods	Sept. 11	189.0	*188.5	187.4	177.9
Meats	Sept. 11	279.5	279.4	278.1	270.4
All commodities other than farm and foods	Sept. 11	165.6	*165.7	166.1	158.8
Textile products	Sept. 11	165.1	*166.7	168.5	156.3
Fuel and lighting materials	Sept. 11	138.3	138.0	137.8	135.1
Metals and metal products	Sept. 11	188.2	188.2	188.1	177.1
Building materials	Sept. 11	222.2	*222.1	222.3	219.7
Lumber	Sept. 11	341.9	341.9	341.2	‡
Chemicals and allied products	Sept. 11	140.2	140.1	139.9	128.5

*Revised. ‡Not available. ¶Includes 497,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM— Month of August (in thousands)	$125,291,000	------	$128,383,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of August 31:			
Imports	$217,753,000	$224,623,000	$237,634,000
Exports	109,211,000	104,442,000	87,297,000
Domestic shipments	12,039,000	13,374,000	11,864,000
Domestic warehouse credits	13,199,000	10,904,000	14,062,000
Dollar exchange	5,651,000	166,000	1,372,000
Based on goods stored and shipped between foreign countries	26,468,000	26,982,000	21,410,000
Total	$384,321,000	$380,491,000	$373,639,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of June (000's omitted):			
All building construction	$687,590	$813,218	$1,048,577
New residential	383,997	466,168	625,467
New nonresidntial	198,873	239,332	309,422
Additions, alterations, etc.	94,720	107,718	113,688
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of July (000 omitted)	$525,000	$1,116,000	$520,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of August (000's omitted):			
Total U. S. construction	$1,145,715	$1,378,640	$1,164,682
Private construction	601,455	397,003	702,103
Public construction	544,260	981,637	462,579
State and municipal	376,887	533,494	402,598
Federal	167,373	448,143	59,981
CONSUMER PURCHASES OF COMMODITIES — DUN & BRADSTREET, INC. (1935-1939=100)—Month of August	345.6	*341.9	348.7
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) to Sept. 1	2,014,444	------	859,401
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—As of Sept. 1 (in thousands):			
Corn, all (bushels)	3,130,775	3,206,992	3,131,009
Wheat, all (bushels)	999,149	998,286	1,026,755
Winter (bushels)	650,738	650,738	750,666
All spring (bushels)	348,411	347,548	276,089
Durum (bushels)	36,536	36,870	36,064
Other spring (bushels)	311,875	310,678	240,025
Oats (bushels)	1,377,965	1,393,323	1,465,134
Barley (bushels)	257,585	255,131	301,009
Rye (bushels)	25,138	25,138	22,977
Buckwheat (bushels)	3,891	4,053	4,749
Flaxseed (bushels)	34,959	35,525	39,263
Rice (100 pound bags)	44,762	43,109	37,971
Sorghum grain (bushels)	162,661	157,848	237,456
Cotton (bales)	17,291	17,266	10,012
Hay, all (tons)	112,922	113,249	106,819
Hay, wild (tons)	13,496	13,441	12,509
Hay, alfalfa (tons)	45,385	45,365	41,029
Hay, clover and timothy (tons)	31,864	31,336	29,636
Hay, lespedeza (tons)	6,921	7,288	7,598
Beans, dry edible (100 pound bag)	17,061	16,234	16,843
Peas, dry field (bag)	3,717	3,729	2,979
Soybeans for beans (bushels)	273,406	270,064	287,010
Peanuts (pounds)	1,741,705	1,826,580	2,019,295
Potatoes (bushels)	346,840	351,186	439,500
Sweetpotatoes (bushels)	36,374	38,458	58,729
Tobacco (pounds)	2,226,433	2,249,280	2,032,450
Sugarcane for sugar and seed (tons)	6,243	6,390	6,932
Sugar beets (tons)	10,326	10,160	13,497
Broomcorn (tons)	36	39	26
Hops (pounds)	61,605	60,323	58,336
Apples, commercial crop (bushels)	119,892	121,338	123.126
Peaches (bushels)	68,703	67,772	53,485
Pears (bushels)	31,393	31,697	31,140
Grapes (tons)	3,166	3,245	2,707
Cherries (12 States) (tons)	232	232	242
Apricots (3 States) (tons)	177	176	215
Cranberries (5 States) (barrels)	915	------	984
Pecans (pounds)	133,904	128,100	125,622
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED AS OF SEPTEMBER 1):			
Composite index	148.3	148.5	139.8
Piece goods	138.7	139.8	130.5
Men's apparel	147.2	146.6	139.2
Women's apparel	136 8	137.3	131.0
Infants' & children's wear	137.0	136.8	130.5
Home furnishings	162.1	162.8	151.4
Piece goods—			
Rayon and silks	116.7	116.7	113.7
Woolens	157.3	158.1	144.0
Cotton wash goods	156 4	160.0	149.3
Domestics—			
Sheets	190.9	194.5	176.6
Blankets and comfortables	176.1	175.0	149.0
Women's apparel—			
Hosiery	104.7	105.4	102.8
Aprons and housedresses	143.5	144.5	142.0
Corsets and brassieres	142.8	143.0	131.2
Furs	149.7	149.7	138.4
Underwear	137.1	137.8	133.4
Shoes	151.3	151.2	141.7
Men's apparel—			
Hosiery	148.6	148.6	140.9
Underwear	167.1	166.7	152.2
Shirts and neckwear	134.3	134.2	129.5
Hats and caps	128.0	127.9	127.2
Clothing including overalls	136.5	135.3	131.5
Shoes	185.2	185.5	170.7
Infants' and children's wear—			
Socks	133.1	132.8	130.4
Underwear	122.9	123.0	119.3
Shoes	161.6	160.5	146.1
Furniture	157.9	158.0	149.7
Floor coverings	191.7	192.5	171.9
Radios	125 9	125.8	119.1
Luggage	135.0	135.0	130.3
Electrical household appliances	148.7	148.7	141.2
China	136.3	136.3	132.9
MONEY IN CIRCULATION—TREASURY DEPT. —As of June 30 (000's omitted)	$27,805,000	$27,519,000	$27,156,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of August	£6,465,000	£83,295,000	£9,418,000
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of July (000's omitted):			
Exports	$1,185,000	$1,293,000	$778,000
Imports	893,000	929,000	709,000

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Air America, Inc., New York
Sept. 14 (letter of notification) $290,000 of 7% convertible equipment trust certificates, series A, dated Sept. 15, 1951, and due Sept. 15, 1954 (convertible at rate of one share of 40-cent par common stock for each $1 principal amount of certificates). **Price**—At par and accrued interest. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—To pay obligations for other corporate purposes.

