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EDITORIAL

As We See It

At long length the Department of Commerce has published not only its detailed mass of statistics now commonly known as the "national accounts" for years running from 1929 (in most instances) through 1950, but also *in extensio* its description of the techniques and concepts employed in the compilation of this remarkable collection of data. While much, perhaps most, of the materials included in this latest *Supplement to the Survey of Current Business* have been available for a good while past in one form or another, there is quite enough in this volume to occupy the economists for some time and to supply food for both thought and debate. All this we gladly leave to the professionals.

There are, however, a number of aspects of this subject with which the intelligent citizen, particularly the practical businessman, should not remain unfamiliar. Certain figures extracted from this mass of materials have come into general usage and are all too often misunderstood and misconstrued by those who have not had the time or have not taken the trouble to inform themselves concerning the limitations of the data which rolls so smoothly and entrancingly off their tongues. Most of the terms employed in this continuing research of the Department of Commerce, like those employed in similar compilations in many other countries nowadays, are what may be called "defined terms." That is to say they are ordinary words or phrases to which have been assigned special meanings which for the most part are not the meanings ordinarily

Continued on page 30

Personal Saving in an Inflationary Economy

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

Prominent Harvard economist bases belief our economy is fundamentally inflationary on: (1) farm support program; (2) policy of "full employment"; and (3) policy of encouraging trade union growth. Looks for long-term rise in prices, with occasional recessions, but contends these movements will not affect policies of small savers in making investments. However, recommends savings bonds of limited negotiability at higher interest rate, sufficent to compensate buyers for possible loss of principal. Would limit individual holdings of these bonds.

I

How does an inflationary economy affect the problems of personal saving? As a basis for discussing this question, let me examine first whether the American economy really is an inflationary one. By an inflationary economy I mean one in which the long-run movement of prices is upward — either slowly upward or rapidly upward. My concern is not with the prospects for a rise in prices during the next year or two.

Prof. S. H. Slichter

For several years I have been asserting that the economy is an inflationary one, but many economists will disagree with this view. Before the war, of course, economists in general regarded averting deflation as the number one economic problem. In 1945, a composite estimate of 62 non-government economists, made in a survey conducted by one of the agencies of the Farm Credit Administration, was that prices for the period 1956-60 would be slightly below the period 1946-50. A study made several years ago for the House Committee on Agriculture reached

Continued on page 32

*An address by Professor Slichter before the Savings Banks Association of Massachusetts, Portsmouth, N. H., Sept. 22, 1951.

Sales Tax: The Solution

By MELCHIOR PALYI

Dr. Palyi, in calling attention to mounting deficits in Federal budget and efforts to restrict domestic consumption to avoid inflation, points out extremely sharp tax measures, "equity or no equity," have to be resorted to, while defense production must not be discouraged. Sees probability of some form of general sales tax and discusses its various advantages and disadvantages. Calls for budgetary surplus as best inflation remedy.

I

The common sense idea about taxes is that they are an undiluted evil that has one justification only: to provide funds for unavoidable expenditures. This should be accomplished at the least social cost and in the most equitable fashion, without damage to the effective functioning of the price mechanism. The idea was perverted by the early socialists into the overriding objective of destroying capitalism by progressive taxation, as Marx formulated it in powerful language.

Dr. Melchior Palyi

In the place of the Marxian, a "moderate" approach has been substituted by the Fabians and self-styled Liberals (who lack the logical consistency of the master). Explicitly or otherwise, the school of reformed Socialists and "dirigists" claims to save capitalism by fiscal policies aiming at two closely interrelated goals: to redistribute wealth and to "stabilize" the economy. As to taxes, they should be lowered in the depression (when revenues are badly needed and are falling off) and raised in the boom (when revenues are rising automatically though less needed). At all times, they should soak the rich; that "maintains mass purchasing power," happily combining the two ideals—fake stability and inflationary wealth-redistribution.

II

At long last, the omnipresence of the inflation virus is being generally recognized. Even the Welfare politi-

Continued on page 30

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.)

S. LOGAN STIRLING

Manager, Investment Research Department, Eastman, Dillon & Co., Members: N. Y. Stock Exchange and N. Y. Curb Exchange

Remington Rand, Inc.

S. Logan Stirling

Stocks which I like best under present conditions are naturally those which are believed to be in a rather clearly defined uptrend regardless of minor market swings, but it is obvious that select issues of this type demand a situation with an unusually favorable outlook with strong emphasis on future growth. I think that under existing conditions in our overly - busy and hard-working economy, **Remington Rand**, the No. 2 company in the office equipment and automatic business machine industry, but moving ahead at a fast pace, is ideally situated to benefit from record-breaking demands for all types of its labor-saving machines to meet growing demands from the high rate of business activity, as well as from expanding government services, both of which are hard pressed to find sufficient workers to handle the mounting volume of paper and record-keeping work.

Remington Rand is the most diversified manufacturer of office equipment, including typewriters of all types, manual and electric bookkeeping machines, adding machines and miscellaneous related office and machine supplies. It also makes tabulating machines, card punchers, sorters and auxiliary equipment. Unlike its major competitor, Remington will either rent or sell its tabulating equipment, and since this program was instituted in 1949, sales of tabulating equipment have shown steady progress, particularly where big installations are necessary. While IBM still has the major portion of the tabulating machine business, Remington is understood to be making steady inroads, especially since there is now a 30-to 36-month wait necessary to obtain many IBM items.

Remington Rand differs from its competitors in that it offers a line of over 20,000 products that may be utilized in a variety of ways to solve the individual problems of most business concerns. Despite this diversification, about 75% is normally concentrated in the visual systems and typewriter divisions, the latter including standard, noiseless, portable and electric models.

Company's operations are worldwide, with 19 manufacturing plants in the United States plus 21 plants in 14 foreign countries. Sales offices and distributing points are located in every state of the Union in over 200 cities. Abroad the company has 238 direct sales offices in 25 foreign countries; 194 exclusive product distributors in 123 countries and about 3,000 subdealers and agency outlets.

Products manufactured require skilled workmen and highly specialized sales and service forces which are trained in factory schools and at the special company school located at Fishers Island, N. Y. The central research laboratory, located at Norwalk, Conn., and under the direction of Lt. General Leslie R. Groves, Retired, the famed head of the Manhattan Project of the Atomic Bomb Program in World War II, employs several hundred scientific technicians and engineers working to improve present manufacturing methods and to develop new types of business machines and other products. Electronic computers, typewriters, tabulating equipment, business systems, and many other products, constitute some of the major projects now under way to provide better service and equipment for every type of business. Company's mechanical, metallurgical, electronic and chemical staffs of technicians are working in close cooperation with the Armed Services and important engineering and research contributions are being made to the National Defense Program.

During the last war, Remington Rand was unable to develop new products because its plants and engineering staff were concentrating on the war effort. As a result, only now is Remington's new line making an appearance and returning the company to the competitive advantage which was lost during the postwar period to other concerns which followed a contrary policy. Remington Rand has streamlined its sales organization to emphasize its dynamic growth products which include a complete line of electronic punch card accounting machines (IBM's only competition).

During the last two years, the "Vericon" black - and - white TV closed-circuit industrial television system was introduced and the "Vericolor," or color TV system of the same type has been developed in conjunction with CBS. The recent Supreme Court decision upholding the CBS color system enhances this project. The system allows TV cameras to be moved from job to job in any factory. The electric impulses pass over a cable rather than through the air and dangerous operations may be viewed from a safe distance. There are also many time-saving advantages.

Through the purchase in 1949 of the Eckert-Mauchly Computer Corporation, Remington Rand acquired both the Univac, an "Electronic Brain," and additional employees with considerable "know how" in the electronics field. The Univac, which is a half-million-dollar installation, is now being used by the United States Bureau of Census and several are now in production for other government uses. A smaller electronic tabulator, costing much less, has been developed and is said to have practical applications in business organizations employing as few as 100 people.

The recent trend toward microfilming business records has resulted in a steadily increasing demand for the products of its Photographic Equipment Division. Supplies for these special processing machines constitute an additional source of income. The Supreme Court's decision nullifying the company's attempts to gain control of the General Aniline & Film Corp. from the Custodian of Alien Properties was adverse, but Remington Rand can, if necessary, go into the film manufacturing business itself.

During the last war the company had an excellent record for efficient production, especially in connection with the operation of a large shell and fuse-loading ordnance plant. Other output ranged from aircraft component parts to small arms, photographic materials, and several secret devices. At present the company is again operating a shell loading ordnance plant. Along with other smaller military contracts now in effect, is one for the production of automatic aircraft gun-chargers. While total military contracts still constitute less than 4% of fiscal 1950-51 gross, the company is fully prepared to handle a substantial volume of military work. This industry is not likely to be hurt much by shortages of materials. In the last war, office machinery was classified as non-essential but now the control authorities recognize the urgent need for office machines. Beginning July 1 they were listed among the Class B products which were covered by the Control Materials Plan for steel, copper and aluminum. In the final quarter of this year the industry's critical materials usage may be limited to about 85% of usage in the first quarter when output was exceptionally large.

Company's earnings and financial history over the past fifteen years has been one of steady improvement which reflects the smart and aggressive management which Remington is recognized as enjoying. Substantial profits were reported every year since 1933 and dividends have been paid every year since 1936. Since 1943 sales have more than doubled and since 1946 sales were up some 80%. For the fiscal year ended March 31, 1951, sales were at the highest level in history and net income was the second highest on record amounting to $2.87 per share. These earnings were after a downward adjustment of 16¢ per share, or $750,000 of 16c switch to the LIFO inventory method late in the fiscal year. Of even greater significance was the fact that the pre-tax profit margin of 18.4% was the highest since 1947. This encouraging earnings trend has continued so far in the present fiscal year and in the first quarter ended June 30, 1951 sales were up 55% over the same period last year and net income before taxes gained 192%. After allowing for taxes at a 59% rate, earnings in the first quarter were equal to 83¢ per share which compared with 40¢ per share after a 46% tax charge in the same quarter of 1950.

Remington Rand has a relatively favorable Excess Profits Tax base which after a 47% normal tax rate, equals $1.85 on domestic operations. Some 30% of the 1950-51 net was foreign earned and thus not subject to EPT. The company has been reestablishing and expanding its operations abroad since the war, including acquisitions and new plants in Scotland, France, Sweden, Germany and elsewhere, and as of March 31, 1951 carried foreign investments at $27,053,365. This does not include investments in regained, formerly owned, French and German subsidiaries. However, export and remittance restrictions have

Continued on page 24

Are We Heading for a Bust In Capital Expenditures?

By DEXTER MERRIAM KEEZER*

Director, Department of Economics, McGraw-Hill Publishing Co., Inc.

Business economist states remarkable feature of current record-high capital expenditures by industry is that they have been so well-maintained since war's end. Asserts they are closely correlated with general prosperity. Cites special inducements, as accelerated depreciation, offered by government. Predicts while steel shortages may slow up construction end of installing new industrial plant and equipment late this year, nevertheless such investment will proceed at high level well into 1952. Warns of bad effects of "politically charming" excess profits tax.

At the present time American industry is carrying out the greatest program of capital investment in its history. This year the nation's manufacturing companies, railroads, utilities and mining industries plan to spend about $20 billion on new plant and equipment. This exceeds by more than $5 billion the highest expenditure in any previous year. Even when increased prices are taken into account, this year's expenditure for new industrial plant and equipment is scheduled to put into place more physical equipment than has ever been put in place in a like period.

Dexter M. Keezer

Perhaps more significant than the present record-breaking volume of capital expenditures by industry—at least for purposes of economic analysis—is the fact that it sustains a high level of such expenditures which has been maintained continuously since the end of World War II. In the first full year after V-J Day capital expenditures by industry, which had been sharply curtailed during the war, jumped to almost three times the average annual level maintained during the decade before the war.

A postwar splurge, a flash in the pan, remarked many kibitzers with imposing reputations as prophets. But the level has been more than sustained. Here is the year-by-year record from 1947 through 1950 as compiled by the Commerce Department and Securities and Exchange Commission:

	Total (Industry and Commercial)	Total (Industry)
1947	16.2	11.8
1948	19.2	13.8
1949	18.1	13.0
1950	18.6	13.6

How, after so long a period of very high capital expenditures, is industry managing to continue to establish new altitude records?

What is the significance of this truly magnificent performance for the future of capital expenditure by industry? Or, to put the question in the ominous way in which quite a few people are whispering it to each other these days, "Are we heading for a bust in the field of capital expenditures?"

If we are, it will, of course, be a quite general economic bust for, as you well know, general prosperity and capital expenditures go hand in hand. Whether capital expenditures cause the prosperity or the prosperity causes the capital expenditures is a question about which economists have long debated and probably will keep right on debating, but the companionship is not seriously questioned. And why should it be? Somewhere in the neighborhood of a third of our total industrial working force is engaged in producing and installing capital equipment. It is axiomatic that we cannot have general prosperity unless that large fraction of our industrial working force is prosperous, too.

It is not necessary, of course, to make much of a search for the answer to the question of how industry is managing to make its record-breaking performance in the field of capital expenditure at this time. Most of the answer is found in one way and another, in the rush to rearm which was touched off by the Korean War. That rush has compounded the forces making for booming business generally. It also has prompted the provision of a whole series of special incentives to provide the industrial plant and equipment required to carry out the mobilization program.

A full bill of particulars of the capital equipment required to carry out this program has not, so far as I know, been produced. At any rate, it has not been exposed to public view. However, some of the major elements of the program of capital investment which is required have been blocked out.

Industry Targets

In the case of steel the plan is, or was at last reporting, to increase the nation's annual capacity to produce steel ingots to 118 million tons—an increase of almost 20%—by mid-1953.

Expansion goals for aluminum are even more spectacular, at least

Continued on page 28

*An address by Dr. Keezer before Federal Reserve Forum, Minneapolis, Sept. 20, 1951.

INDEX

Articles and News

Regular Features

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Problems Facing Our Economy

By RAYMOND RODGERS*

Professor of Banking, Graduate School of Business Administration, New York University

Contending "we have a capital goods boom which is straining our economy," Dr. Rodgers lays down, as our biggest problem, the maintenance of our "big government." Advocates extreme efforts by all segments of economy to keep inflation down, and lists as immediate goals: (1) full utilization of productive power of credit; (2) sound agricultural program; and (3) sound wage policy. Calls for good faith, decency and restraint on part of pressure groups, and expresses optimism regarding future.

In 1776, in a book with the long title of, "An Inquiry into the Nature and Causes of the Wealth of Nations," a businessman turned economist, by the name of Adam Smith, advanced the thesis that an "invisible hand" inexorably transmuted the efforts of each person seeking his own individual economic gain into social benefit and progress for all. This world-famous book was the first step in transforming the art of political economy into what later became known as the dismal science of economics. Without in any way implying that economics ever became a science, it nonetheless must be recognized that the wheel has turned "full circle" and once more the phrase, the art of political economy, must be used to present a realistic view of our economic process.

Raymond Rodgers

With a "managed" money and credit, with a "managed" public debt of over a quarter of a trillion dollars, and with a "directed" economy, especially the price and wage interferences with the classic method of allocation of resources, the art of political economy becomes of paramount importance to every man, woman and child in this country, to say nothing of unborn generations, and the remainder of the world!

Far from the "let alone" policies advocated by the Classical economists, our government, by many statutory enactments, and even more administrative rulings and practices has gone far in the direction of assuming responsibility for the successful, and full (expanding economy), operation of the entire economic system of the country. (This, of course, does not mean that bureaucrats will accept the responsibility for the adverse developments which will materialize from time to time!) It does mean, however, that the government directly, and indirectly through its agencies, intervenes in the economic process. It does mean that the government has not only a vital interest in rearmament, but also a direct, immediate and continuing interest in the inflation, deflation, economic dislocation and social consequences which will inevitably flow from that program.