Ashland Oil & Refining Co.
Sept. 13 filed $7,000,000 sinking fund debentures due 1971 and 50,960 shares of $5 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Underwriter**—A. G. Becker & Co. Inc., Chicago and New York. **Proceeds**—For additions and improvements to property.

Bingham-Herbrand Corp., Toledo, Ohio
Sept. 10 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$19.50 per share. **Underwriter**—Wm. J. Mericka & Co., Inc., Cleveland, O. **Proceeds**—To a selling stockholder.

Charter Oak Life Insurance Co., Phoenix, Ariz.
Sept. 4 (letter of notification) not to exceed $300,000 of trust fund certificates evidencing rights to shares of stock in this company (to be formed) on basis of one share of common stock, par $1, for each $2 face amount of certificates. **Underwriter**—Charter Oak Insurance Co., Phoenix, Ariz. **Proceeds**—For formation of legal reserve stock company. **Office**—27 No. Central Ave., Phoenix, Ariz.

Consolidated Engineering Corp., Pasadena, Calif.
Sept. 10 (letter of notification) 920 shares of common stock (par $1) to be offered to four holders of options to purchase. **Price**—$22.75 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—300 N. Sierra Villa, Pasadena, Calif.

DeKalb Agricultural Association, Inc., DeKalb, Ill.
Sept. 14 (letter of notification) 1,788 shares of common stock (no par). **Price** — $150 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Financial Credit Corp. (Va.), New York
Sept. 12 (letter of notification) $250,000 (maturity value) of series A financial investment bonds, with common stock purchase warrants for 2,500 shares. **Price**—One-half of face amount of bond. **Underwriter**—None. **Proceeds**—For working capital, for expansion and to pay off obligations. **Office**—60 East 42nd Street, New York 17, N. Y.

Frontier Broadcasting Co., Flagstaff, Ariz.
Sept. 13 (letter of notification) 874 shares of non-assessable common stock. **Price**—At par ($50 per share). **Underwriter**—Lee Baker. **Proceeds**—For additional studio equipment and woking capital. **Address**—c/o Radio Station KGPH, 21 North Leroux, Flagstaff, Ariz.

Gate City Steel Works, Inc., Omaha, Neb.
Sept. 10 (letter of notification) 3,000 shares of 5% cumulative prior preferred stock. **Price** — At par ($100 per share). **Underwriter**—The First Trust Co. of Lincoln, Neb. **Proceeds**—For working capital. **Office**—11th and Seward Sts., Omaha, Neb.

General Tractor Co., Inc., Seattle, Wash.
Sept. 7 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—First Washington Corp., Seattle, Wash. **Proceeds**—For working capital.

Harshaw Chemical Co., Cleveland, O. (10/9)
Sept. 19 filed 40,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—McDonald & Co., Cleveland. O. **Proceeds**—For capital expenditures for warehouse facilities.

Herff Jones Co., Indianapolis, Ind.
Sept. 10 (letter of notification) 100,000 shares of class A preference stock (par $1), to be offered to employees. **Price**—At the market or less. **Underwriter**—For unsubscribed shares, City Securities Corp., Indianapolis, Ind. **Proceeds**—To Harry J. Herff, President.

Heyden Chemical Corp. (10/4)
Sept. 14 filed 53,300 shares of convertible second preferred stock (no par) to be offered for subscription by common stockholders of record on or about Oct. 4 at rate of one preferred share for each 20 common shares held. **Price**—To be supplied by amendment. **Underwriter**—A. G. Becker & Co. Inc., Chicago, and R. W. Pressprich & Co., New York. **Proceeds**—For expansion program.

Las Vegas Thoroughbred Racing Association
Sept. 14 (letter of notification) 20,000 shares of common stock (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For working capital. **Address**—Highway 91 at Vegas Park Highway, Las Vegas, Nev.

Love Hollow Limestone Co., Little Rock, Ark.
Sept. 10 (letter of notification) $150,000 of first lien 6% bonds due 1959 (in denominations of $1,000 each). **Price**—100% and accrued interest. **Underwriters**—Hill, Crawford & Lanford, Inc. and Southern Securities Corp., Little Rock, Ark. **Proceeds**—To purchase portable quarrying equipment. **Office**—815 Boyle Bldg., Little Rock, Ark.

Northern Illinois Corp., DeKalb, Ill.
Sept. 13 (letter of notification) 5,138 shares of common stock (no par). **Price**—At market (not less than $9 per share). **Underwriter** — None. **Proceeds** — For working capital.

Nova Scotia (Province of) (10/2)
Sept. 13 filed $15,000,000 of 20-year debentures, to be dated Oct. 1, 1951, and to mature Oct. 1, 1971. **Price**—To be supplied by amendment. **Underwriters** — Smith, Barney & Co. and Wood, Gundy & Co., Inc.; Harriman Ripley & Co., Inc.; The First Boston Corp.; A. E. Ames & Co., Inc.; The Dominion Securities Corp.; and McLeod, Young, Weir, Inc. **Proceeds**—To reimburse the Province for expenditures made for, various Provincial purposes including expenditures by various departments of the Provincial Government, principally the Department of Highways and Public Works and the Department of Education; for certain assistance loans considered self-liquidating; and for advances to The Nova Scotia Power Commission.

Ohio Associated Telephone Co. (10/2-3)
Sept. 14 (filed 80,000 shares of $1.40 cumulative preferred stock (no par). **Price**—To be supplied by amendment (not over $25 per share). **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York. **Proceeds**—To repay bank loans. **Offering**—Expected early in October.

Pacific Telecoin Corp., San Francisco, Calif.
Sept. 14 (letter of notification) 59,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital. **Office**—1337 Mission St., San Francisco, Calif.

Pay-Velope Corp., New York
Sept. 14 (letter of notification) 50,000 shares of common stock (par 1 cent). **Price**—$1 per share. **Underwriter**—Peter Morgan & Co., New York. **Proceeds**—For working capital. **Office**—15 Whitehall Street, New York 2, New York.

Pluss Poultry, Inc., Decatur, Ark.
Sept. 6 (letter of notification) 1,500 shares of 6% cumulative preferred stock (wtih right to share in 20% of profits after taxes and payment of 6% cumulative dividend). **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For construction of chicken processing plant.

Pubco Development, Inc., Albuquerque, N. M.
Sept. 18 filed 605,978 shares of common stock to be offered for subscription by stockholders of Public Service Co. of New Mexico between Jan. 1, 1955 and March 1, 1955 at rate of one share of Pubco Development for each Public Service common share held of record Oct. 1, 1951. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To be used by Public Service in general fund. **Business**—To prospect for oil and gas.

Public Service Co. of Indiana, Inc. (10/8)
Sept. 19 filed an unspecified number of shares of common stock (no par) to be offered to stockholders through subscription (expected to be about 325,000 shares on a 1-for-10 basis). **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For property additions. **Offering**—Expected early in October.

Putnam (George) Fund of Boston (Mass.)
Sept. 17 filed 500,000 shares of beneficial interest. **Price**—At the liquidating value, plus 7½% of such offering price. **Underwriter**—None. **Proceeds**—For investment.

Skyway Broadcasting Co., Inc., Ashville, N. C.
Sept. 10 (letter of notification) 6,000 shares of common stock. **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For construction and operating capital for a proposed television station.

Southeastern Fund, Columbia, S. C.
Sept. 11 (letter of notification) 14,300 shares of common stock (par $2.50). **Price**—$6 per share. **Underwriter**—Frank S. Smith & Co., Inc., Columbia, S. C. **Proceeds**—To purchase conditional sale contracts from dealers. **Office**—401 Palmetto State Life Bldg., Columbia, S. C.

Stix, Baer & Fuller Co., St. Louis, Mo. (10/9)
Sept. 18 filed 216,694 shares of common stock (par $5), of which 73,294 shares will be for the account of the company and 143,400 shares for the account of members of the Baer and Fuller families. **Price**—To be supplied by amendment. **Underwriter** — Goldman, Sachs & Co., New York. **Proceeds**—For working capital to complete parking facilities and to repay loans.

Trade Mark Service Corp. (Del.)
Sept. 7 (letter of notification) 2,000 shares of preferred (non-voting) stock (par $100) and 2,000 shares of common (voting) stock (no par) to be offered in units of one preferred and one common share. **Price**—$100 per unit. **Underwriter**—None. **Proceeds**—To acquire minority stock of Ney York corporation of same name and for working capital. **Office**—233 Broadway, New York.

Warren Petroleum Corp. (10/9)
Sept. 19 filed $15,000,000 sinking fund debentures due 1966 (subordinate), convertible through Oct. 1, 1961. **Price**—To be supplied by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—To be used to purchase $4,750,000 note of Devonian Co. held by Gulf Oil Corp. at face amount plus accrued interest and for working capital.

Western Air Lines, Inc., Los Angeles, Calif.
Sept. 17 filed 25,000 shares of capital stock (par $1) under option at $9.37½ per share since Dec. 10, 1946 to T. C. Drinkwater, President. Agreement provides that, upon request of Mr. Drinkwater, the company agrees to register the optioned shares to the end that he may be in a position promptly to exercise his rights under the option and to transfer and dispose of any of the shares acquired thereunder which he may wish to dispose of. (The stock sold at $14.50 per share on Sept. 17 on the New York Stock Exchange.) **Underwriter**—None. **Proceeds**—For working capital. ($9.37½ per share).

Western States Metals Corp., Reno, Nev.
Sept. 13 (letter of notification) 500,000 shares of capital stock. **Price**—50 cents per share. **Underwriter**—None. **Proceeds** — For expansion and development of mining territory. **Office**—140 No. Virginia St., Reno, Nev.

York Mining Co., Albuquerque, N. M.
Sept. 10 (letter of notification) 300,000 shares of class A common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For development of ore properties. **Address**—Box 1135, Albuquerque, N. M.

Previous Registrations and Filings

Alabama Flake Graphite Co., Birmingham, Ala.
July 12 (letter of notification) $100,000 of 7% 20-year sinking fund bonds dated Jan. 15, 1949 and due Jan. 15, 1969 (in denominations of $1,000 each). **Price**—At par. **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Proceeds**—For plant expansion. **Office**—420 Comer Bldg., Birmingham. Ala.

★ **Alaska Telephone Corp., Juneau, Alaska (10/1)**
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.

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. (9/21)**
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.

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. **Underwriter**—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 at noon (EST) on Oct. 9.

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); Lehman Brothers. **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.

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 & South West Corp. (10/15)**
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. and 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 about Oct. 15.

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.

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.

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.

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.

NEW ISSUE CALENDAR

September 21, 1951	
American Cladmetals Co.	Common
September 24, 1951	
Mutual Telephone Co. (Hawaii)	Common
September 25, 1951	
International Refineries, Inc.	Debs. & Common
Pennsylvania Telephone Corp.	Preferred
Roddis Plywood Corp.	Common
Southern Counties Gas Co. of Calif., 8:30 a.m. (PDT)	Bonds
Ultrasonic Corp.	Common
September 27, 1951	
I-T-E Circuit Breaker Co.	Preferred
Natural Gas & Oil Corp.	Common
September 28, 1951	
Marine Midland Corp.	Preferred
October 1, 1951	
Alaska Telephone Corp.	Debentures
October 2, 1951	
Idaho Power Co.	Bonds
Lion Oil Co.	Common
McNeil Machine & Engineering Co.	Common
Mountain Fuel Supply Co.	Debentures
Nova Scotia (Province of)	Debentures
Ohio Associated Telephone Co.	Preferred
Public Service Co. of Colorado 11 a.m. (EST)	Bonds
October 3, 1951	
Southern Union Gas Co.	Bonds
Toledo Edison Co.	Preferred
October 4, 1951	
Heyden Chemical Corp.	Preferred
Standard Products Co.	Common
October 6, 1951	
Engineering & Manufacturing Corp.	Stocks
October 8, 1951	
Public Service Co. of Indiana, Inc.	Common
October 9, 1951	
Arkansas Power & Light Co., noon (EST)	Bonds
Associated Telephone Co., Ltd. (Calif.)	Bonds
Harshaw Chemical Co.	Preferred
Pennsylvania Electric Co.	Bonds & Preferred
Stix, Baer & Fuller Co.	Common
Warren Petroleum Corp.	Debentures
Western Pacific RR. Co.	Preferred
October 15, 1951	
Central & South West Corp.	Common
October 16, 1951	
Public Service Electric & Gas Co.	Preferred
October 17, 1951	
Consumers Power Co.	Common
October 18, 1951	
Aluminium, Ltd.	Common
October 29, 1951	
Utah Power & Light Co., noon (EST)	Bonds
October 30, 1951	
Ohio Power Co.	Bonds and Notes
November 20, 1951	
Pacific Telephone & Telegraph Co.	Debs. & Stock

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.

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.**
Aug. 31 filed 49,912 shares of common stock (par $1) being 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** — $50 per share. **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. Statement effective Sept. 19.

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.

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.

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 $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. (9/27)**
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.

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★ Idaho Power Co., Boise, Idaho (10/2)
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 & Co. 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. 2.

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.

★ Lion Oil Co. (10/2)
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.