*An address by Dr. Rodgers at the Sixth Forum of the Federal Reserve Bank of Minneapolis, Minneapolis, Minn., Sept. 20, 1951.

The Basic Problem

As you have been told on countless occasions, the basic problem confronting the American people is how to shoulder a rearmament burden of more than $100 billion in less than two years and keep the economy sound. American productivity is so fantastic that this could be done without any untoward strain, were it not for the fact that practically all segments of the economy insist on "having their cake and eating it too." This is so well known that it would be a waste of time to recite the long category of these instances, but a few should be mentioned for the record.

Although the blood of our sons flows crimson in Korea, the farmer must not only maintain his relative position, he must improve it! Labor must have wage increases up to 12% (with a cost of living increase of only some 8%!), and escalator provisions must not be violated! Profits and mark-up margins must be preserved by the price administrators! Consumer credit must be protected, regardless! (Curiously, consumer credit was considered so important that the Congress of the United States passed a law about it—and now, that great modern necessity, television, can be bought on 18 months' time instead of 15 months'; think of it! What an accomplishment!) And government agencies — Federal, State and local — insist on spending not "as usual," but more than usual, and for non-defense purposes!

In the light of these self-seeking demands, it may be worthwhile to take a quick look at the American per capita income to see how it compares with the rest of the world. At the Pacific Coast Banking School last month, Professor J. Philip Wernette, Director of the Bureau of Business Research of the University of Michigan, presented a table classifying 70 different countries by the size of their per capita income in 1949, and by regions. Twelve of these countries, including China with its 500 million people, had a per capita income under $50; 14 of these countries, including India with its 300 million, had an income falling between $50 and $100; 16 countries, including Brazil with its fabulous natural resources, had a per capita income of between $100 and $200; 11 countries, including Australia, Canada, Belgium, Netherlands, Sweden and the United Kingdom, were in the $500 to $900 annual income group; and the United States, with a per capita income of $1,453, was the only country in the world in excess of $900 in 1949!

Although the Department of Commerce reaches a smaller per capita figure of $1,320 for 1949, it has just announced that the 1950 rate in this country was 9% higher than in the previous year, causing us to reach the highest dollar total ($1,436) in history!

While it is true that per capita income by no means precisely measures the standard of living, it is nonetheless highly indicative. At the very least, these figures bring into focus the practical economic question: "Can we have all this and rearmament, too?"

Consumer Durable Goods Boom

In World War II, the consumer durable goods part of the rearmament problem was solved in direct and summary fashion: All such production facilities were promptly taken over for military production and the output of consumer durable goods was stopped, period! Contrast that with the present situation—15 months after the shooting and dying started in Korea: Anticipated 1951 production of consumer durables, all the way from automobiles to television, is at rates higher than ever before, except in 1950, which, it might be observed, had only six months of shooting war! Then, too, we have inventories on a grand scale. As that distinguished son of the Minneapolis Federal Reserve Bank, Gov. Oliver Powell, with his great capacity for understatement, put it in Seattle last month: "Inventories are adequate!"

In short, between consumer durable goods production and inventories, we are in such comfortable position—or uncomfortable, if guilty of over-lending, over-buying, or hoarding—that there will be no real shortages until possibly late in 1952. This, of course, is on the assumption that another buying panic with the insanities of last fall and last January will not belabor us! So, gentlemen the immediate consumer durable goods problem is that of too much and too soon! But, this situation will rectify itself in the months ahead. So, if you have been a little "careless," a hair shirt may be appropriate, but not running shoes!

Capital Goods Boom

Another problem of great magnitude is our growing capital goods boom. The year opened with anticipated record-breaking capital expenditures of some $23 billion, but that figure has grown until now it is nudging $27 billion. Although part of this is to meet increased demand, part of it flows from war plant expansion and construction, such as the contracts for nearly a billion dollars' worth of atomic energy plants alone in May; part of it represents an effort to counter higher wage levels with better materials—handling facilities, specially designed plants, and labor-saving machinery; part of it arises from dispersion of production facilities because of the ever higher freight rates; and, part of it, undoubtedly, is the result of the freer corporate spending engendered by the 23-cent dollars available under the excess profits tax. (These 23-cent dollars cannot be used for capital purposes by the corporation which spends them to avoid the excess profits tax, but they can be spent for ordinary expenses and, the next holder can use them for capital purposes, in fact, will probably be induced to spend far more than these "dollars" because of the increased "demand"!)

So, because of rearmament, higher-wage levels, higher freight rates and the excess profits tax, we have a capital goods boom which is straining the limits of our economy. It will continue until the causes are removed or until the government steps in and puts on the brakes.

Non-Military Expenditures of the Government

In my opinion, the biggest problem in the country is big government and the taxes and expenditures necessary to maintain big government. It costs money to support a Federal Government which, in the words of Prof. Ben Lewis of Oberlin College, "in its ordinary, everyday, non-emergency course of conduct, undertakes to effect and assume a measure of responsibility for our food, clothing, shelter, jobs, income, savings, morals, health, happiness and hereafter." Despite occasional Congressional outbursts and a great deal of "viewing with alarm" by businessmen and bankers, I fear that the upward trend will continue. The sad fact seems to be that the American people want big government — protests are but voices crying in the wind! Voters apparently view the government as an inexhaustible source of "pie in the sky," and refuse to recognize the ultimate consequences of such a philosophy.

The continued increase in non-defense government expenditures, particularly since Korea made clear the mortal peril which confronts democracy, is especially disheartening. But, what is even more discouraging is the unconcerned, in fact, callous way both the Congress and the bureaucrats view the expenditure of tax moneys wrung from industry and individuals. Let us hope they will wake up before it is too late!

Military Expenditures

The military expenditures problem is not of our making. The Czarist dream of unification of the Slavs has been succeeded by the Russian Communist aim of capture of the entire world. As the United States is the chief ideological enemy of Russia, hope for any real peace between the two countries is indeed very faint. Rearmament, therefore, is a plain matter of life and death!

Happily, the rearmament program, at long last, is beginning to roll. Instead of citing many figures, it is sufficient to say that whatever it will take, we've got it! This is the one problem to which there must be only one solution, namely: bigger and better!

The Fiscal Side of Rearmament

In financing the heavy burden of this rearmament, every effort must be made to minimize inflationary effects from the purely fiscal side of the program.

Treasury policies, such as insistence on too low an interest rate, or issuance of too many securities which find their way into the banks instead of the strongboxes of ultimate investors, obviously can contribute mightily to the forces of inflation. By the same token, unwise policies of the monetary authorities, such as the "shock" treatment given the government securities market in August, 1950, which necessitated large purchases of governments and consequent expansion of Federal Reserve credit, may turn out to be decidedly inflationary, no matter how meritorious the original aim.

On the fiscal side of rearmament, the really big news is that savings are growing faster than income. Moreover, recently income has been rising at the same time that consumer expenditures have been declining substantially!

It must not be overlooked that the extraordinarily high degree of liquidity inherent in most of our present-day forms of savings creates a banking problem of serious dimensions. As a practical matter, not only are our demand deposits on a cash basis, but by far the greater proportion of our savings are on a similarly liquid basis!

The anti-inflationary effect of taxation of a sound character is generally recognized. This should not be construed as applying in any way to our current excess profits tax nor our income tax—at least, as we have it today! In fact, in my opinion, the day is fast approaching when our present hodge-podge of happen-chance, make-do and punitive taxation, a considerable part of which contributes to inflation, to say nothing of political dishonesty and personal chiseling, will have to be succeeded by a national sales tax which is honest, open, above-board and unmistakably visible to the voters demanding more and more from government!

In the meantime, we must tax ourselves more to aid in avoiding the even worse fate of inflation. In this connection, it must be pointed out, however, that after a certain point, taxation, itself, becomes inflationary. When taxation reaches such high levels that it destroys personal incentive, or that it doesn't leave enough to absorb the risks of pioneering, innovation, or, for that matter, even production, then it becomes highly inflationary.

Distribution of the Rearmament Burden

Fair distribution of the rearmament burden is of paramount importance in a "free-wheeling" democracy such as ours. This means a fair distribution between the different income groups as well as between the various segments of the economy. Contributing to this problem is the fact that it has not yet been considered necessary to invoke the basic device of rationing at the consumer level. This, of course, makes the success of price controls and related efforts very difficult, if not impossible.

In this connection, it should be clearly understood that the *real* economic burden of rearmament, or war, cannot be shifted to another time period—the financial burden, as between classes and generations, can be shifted, but the goods consumed and destroyed must come out of the "economic pot" right now!

In all matters of national defense, the first consideration is the necessary speed in getting the necessary job done. (As one of our admirals once put it, "There is no second best . . . !") The next consideration is that of keeping the physical damage to our institutions, trade channels and business methods—to the economy in being—to a minimum. The third consideration is that of keeping the inflationary impact on prices within bearable limits.

Although there is no room for complacency, reports from all three of these fronts are encouraging. Especially worthy of note in this respect is the striking increase in productivity from 1949 to 1950. Twenty-four out of 26 selected industries studied by the Department of Labor showed increased productivity last year; and nine of these industries showed increases of more than 10% in output per man-hour! On an overall basis, even a 5% increase in productivity and a contraction of $10 to $15 billion in inventories, production for inventories and non-defense construction will be sufficient to offset the $28 billion increase in government spending totals from the first half of 1951 to the first half of 1952. So, the battle

Continued on page 21

The State of Trade and Industry

Total industrial production edged slightly upward the past week as output of both civilian and military goods moderately exceeded the 1950 level for the like period.

While employment in defense industries continued to climb, a slight expansion in initial claims for unemployment insurance took place. Much of the unemployment, according to reports, resulted from curtailment in operations in the automotive, radio and television, home appliance, textile, apparel and jewelry industries.

It was further reported that non-farm employment in the month to Aug. 15 recorded the smallest gain for that period since 1945, the United States Department of Labor reported. Industrial, commercial and government jobs as a whole rose only 230,000. But the mid-August total of 46,700,000 was 1,600,000 higher than a year ago, it added.

Operations of the country's steel mills the past week rose to 101.2% of ingot capacity compared with 100.0% the week before, or the modest sum of 24,000 tons. However, an increase in output at several points last week more than offset declines at others.

Automotive output dipped slightly the past week due in some measure to a mild tapering off in production by Studebaker. On the favorable side it was found that Nash assemblies increased and Reo resumed truck production Sept. 17 after being shut down since Aug. 24 because of a strike over pensions, the agency noted.

It was predicted the industry would attain its September schedules of approximate 362,000 cars and 106,000 trucks. Compared with September output last year, this would represent a 40% drop for cars and a gain of about 2% for trucks.

Last night (Wednesday) Chrysler Corp. suspended car and truck assembly operations in Detroit for four working days for annual inventory. About 60,000 of its 78,000 employees in this area will be idled until operations are resumed on Oct. 3.

The company's timing for annual inventories has varied from year to year. The closing next week is expected to coincide with its attainment of the car production allotted it by the National Production Authority for the third quarter, it is understood.

To meet the demands for increased production, business is planning record capital outlays of $13,400,000,000 in the second half of 1951, according to the United States Department of Commerce.

A survey made jointly by the Office of Business Economics and the Securities and Exchange Commission showed that plant and equipment expenditures for the full year are expected to amount to $24,800,000,000, and this figures compares with $18,600,000,000 last year and $19,200,000,000 in 1948.

While costs of capital expansion have risen since 1948, the Commerce Department said, it appears that the physical amount of plant and equipment purchased this year will be about one-sixth more than in 1948 and one-fourth more than last year.

Following a two-month decline, business failures turned up 2% in August to 678. Despite a general postwar rise, casualties were 40% fewer than in August of prewar 1940, according to Dun's Failure Index.

Liabilities involved in August casualties amounted to $26,400,000,000, the largest in 17 months. The month's failure increase was concentrated in liability size groups of $25,000 or more, with caualties in the $25,000-$100,000 group rising to the highest total for the year.

Failures involving liabilities of less than $5,000 fell to the lowest level for the year. The one group to have more failures than a year ago was that involving large liabilities of $100,000 or more; these were nearly twice the 1950 number.

Manufacturing, construction, and commercial service were the major industry and trade groups to report an increased number of failures in August.

Total valuation of building permits for August continued below last year's level although seasonally higher than the July volume, reports Dun & Bradstreet, Inc. The estimated cost of permits issued last month in 215 cities was $437,666,400, a drop of 20.6% from $550,997,973 for August, 1950, but an increase of 5.3% over the July sum of $415,571,892.

Plans filed in New York City during August had a total valuation of $76,505,151, or slightly more than double the $37,858,882 for the corresponding month a year ago, and 67.9% above the $45,557,765 for July. Excluding New York City, permits in 214 outside cities amounted to $361,161,249. This was down 29.6% from August last year with $513,139,091, and 2.4% less than the July figure of $370,014,127.

Steel Output Scheduled to Rise Slightly in Current Week

Entertaining the largest volume demand in history, the steel industry is pushing production to the limit of available facilities, says "Steel," the weekly magazine of metalworking. Last week the national ingot operating rate went up 1 point to 101% of capacity. This is the highest level since mid-August, and is the identical rate in effect just a year ago when production capacity was substantially smaller. But the steelmakers are worried for the future. How long can this current fast production pace be maintained in the face of increasingly acute scrap shortage? To date, through allocation of scrap to distress production points, serious curtailments have been averted. But the winter months are just ahead, and unless large stocks can be accumulated before severe weather sets in, operations cutbacks are believed inevitable, this trade magazine states.

Most of the steel mills, it adds, will enter fourth quarter with substantial arrearages. And unless cancellations, resulting from allocations amounting to less than original specifications, involve much heavier tonnage than has resulted to date, large tonnage

Continued on page 31

An Authoritative View Of Israel's Future

A Special Interview With Her Treasury Chief

By A. WILFRED MAY

The realities of Israel's economic outlook, and the prospects for the American subscribers to her currently offered bond issue

David Horowitz A. Wilfred May

formed the basis for an interview given to the "Chronicle" by David Horowitz, Director-General, Ministry of Finance, State of Israel, in New York City yesterday. Following are his answers to the specific questions which we put to him.

Q. Doesn't the continuing large trade deficit, 89 million Israeli pounds last year, constitute a real threat to the country's "solvency"?

A. No. These gaps constituted by the excess of imports over exports are only temporary; and their make-up contains the very essence of their own cure. For the imports are composed largely of capital goods needed for the production of goods for home consumption, and for exports which will lead to future equilibrium. The real condition can be appreciated from the realization that after the deduction of capital goods and non-currency items from the import side total, the actual gap formed by consumption goods is less than I£30 million.

Q. Will additional foreign currency be earned in time and amount, to honor the obligations on the Bonds, which are repayable in United States legal tender?

A. There is no doubt about success in gaining the needed dollars from our capital investments. Already nitrogen and phosphate, building materials and power generation have been developed with $13 million allocated from the Independence Loan to industrial production. For example, in the heart of the Negev rich deposits of phosphates are mined, and in Haifa Bay a factory has been established that will produce nitrogen and process those phosphates. About $11 million will be invested in this factory and the annual saving in cash in foreign currency will be $5½ million through the replacement of imported fertilizers now produced by this factory. However, if the additional food produced by these fertilizers is calculated, the saving is over $10 million per annum.

Q. Are the Jews in Israel actually doing enough to help themselves?

A. In a single year they have contributed to the government's development budget the equivalent of $200 million. By heavy taxation, reduced consumption, and all-around austerity, capital is being created and invested in expansion of the economy; transforming the country into a self-supporting entity. The rigid austerity is bearing visible fruit. The trade balance of the country is improving. In spite of the 50% increase in population during the past two years, imports per head showed an actual decrease from 84 to 73 pounds.

Q. How is the great rise in world prices, on which other countries as England are now blaming their dollar reserve troubles, affecting your country?

A. In the face of both the rise in the prices we have to pay for imports, and a 25% population increase because of immigration, nevertheless our imports measured in foreign currency have this year actually been held down to their 1950 level.

Q. Are you worried by your balance-of-payments position, which for the calendar year 1951 I would estimate as follows?

ESTIMATED BALANCE-OF-PAYMENTS 1951
(In millions of dollars)

Payments:	
Imports	336
All other non-goods exps.	50
Total	386
Receipts:	
Commodity exports	60
Shipping and tourism	9
Sterling releases (non-recurrent)	25
Non-currency imports	75
Export-Import Bank instal.	60
Sales of American sec. held	8
Charity funds	70
Bond sales in U. S.	70
Inc. of short-term credits	9
Total	386

A. The picture certainly occasions no cause for alarm. It must be remembered that the grants-in-aid from America are excluded from this year's receipts, and that the $22½ million coming via the Middle East plus the $50 million just appropriated directly by your Congress will arrive to swell the income figure next year. However, the necessity of paying for the increased imports accompanying the immigrant-induced further increases in population will make these American grants indispensable. In any event, the position must be looked at in its strictly long-term aspects; in the fruition of the capital expenditures which are now distorting our balance sheet. Our imports of capital goods—for industrial and agricultural equipment, building materials, and means of transport—have been maintained at the remarkably high proportion of about 30% of total imports; with purely consumers goods—non-durable and durable—kept under 30%.

Q. Is the conclusion warranted that the continuation of charity fund receipts at high levels, Bond sales to Americans, and government grants, are indispensable to Israel's solvency.

A. That is not the proper way to state the situation. Rather I would say that the balance-of-payments figures show that those items are indispensable for our crucially-needed capital goods.

Q. And finally: do you believe that at the Bond's maturity dates, it may possibly be necessary to invoke the ace-in-the-hole of extending them in lieu of full payoff? Bear in mind that even in the case of the richest nation in the world, its Secretary of the Treasury last Spring exhorted holders of its maturing Savings Bonds to let them run instead of asking for repayment of principal.

A. Carefully considering all the factors involved leaves no doubt in my mind that, the principal of all bonds will be paid in full when due.

The Down to Earth Chemicals

By IRA U. COBLEIGH

Author of the Forthcoming Book, "Expanding Your Income"

Touching upon that section of the chemical industry devoted to increasing the productivity of the soil, with less toil.

Back in the early 30's the farmer got his lumps. With the yawning jaws of mortgage foreclosure waiting to pounce on at least one farm in five, with corn at 22 cents and wheat at 45 cents a bushel (against $1.75 and $2.40 today), the famous song question, "How ya goin' to keep 'em down on the Farm?" went unanswered. They were down about as far as they could go! Came the mortgage moratorium, and powerful and quite legitimate political pressure to restore the farmer to his proper position of solvency and productivity, in a better adjusted economy.

Ira U. Cobleigh

This is no place for farm history, but we all remember the Alice in Wonderland economics of ploughed-under fields of cotton, mounds of raw potatoes mashed by tractors in wide western fields, and the thousands of slaughtered little pigs that never went to market. Well, the depression faded; by 1939 the American farmer was restored, and by 1951 he had enjoyed a decade of the lushest, most profitable farming in the long history of this ancient occupation. Today, the farmer is living high on the hog; and the hog is living pretty high, too!

With an expanding population of 150 million and a political climate favorably slanted toward agriculture, the farmer is able and eager to increase and improve his products; and to that end he spends more and more money each year on those vital chemical outputs that restore or richen the soil, repel pests, and create bigger, brighter, juicier, tastier or more vitamin-laden fruits and foods, fowls and flesh.

Thus it is that in the entire chemical industry, which has expanded so fantastically in recent years, its largest customer is still the fertilizer trade. The leaders of the agricultural chemical companies are given in the accompanying table.

Company—	Sales 1946	Sales 1950
American Agricul.	$36,911,000	$44,384,000
Davison	23,321,000	34,975,000
Int'l Minerals	34,373,000	58,402,000
Tennessee Corp.	27,689,000	43,196,000
Virginia Carolina	36,604,000	55,205,000

This table not only lists the top five alphabetically, but delineates a steady growth factor which many investors have neglected to observe. For, as a farm production is intensified there is greater need for soil restoration; and because of higher income levels, quality products are in greater demand—broccoli instead of turnips; steaks instead of spare ribs. The big three basic ingredients for feeding and enriching the soil are potash, phosphorus and nitrogen. Most fertilizer companies have acquired important deposits of potash or phosphorus, relying more for supply of nitrogen products on purchase from such old-line companies as Allied Chemical and Dye or newcomers like Spencer Chemical. Nitrogen is importantly recovered from the air, and this process depends, in turn, on sulphuric acid for nitrogen-fixation plants. Sulphur is a base for most so-called superphosphate fertilizers—almost 50% of all fertilizer made—and sulphur is now in short supply.

The bearing of all this on food production is very real. For 20 years the acreage required to produce some 50 of our main crops has not varied far from 365 million acres; but, in the same time period, the quantity of fertilizer used has doubled. In 1951, we'll use 20 million tons, and there is no sign of a tapering off of this growing demand. If we get all we need, or can use here, our undernourished brethren in China or India will be glad to have us lend-lease some their way. And it might be cheaper than sending them a few million bushels of wheat each year.

And as if plant food volume were not growing swiftly enough, consider the demand for pest repellents and fungi destroyers. Last year we spent $80 million for pesticides. We'll spend nearer $100 million this year. Union Carbon developed allethrin to replace pyrethrum — a hard-to-come-by item derived from African daisies. Toxaphene, a Hercules Powder exclusive, embodying chlorinated camphor, has been developed for spraying whole forests. A ceiling under the price of potatoes seemed vital, till DDT came along, and so bedevilled the flea beetles that the annual potato crop nearly doubled. Rotenone, a non-toxic chemical, beats the worms off currants, raspberries, broccoli and cabbage; while a new insecticide, Parathion, can be sprayed with lethal effect on a nasty old green bug that used to louse up the wheat fields.

And so it goes; but this is no clinical session of an agricultural experiment station. Our purpose in bringing out all these assorted facts is to emphasize the demand side of the agricultural chemical market; to suggest that where television, trucks and textiles are dragging at the sales counters, fertilizers and farm chemicals aren't. And they aren't likely to, either. In war or peace food is a number one priority. The farmer must buy fertilizer to produce, and unlike tractors or harvesters, he must buy fertilizer and spray each and every year. He is virtually assured, politically and economically, of having the necessary funds.

All right, if this industry is so vital, and boasts such a favorable demand curve, it should offer, in the selective markets of today, a field of investment with considerable defensive qualities in the event of any general market decline, and dynamic qualities for gain should the Dow-Jones industrial barometer nudge 300. I believe agricultural chemicals do offer these very things; and I have two selections of this sort to present, that definitely suggest horizons of expanding profitability.

The first is International Minerals and Chemicals whose 2 million common shares enjoy an active following on the Stock Exchange. This outfit simply exudes good management. A million dollar research laboratory nearing completion, a $10 million dollar phosphate chemical unit in Florida, ready to start earning next July, recent acquisition of a large potash company with about $9 million annual sales—all this denotes a progressive bunch in the front office. If you think mineral in the ground is a good hedge against inflation, you'll be impressed by the fact that International Minerals has its own reserves of potash and phosphate—reserves sufficient to last for the next quarter century at current production rates. Assets in 11 years grew from $27 million to $75 million today—a rate of growth which has definitely outpaced its competitors.

Here is indeed a wide-awake enterprise. Pays $1.60 a share with possible earnings above $3 this year; and a lot of new assets coming into the earnings column in 1952. Somewhat like an oil company, International Minerals enjoys a depletion allowance on its mineral rock production of 15%. This should help lower the tax bite. Price range this year between 25 and 39.

My second selection is Virginia Carolina Chemical. This, too, has grown nicely, from $20,400,000 sales in 1941 to almost $56 million in 1950. It is also more diverse, spreading out from its major production division, fertilizer, to bags to package it in, insecticides to be sold with it, and phosphate mines to produce it. Virginia Carolina is also growing in industrial chemical output; and may have a sensational performer in Vicara, a synthetic wool fiber, soft, like cashmere, and resistant to moth and shrinkage.

Some element of complication is found in its financial set-up consisting of $5,467,353 of debt, $21,305,215 of $6 preferred and 486,112 shares of common. The complication gimmick is that on the above preferred, dividend arrears are now $75 a share (total arrearage almost $16 million) and nobody has yet figured out how to clear this up, since Virginia law requires a 90% assent to any plan. If no device, such as giving notes or common stocks for back preferred dividends, can be worked out, the company can always take little annual bites out of the arrearage till it's all gone; but that postpones, for years, any dividend on common. Right now, if Virginia had only to pay $6 a year on the preferred, the common would be earning at a $7.25 rate. Fancy earnings, indeed, for a common selling at 17.

Until, however, any clear solution to the preferred comes along, and considering that present expansion plans will use up surplus cash, the common seems just a bit "iffy." But current earnings of above $18 a share make the preferred awfully solid at 30% below par plus back dividends ($175); and a package of one preferred and one common costing about $147 would give an across-the-board call on a fine management, some wonderful assets, and earning power that can grow in many chemical directions.

The current altitude of the market suggests making commitments with an eye toward defensively durable shares. The ones I've discussed appear to offer sturdy market defense; and if more inflation is the order of the day, they can switch over to the offense quite easily. Sort of "two platoon" shares, they'll tend to keep your investments in chemicals down to earth.

Joins Gordon Macklin

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Cornelius Kip Richardson has become associated with Gordon Macklin & Co., Inc., Swetland Building. Mr. Richardson was formerly with Elmer E. Powell & Co. of Pittsburgh. In the past he was with Amott, Baker & Co., Inc. in New York City.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Dixon R. Head is now connected with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

What is becoming apparent and what is not music to General Eisenhower is that the greatest influence he can exercise upon the 1952 Presidential scene is to deadlock Taft and let a dark horse come in. It would likely be a dark horse, too, that would not be up the General's alley.

Carlisle Bargeron

This is being admitted by some of the General's friends privately and those of them who "don't give a damn" particularly in the so-called global-isolationist controversy but who are concerned in his personal fortunes, and are beginning to hope he doesn't take the leap. If their views prevail the General will not permit himself to be drawn into the fight. As of this time, they are prevailing in their attitude that he keep his silence and see what develops.

What is likely to develop is not very hopeful for the General. There is a loud clamor for him on the part of people who would not vote for him but who hope by advancing him to prevent a clear fight between a Taft or a Taft-like man and a Truman with all that these men have come to symbolize as regards international commitments and spending. To these people it is taking too much of a chance. By and large they are intellectuals: college professors, columnists and editors. I think the great mistake that Taft is making is trying to talk to these people, trying to sell them. They will never accept him because they know or think they know that regardless of how much Taft now says that nobody could be an "isolationist but an idiot," he would not, certainly because of the forces around him and the significance of his victory, go for the willy-nilly spending around the globe that is going on. His election to the Presidency would, in itself, show that the country is fed up on this. And it is to prevent any such manifestation on the part of the country as this that is behind the movement to head him off.

Men in Eisenhower's position become blocked off from public thinking and it is doubtful if he will ever see what is being brewed up for him. He didn't think when a year before Pearl Harbor and he was playing golf, as a lieutenant colonel, with the late Steve Early at the Burning Tree Country Club, that he was a "great" man and this had a lot to do with his charm of those days. Moreover, it doesn't seem that he came to think of himself as a "great" man even during his "Crusade in Europe" days, a job which he ordinarily would not have thought of describing in such grandiloquent or emotional terms until the publisher of his book came up with it. He was too easy going and familiar with his subordinates, who were also to write books, to be thinking in terms of his own greatness of future political stature.

But if he has any hard-boiled, unselfish political realists around him, he will see that the best that lies ahead for him, politically, is that of a stalking horse. It is becoming apparent that his most influential political backers among the professionals are men who expect nothing more of him than to deadlock the convention and they expect to come in from there.

As of this writing, I don't see enough in the movement behind him to even deadlock the convention. The New York State delegation will be for him and probably New Jersey. Then there will probably be Oregon and some delegates from Massachusetts and Pennsylvania, and the delegation from Kansas. This constitutes the full nucleus of his present potential strength. Out of all this crowd he would have no more than 200 delegates out of some 550 necessary for a majority.

Neither Senators Saltonstall nor Lodge of Massachusetts, who are behind him, deliver a majority of that State's delegation, in my opinion. After all, Joe Martin also comes from and has influence in that State. When it comes to Pennsylvania with about 72 or maybe 78 delegates, the pundits speak of Senator Jim Duff as being in the Eisenhower corner. When in 1948 Duff as governor of the state with two years to go in charge of patronage, could deliver only a third of the delegation against Dewey, I am quite sure that away from the governorship and its patronage now, he will have very little to say as to what the Pennsylvania delegation does in '52.

The Eisenhower managers, and they seem to be numerous, are counting on the support of Warren of California. This is something they would get in the dark and closing hours of the fight when it would do them no good because the California governor is also thinking of the deadlock and the possibility that he might be pulled out of the hat! God forbid.

The General's best chance lies in the possibility that Taft might decide that his own candidacy is simply making for a deadlock and decide he is tired of that. He deadlocked Dewey in 1940 and brought about Wendell Willkie. He spent a lot of his own money in '48 as he had four years before, only to let Dewey grab the prize. This time it is apparent he is going again on the feeling he is going to win. But I have the impression, not based merely on hunches, that even if he sees just another deadlock ahead, he will go on determined to name a man of his liking. Eisenhower, himself, will probably not have this opportunity. Accomplish a deadlock is about all he can be expected to do and all that his more practical backers hope for. The General may be or may get wise to this.

Gillet With Miller, Spink

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Albert J. Gillet is now with Miller, Spink & Co. Inc., 231 South La Salle Street. In the past he was with Minnich, Bradley & Co. and H. M. Byllesby & Co.

With Friedman, Brokaw

(Special to THE FINANCIAL CHRONICLE)

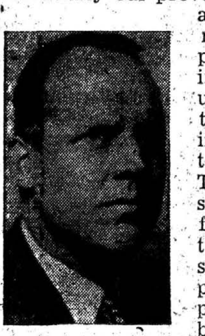
ST. LOUIS, Mo.—Arch C. Graham has become associated with Friedman, Brokaw & Co., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges.

Strong Defense Program and High Living Standards Possible

By ARNO H. JOHNSON*
Vice-President and Director of Research,
J. Walter Thompson Company, New York

Asserting U. S. productive ability is such as to support at same time both a strong defense and a stabilized civilian economy with advanced living standards, advertising economist cites facts and figures upholding this view. Sees need for creating consumer demand, despite military needs, as outlet to production, and says real consumer purchasing power can be 74% greater in 1952 than in 1940, while discretionary spending power can rise to 4½ times prewar level. Calls for "unusual productivity and expanding markets" in defense economy

America can build a strong defense and can have increased living standards too, if we but utilize more fully our proven productive ability. This means greater personal savings and freer utilization of those savings in constructive growth. This means stopping inflation—not through restriction of purchasing power — but by increasing both production and consumption of those goods and services that do not interfere seriously with defense needs, while at the same time producing whatever is needed for a strong defense.



Arno H. Johnson

There is evidence that this can be done—that our productive ability is such that we can have both a strong defense and a strong civilian economy with an advancing standard of living.