★ Los Angeles Drug Co. (Calif.)
Sept. 12 (by amendment) filed $200,000 of 15-year 5% sinking fund debentures dated Oct. 1, 1951 and due Oct. 1, 1966, and 40,000 shares of capital stock (no par), the latter to be offered first to present stockholders. **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.

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. (10/2)
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.

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.
Aug. 23 filed 244,500 shares of $4 cumulative convertible 2nd preferred stock, no par (each share convertible into 2.9 shares of common stock), being 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**—$104 per share. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York. **Proceeds**—For capital expenditures and working capital.

Microtech Corp., Los Angeles, Calif.
Aug. 23 (letter of notification) 12,500 shares of capital stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and other assets useful in manufacture of miniature ball bearings and for working capital for initial operation. **Office**—1706 S. Grand Avenue, Los Angeles, Calif.

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.

Mohawk Business Machines Corp.
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.

★ Mountain Fuel Supply Co. (10/2)
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.

Mutual Products Co., Minneapolis, Minn.
Aug. 8 (letter of notification) $200,000 of five-year 8% registered debentures. **Price**—At par (in denominations of $100 and multiples thereof). **Underwriter** — None. **Proceeds**—For additions to property and for working capital. **Office**—509 N. Fourth Street, Minneapolis, Minn.

★ Mutual Telephone Co. (Hawaii) (9/24)
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. 24 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.

★ Nash-Finch Co., Minneapolis, Minn.
Sept. 7 (letter of notification) 3,000 shares of common stock (par $10). **Price**—From $18.50 per share. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn. **Proceeds**—To Finch Investment Co., selling stockholders. **Offering**—Now being made.

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.

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.

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 at 11 a.m. (EST) 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 at 11 a.m. (EST) on Oct. 9.

★ Pennsylvania Power & Light Co.
Aug. 29 filed 542,484 shares of common stock (no par), being 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 Oct. 3. Unsubscribed shares to be offered for subscription by employees. **Price**—$24 per share. **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.

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.

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.

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.

★ 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. **Bids**—Expected to be opened at 11 a.m. on Oct. 2.

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.

★ 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**—To be received on Sept. 25 at 8:30 a.m. (PDT). Statement effective Sept. 13.

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.

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.

★ Toledo Edison Co. (10/3)
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.

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. **Offering**—Has been withdrawn.

★ Ultrasonic Corp., Cambridge, Mass. (9/25)
Sept. 4 filed 100,000 shares of common stock (par $5). **Price**—To be supplied by amendment (approximately $18 per share). **Underwriter**—Coffin, Betz & Co., Philadelphia, Pa. **Proceeds**—To exercise options for purchase of capital stock of S. A. Woods Machine Co., Boston, Mass.

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. (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.

★ Weber Showcase & Fixture Co., Inc.
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. Offering may be privately placed.

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

● Air Reduction Co., Inc.
Sept. 12 it was announced company plans to issue and sell first to common stockholders about $25,000,000 of cumulative convertible preferred stock. **Underwriters**—Morgan Stanley & Co. and Harriman Ripley & Co., Inc. **Proceeds** — For plant expansion and for other general corporate purposes.

● Aluminium Ltd., Montreal, Canada (10/18)
Sept. 10, Nathaniel V. Davis, President, announced company plans to offer for subscription by stockholders of record on or about Oct. 18 of 372,205 shares of additional capital stock (no par) on basis of one new share for each 10 shares held; rights to expire on or about Oct. 7, 1951. **Price**—Not to exceed $65 (Canadian) per share. **Dealer Manager**—The First Boston Corp., New York. **Proceeds**—For working capital requirements resulting from the present expansion program in British Columbia, Quebec and the Caribbean area.

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.

★ Atlanta Coast Line RR.
Sept. 14 it was stated that the company may refund its outstanding $22,388,000 first consolidated mortgage 4% bonds due July 1, 1952.

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 Maine Power Co.
Sept. 8 it was stated that company plans to issue and sell before Nov. 30, 1951 securities divided about equally between bonds and common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lee Higginson Corp.; Harriman Ripley & Co. Inc. Bidders for common stock: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; Harriman Ripley & Co. Inc. **Proceeds**—To repay up to $7,500,000 bank loans and for new construction.

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). **Underwriters**—Glore, Forgan & Co. and The First Boston Corp., both of New York. **Proceeds**—To be used for construction program. It is expected that approximately $50,000,000 will be needed by the end of 1951.

★ Consumers Power Co. (Mich.) (10/17)
Aug. 24, Justin R. Whiting, President, announced that the company proposes to offer and sell to its common stockholders of record Oct. 17 on a 1-for-10 basis an additional 561,517 shares of common stock (no par), with rights to expire on Nov. 2. 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. SEC registration expected Sept. 20.

★ Continental Can Co., Inc.
Sept. 13 it was announced that company plans to issue and sell $15,000,000 of debentures and to offer stockholders rights to subscribe for about 105,000 shares of cumulative convertible second preferred stock. **Underwriters**—Goldman Sachs & Co. and Lehman Brothers, both of New York. **Proceeds**—For expansion program. **Registration**—Expected to be filed early in October.

Cott Beverage Corp., New Haven, Conn.
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.

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.

Detroit Edison Co.
March 19 it was announced company plans to sell approximately $35,000,000 of first mortgage bonds early this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp.; Dillon, Read & Co. Inc. **Proceeds** — For construction program.

★ El Paso Natural Gas Co.
Sept. 18 stockholders approved an increase in the authorized 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 5,000,000 shares; also authorized an increase in the aggregate principal amount of bonds issuable under the company's indenture of mortgage, dated June 1, 1946, from $157,000,000 to $300,000,00. **Traditional Underwriter**—White, Weld & Co., New York.

● Engineering & Manufacturing Corp., Galveston, Tex. (10/6)
Sept. 8 it was reported company plans to do some financing about Oct. 6. **Underwriter**—Beer & Co., Dallas, Texas.

● Florida Power & Light Co.
Sept. 14 it was stated company expects to issue and sell late in October $10,000,000 of 30-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc.; Shields & Co.; White, Weld & Co.; Lehman Brothers. **Proceed**—For new construction and equipment.

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.

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,

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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.

• Interstate Petroleum Co.
Sept. 11 it was reported that the sale of 38,433 shares of class B stock has been temporarily postponed. **Underwriter**—White, Weld & Co., New York.

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.

• New York Telephone Co.
Sept. 10 the company announced it plans to raise next year about $100,000,000 from new financing for its construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ Ohio Power Co. (10/30)
Sept. 17 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1981 and $7,000,000 of serial notes to mature as follows: $250,000 annually in 1955 and 1956; $500,000 annually 1957 through 1960; and $750,000 annually 1961 through 1966. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White Weld & Co. and Union Securities Corp. (jointly). **Proceeds**—For construction program. **Bids**—Expected to be received on Oct. 30.

• Pacific Gas & Electric Co.
Sept. 19 the directors authorized the issuance and sale of 1,500,000 shares of redeemable first preferred stock (par $25). **Price**—To be announced later. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To finance in part the company's expansion program. **SEC registration**—Expected in near future.

★ Pacific Telephone & Telegraph Co. (11/20)
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 expansoin program.

Parkersburg Rig & Reel Co.
Aug. 1 A. Sidney Knowles, Chairman and President, announced that the directors have approved in principle a plan to offer a modest amount (not exceeding $300,000) of common stock for subscription by common stockholders. This may involve the issuance of 24,700 additional shares on a one-for-eight basis. There are presently outstanding 197,600 shares of $1 par value. **Probable Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—For working capital.

Pennsylvania 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 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.

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 applica tion with FPC for permission to construct addition facilities to cost an estimated $13,641,000, of which ap proximately $9,187,000 is expected to be spent in 195

• Standard Products Co. (10/4)
Sept. 13 company announced it plans to offer to commo stockholders of record about Oct. 4 the right to sub scribe for additional common stock at rate of one sha for each 10 shares held; rights to expire Oct. 23. **Pri** —To be announced later.

Sundstrand Machine Tool Co.
Sept. 4 it was reported that company may soon offe to common stockholders about 94,064 additional share of common stock on a one-for-four basis. **Underwrite** —Shields & Co., New York; Bacon, Whipple & Co., Inc and Rodman & Linn of Chicago.

• Tide Water Power Co.
Sept. 17 it was stated company expects later this yea or early in 1952 to refund $1,500,000 of 3% notes throug the sale of common or preferred stock.

United Gas Corp.
Aug. 1, N. C. McGowan, President, announced that " will be necessary to arrange for an additional $50,000,00 to complete the total financing, and it is presently antici pated this will be done by the sale of first mortgage an collateral trust bonds during the latter part of the year. **Underwriters**—To be determined by competitive biddin Bidders for an issue of like amount sold on July 24 wer Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., Whit Weld & Co. and Equitable Securities Corp. (jointly) The First Boston Corp., Harriman Ripley & Co., Inc., an Goldman, Sachs & Co. (jointly). **Proceeds**—For expan sion program of United Gas System and for other corpo rate purposes.

Virginia Electric & Power Co.
May 1 the company announced that it is contemplate that there will be additional financing to an amount ap proximating $20,000,000, incident to the 1951 constructio program, and that further financing will be required i 1952. Probable bidders for bonds: Halsey, Stuart & Co Inc.; Salomon Bros. & Hutzler; Stone & Webster Securi ties 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. **Underwrite** —To be determined by competitive bidding. Probabl bidders: Halsey, Stuart & Co. Inc.; Hemphill, Noye Graham, Parsons & Co. and Drexel & Co. (jointly); Th First Boston Corp.; Kidder, Peabody & Co.; W. C. Lang ley & Co.; Union Securities Corp.; Equitable Securitie Corp.; Harriman Ripley & Co.; Kuhn, Loeb & Co. an Lehman Brothers (jointly); Glore Forgan & Co.; Mer rill Lynch, Pierce, Fenner & Beane. **Proceeds**—Fo new construction.

• Western Pacific RR. Co. (10/9)
Sept. 19 the RFC invited bids for the purchase from of 17,778 shares of 5% participating preferred stock (pa $100). Probable bidders may include: Bear, Stearns & Co.; and Hornblower & Weeks, White, Weld & Co., Mer rill Lynch, Pierce, Fenner & Beane and Stein Bros. & Boyce (jointly). **Bids**—To be received by the RFC o Oct. 9 at 143 Liberty Street, New York 6, N. Y., or 81 Vermont Avenue, N. W., Washington 25, D. C.

• Wisconsin Michigan Power Co.
Sept. 1 it was reported that company plans to issue an sell $3,500,000 of first mortgage bonds. **Underwriter**- To be determined by competitive bidding. Probabl bidders: Halsey, Stuart & Co. Inc.; Lehman Brother and Goldman, Sachs & Co. (jointly); Dillon, Read & Co. Inc.; Hemphill, Noyes, Graham, Parsons & Co.; Th First Boston Corp. **Proceeds**—From sale of bonds an $2,000,000 of common stock (latter to Wisconsin Electri Power Co., parent) to be used for new construction.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced compan plans to build a $12,000,000 steam turbine power plan in Marathon County, Wis. Method of permanent financ ing has not yet been determined. If bonds, probabl bidders may include: Halsey, Stuart & Co. Inc.; Th First Boston Corp.; Harris, Hall & Co. (Inc.); Kidde Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomo Bros. & Hutzler; Union Securities Corp.; Merrill Lynch Pierce, Fenner & Beane; Shields & Co.

Halsey, Stuart Group Offers Equipments

Halsey, Stuart & Co. Inc. and associates on Sept. 13 offered $6,300,000 Chesapeake & Ohio Ry. fourth equipment trust of 1951 2¾% serial equipment certificates maturing semi-annually April 1, 1952 to 1966, inclusive, at prices to yield from 2.10% to 2.90%, according to maturity. Issued under the Philadelphia Plan, the certificates were offered subject to approval of the Interstate Commerce Commission.

The certificates will be secured by the following new standard-gauge railroad equipment, estimated to cost $7,962,960; 4-Diesel electric passenger locomotives; 34-Diesel electric road switching locomotives; and 12-Diesel electric switching locomotives.

Other members of the offering group include: R. W. Pressprich & Co.; Bear, Stearns & Co.; Equitable Securities Corp.; Hornblower & Weeks; L. F. Rothschild & Co.; A. G. Becker & Co. Inc.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co. Inc.; First of Michigan Corp.; Gregory & Son, Inc.; Hayden, Miller & Co.; McCormick & Co.; McMaster Hutchinson & Co.; and Mullaney, Wells & Co.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Hubert E. Harvey, Edwin J. Mattingly, and Harold B. Young are now with Hamilton Management Corporation, Boston Building.

Blyth Group Offers Utah Pow. & Lt. Stock

Public offering of an additional 175,000 shares of common stock of Utah Power & Light Co. is being made today (Sept. 20) by Blyth & Co., Inc. and associates. The stock is priced at $28.50 per share and will increase the number of outstanding shares to 1,675,000. The issue was awarded at competitive sale on Wednesday.

Dividends on the common stock are currently being paid at the rate of 45 cents per share quarterly, with the latest payment to be made on Oct. 1 to holders of record on Sept. 5 last.