This is a challenging statement —it advocates selling an advancing standard of living in a defense economy when the atmosphere is charged with opposition, "austerity" thinking and the fear of inflation.

Now, more than ever, we need continued and increased selling effort to maintain and expand further our high level of productivity. To finance the huge defense expenditures of the next few years without resorting to large and dangerously inflationary government deficits will require a strong civilian economy with both increased personal savings and at the same time an advancing standard of living on which to base increased government revenues.

We have the ability to produce enough goods and services to supply over $55 billion in 1952 for defense and at the same time provide at least 10% more than in 1951 for advancing the real standard of living of the American people. This means advancing as well the level of personal savings which represent an integral part of this advancing standard of living.

To utilize this productive ability means a selling job to expand the market for those products or services which can be produced in greater quantity without really interfering with critical war needs. And this is a huge classification representing about 90% of all the items that make up our standard of living. It includes, for example, shoes, textiles, soaps, rugs and other house furnishings, lumber, furniture and most food products.

In 1949, the pre-Korea year, consumer expenditures for all goods and services totaled $178.8 billion. This represented our civilian standard of living. A detailed analysis of the items making up this standard of living in 1949 shows that only $18 billion or 10% fell in classifications that are likely to be affected seriously for any prolonged period by military needs in our present type of defense economy. And included in this 10% is the entire grouping of refrigerators, washing machines, sewing machines, electrical appliances and radios where the shortages threatened a year ago still have failed to lower retail inventories of goods available for sale.

Also important to the future of our economy is the continuance of selling effort on the part of those who are affected by shortages in order to strengthen their consumer franchise for the time, not far away, when they will be faced with strong competition from our war expanded plant capacity.

For years we have been alternately harassed by two schools of economic thinking—both defeatist and both encouraging further government controls:

(1) We can't produce enough,

or

(2) We can't consume enough.

Those who doubt our ability to expand production to meet defense as well as civilian needs call for a strictly planned economy with controls to cut credit and purchasing power, restrict consumption, allocate production, compel savings, and force heavier taxes to bring the civilian standard of living down to an austerity level.

On the other hand, those who doubt our ability to expand consumption along with production call for a strictly planned economy that will "make work," expand unemployment benefits and social welfare, tax to share the wealth rather than create more wealth and provide price supports and subsidies. This was the philosophy of the "mature economy," but we see expressions of this thinking every time there is a peace rumor and the spectre of unemployment looms up with fears of cuts in military needs.

Neither of these schools of economic thinking recognize the opportunity that exists for expanding both production and consumption and having, through our increased productivity, both a strong defense and a better standard of living.

An examination of our productive ability as proven during World War II should dispel for this country any philosophy of "austerity," or planned and directed lowering of living standards, or controls beyond those needed temporarily to ease shortages of critical materials.

As at the start of World War II, we heard again, with Korea, about the need for curtailment of the civilian standard of living in order to produce for defense. In January 1942, right after Pearl Harbor, an economic group submitted a report reflecting the economic thinking of the time that to produce for war we must cut the civilian economy to "bed rock" and have available for civilians a living level comparable to the bottom of the depression in 1933.

Actually, we discovered unexpected productive ability and by the war peak year of 1944 had expanded production for civilian consumption to $112 billion from $72 billion in 1940 and on top of that had added almost $100 billion of war production.

In terms of "real" dollars, corrected for price inflation, our standard of living as measured by total goods and services purchased by consumers in 1944 was 24% better than in the highest prewar year of 1940 (18% higher per capita). This increase in standard of living in spite of war production resulted from our real increase in productivity per capita which rose from $770 in 1940 to $1,235 in 1944 in constant 1940 dollars.

The increased productivity of our population during World War II thus actually made possible an increase in the overall standard of living in spite of the war effort. This productivity strengthened our economy and left us stronger after the war than before we entered it. Financially, as measured by the purchasing power of accumulated savings and level of real wages (after taxes and price correction), the American public was in a strong position to resist the expected postwar depression and to continue to increase its standard of living.

But, the talk of shortages and reduced living standards started a wave of scare buying in July 1950 and the threat of controls and fear of inflation caused a resurgence of this scare buying early in 1951. This type of buying was even more pronounced among retailers, wholesalers and manufacturers than among consumers as evidenced by the rapid increase in inventories. Over $16 billion was added to business inventories between June 1950 and July 1951 —an increase of about one-third. In retailing alone about $4 billion was added to inventories while the seasonally adjusted retail sales level in July 1951 was actually lower than in June 1950. Many of the durable goods items which were expected to be unavailable within a few months after Korea are faced now with need for increased selling pressure to move existing stocks.

Many lines of consumer goods now have curtailed production far below capacity because of lack of demand or heavy inventories—not because of any conflict with defense needs. Nor is this curtailment from any lack of consumer purchasing power which in the third quarter of 1951 is at the highest real level in history.

In the face of conflicting reports an unemotional analysis of the levels of productivity reached in World War II, along with the increases in facilities, manpower and "know how" since then, suggests that America has the opportunity and ability to produce enough both to build a strong defense and at the same time have an increasing rather than a decreasing standard of living. Further—that utilization of that productive ability can provide the needed revenue to pay for heavy defense expenditures and provide, at the same time, enough consumer purchasing power to make possible an increase in our overall standard of living by at least 10% in 1952 compared with 1951.

Contrary to much of the present thinking, our danger of inflation can be met, not by a cut in purchasing power, but by directing purchasing power in such a way that it will be utilized voluntarily to advance the standard of living by expanding production and consumption of those products not affected seriously by military needs in addition to expanding defense production—thus expanding also the base for taxes with which to pay for defense.

Let's take a look at the present status of expanded consumer purchasing power and savings and the opportunities this provides for increased markets:

America Can Support a Strong Defense and Have Increased Living Standards in 1952

Production in 1952 no greater than the per capita rate proved possible in wartime 1944 would mean a gross national production of over $347 billion—enough for continued expansion of civilian goods and services even after $55 to $60 billion for defense, and ample allowance for other government purchases and private investment. The figure of $55 billion for defense is used as a reflection of current budget estimates. The President's message to Congress on July 23 proposed a $50 billion level of defense expenditures at the end of 1951, with a growth to $65 billion by the middle of 1952.

In terms of constant 1940 dollars our per capita productivity increased from $770 in 1940 to

Continued on page 22

*An address by Mr. Johnson before the Savings Banks Association of Massachusetts, Portsmouth, N. H., Sept. 21, 1951.

New Output Peak Ahead for Nation

By LEON KEYSERLING*

Chairman, President's Council of Economic Advisers

U. S. economic chief predicts our national output will continue to grow to reach $340 billion next year, and $400 billion within next four years. Declares we must measure our responsibility to others in those terms.

I was regarded as just a little bit of a pie-in-the-sky optimist when talking to many of you two or three years ago. I talked about the fact that we had $275,000,000,000 national output and that that was not the last frontier of American growth, and there were many who felt in the face of the first signs of a little business wavering in 1949 that we had reached the frontier of our growth and our material prosperity at least for a few years.

Leon H. Keyserling

And yet, well before the new developments in Korea, well before that, we went far above those levels in production, in income, not only before taxes, but also after taxes.

And we stand now at a peak of national output which is about $50,000,000,000 higher than it was in 1948. Just think of that. In three short years our output on an annual basis—and that is the measure of our economic strength—has increased more than our total national income not too many years ago and has increased by a figure of $50,000,000,000, which nobody in most other parts of the world even talks about or even dreams about.

And that has been true during a period when, due to world events beyond our control in one sense, although we must wrestle with them, we have had to use a large part of our resources in building up our defense program, in taking goods away from what otherwise consumers would enjoy and people would enjoy, and putting them into the strengthening of our defenses.

But, with all that—and I will give you just one more figure and then I will not bore you more with figures—with all that, even as of now, despite the fact that we have by 50% over the past two or three years increased our defense production, we now have, as of now, a flow of goods to consumers, to our tables, to our houses, to our recreation, to our travel, to our security, to all the things that make up our standard of living, as a nation as a whole, a larger flow of goods than we had in that peak prosperity year 1948, when we thought we were at the top and before we started the defense program.

More than $200,000,000,000 in annual value of goods going to consumers in the United States as of the present time, measured at the same price level as in 1948.

Now, under those circumstances, when I hear talk about what we can do, then I say we certainly have not commenced to realize what we must do, and we have not commenced to realize that we in this country are going forward with our economic progress. I feel confident that within a year from now, instead of being at a $325,000,000,000 economy, we will be at a $340,000,000,000 economy, and that within four years from now, which is not a long time, we will be at a $400,000,000,000 economy—not in terms of price increases, although there may be some—but in terms, in real terms, in terms of a growing population, in terms of growing skills, in terms of our business resources, in terms of the very moderate and conservative projection into the future on a conservative basis of what we have consistently been doing in the past.

And it is in these terms that we must measure our responsibility to others.

*Excerpts from address of Mr. Keyserling before National Economic Conference for Israel, Washington, D. C., Sept. 23, 1951.

COMING EVENTS

In Investment Field

Sept. 30-Oct. 4, 1951 (Coronado, Calif.)

National Security Traders Association Convention opens at Coronado Hotel.

Oct. 1, 1951 (Chicago, Ill.)

Central States Group of the Investment Bankers Association-Northwestern University School of Commerce 10th training course in investment banking opens.

Oct. 12, 1951 (Dallas, Tex.)

Dallas Bond Club annual Columbus Day outing at the Northwood Club.

Oct. 16, 1951 (New York City)

"Feminine Fame and Furtune" Second Anniversary Dinner.

Nov. 9, 1951 (New York City)

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

Nov. 21, 1951 (New York City)

Association of Stock Exchange Firms Annual Meeting of the Board and Election.

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

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Business Man's Bookshelf

Herbert H Dow: Pioneer in Creative Chemistry — Murray Campbell and Harrison Hatton—Appleton-Century-Crofts, Inc., 35 West 32nd Street, New York 1, N. Y.—cloth—$3.50

Morals and the Welfare State—F. A. Harper — Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper—no charge for single copies; quantity prices on request.

National Economy in Time of Crisis: Its Meaning to Lawyers and Their Clients—sponsored by the New Jersey State Bar Association, Hall of Records, Newark, N J.—paper

South American Handbook: 1951 — H. W. Wilson Company, 950-972 University Avenue, New York 52, N. Y.—fabrikoid—$1.50

Survey of Economic Education, A—C. W. McKee and H. G. Moulton — The Brookings Institution, Washington 6, D. C.—paper—50¢

Nat. Gas & Oil Stock Offered by Bankers

Public offering of a new issue of 900,000 shares of common stock of Natural Gas & Oil Corp. is being made today (Sept. 27) by an underwriting group headed by Union Securities Corp. at $11.25 per share. The offering represents the first public financing undertaken by the company which is engaged in the acquisition and development of natural gas and oil properties. Proceeds from the sale will be added to the general funds of Natural Gas & Oil Corp. and used for the acquisition of additional properties and for exploratory, drilling and other operations.

The company, formed in February, 1950, heretofore has been a wholly owned subsidiary of Mississippi River Fuel Corp. which, upon completion of the new financing, will own 50% of the common stock of Natural Gas & Oil Corp. Mississippi River Fuel Corp. owns and operates a natural gas pipeline system extending from northeastern Louisiana to the greater St. Louis area.

Natural Gas & Oil Corp. owns a 50% interest in an oil and gas lease covering approximately 2,060 acres in the Sligo Oil and Gas Field in Louisiana and fractional interests in oil and gas leases in other fields in Louisiana and Texas.

Women's Finance Forum in St. Paul

ST. PAUL, Minn.—The Women's Finance Forum, sponsored by the American National Bank of St. Paul, will consist of a series of six lectures to help St. Paul women solve current financial problems and to plan wisely for the future.

Among the speakers is Harry L. Sebel of Hugh W. Long & Co., Inc., who will speak on Nov. 5 on "Investing in Securities and Investment Trusts."

Veneklasen With Lee Higginson Corp.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Herman W. Veneklasen has become associated with Lee Higginson Corporation, 231 South La Salle Street. Mr. Veneklasen was formerly with Dempsey & Co., Voss & Co., Reynolds & Co. and L. F. Rothschild & Co.

Lewis LaMaster Forms Own Firm in Houston

HOUSTON, Tex.—Lewis M. La Master has formed LaMaster & Co. with offices in the Southern Standard Building, to conduct a securities business. Mr. LaMaster was formerly Vice-President of Moroney, Beissner & Co. and prior thereto was with Ditmar & Co.

Joins du Pont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Mildred G. Douglas is now with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Miss Douglas was previously with A. L. Albee & Co. and Boardman, Freeman & Co., Inc.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Lowe A. Barnett is now with Slayton & Company, Inc., 126 Carondelet Street.

Dealer-Broker Investment Recommendations and Literature

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

Aircraft Manufacturers—Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

Connecticut Light & Power—Descriptive memorandum—Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn. Also available are bulletins on **United Illuminating, Connecticut Power, New Haven Gas Light, Hartford Electric Light** and **Hartford Gas.**

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

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

Machine Tool Industry—Analysis of outlook with particular reference to **Brown & Sharpe, Giddings & Lewis Machine Tool (Gisholt Machine, National Tool,** and **Warner & Swasey** —Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Market Outlook—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Municipal Market—Bulletin—Heller, Bruce & Co., Mills Tower, San Francisco 4, Calif.

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.

Paper Company Stocks—Bulletin—Chas. A. Day & Co., Inc., 199 Washington Street, Boston 8, Mass.

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

Retail Trade Equities—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Retail Stores—Bulletin with particular reference to **Allied Stores Corp., Associated Dry Goods Corp., Federated Department Stores, Inc.,** and **Gimbel Brothers, Inc.**—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Science Stocks—Circular—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Variety Store Chains—Bulletin—Goodbody & Co., 115 Broadway, New York 6, N. Y.

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Aeroquip Corporation—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Affiliated Gas Equipment, Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Robertshaw-Fulton Controls Co.**

Allegheny Ludlum Steel Corp.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Atlantic City Electric Co.—Memorandum—Josepthal & Co., 120 Broadway, New York 5, N. Y.

Avco Manufacturing Corp. — Report — Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y. Also available is an analysis of **American Potash & Chemical Corp.**

Baldwin Rubber Company—Bulletion—Shader-Winckler Co., Penobscot Building, Detroit 26, Mich.

Best & Co.—Brief summary—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available are data on **R. H. Macy & Co.** and **Consolidated Textile Co.**

Black, Sivalls & Bryson, Inc.—Analysis—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Continued on page 42

Background of U. S. Securities Market

By AUBREY G. LANSTON*

President, Aubrey G. Lanston & Co., Inc., New York City

As factors in economic background for market of Treasury securities, Mr. Lanston lists: (1) outlook for business and its composition; (2) the economic environment; (3) the Treasury's cash position; (4) Federal Reserve credit policy; (5) Treasury debt management; and (6) preferences of investors. Recommends savings banks and insurance companies confine new investments to short-term issues.

To determine best, under today's conditions, the attitude one should take toward a Treasury security investment account, it is desirable to develop a background of facts and possibilities, widely divergent as the latter may be. I could omit such a background and give you in a moment my conclusions as to the market, but in so doing I would fail to stimulate your thinking, and I would lose the opportunity to get your reactions to my analysis.

Aubrey G. Lanston

In building the background, I will touch only briefly on the various considerations, and I will try to weave some strands into the pattern of thinking that governs my conclusions as to interest rates in general, and the approach I believe to be appropriate for Treasury security investments.

The separate considerations include the following

(1) *The outlook for business as a whole* for the next year. I do not find, fortunately, that good management of your government portfolio requires a precise forecast.