Proceeds from the current financing and from the proposed sale of an issue of $9,000,000 of first mortgage bonds will be used to pay a portion of $11,000,000 in outstanding notes borrowed previously for the company's 1951 construction program. Of a total of approximately $44,000,000 to be earmarked for construction from 1951 to 1953, $17,000,000 will be spent in 1951, $15,000,000 in 1952 and $12,000,000 in 1953. Principal items under the program include installation of additional generating facilities at the company's plant in Salt Lake City and at the company's subsidiary' plant at Montrose, Colorado.

With Clement A. Evans

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Edward R. Adams has become connected with Clement A. Evans & Company, Inc., First National Bank Building.

Schoeneberger Joins Central Republic Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles A Schoeneberger has become asso ciated with the Central Republi Co., 209 South La Salle Stree members of the Midwest Stoc Exchange. Mr. Schoeneberger wa formerly Manager of the Chicag office of Otis & Co. and prio thereto was with Shields & Co and Alfred O'Gara & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert E Gunn is now affiliated with Wad dell & Reed, Inc., U. S. Nationa Bank Building.

NSTA Notes

BOSTON SECURITY TRADERS ASS'N


Burton F. Whitcomb

Burton F. Whitcomb of Harriman Ripley & Co., Inc., Boston, has just been elected a member of the Board of Public Works in the City of Wakefield, Mass. "Burt," who is President of the Boston Security Traders Association, just turned in a very good advertising total for Boston for the NSTA issue.

DALLAS BOND CLUB

The Dallas Bond Club will hold its annual Columbus Day outing at the Northwood Club, the scene of the 1952 United States National Open Tournament. The usual program of golf, tennis and other games, with lunch served in the early afternoon, will be followed.

DENVER BOND CLUB—I. B. A. ANNUAL SUMMER FROLIC

The 1951 Bond Club—I. B. A. Annual Frolic on Aug. 24 was a great party with an attendance of 191, including 35 out-of-town guests. The quality and quantity of food and drinks were tops as usual, and all went according to schedule. George Writer, Peters, Writer & Christensen, Inc., Bond Club President, should be given generous acclaim for organizing this year's party, and he was ably assisted by the following committee chairmen:

Entertainment—Ray Robinson, Sidlo, Simons, Roberts & Co.
Arrangements—Phil Clark, Amos C. Sudler & Co.
Golf—Glen Clark, Colorado State Bank.
Reservations—Don Patterson, Boettcher and Company.
Special Tickets—George Davis, Harris, Upham & Co.
Prizes—Malcolm Roberts, Sidlo, Simons, Roberts & Co.
Publicity—Bob Mitton, Robert L. Mitton Investments.
Invitations—B. F. Kennedy, Bosworth, Sullivan & Co.

Results of Action

Special Contest—Prizes were awarded in the following order:
First—J. C. Hecht, Dempsey, Tegler & Co., Los Angeles.
Second—David Cerf, Floyd D. Cerf, Jr., Co., Chicago.
Third—Robert Stephens, Denver.
Fourth—Arthur Martinson, Denver.
Fifth—Fred A. Adams, Denver.
Sixth—C. W. Schoezel, Denver.
Consolation—Earl Stone, Stone, Moore & Co., Denver.
Consolation—E. Ray Allen, Stranahan, Harris & Co., Chicago.

Golf—For the second year of presentation, the Arthur H. Bosworth Memorial Trophy went to Howard Hannon, Smith, Moore & Co., who came in with a net of 62 blows.

Other winners were as follows:
Low Gross—Bob Baker, Don A. Chapin & Co., Ft. Collins, Colo. 71
(For the Second Successive Year)
2nd Low Gross—John Haggerty ---- 75
Low Net—Howard Hannon, Smith, Moore & Co. ---- 62
2nd Low Net—Phil Young, Garrett-Bromfield & Co.; Duane T. Smith, Duane T. Smith Co., Wichita ---- 66
Team Low Net—Howard Hannon, Harold Waeckerle, Lucas Eisen & Waeckerle, Kansas City ---- 132
2nd Team Low Net—Joe Walsh, Harris, Upham & Co.; Phil Young ---- 133

Orv Neeley, Merrill Lynch, Pierce, Fenner & Beane, came back this year to capture the booby prize—a crying doll was the prize awarded for that honor (?).

Softball — The non-stock exchange team with Jack Ralsten, Peters, Writer & Christensen, Inc., as Captain (Whiff-Em Mitton Pitching), murdered the stock team 14 to 2 and garnered 50 sweepstake tickets for the effort. Bill (Durocher) Sweet, Peters, Writer & Christensen, Inc., assisted the umpire with every call. The winning team won a berth in the World Championships in Greeley, but all arrangements were cancelled when it was learned that there would be no beer cooler at home plate.

Tennis—The Kansas City team of Vic Zahner, Soden-Zahner & Co., and Russ Seifert, Stern Brothers & Co., again romped away with the tennis honors—Vic winning the singles and pairing with Russ to capture the doubles. The Denver Bond Club is sponsoring a spring-training session next year to attempt to overcome the Kansas City duo.

Horseshoes—Dick Jaquith was the big winner and Walt Coughlin, Coughlin & Company, was second—Nick Truglio, Bosworth, Sullivan & Co., a master at horseshoes, in warm up session tossed at least 50% ringers, but in the heat of competition folded under pressure.

Putting—George Alff, Denver National Bank, won the undisputed position as top putter—George Davis, Harris, Upham & Co., Joe Walsh, Harris, Upham & Co., and Dick Jaquith all tied for second, and George Davis won the toss for the second place prize.

The Bond Club of Denver was proud to be hosts to the unusual number of out-of-town guests. Those present were:

E. Ray Allen, Stranahan, Harris & Co., Chicago, Ill.
Edward F. Altman, Edw. F. Altman & Co., Pueblo, Colo.
J. M. Anson, Amott, Baker & Co., New York, N. Y.
Albert Burrows, Edward L. Burton & Co., Salt Lake City, Utah
Frederick B. Carpenter, John Nuveen & Co., Chicago, Ill.
George Denton, First Security Bank, Salt Lake City, Utah.
Robert Dubois, Stockgrowers National Bank, Cheyenne, Wyo.
Paul Fairchild, First Boston Corp., Chicago, Ill.
Steiner Hansen, Eaton & Howard, Boston, Mass.
Bud Hastings, Incorporated Investors, Chicago, Ill.
Eddie Hays, Central Republic Co., Chicago, Ill.
J. C. Hecht, Dempsey-Tegeler & Co., Los Angeles, Calif.
William Hobbs, Russ & Co., San Antonio, Texas
E. M. Hunt, First Trust of Lincoln, Lincoln, Neb.
Wilbur G. Inman, John Nuveen & Co., Chicago, Ill.
Arthur Kirtley, First Boston Corp., Chicago, Ill.
Clayton R. McCulley, First Southwest Co., Dallas, Texas
Julian Meyer, Salomon Bros. & Hutzler, Chicago, Ill.
Clifton L. Nourse, The Illinois Co., Chicago, Ill.
J. G. Parker, Lord, Abbett & Co., Chicago, Ill.
Art Quinn, Quinn & Co., Albuquerque, New Mex.
Walter E. Rankin, Lord, Abbett & Co., Chicago, Ill.
W. W. Romney, Continental National Bank & Trust, Salt Lake City, Utah
William Romney, Continental National Bank, Chicago, Ill.
Russell Siefert, Stern Brothers, Kansas City, Mo.
Duane T. Smith, Duane T. Smith Co., Wichita, Kansas
Donald B. Stephens, Cruttenden & Co., Chicago, Ill.
Edwin A. Stephenson, Chase National Bank, Chicago, Ill.
Howard Taylor, Taylor & Co., Beverly Hills, Calif.
J. F. Tegeler, Dempsey-Tegeler & Co., St. Louis, Mo.
Arthur Tresch, B. J. Van Ingen & Co., Chicago, Ill.
Harold E. Waeckerle, Lucas, Eisen & Waeckerle, Kansas City, Mo.
George Wendt, First National Bank of Chicago, Chicago, Ill.
Harry J. Wilson, Barcus, Kindred & Co., Chicago, Ill.
Victor Zahner, Soden-Zahner & Co., Kansas City, Mo.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur C. Keene has been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Keene was formerly with Bache & Co. and Webber-Simpson & Co.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Harry D. Feltenstein, Jr. is now with Merrill Lynch, Pierce, Fenner & Beane, 1003 Walnut Street. He was formerly with Bache & Co.

With McDowell & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Franklin A. Gilboe has been added to the staff of George A. McDowell & Co., Buhl Building, members of the Detroit Stock Exchange.

Bankers Offer $3\frac{1}{4}$% Prov. of Ontario Debs.

Harriman Ripley & Co. Incorporated and Wood, Gundy & Co. Incorporated and associates on Sept. 19 offered $50,000,000 Province of Ontario (Canada) twenty-one year $3\frac{1}{4}$% debentures maturing Sept. 1, 1972 at $97\frac{3}{4}$% and accrued interest.

Proceeds from the sale of the debentures are to be advanced by the Province of Ontario to The Hydro-Electric Power Commission of Ontario as an advance of moneys to be used by the Commission to provide in part for capital expenditures in connection with its present capital construction program and to repay temporary loans incurred mainly for such capital expenditures.

The new debentures will be direct obligations of the Province of Ontario and will be redeemable at prices ranging from 101% to 100%. Ontario has the largest population of any of the Canadian Provinces. It is second largest in area of the Canadian Provinces, covering approximately 412,000 square miles, of which about 88% is land area. The Province had a funded debt of $717,677,500 as of July 31, 1951.

Other members of the offering group are Smith, Barney & Co.; The First Boston Corp.; A. E. Ames & Co. Inc.; The Dominion Securities Corp.; and McLeod, Young, Weir, Inc.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard Feuerman and Thaddeus Tragarz have been added to the staff of Bache & Co., 135 South La Salle Street.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of 25c per share on the Common Stock, payable October 1, 1951 to Stockholders of Record at the close of business September 19, 1951. Transfer books will remain open.

COLUMBUS MOISE, Treasurer.

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

204th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable September 29, 1951, to stockholders of record at the close of business on September 17, 1951. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia, September 7, 1951

GENERAL REALTY & UTILITIES CORPORATION

DIVIDEND ON CAPITAL SHARES

The Board of Directors has declared a semi-annual dividend of 25 cents per share on the Capital Shares of the Corporation payable September 27, 1951, to stockholders of record at the close of business September 17, 1951.

SAMUEL M. FOX, Treasurer.

September 17, 1951.

INTEREST PAYMENT

GENERAL REALTY & UTILITIES CORPORATION

4% Cumulative Income Debentures
Due September 30, 1969

NOTICE OF PAYMENT OF COUPON NO. 14

Payment of the amount called for by Coupon No. 14 representing interest for the six months' period ending September 30, 1951 on the above-mentioned Debentures of General Realty & Utilities Corporation, will be paid on September 30, 1951 at Bankers Trust Company, Successor Trustee, 46 Wall Street, New York 15, N. Y.

GENERAL REALTY & UTILITIES CORPORATION
By SAMUEL M. FOX, Treasurer

September 17, 1951.

DIVIDEND NOTICES

MIAMI COPPER COMPANY
61 Broadway, New York 6, N. Y.

September 12, 1951

A dividend of fifty (50c) cents per share has been declared, payable October 8, 1951, to stockholders of record at the close of business September 24, 1951. The transfer books of the Company will not close.

J. B. McGEE, *Treasurer*

New England Gas and Electric Association

NEGEA

COMMON DIVIDEND NO. 18

The Trustees have declared a regular quarterly dividend of twenty-five cents (25c) per share on the COMMON SHARES of the Association, payable October 15, 1951 to shareholders of record at the close of business September 20, 1951.

H. C. MOORE, JR., *Treasurer*

September 13, 1951

New England Gas and Electric Association

NEGEA

PREFERRED DIVIDEND NO. 18

The Trustees have declared a quarterly dividend of $1.12½ per share on the 4½% cumulative convertible preferred shares of the Association payable October 1, 1951 to shareholders of record at the close of business September 20, 1951.

H. C. MOORE, JR., *Treasurer*

September 13, 1951

DIVIDEND NOTICES

NATIONAL SHARES CORPORATION
14 Wall Street, New York

A dividend of fifteen cents (15c) per share has been declared this day on the capital stock of the Corporation payable October 13, 1951 to stockholders of record at the close of business September 28, 1951.

JOSEPH S. STOUT, *Secretary.*

September 13, 1951.

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½ cents per share on the Preferred capital stock. They have also declared a dividend of 62½ cents per share on the Common capital stock. The dividends on both Preferred and Common stock are payable November 1, 1951, to stockholders of record at close of business October 3, 1951.

WALLACE M. KEMP, *Treasurer.*

WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on October 15, 1951, to holders of record of such shares at the close of business on September 27, 1951.

E. H. BACH, Treasurer.

WICHITA RIVER OIL CORPORATION

Dividend No. 22

A dividend of Twenty cents (20¢) per share will be paid on October 15, 1951 on the Common Capital Stock of the Corporation, to stockholders of record at the close of business September 28, 1951.

JOSEPH F. MARTIN,
Secretary and Treasurer

September 17, 1951.

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 143

The Board of Directors on September 12, 1951, declared a cash dividend for the third quarter of the year of 50 cents per share upon the Company's Common Capital Stock. This dividend will be paid by check on October 15, 1951, to common stockholders of record at the close of business on September 21, 1951. The Transfer Books will not be closed.

E. J. BECKETT, Treasurer

San Francisco, California

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—If you'll promise not to breathe a word to Estes Kefauver where you got it, you can be passed the word that the deadline on placing bets with long odds in your favor on "unknown" Presidential candidates is still a long, long way off.

That the picture can change overnight was dramatically illustrated by the announcement in substance of Gen. Douglas MacArthur that he was letting his brass shine on Senator Robert A. Taft's delegation harvest moon.

Naturally when such shiny brass as Gen. MacArthur's illuminates the aspirations of the senior Senator from Ohio, that is big news in the political dopester business. All at once this town is suddenly coming to think of Taft as a "sure thing" for the GOP nomination, saying that the Pacific General's brilliance and popularity will be an offset to the brilliance and appeal of the European theatre general, and that MacArthur's support automatically indicates that General Eisenhower can't have it on a silver platter and must fight for it, which he is said not to want to do.

Could be. This town, however, will "go for" one man and then for another, depending upon how events develop in the next 18 months. These events can be tremendous and not only change the picture over night, but change it back again, and then change it again. The situation, to understate it, is fluid.

There was also the matter of Tom Dewey for Secretary of State. Some ordinarily very knowing people were sure, until last week's press conference, that Mr. Truman was going to let Dean Acheson go in a cloud of glory as of Dec. 1, to be replaced by Dewey.

Whether Dewey wanted a deal like this or not, or whether the story's origin was anything more than guessing, will not be known, like many things, until memoir time. However, until Truman announced that it was he and Dean until political death do them part, Democrats were elated, Republicans downcast, at the prospect.

Democrats were elated and Republicans downcast because, however meritorious this might be as a means of picking a Secretary of State, it would have been a beautiful way to complete the split between the globalist and "isolationist" wings of the GOP, to gaurantee that neither a Taft identified (correctly or otherwise) with the latter nor a candidate like Eisenhower associated with the former, could break a deadlock.

Astute Democrats may be able to foster that division and a deadlock still, if by less sure-fire means than making Dewey Secretary of State. If tnere is a deadlock, then put your bets with the long odds on any relatively unknown candidate, like Gov. Warren of California, or a Brass Monkey.

One hears a lot of chatter that Harry Truman may be acting intentionally like a Presidential candidate so that he can control the convention and throw the nomination to the man of his choice when the time of decision and action arrives. That could be, too. It is even possible that this is what Harry Truman thinks he maens to do. On the other hand, there are just too many thousands of well-paid officeholders who between now and next June will never relent in pressing upon Harry the importance to the country, the world, and the universe, of keeping him in the White House, if just incidentally that also keeps them in their jobs. For even a brand new "Fair Deal" President means a lot of painful separations from high-paying jobs and influence.

* * *

Whatever any official of the U. S. Government says in public about the $7.5 billion being the top amount foreigners can expect in military and economic aid for a single year, you can put it in your hat that this is **not** the top amount which the Administration will seek, once international events give it an opening.

In asking for $8.5 billion, the Administration was forced by its more conservative elements to come down from $11.5 billion, and the latter figure, in turn, of $11.5 billion was "a horrible compromise" with the realities of military needs, as the Administration saw it. Practical politics only temporarily keeps the Administration from "going through the roof" with requests for foreign military aid.

With a capacity to guarantee Congressmen from ever having to worry about bank failures in their constituencies, the Federal Deposit Insurance Corp. is distinctly a "sacred cow" to Congress, as was illustrated the other day.

FDIC has promulgated a rule that whenever an existing or a proposed new bank applies for a charter of deposit insurance, it shall be compelled, as a condition to getting deposit insurance, to agree perpetually to maintain its capital ratio at a level not below the national average capital ratio for all insured banks.

Within the Federal establishment outside FDIC, this policy is questioned. In the first place, it focuses attention upon an arbitrary national average, whereas some of the banks with the highest capital ratios might need a heavy regulatory hand in case of bad management or a large ratio of risk assets. So some officials doubt if it is a feasible method of arriving at a desirable objective—promotion of higher capital ratios at all times.

It also is a silly method of controlling bank dividends, for a bank so obligated could not declare a dividend without calling the chief statistician of the FDIC.

Then the state banking officials resented this as an alleged "extra legal" method of regulating state banks, and encroaching upon the supervisory prerogatives of the state banking departments.

However, so sacred is FDIC, that when the state officials "refused to fight" but said they would take their chances on reaching an agreement with the FDIC, the Senate Banking Subcommittee figuratively kissed the two nominees for the FDIC, Maple T. Harl and H. Earl Cook, and blessed them for another six-year term.

* * *

Between now and the December financing, the Treasury, it is believed, will borrow a substantial amount of new money. This might occur in connection with either the October or November refinancing. The market being what it is, the new money probably would be picked up by a short-term issue.

* * *

If President Truman's harangue about his budget critics using "butterfly statistics" were taken seriously, either one of two interpretations would be put upon his remarks:

(1) It is possible that the President is not aware that his own Budget Bureau projects total expenditures for the Federal government of from $80 to $90 billion for fiscal 1953, on the assumption that non-war expenditures will total only $20 billion; or,

(2) That the President thinks from $20 to $30 billion of additional taxes can be raised.

Actually, informed opinion considers it is neither of the above. The most common interpretation for the motivation of the intemperate statement was that Mr. Truman is running for President again!

* * *

The so-called "national bank merger bill" is designed for only one purpose: to prevent shareholders of large institutions from forcing a cash payment for their shares whenever a large bank takes over a smaller one.

The present law requires that in the case of a merger of national banks, the shareholders may get the "appraised" value of his stock in cash from the merged institution. This thus allows them to choose not to become shareholders of the merged institution.

This provision was designed especially for the shareholder of the smaller of the two merging institutions, who could claim that he did not want to own stock in a bank of a much larger and hence different character.

With many large institutions facing the fact that their stock is selling below book value, the shareholders of the larger institution could utilize the merger—under present law—to force a payout at book values.

The bill, which may pass both Houses before adjournment, simply waives the requirement of the cash payout in all cases. The national bank authorities, however, probably will continue to require the cash payment for the holdings of shareholders in smaller institutions being absorbed by larger ones.

* * *

(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

"Miss Judson, phone Eagle Air Lines and get me a reservation, please."