(2) *The composition of business,* that is, the degree by which certain elements such as defense spending, the building industry, and the like, affect the supply of non-Treasury investment media.

(3) *The economic environment,* which includes the trend of prices, the inflation-mindedness of the public, and the degree by which shortages or a lack of them may affect consumer preferences for spending versus saving.

(4) *The Treasury's cash position,* that is, the amount of the Treasury's cash deficit and the degree by which its financing may be affected by seasonal factors, commodity prices, and the like.

(5) *Federal Reserve credit policy* with some reference to the major problems that were left untouched by the Treasury-Federal Reserve "accord."

(6) *Treasury debt management* with some reference to the changes required by the withdrawal of "par" support.

(7) *The arithmetic of investment in Treasury securities* and the manner in which this may shape the preferences of investors and, in the absence of "pin-point" Federal Reserve support, circumscribe the ability of the Treasury to impose a particular long-term borrowing rate.

I then will conclude by giving you my ideas as to the future of Treasury security prices and the approach I would use to Treasury security portfolios.

Business Outlook

The outlook for business as a whole has been popularly related to the prospects for a Korean truce under the assumption that a quickly arrived at cease-fire would develop an increasing number of soft spots in the economy. Had such a development in Korea taken place several months ago, I believe that business might have entered into this kind of a recession. Today, however, I do not believe the actual advent of a Korean cease-fire would bear importantly on business conditions. In support of my view, I would point out that we generally have accepted the philosophy that Russian aggression diminishes only as our power increases, and Congress has voted an almost unprecedented total of appropriations.

For the fiscal year ending June 30, 1952, the estimated Federal budget expenditures have been projected at roughly $70 billion. For the 12 months following, to June 30, 1953, these expenditures have been placed officially in the area of $80-$90 billion. Thus, the prospect for the coming 12 months is that the government's budget expenditures will total roughly $75 billion.

Many question whether the goverment will be able to spend at this rate, but the monthly totals have been moving upward on a straight line, and some expert opinion holds that this trend may turn into an upward curve by December.

It is generally agreed, however, that if the actual expenditures approximate the official estimates additional cutbacks in critical materials and some consumer goods would be inevitable. From this premise the prospect should be that some inventories would prove less formidable than they presently appear, disposable personal incomes would rise, and personal spending would be stimulated further by the relaxation in Regulations X and W and the threat of shortages.

Finally, we must not forget that we are approaching the threshold of a major political campaign at a time when we cannot afford to accept superficial evidence that the Russian threat to world peace has materially decreased. I, therefore, am willing to assume for purposes of my analysis, that the government's actual expenditures will approximate the budget estimates.

The composition of business is important to us for the bearing it has on the residual money needs of business and on the rate of mortgage creation.

In the business area the principal considerations would be changes in working capital requirements and plant and equipment expansion. The price trends of basic materials and wage costs are key factors in changes in the requirements for working capital. The impact is not apt to be one that would materially reduce present needs, and we face another situation that may increase the need for short-term corporate borrowing. Corporate tax increases are to be retroactive, and many corporations have not taken this into consideration. The need to borrow may not be immediate, but it can become sizable when the retroactive increment becomes payable in the first and second quarters of next year.

Plant and equipment expansion has been at a prodigious rate. Recently published estimates show no material decrease is in prospect for the near term, but most of the money required has been raised or a commitment obtained. The $64 question is how much will have to be raised with respect to new contemplations and how much of an actual dollar decrease may be involved. I suspect that whatever the answer some volume of financing will continue for the foreseeable future.

As to residential building, recent legislation relaxing the down payments and the terms of mortgage credit have been described as "incomplete." It failed, as some see it, to make mortgage money less tight. For example, the Veterans Administration and the FHA adhere stubbornly to 4% and 4¼% mortgage rates. Leaders in the construction field nevertheless tell me that the net result of this credit relaxation will be to stimulate the demand for existing housing and for new construction, and it has been suggested that builders may find ways to bridge the gap between a 4% mortgage at 100 to the borrower and a demand from lenders that might limit their investment cost to 97½ for the same mortgage.

In the past year, the total availability of mortgages, private placements, public corporate financing, and the like materially exceeded the accrual of investable funds. Thus, institutions increased the amount of commitments made on a forward basis when lenders became anxious, in the face of the Treasury-Federal Reserve conflict to make sure they could get their money. Later the action of Treasury security prices, particularly restricted bonds, induced mass selling to insure that liquidity was more closely in line with both current and forward commitments.

The question at this juncture is not whether the total availability of non-Treasury media will decline but whether it will decline sufficiently to bring it in line with new accruals of investable funds. My best guess is that the decline will not be as large as some believe and the excess of investable funds, unless large, will not necessarily support present Treasury security prices.

Treasury Expenditures

The business environment could change materially if Treasury expenditures head toward the $80-$90 billion budgeted for the year beginning next July, particularly when this is combined with certain other factors and government policies.

For example, the United States Farm Bureau is making a big drive, aided by the Secretary of Agriculture, to advance the prices of cotton by persuading farmers to place cotton in government loan. If such a drive is successful to the extent of 5 to 6 million bales, the government will pay out in loans to farmers from $750-$900 million.

This is definitely a re-inflationary force. Combine this approach to agricultural prices with the fact that inventory adjustments will eventually be completed, that some new scarcities must be a corollary to mounting defense expenditures to be paid for by a Treasury deficit, and it seems to me that we draw a midwinter environment that will exert a persuasive force on consumers to spend more and to save less. I do not envision new rushes of "scare" buying. I do envision a sufficient pickup in spending so as to discourage those who hope a broad institutional demand will develop for Treasury bonds.

One must keep in mind that if residential construction is revitalized by such an economic environment and a relaxation in mortgage credit, the increased volume of mortgages will decrease the funds available for long-term Treasury securities.

Some are relying on the deflationary aspect of the Treasury seasonal cash surplus in the first quarter of 1952 to forestall an increase in the inflation psychology. I believe we are benefiting more from this prospect today than we will at the time. Corporations have increased their holdings of Treasury securities in some relationship to increases in their tax liabilities. Consequently, many corporation tax payments will be made from a divestment of Treasury securities. Others will borrow from banks to make their payments. The impact on individuals will come, insofar as the large mass of money is concerned, on the effective date of the new legislation rather than in March 1952. Finally, the prospect during the first quarter of 1952 will be for a most substantial deficit during the ensuing third and fourth quarters.

In other words, a number of things are going on within the economy or are in active prospect that suggest that the future may be more inflationary than the present. This may reduce the rate of savings flow to institutions and increase the availability of non-Treasury investments beyond that now contemplated. The keys to the future environment will be government spending and other government policies, most of which seem destined to increase the preferences to spend.

I will omit discussion of other important factors such as the unpopularity of savings bonds and the growing popularity of other types of investments such as mutual funds.

Treasury Cash Position

The Treasury cash position is now subjected, by the Mills Plan, to wide seasonal fluctuations. As you know, the Mills Plan requires corporations to gradually reach a point (1955) wherein they will pay in the first and second quarters of that year 100% of their liability from 1954 incomes. Even during the transition Treasury corporate tax receipts are heavier in the first half of the calendar year and much lighter in the second half than used to be the case. This will cause the Treasury's cash deficit for the second half of 1952 to be substantially larger than would be indicated by prorating the total deficit for fiscal 1953.

There are additional factors of a non-budgetary nature which can aggravate the Treasury's cash problems. One of these is the attrition in maturing debt and in savings notes and savings bonds. It was thought that the increased preferences that have come into being as a consequence of the unpegging of Treasury security prices and the Treasury's cautious pricing of refunding offerings

Continued on page 35

*An address by Mr. Lanston at the 58th Annual Meeting of the Savings Banks Association of Maine, Portsmouth, N. H., Sept. 25, 1951.

What Irredeemable Currency Means to Bankers and Public

By WALTER E. SPAHR*
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Calling abandonment of irredeemable currency an attack on thrift, Dr. Spahr reviews and criticizes the Keynesian theory of ill-effects of savings. Says our irredeemable currency is an instrument for subjecting people to governmentally-managed economy, and explains how depreciating currency saps public's savings. Gives picture of U. S. currency situation.

The Attack on Savings and the Act of Saving

Since March, 1933, savings and the act of saving have been under a multitude of attacks in this country. These have sprung from two fundamental political diseases that have held our people in their grip since that fateful day. One of these has been the movement of this nation into a governmentally-managed economy. The other has been the depreciation of our currency—by devaluation, by making most of it irredeemable, by issuing much of it against government debt, by expanding, greatly, its volume.

Dr. Walter E. Spahr

In our pronounced move toward a governmentally-managed economy and in the reduction of the buying power of our currency, the irredeemability of our currency has been a potent and subtle instrument.

Our irredeemable currency system has two significant aspects for savings bankers and the public: (1) It is perhaps the most potent instrument known, other than the use of military power, by which a central government can subject a people to its management and tyranny. (2) It is a subtle and deadly device for impairing or destroying the real value of people's savings.

The Basic Philosophy in the Attacks on Savings and the Act of Saving

The attacks on savings and the act of saving in this country are a basic element in the philosophy of the Socialists and Communists, and of those who subscribe to the underconsumption theory of business recessions and depressions. Every severe business recession appears to bring the underconsumptionists into positions of prominence. Their fundamental contention is that business recessions are caused by oversaving and overinvestment. This, they contend, impairs the purchasing power of consumers, causes demand to lag behind production, and prepares the way for an enforced liquidation and recession in business.

This theory is old. It may be traced back to the English clergyman-economist, Thomas R. Malthus, who died in 1834; to the French economist, Jean Sismondi, who died in 1842; to the Scotch economist, Lord Lauderdale, who died in 1830, and to others. Although this brand of theory is held by some of those who regard themselves as non-Socialists, it is a fundamental tenet of Socialism.

Dr. James A. Estey of Purdue University, in his book, "Business Cycles" (Prentice-Hall, Inc., New York, 1950), 2d ed., probably states with accuracy the typical opinion held by the most careful scholars in the field of business cycles and oscillations regarding the underconsumption theory (or theories) when he says (p. 249) that "The underconsumption approach . . . is the natural approach for the 'man in the street.' It sounds plausible and wins ready acceptance. For this reason, it has a practical importance, perhaps out of proportion to its scientific content. Not only is it the background of the more fantastic schemes for 'sharing wealth' and of such movements as the Townsend Plan, but it furnished the momentum behind much that is most characteristic of the New Deal."

For example, Marriner Eccles, a member of the Board of Governors of the Federal Reserve System, 1935-1951, and for most of that period the Chairman of the Board, reveals in his book, "Beckoning Frontiers: Public and Personal Recollections" (Alfred A. Knopf, New York, April, 1951), that he embraced the underconsumption theory and also looked upon himself as a leader in advancing the chief features of New Dealism. He regarded himself as a precursor of John Maynard Keynes of England who, as an Englishman, has probably cost this country more than has any other Englishman since Lord Cornwallis landed on our shores and campaigned against our best interests from 1776 to 1781.

As a part of his underconsumption theory (expressed on pages 77, 184, and 299, for example), Eccles insists that the recession of 1929-1932 was brought on because "we were excessively thrifty" (p. 74). "The difficulty is," he says, "that we were not sufficiently extravagant as a nation" (p. 83). "Thrift and economy," he contends (p. 82), "mean less consumption." Says he, further (p. 20): "I was to challenge . . . a . . . belief held by my father and his friends that there would always be a shortage of capital in the land and that therefore saving was a good in itself." To understand the error in that assertion all Mr. Eccles needed to consider are the facts that so long as capital bears a price and so long as there is a positive rate of interest there is a scarcity of capital.

Keynes, also a subscriber to the untenable underconsumption theory of business recessions, contended that bond holders as a class should be given gas and thus exterminated as an anti-social group. Said he of this proposal, in his book, "The General Theory of Employment, Interest and Money" (Macmillan and Co., Ltd., London, 1936), p. 376: ". . . It would mean the euthanasia of the rentier, and, consequently, the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital." Said he further (p. 376): "And with the disappearance of its rentier aspect much else in it [capitalism] besides will suffer a sea-change. It will be, moreover, a great advantage of the order of events which I am advocating, that the euthanasia of the rentier, of the functionless investor, will be nothing sudden, merely a gradual but prolonged continuance of what we have seen recently in Great Britain, and will need no revolution."

This devilish doctrine of Keynes and those of Eccles and others, advancing similar contentions, have been important elements in those parts of New Dealism that have attacked savings and the act of saving. We have seen such doctrine revealed in the repeated assertions that production could not increase unless there were a prior expansion of consumer purchasing power; in the various attempts made to place funds in the hands of consumers directly rather than by encouraging saving and aiding production; in a large proportion of the arguments for currency expansion; in the taxation of undistributed corporation surpluses; in some of the tax and other proposals for the redistribution of wealth and income; in the readiness of the government to penalize and endanger the savings, and the earnings on the savings of our people, foundations, hospitals, educational, and other great social institutions; in the fact that we have heard practically no good word uttered in behalf of the thrifty or of the virtues of thrift; in the extent to which our less thrifty people have been encouraged, and led, to rely upon the government for support, both now and in the future; in the multitude of ways in which the supposedly virtuous characteristic of self-reliance has been undermined; and in the cultivation, by various devices, of the notion that savers are withholders of wealth and income from others, and are parasites resting upon the backs of the poor, the indigent, and the unfortunate.

The ramifications of the underconsumption theory and the attendant attacks on savings are far-reaching. For the American people, the issue involved has become one of tremendous importance. A multitude of forces, hostile to savings, particularly heavy taxation at progressive rates, have been set in motion which may require many years to arrest and to counteract. The attack on savings is, basically, a double one arising out of the rapid development of a governmentally-managed economy and a sharply-depreciated currency.

Our Irredeemable Currency as an Instrument for Subjecting Our People to a Governmentally-Managed Economy

Our system of irredeemable currency has provided our government with its most potent legal instrument for subjecting our people to a governmentally-managed economy.

When our government thrust such a currency on our people, it deprived them of their power to exercise direct control over the government's use of the people's purse. When a people cannot compel its government and central bank to redeem their promises to pay, that government cannot be held in any effective way to an accounting. It becomes the people's boss and they are reduced to a state of helplessness. The power of the ballot and the power to demand redemption of promises to pay are the two means by which a people can legally control their government. Today we are deprived of the latter power and even the power of the ballot has been weakened because the government, with the people's purse in its possession, at least between elections, can and may purchase the support of a sufficient number of groups seeking government favors to keep itself in power. There is much prating in this country regarding the virtues of, and need for, more democracy. But apparently most, if not all, authors of such talk are advocates of an irredeemable currency which

Conitnued on page 26

*An address by Dr. Spahr before the Savings Banks Association of Massachusetts, Portsmouth, N. H., Sept. 24, 1951.

Market Opportunities Are Still Abundant

By ARTHUR NEUMARK
Partner, H. Hentz & Co., Members New York Stock Exchange

Predicting many stocks will newly emerge into favor within next six months, Mr. Neumark states substitution will solve problem for those nervous about their paper profits after great appreciation. Suggests as containing interesting values following groups: textile, retail, tobacco, motion picture, railroad, and steel.

With the stock market industrial average at a new high, it is but natural to hear expressions of increasing caution. That is all to the good and inherently sound, but as is always the case the matter of timing is very important; and while I think new commitments should be made only after the most careful scrutiny of the risks involved. I believe that the weight of evidence justifies the expectation of a continuation of the major uptrend.

Arthur J. Neumark

The business and profit outlook remains highly favorable. With a steady stepping up of the pace of Government contracts, present indications are that the overall volume of business and employment and the level of consumer buying power will be maintained at peak levels through 1952.

As more and more of the production facilities of this country are devoted to defense, the consumer supply-demand equation is bound to become tighter, despite the sizable increase in productive capacity. Profits will be shaved by higher taxes but the net relation of present and prospective earnings to current security price levels is favorable. In short, even allowing for generally lower earnings, the ratio of prices to such indicated earnings for the next twelve months is still moderate, all things considered.

The Deceptive Averages

Furthermore, the averages are deceptive. While it is true that many stocks have enjoyed spectacular rises, a very large number have actually done very little marketwise. Certain industries have been depressed, and some of these afford very interesting values and appreciation potentials, with limited risk. The textile and retail trade groups have gone through many months of relatively poor business. Early enthusiasm based on false expectations of shortages induced excessive buying, but for a good many months managements have followed a policy of working off these inventories and have set tight limits on new buying. There are now real signs that this situation is in the process of changng and we believe that a period of revival is in store for these industries. For different reasons tobaccos and motion picture industries have had relatively tough sledding and here also attractive investment and speculative possibilities are available at relatively depressed prices.

Finally, the rails have been laggards for a variety of reasons and, in our opinion, good investment and speculative opportunities abound in this group. Whatever the historical objections to the rails may be, it should be remembered that many of the past weaknesses have been eradicated. Funded debt has been scaled down sharply. Finances have been built up strongly. Drastic economies of operation have been effected and a large volume of traffic must be moved.

The rails enjoy a most favorable protection against EPT and many instances of record earnings will be chalked up this year. Some noteworthy dividend increases have already been established by railroad companies, and more liberal payments are still likely. In view of these factors, I believe that rail stocks are currently being quoted in the market at unrealistically low prices.

Steel stocks still appear moderately priced and attractive.

Many areas of substitution are open for security holders who have enjoyed a large market appreciation and who are nervous about their paper profits. I think it is still too early to embark on a drastic selling program, but it is possible for cautious holders to maintain their market positions by switching into laggard or depressed groups, thereby reducing the degree of risk. Many new favorites will probably be seen over the next six months.

Kruge Establishes Firm Under Own Name

Walter C. Kruge

Walter C. Kruge has formed Walter C. Kruge & Co. with offices at 50 Broadway, New York City as successor to the investment business of James D. Cleland Co. which he conducted as a sole proprietorship.

Clarence Hill Joins Harris, Upham Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Clarence E. Hill has become associated with the New York Stock Exchange firm of Harris, Upham & Co. in their office in the Northwestern Bank Building. Mr. Hill was formerly Chairman of the board of the Northwestern National Bank of Minneapolis.

Crockett & Co. is Formed in Houston

HOUSTON, Tex. — A. Gordon Crockett and Claude T. Crockett have formed Crockett & Co. with offices in the First National Bank Building. A. Gordon Crockett was formerly manager of the trading department for Shields & Company. Claude T. Crockett was formerly a Vice-President of Moroney, Beissner & Co.

Have Stock Prices Over-Discounted Inflation and Armament Program?

By JAMES F. HUGHES
Market Analyst, Auchincloss, Parker & Redpath
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Mr. Hughes, pointing out "what everybody knows is no longer factor in stock market," contends inflation and armament as bullish forces may have been already discounted. On basis of his study of previous stock market cycles, concludes there is ample justification for reducing common stocks commitments. Holds deflationary potentialities within next three to five years are greater than any time since 1929.

By this time everybody interested in the stock market has probably heard about inflation. They probably have also heard about our defense effort and the armament program in the garrison State. Realizing recently that this was probably true, I began worrying about the old maxim to the effect that what everybody knows is no longer an important factor in the stock market.

James F. Hughes

If this maxim is true, the time must be not far off when common stocks will have more than discounted inflation and defense. Accordingly it seems advisable to consider whether leading common stocks that are now in the tenth year of a major price advance should not be switched into high grade bonds.

Personally, I think a strong defensive position is now justified because I do not fully trust the armament program and inflation to do everything bullish that is expected of them over the next few years. Furthermore, the stock market during 1951 has persisted in displaying several bearish technical relationships. Some of these have not been so prominently in evidence in any year since 1929.

In addition to bearish technical indications provided by the market's own performance, 1951 is also providing a sequence of bank credit, business and commodity price trends that in the past 30 years has foreshadowed declines in the stock market and general business activity. The advantage in depending upon technical relationships and an economic sequence functioning automatically is that they eliminate the dangers inherent in economic forecasting.

Historical research has revealed that economists generally have failed to forecast any of the bear markets and business depressions since World War I. This statement is not made with any desire to be critical. The failure of economists to forecast bear markets and business depressions proves that they are only human with the normal human tendency to project into the future currently prevailing trends.

In 1929 practically everybody believed that general business activity and the stock market would continue to advance for a number of years. The most important reason why people believed this was because general business activity and the stock market had been in a major uptrend for eight years. It was easy to rationalize this belief by arguing that the Federal Reserve System had ironed the kinks out of the business cycle by eliminating the money panics which had been associated with major business depressions.

Is 1951 Optimism Justified?

In 1951 practically everybody believes that the armament program and inflation will force higher levels for industrial activity and commodity prices. It is naturally believed that these trends will be reflected in higher prices for common stocks. This optimism is not too difficult to understand. There has been nothing approximating a major business depression in 13 years. As far as the stock market is concerned, the outstanding leaders of 1951 are now well in their tenth year of major price advance.

Among these market leaders of 1951, including chemical, oil, drug, tire, paper and rayon stocks, were some of the securities I liked best in recent years. Most of the leading issues in these groups have been free-wheeling in virgin price territory, higher than they have ever been before. Forecasts of better than 300 for the Dow-Jones industrial average are now common. The possibility of the average reaching 600 is casually mentioned.

In 1929 the average reached a high of 381 so that 600 would be only 57% higher than the 1929 top. On the basis of average prices some of the leading groups mentioned above have exceeded their 1929 highs by more than 57%. Translating recent average prices into figures relative to 381, representing 1929 high, leading chemicals have sold at 613, oils at 636, rayon stocks at 727 and paper issues at 864.

These figures, of course, do not mean a great deal. The prices are higher than in 1929 but in relation to 1951 earnings and dividends the stocks are much more conservatively priced than they were 22 years ago. However, in connection with earnings it must be kept in mind that they can decline very fast. In 1930 the annual average level of industrial activity was only 17% below 1929. Earnings on the Dow-Jones industrials declined 44%. In 1920 the annual average level of industrial activity was slightly higher than for 1919 but nevertheless a decline to a December low in 1920 that amounted to 14% from the annual average for 1919, resulted in a decline of 48% in the earnings of the Dow-Jones industrial stocks.

The majority answer to this is, of course, that no depression is possible in the next two or three years. Unfortunately, this viewpoint is only an economic forecast that concentrates on the importance of the armament program and assumes that this program will be financed in an inflationary fashion.

In depending upon this type of economic forecast, I would have to ignore completely the bank credit sequence mentioned previously as having foreshadowed major declines in the stock market and in business since World War I. The best way to emphasize the possible significance of the current bank credit sequence is to give the detailed record of the past 30 years.

Major Banking Cycles 1919 to 1949

In 1919 commercial bank investments started to decline from a high in May. The peak of the loan account was not reached until October, 1920. Between these two dates the high of the stock market was reached in November, 1919, industrial activity in January-February, 1920, bank deposits in March and wholesale commodity prices in May.

Preceding the 1929-1932 collapse, bank investments started to decline from a top in June, 1928. Commodity prices started a modest decline from September, 1928. After the high in the investment account, the highest level in deposits prior to the stock market crash was in January, 1929. Industrial activity stayed at its absolute peak for three months immediately preceding the high of the stock market in September. Loans reached their high in November as the result of a gain of more than $2 billion. One billion of this increase came after the stock market crash.

The carefully planned recovery of 1936 began to disintegrate following a high in bank investments in July. Deposits reached a peak in February, 1937, followed quickly by the stock market in March, wholesale prices in April and industrial production in May. After seven successive monthly advances bank loans reached a top in September.

Despite the fact that there appeared to be no reason for a decline in stock prices from 1946 to 1949, it is interesting to note how the bank credit sequence worked out after the investment account started a decline from a record top in January, 1946. This decline continued until March, 1949, by which time leading commercial banks had reduced their investment holdings by about $22 billion. The stock market started down from a May peak in 1946 and, despite record peacetime prosperity in 1947 and 1948, proved unable to stage a sustained advance while the commercial banks were reducing their investment holdings.

Before the market was able to start a major advance from June, 1949, a normal bank credit sequence was completed. After the highs of the investment account and the market were established in January and May, 1946, the peak of deposits was not reached until January, 1948. Commodity prices made a high in August and industrial activity in October-November. The old-fashioned sequence was kept intact when an advancing trend in bank loans that had continued with only two months of decline out of 30 months reached a top in December, 1948.

The decline in business activity in 1949 was held within the modest proportions of an inventory readjustment. By July the FRB index of industrial production had declined to 161, as compared with 195 in the previous October-November. In view of the prompt recovery in business no real harm was done. But it is important to note in connection with the 1949 decline in business activity that no important economist was on record as expecting anything like the decline that occurred in the first seven months of 1949. In December, 1948, a composite forecast of 34 economists for June, 1949 was 192. The actual figure turned out to be 169.

Current Picture

In the present situation the bank credit sequence that preceded previous important tops in the stock market is plainly visible. The high in the commercial bank investment account was established in January, 1950. The high in bank deposits was $51.8 billion for the week of March 14. Thus far the monthly high for wholesale commodity prices was 184.0 in March. The latest weekly figure was 176.8. The FRB index of production reached 223 in April and May. In June it was 222 and in July it dropped to 213. Preliminary estimate for August is 218.

Thus far, running true to past precedent, the lean account of the weekly reporting member banks shows that a new all-time record high was reached on Sept. 12, with total loans at $33,382,000. Since Korea the leading commercial banks have reduced their investments $5.3 billion and increased their loans $8.1 billion. Private borrowers have done all the monetizing of debt since Korea. The Federal Government on balance has not used the banking system to monetize any debt during the past 15 months.

The reason there was no primary postwar depression after World War II was that the U. S. Treasury had socialized bank credit expansion, with private loans in the spring of 1945 virtually unchanged from the amount outstanding at Pearl Harbor. Liquidation of private bank loans contributed enormously to the depressions of 1920-1921 and 1929-1932. Deflationary potentialities within the next three to five years are greater than at any time since 1929.

Conclusion

In 1919 the generally accepted economic viewpoint was that the tremendous increase in the monetary supply and in the Federal debt, guaranteed that commodity prices were on a permanently higher plateau. In 1929 the Federal Reserve System had eliminated the cyclical threat to corporate earning power and common stocks could be bought with complete confidence in the steady secular growth of earnings. In 1937 there was no concern regarding the stock market because the inflationary policies of the New Deal guaranteed continued advance. In 1946 the majority of people were justifiably bullish on the stock market in the confident expectation of increased corporate earnings resulting from increased volume and higher commodity prices.

In 1951 inflation and the armament program so completely dominate thinking about the stock market that it may be a public service to call attention to the maxim previously mentioned. Until there is far more definite evidence that "things are really going to be different this time," I believe there is ample justification for reducing holdings of common stocks.

With J. W. Hicks

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Grant R. Tibbs is with J. W. Hicks & Co., Cooper Building.

With Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

EUGENE, Oreg.—David J. Holloman is with Foster & Marshall, 89 West Broadway.

The Banker as Investment Counsel

By BENJAMIN GRAHAM*

President, Graham-Newman Corporation

Investment expert urges bankers to suit individual investment policies to changing times, untrammeled by conservatism. Terms it appropriate for banker-advisers to emphasize adequate diversification among representative issues, rather than selectivity. Asserts present market level, while high historically, is not excessive in terms of dividends, earnings, and prospects.

Bankers are active as advisers in the field of investment by individuals, and have good training and experience for this work. However their traditional conservatism prevents them from recognizing fully the changes required in individual investment policies as the result of the changing times.

Benjamin Graham

Emphasis should be shifted away from corporate bonds and preferred stocks, and towards U. S. Savings Bonds, tax-free issues, and representative common stocks. The typical individual investor should follow a defensive program, in which common stocks or "equities" constitute 25% to 50% of the total portfolio, the balance being in Governments and tax-free bonds. For the defensive investor shares of mutual funds are especially suitable; alternatively, he should buy a diversified list of leading or "primary" issues.

Bankers cannot forecast stock market developments, but they may properly be asked whether the current level of prices is high in relation to values. At the present time, the market level, while definitely high in relation to former price movements, does not appear excessive in terms of dividends, earnings and foreseeable changes. It is notable that the "second-line stocks," which were definitely overvalued in 1946, are now more moderately priced than leading issues. (But at these levels for leading issues there is a real risk of a temporary loss and at least the possibility of permanent regret.) Bankers may well encourage the use of "formula investing" and of "dollar averaging" as methods of counteracting the public's natural tendency to concentrate its buying at high levels and its selling in low markets.

Advice by bankers on individual stock issues is not likely to prove valuable on the whole—because the quality and prospects of most securities are already reflected in the ruling price. It is the exceptional issues that are clearly undervalued, and to locate these with confidence requires special skill in security analysis. Thus the banker-adviser might well emphasize adequate diversification among representative issues, rather than selectivity.

There are many attractive opportunities in the securities markets which are open to the "aggressive investor." But the latter must be equipped to understand values and to take advantage of discrepancies between price and value. These include relatively depressed shares of secondary companies, and various types of special situations. The banker is not likely to concern himself with this approach, although his business and financial training should fit him for it. At the least, the banker might encourage his more enterprising clients to look at all securities open-mindedly and in terms of their intrinsic value, rather than in terms of traditional prejudices or of expected stock market fluctuations.

*Summary of a talk by Mr. Graham before Investment Seminar sponsored by New York State Bankers Association in cooperation with Graduate School of Business Administration, New York City, Sept. 14, 1951.

"Chronicle" Salutes "The Times" On Attaining Its 100th Birthday

By ALEXANDER WILSON

One of the country's great newspapers, the New York "Times," began the second century of its existence Tuesday, Sept. 18. This great daily was founded as a four-page newspaper by Henry Jarvis Raymond and George Jones, Sept. 18, 1851, and was published in a little candle-lighted office at 113 Nassau Street, this city.

It is a long way from this humble beginning to its $10 million 14-story, air-conditioned plant at 229 West 43rd Street, this city.

During its illustrious history, the "Times" flourished and languished, reaching a nadir during the 1893 panic to have its circulation drop to 9,000 in 1896 with a debt of $300,000 and a $2,500 weekly deficit. It was then that the late Adolph S. Ochs, successful founder of the Chattanooga "Times" bought the "Times" and by 1921 raised the daily circulation to 321,000. It is due to Mr. Ochs' leadership, efforts and newspaper ability that the "Times" today is in the forefront of American journals and its influence is so far-reaching.

To its reading constituency, the "Times" has been noted for its clean, dignified, carefully edited and objective style of news and editorial matter. The "Times" is one newspaper which has never exploited scandal, murders, sex or indulged in vapid, vulgar features. Without ballyhoo or sensation, the "Times" may be said to have conscientiously lived up to its ideals and principles of "All the News That's Fit to Print."

What a pleasure it is, in this rather moronic age, to read a newspaper like the "Times" which does not feature scare headlines, kitchen talk, bedroom scandal, divorce, sex appeal stories, glamorized vice and crime in all its malevolent manifestations.

With a notable list of publishers, editors and writers, this metropolitan newspaper has given its readers complete coverage of news and to its contemporaries it has been the exemplar of plain and accurate statement in all its departments and of unprejudiced moderate, independent editorial opinion.

Charles Ransom Miller

One of the most respected editors of the "Times" was the late Charles Ransom Miller, who directed its editorial policies from 1883 to 1922. Although he kept his personal identity in the background, the erudite and temperate editorials of the scholarly Mr. Miller will rank with the best in his day for their integrity and wisdom. Mr. Miller's connection with the "Times" extended over 47 years from 1875 to 1922.

Eight Contemporaries of the "Times" Remain

There are only eight papers left in the New York area today which have been contemporaries of the "Times" for most of its 100 years of publication, viz.: The New York "Evening Post" (now a tabloid), founded by Alexander Hamilton in 1801; the "Journal of Commerce," started by Arthur Tappan, a silk merchant, and F. B. Morse, the inventor, in 1827; the New York "Herald," by James Gorden Bennett, in 1835; and the New York "Tribune" (which absorbed the New York "Herald" in 1934), by Horace Greeley in 1841, while the "Commercial and Financial Chronicle," founded by the late William B. Dana and perpetuated by the late Jacob Seibert, began its 112 years' existence in 1839 as Hunt's "Merchant Magazine," 12 years prior to the advent of the New York "Times."

This chronology would not be complete if the following newspaper birthrights were omitted: The "Evening Telegram" was born 1867, and its constituent parts, the New York "Morning World," 1860, and New York "Evening World," 1880, and the "Sun," 1833. The morning "New York American's" lineage dates back to 1882 and its constituent, the "Evening Journal" to 1896. The "Staats Zeitung" started in 1834, the "Morning Telegraph" in 1833, the Brooklyn "Eagle" in 1841, and the Long Island "Star Journal" (as the "Flushing Journal") in 1841.

19 New York Papers Hav· Made Their Last Bow

Looking backwards, it is interesting to note that over the past half century no less than 19 New York dailies have passed into oblivion or have lost their separate entity. These papers include: The New York "Dispatch"; New York "Press"; New York "Recorder"; "Mail and Express"; "Globe and Advertiser"; New York "Commercial"; New York "Herald"; "P. M."; New York "Star"; New York "Sun" (morning and evening editions); New York "World" (morning and evening editions); New York "American"; "Wall Street Summary"; "Financial America"; New York "Evening Post" (before it became a tabloid); the New York "Graphic" (a McFadden tabloid), and the old New York "Daily News," which existed as a regular newspaper from 1855 to 1906, long before the present tabloid "Daily News" started.

Magna Est Veritas, Et Pravalebit

Since Mr. Ochs' demise in 1935 his successor and son-in-law, Arthur Hays Sulzberger, and his nephew, Major-General Julius Ochs Adler, have ably carried on the Ochs' tradition and high standards that have made the "Times" representative of the best in journalism.

For the edification of a thinking reading public which places moderation, exactitude and real news value above all other considerations, the "Chronicle" wishes the "Times," Godspeed in the second century of its existence. Long live the New York Times!

Dempsey Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harlan E. Thedinga is now with Dempsey-Tegeler & Co., 210 West Seventh Street.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—J. H. Hahne is now connected with Francis I. du Pont & Co., 722 South Spring Street.

Industrial Growth Adversely Affected by Corporation Taxation

J. F. Manildi, Assoc. Professor of Engineering of the University of California, reports on quantitative study of corporation growth under excess profits taxes. Concludes tax strengthens old concerns, but discourages the new ones.

The present tendency towards excess profits taxation on corporation earnings is basically unsound and undesirable because it frightens investor capital away from new and more speculative channels into established, non-growing activities, thus stunting our industrial growth, J. F. Manildi, Associate Professor of Engineering at the University of California, told the American Society of Mechanical Engineers at Minneapolis, on Sept. 26.

"To maintain status quo only is to lose ground rapidly," he said. "New industries, new corporations must continually be forming and prospering at an increasing tempo, in order that the present rate of growth be maintained." Hinderances to industrial activity, both present and future, occasioned by the necessity of raising funds to meet national defense spending must be minimized, he declared. This would insure the most rapid attainment of defense production requirements and at the same time set the stage for maintaining the "highest degree of personal living standards consistent with these defense requirements."

Fixed Percentage Tax Advocated

Prof. Manildi recommended a fixed percentage of profits tax in the upper brackets, associated with a more gradual rate of rise of tax in the lower brackets (yielding the required revenue) as "much more desirable from the standpoint of encouraging and continuing the all important industrial growth of our country."

New investor capital will be lured into a venture only if the expected return is commensurate with the risk involved, declared Prof. Manildi. The prospective investor, he said, will understandably be very reluctant to invest in an enterprise having a high potential annual earning (if successful) with the risk of losing his investment entirely which is commensurate with this high power, if he may retain only a small percentage of this earning. He would rather invest in an already established activity, with lower risk and lower return because the rates of risk to return are much lower.

He said the established company embarking on a new venture with an expenditure of $1,000,000 enjoys a better than threefold advantage over the marginal company engaging in the same activity with a capitalization of $1,000,000. If the normal profits tax for the new company were 45%, yielding an excess profits tax of 75% under present rates, the ratio of prospective gain to risk would be 2.58 to 1, whereas for the established company it would be 8.3 to 1, he said.

Tax Rise Increases Risk Ratio

Should the excess profits tax be increased to 90%, the ratio of gain to risk would drop to 1.58 to 1 for the new company, but it would remain unchanged for the established firm, he pointed out. Under a fixed percentage of profits tax system, the old firm would still have the advantage but not nearly to such a great degree.

"Two prime requisites for the birth of new industry and the continuing growth of both old and new industries are the availability of new investment capital and the ability of the particular activity to generate adequate profits," said Prof. Manildi. "Adequate profits must be interpreted as meaning profits sufficient to repay the investor a satisfactory return in dividends plus profits which will be plowed back and result in a healthy internal growth (as opposed to growth by additional financing) of the activity.

"It will readily be recognized that these two elements are interrelated, since the absence of the latter to an adequate degree, will most definitely discourage the former."

Prof. Manildi illustrated the effect of excess profits taxation on corporation growth.

Between the Devil and the Deep

"With a 6% dividend rate, and with an excess profits tax rate of 75%, a company having an inherent earning capacity of 20% of invested capital would grow to about six times its initial size in 40 years," he said. "An increase in excess profits tax rate to 90% would decrease this growth to less than twice its size in the same time interval. In the first instance a 500% growth, in the second a growth of less than 100%.

"It is evident that the reduction of dividends to, say, zero, diminishes the influence of the excess profits tax on growth. This is obvious, since the retained earnings are higher. Furthermore, the growth factor is not so sensitive to changes in excess profits tax rate. This leaves the corporate board of directors with an unenviable task. They may decide to pay a 'satisfactory' dividend rate, and suffer tremendously in future growth and capital appreciation, or, the dividend rate may be reduced below the 'satisfaction' point to permit reasonable growth.

"The first alternative encourages slow industrial growth directly. The second alternative does the same indirectly by discouraging investor capital (which requires an adequate dividend), severely limiting the development of new industries and handicapping the growth (through added investment) of established industries. The corporation is literally between 'the devil and the deep,' with little it can do to combat this unhealthy situation."

Prof. Manildi gave figures on the time required for a company to double its size under an excess profits tax system.

"With a 6% dividend, a company earning 30% of capitalization, before profits, will require about 12 years to double its size with a 75% excess profits tax. Increase of the tax to 90% means that the same company will require 25 years, more than twice as long, to attain the same growth. The same company paying no dividends, would require seven and nine-and-half years, respectively, with 75% and 90% excess profits tax. Again the effect of reduction in dividend rate in diminishing the sensitivity of rate of growth to excess profits tax is evident.

George E. O'Brien Joins Fordon, Aldinger & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — George E. O'Brien has become affiliated with Fordon, Aldinger & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges. Mr. O'Brien was formerly with Hornblower & Weeks and prior thereto was a partner in S. R. Livingstone & Co.

Coates in Clinton

CLINTON, N. J. — Henry T. Coates is engaging in a securities business from offices at 10 Halstead Street.

Air Transportation And Real Estate Values

By A. N. KEMP*
Chairman of the Board,
Pacific Mutual Life Insurance Company, Los Angeles

West Coast insurance executive discusses effects of air transportation in increasing real estate values and affording greater utilization of suburban tracts. Says ultimate impact will not be measurable for many years, since airplanes are creating specific changes in real estate values which are peculiar to this form of transportation.

The history of man's progress has been the story of transportation. His knowledge of the world in which he lives has developed with his ability to move about and thus overcome the ignorance and superstitions which limited his predecessors. His geographic information has always come as a result of adopting new forms of transportation. Even the logical processes of his mind—his theory that the earth was round, were confirmed by transportation men such as Cabot, Columbus, Balboa and Magellan. The greatest real estate development that the world has known began with the discovery of America by a transportation man, Christopher Columbus. And now we have this newer development in the discovery and utilization of that great universal roadway of the air.


A. N. Kemp

The effect of accelerated transportation upon old and new communities alike is now well known. Transportation by the sailing vessel developed numerous communities throughout the world on the shores of the various continents. The steamboat permitted the spread of this development to many interior points on the inland waterways. The railroads cut through the limitations of water transportation to create new communities along their rights of way — places which were previously isolated from the coast or inland waterways. The automobile and truck spread this development to the outskirts of these communities, and with the expansion of highways, to many new communities not served by railroads.

Good transportation has been a basic fact on which the economic life of the 19th and 20th centuries particularly has been expanded. It reduced time as a factor and it made available almost immediately goods which of necessity had to be produced elsewhere, and as a result it increased land values in the remoter regions. For instance, in our Eastern States, in 1852 corn at the market place was valued at $24.75 per ton and had a value of $19.95 at a distance of 320 miles where there was a railroad, but no value at 320 miles distance where there was no railroad. Wheat sold for $49.50 per ton at the market, $44.70 at a distance of 320 miles on a railroad, and $1.50 per ton where there was no railroad.

A great step in the world's progress came through the utilization of the universal highway of the air. Air transportation now eliminates times and geographic disadvantages imposed by former natural barriers and offers opportunities to all communities alike, since all places are located on this highway of the air. This new method of getting about is encouraging long distance development and financing not heretofore attractive, giving Wall Street a direct and more rapid entree to distant business opportunities throughout the world. It is making available to us and others the arts and culture of distant places. It doesn't matter whether we want to reach the heights of the Himalayas or the valleys of the Amazon. They are as readily available to us and we to them as with our next door neighbors. It brings the influence of the fashions of the East to 5th Avenue and vice versa. It brings the beauties of the architecture of India here, no less than it carries our architecture of Radio City to what we used to call uncivilized communities. The only limitations now are in the minds of men, in their success or failure to utilize the means at their disposal.

Rapid transportation makes possible a greater territorial division of labor. Each region may devote its energies to that which it does best. Thus society achieves greater output with less capital and labor. Large-scale production with its economies becomes possible. Competition within an area is increased for the local enterprise must meet more distant efficient producers. It increases trade and trade establishments. While the coming of air transportation so far has not as yet produced as great a change in these matters as did the railroad and auto, it is producing the same sort of change.

Vested interests have frequently fought the growth of new forms of transport. Pack-horse riders strongly opposed the development of wagon roads and often did violence to wagon drivers. Canal operators opposed the growth of railroads with all kinds of propaganda. Today some are looking with a jaundiced eye at the astonishing development of air transport.

Air transportation affects values not only to the extent that it promotes an expanding economy and greater commerce, domestically as well as worldwide, but in a local way because of the effect on airport areas and employment.

Just as air travel makes close connection across the nation, it is making even closer connections with foreign countries. It is increasing the mobility of people, opening new markets, increasing the demand and providing the supply for capital and labor at both ends.

Air transportation represents another change in the long line of improved transportation methods which have made all places accessible and more proximate. Through its greater speed, air transportation has indeed shrunk the earth's size in terms of productive time units. It has enabled more work over more of the earth's surface in less time than has ever been possible before during the normal life span of man. The great freedom to move quickly is encouraging the decentralization of industry. It permits management to be relatively remote from factory operations. Its effects upon the community life of man have only begun to be felt.

As with all new developments, our awareness of the potentialities of air transportation has been slow. We have been limited by our ounderstanding of the past, by what our experience has proved to be possible with previous surface means of transportation.

Immediate Effects on Local Real Estate Values

Let us consider some of the more direct effects of air transportation as applied to my particular subject. The beneficial effect upon surrounding real estate of a modern well-conceived and comprehensively planned transportation terminal is obvious. And, with good planning again, these terminals need never give rise to the blighted areas which surround some of our steamship, railroad and freight yards of the past. Integrated with schools, shopping centers, desirable industries, parking facilities, civil buildings, parks and playgrounds together with residential areas, they will permit of developing an urban pattern which promises a happier and fuller life for the residents.

Provisions for requisite ground facilities for air transport in the hands of the skillful planner should make the airport another attraction which will enhance the community pattern.

Taxpayers know that paved highways and streets cost billions of dollars, but they also know that the vehicles that use and justify them bring millions of dollars to town, benefiting every citizen and business. When taxpayers realize that properly operated and exploited airports will pay off as well as the above facilities with a vastly smaller capital outlay, then will aviation's rightful position be more correctly established.

With the increasing use of the airplane, we are witnessing the beginning of an accelerating shift of land values—some of them obvious and other requiring investigation into the effects of the airplane on administrative activities and operational methods of manufacturing and commercial establishments, financial organizations, and public utilities located in communities along the air routes and adjacent to airports.

Four familiar examples of real estate development around large airports have been picked at random: New York, Denver, Austin and Kansas City.

When LaGuardia Field in New York was constructed in 1939, considerable acreage south and west of the airport site was disused farm land. There had been no appreciable improvement of this land for more than 30 years. Immediately after completion of LaGuardia Field real estate activities began. By early 1941 a large part of this disused farm land was subdivided and developed as Garden Bay Manor, a development of row-houses and single- and two-family homes all adjacent to the airport. The assessed valuation became about $60,000 per acre—a 20-fold increase from its assessed value a year or two earlier. In addition, residential building continued to take place in Jackson Heights and in East Elmhurst in the approach zones to LaGuardia Airport and today it is completely absorbed into New York.

Denver, as a city of over 300,000, provides a particularly interesting example of what airports at least don't prevent and probably actually create. The city's main terminal airport and a huge Army airport lie in the east side of town and within the city limits, with the one being less than a mile north of the other. Between 1937 and 1942 (five years), this area, comprising roughly three square miles, experienced a boom that practically filled 150 city blocks. Subsequent to the war, or within 2½ years, it has again enjoyed a similar volume of construction which is in excess of that in any other part of Denver of comparable size, despite the availability of other equally accessible areas. In fact, a survey by the University of Denver shows that between 1930 and 1946 dwellings in this area, all of which are within one mile of either the military or Municipal Airport, and over half of which are between the two, and so less than half a mile from both, have increased 130% as compared with 21% for the rest of the city.

Now let us take a smaller city, Austin, Texas, a town of about 140,000 population. The better residential sections of Austin lie generally toward the northwest part of town in a hilly and picturesque area ideally suited to better-class homes. Yet the new additions are north and east of the center of town in flat country. They are entirely within one mile of the Robert Mueller Municipal Airport. In these additions all 279 lots have been purchased and altogether some 125 homes are completed or are near completion, ranging in value from $10,000 to $25,000. The significant aspect of these developments is that they have been constructed next to the airport on a side of town well away from where homes in their price brackets have previously been built.

As an outstanding example of industrial development in combination with the development of an airport, both of which began proir to the war, were accelerated by the war, and have continued since the war with outstanding success, Kansas City, Missouri, may be cited.

Today there are more than 65 firms bordering or within a mile of the airport employing in excess of 20,000 people in peacetime operation. A sightly and attractive large group of industrial buildings has been erected and it is agreed by the operators of these buildings that the airport is and has been a great asset. The area is entirely free of cheap, ugly buildings surrounded by dirt and hamburger joints. The Administration Building and its air-conditioned restaurant are architecturally handsome, landscaped and spotless. What this all does to personnel efficiency and morale is by no means inconsequential. Needless to say, these companies use the airlines extensively for passenger and cargo transportation, own numbers of aircraft, and are to an ever-increasing degree gearing their administration, operation, distribution, and sales systems to aviation.

These terminals can be big business. As early as 1947, at LaGuardia, New York, there were 12,000 people employed by the airport, the concessionaires, and the airlines. At Washington, there were over 7,000 so employed. At Kansas City, nearly 5,000. At Fort Worth, 2,000. At Denver there were 2,000 and in San Francisco there were 5,800 at the Municipal Airport. And these employees largely own their homes adjacent to the airports.

But this is not all. A terminal airport, depending on the oper-

Continued on page 19

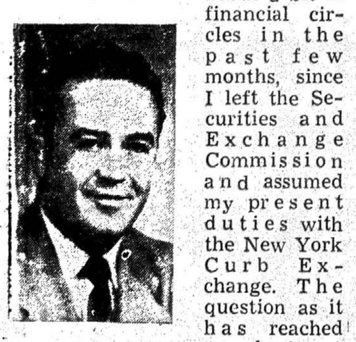
*An address by Mr. Kemp before the 38th Annual Convention of the Mortgage Bankers Association of America, San Francisco, Cal., Sept. 13, 1951.

From Regulator to Regulated!

By EDWARD T. McCORMICK*
President, New York Curb Exchange

Former SEC member, denying he has changed views regarding regulation since becoming President of the New York Curb Exchange, explains his attitude toward regulation, and cites examples of benefits of regulation to investors and securities issuers. Lauds work of state securities administrators, and describes services provided by the New York Curb Exchange.

During the next few minutes I should like to say a few words concerning a question which, I understand, has been mooted about a bit in financial circles in the past few months, since I left the Securities and Exchange Commission and assumed my present duties with the New York Curb Exchange. The question as it has reached my ears from time to time, is whether, now that I have become part of a regulated body, I have changed my views with reference to regulation.



E. T. McCormick

The short and to me obvious answer, of course, is that I have not changed my views in any way, nor have I found any good cause to do so. Certainly, the question could not arise in the minds of those who know me and my views on regulation. Perhaps a short review of these views of mine may provide to the curious, a clarification of air on the subject. I might mention at this point, that during my sixteen years with the Commission, working for and in the interests of regulation, and since coming with the New York Curb Exchange, where I find myself in direct contact with those in the business world on the other side of the fence, those subject to regulation, I have found that all responsible elements of the securities business, agree, basically with the principles I have held and followed relative to regulation of the securities markets.

Regulation Not An End in Itself

To me, regulation is not an end in itself. I hold no brief for, nor have I ever supported the theory of, regulation simply for the sake of regulation. Statutes creating regulations and regulatory bodies should be enacted only when such regulation is imperative for the protection of the public—when existing laws, whether common law or statutory, are inadequate to provide an appropriate remedy for the public against the abuses perpetrated by a relative few.

Regulatory legislation so enacted should be aimed directly at the abuses affecting the public interest. It should not be tangential, too broad, or too limited. And should provide, so far as possible, a reasonable, just, and adequate remedy for the abuses complained of, together with sufficient police powers to enable the regulatory body to ferret out the abuses which exist.

The regulatory board or commission, authorized to administer the statute and promulgate the requisite rules and regulations for its enforcement, should be bipartisan politically, and composed of intelligent men of integrity, endowed with more than an average share of good, common sense—men capable of applying the statute and the regulations to the particular problems confronting them with judicial objectivity, and of enforcing the regulations efficiently, and without fear or favor.

Such are my views on proper regulation. It is regulation which is necessary in the public interest, appropriate for its purpose and fairly, and soundly administered. It is the antithesis of unnecessary regulation, of inadequate or excessive regulation, and of regulation improperly administered.

To be sure there are those who oppose even this type of regulation. But in my experience they are the very persons who object to regulation whatever its form, shape or fashion—those individuals of whom there are still a few, who resent unqualifiedly any interference by the government with their own personal preferences as to their methods of doing business, who desire for their own ends, regardless of any public interest to the contrary, a return to an unshackled, uninhibited, laissez-faire economy, to the days of caveat emptor, when the customer must needs beware. They are the persons who refuse to accept and become adjusted to the obvious fact that reasonable and sound regulation, grown out of past abuses, is here to stay. The complexities of our present day economy have not merely invited, but have demanded it, as an ingredient of every day existence.

Benefits of Regulation

Nor is there anything fearful or monitory about this circumstance. While regulation imposes some restrictions on business activities, it provides concomitant benefits which enure not alone to the buyer of securities, commodities and services, but to the sellers as well. For the buyer it attempts to afford full disclosure of the merits and demerits of securities, full and honest representation as to the quality and quantity of merchandise, and fair costs for public services rendered. Conversely, the seller of goods and services has profited. Reasonable and efficient enforcement of sound regulations has removed the fraudulent fringe almost entirely from the securities markets, raised the standards and practices of the market place to their present high level, enjoined the use of fraudulent sales literature by manufacturers and distributors of commodities, protecting the market for honest products, honestly sold, and, by the establishment of fair rates of return, saved many a public service corporation from the liquidation naturally following upon cut-throat, price cutting practices.

Regulation is not, of course, a new theory of legal administration. Though popular belief in some quarters be to the contrary, regulatory statutes, boards and commissions are not the invention of fertile minds in this generation. Such statutes have been in being almost since the birth of the nation.

As the borders of our country spread, as its industry and economy expanded, and as its populations multiplied, the Congress and the state legislatures became more and more impressed with the need for regulatory legislation to protect the unprotected public, and for administrative bodies with special qualifications to relieve the overworked legislators and the courts of the practically insuperable task of drafting detailed regulations and enforcing them for the public benefit.

The multiplication of such agencies and the expansion of their powers has been such that today, in this highly complex economy of ours, not one of us can run through the paces of his daily routine without consciously or unconsciously being affected, directly or indirectly, by the rules and regulations issued by several such authorities. The water for your morning coffee, the milk and cream on the table, the electricity or gas in the stove, the street car, bus, or train you ride to the office, the elevator in the office building, the restaurant where you dine, even the statement covering the bottle of aspirin you take in hand at day's end, are all subject to the jurisdiction and supervision of some local or national regulatory authority.

Most of us in the course of the day never advert to the conditions of being thus regulated, or if we do, and reflect upon the benefits derived by ourselves and our fellow citizens, are satisfied and thankful for such reasonable and sound regulations as exist.

So also, in my transformed capacity as a regulated person in the securities industry. I have small cause to complain or to change in any particular my philosophy with reference to regulation of the securities markets. There is no question in my mind but that a serious need existed for Federal regulation in this field of business. No one with a memory or knowledge of the securities markets as they existed in the roaring twenties and the early doleful thirties could help but come to the same conclusion.

The Effect of the SEC

We all remember the circumstances which brought about the creation of the SEC and the various statutes it administers. The Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939 and the Investment Company and Investment Advisors Acts of 1940, were each adopted and designed in detail to meet a serious need of investors for regulatory protection.

What we are inclined to forget, and in times of good fortune not even to advert to, however, are the benefits that have accrued to investors, to the securities markets, and to corporate issuers of securities, by reason of the existence of these several statutes and their effective administration and enforcement by the SEC.

Where once full information concerning a new offering of securities was practically unobtainable, now, every material fact concerning the issuer is publicly available in the registration statement and prospectus, so that every investor may become familiar with the intricate merchandise he is buying, and no longer buy blindly. Where once improper market pools, and excessive extension of credit to speculators resulted in the loss of investors' funds and their confidence in the markets, now, such pools have become a thing of the past, and investors, with confidence renewed and restored, may enter the market assured of fair and aboveboard treatment.

Take as a further example the outstanding benefits of regulation to investors and issuers from the administration of the Holding Company Act. This Act affected all the major holding company systems built up in pyramid fashion to centralize control over hundreds of electric and gas utility properties. The dramatic collapse in values of these paper pyramids was one of the salient features of the crash and depression following 1929. These systems were the subject of one of the most exhaustive studies ever made of a single industry. In that study the Federal Trade Commission laid bare the sordid stories of many of these empires: control by small cliques of vast and unrelated operating properties acquired with other people's money; complex financial monstrosities created in order to increase speculative values and to insure control without investment; utility operating and financial policies dominated by holding companies thirsty for the earnings they could siphon out of the operating properties; huge profits arising from transfer of assets to controlled companies at inflated prices bearing no relation to underlying values, and useless services performed by affiliates at huge profits to the service companies.

Point by point, these abuses were spotted in the Holding Company Act. The Commission was authorized to regulate the normal financial operations of the system companies and to undo, through fair and equitable reorganizations, the tangled web created in the building of these empires, to bring about simple and integrated system patterns and, whenever necessary, to abolish holding company systems.

The Commission can be proud of the fact that since it began actively to administer and enforce the statute, it has processed through the reorganization machinery companies controlling about $12 billion of assets, and has broken many a far flung, security entangled, financially confused and complex empire into geographically integrated, and financially sound, holding companies with simple capital structures, or into independent operating companies capable of standing on their own feet and effecting their own financing.

Work of State Securities Commissions

But the present relatively fortunate status of investors is not due entirely to the SEC by any means. A large share of the credit must go to the concerted efforts of the State Commissions, the exchanges, and other regulatory bodies who have worked hand in hand with each other and with the Commission to give the investor the information he requires, and to insure that his treatment in the market is fair.

This is the primary purpose of members of the New York Curb Exchange, "to provide a securities market place where high standards of honor and integrity shall prevail and to promote and maintain just and equitable principles of trade and business." Not only is every member of the exchange vigilant to see that these principles are followed, but members of the Board of Governors of the Exchange, in their own internal regulatory capacity, keep a watchful eye on the stream of transactions daily effected on the floor to insure that every member of the public, buying or selling securities in our market place, receives the best, the fairest, and the most expeditious service possible.

Every effort has been bent, and will continue to be expended, toward this end. Floor procedures and the mechanics of effecting and reporting orders are constantly subject to review with an eye toward increasing the efficiency of our market to the highest degree possible.

As a step in this direction, we have, within the past year, taken over the direct operation of a nationwide network of stock and bond tickers on a leased-wire-basis, to provide rapid and accurate dissemination of continous market information from our trading floor to a greater number of investors throughout the country.

During trading hours this ticker carries to subscribers and their customers the volume and price of all stock and bond transactions as they occur, together with many bid and asked prices. Even before the market opens, the tape prints important corporate notices affecting trading in Curb securities. Immediately after the close of trading, subscribers receive complete closing bid and asked prices on every Curb issue, together with the day's volume.

There are now about 736 of these ticker machines flashing continuous market quotations to investors across the nation. Located in 109 cities they bring up-to-the-minute market data to nearly every financial and business center in the country.

These services provided by the Curb Exchange, and the information made available to investors by it and the other national securities exchanges and government regulatory bodies, are of little avail. however, if investors for whom they are provided, at the cost of great effort and expense, do not make full use of them. The purpose of the prospectus, the annual and quarterly reports, and the daily publication of corporate information and securities quotations on the ticker, is that investors may need them, digest them, and use them as a basis for intelligently determining the market value of the securities they propose to buy or sell. To the extent that investors fail or neglect to do so, so long as they buy or sell solely on tips, hunches, and rumors, the protection, information, and services provided for them are wasted and efforts to maintain an orderly market wherein informed buyers deal with informed sellers are nullified.

Much Still to Be Done

I don't mean to intimate, however, that we have reached the millennium, that nothing more need to be done to protect the investor. While great advances have been made, long strides must yet be taken to increase the type and quality of information available to the buying pubilc. Not the least among these are: Proper amendments to the prospectus provisions of the Securities Act, and adoption of the Frear Bill by the Congress; and adoption by the Commission of the proposal, now pending, to amend the registration forms under the Securities Act to provide for a shorter, streamlined prospectus.

All such regulatory efforts to improve disclosure concerning all securities traded in the market place have been and will continue to be important props for the mutual confidence between investors and members of the securities profession which has grown over the past decade, and which must be preserved. We have a selfish interest in this, of course, for we are well aware that such mutual confidence is the keystone not alone of the securities market but of our entire economic system as well and only so long as it remains inviolate will the securities markets prosper.

*An address by Mr. McCormick before the 34th Annual Convention of the National Association of Securities Administrators, Oklahoma City, Okla., Sept. 19, 1951.

Chicago Analysts to Hear

CHICAGO, Ill. — R. C. Follis, Chairman of the Board of the Standard Oil Company of California, will be speaker at the luncheon meeting of the Investment Analysts Club of Chicago Sept. 28th at 12:15 p.m. in the Georgian Room at Carson Pirie Scott & Co.

Edward Davenport

Edward Walter Davenport passed away Sept. 18 at the age of 79. Prior to his retirement in 1931 he had been a member of Kidder, Peabody & Co.

Factors Affecting Bank Investment Policy

By EDWARD B. CHAPIN*
Asst. Cashier, First Nat'l Bank of St. Paul, St. Paul, Minn.

Mid-West banker, in limiting his discussion to three developments in current bank investment policy, analyzes effects of: (1) increased loans and discounts; (2) changing interest rates; and (3) taxes. Looks for heavy growth of deposits to raise demand by banks for government and high grade corporate bonds, along with tax exempts offering lower income yields. Foresees decline in yield on U. S. long-term bonds.

The usual approach to a subject of bank investment is to discuss the factors of liquidity, safety and income frequently based on a percentage formula. It seems to me that so many articles have been written and so many speeches have been made on these three factors that all of you are acquainted with the major aspects of the problem. Another approach frequently used is that of analyzing various classes of securities and suggesting which types might be desirable for a bank investment portfolio.


Edward B. Chapin

It is difficult for another banker to take only your financial statement and a list of your securities and make intelligent investment recommendations without a great many more facts about your bank. I should like to talk with the banker and obtain answers to such questions as these: What is the proportion of commercial to savings deposits? Are the deposits scattered through many accounts or do a few accounts hold the majority of the deposits? Do seasonal factors affect your deposit volume? What is the trend of deposits over a period of years and how does this compare with that of all banks? What is the outlook for your loans and discounts? Is the population in your community declining, stable or growing? These are but a few of the questions that I would like answers to before suggesting an investment policy.

The banker himself, after making such an analysis, will then know the general type of investment program he should pursue. When he has arrived at this point, he will be in a position to obtain material assistance from his city correspondent. The various averages which he has obtained will be valuable in comparing his bank with the averages of all banks of the same class.

Three Factors

I should like to discuss three factors which should have a definite bearing on the decisions of the investment officer in your bank. These factors are deposit outlook, interest rates and taxes. In the following discussion I will assume that there will be little change in the present proposed expenditures for defense purposes.

The large increase in loans and discounts during the last six months of 1950, following the outbreak of the Korean war, and the somewhat slower expansion during the first half of 1951 were reflected in a higher volume of deposits in the banks. Inventory loans, increased working capital requirements and plant and equipment expansion are several of the factors accounting for the increase in loans.

During the last half of 1951 business loans should rise to a certain extent due to seasonal factors, such as the movement of crops, and borrowings by firms with defense contracts as they get into production. Demands for credit may be large in view of the prospective plant and equipment expansion, and the greater difficulty of obtaining outside funds through the securities market. On the other hand inventory loans are expected to contract somewhat, and the volume of outstanding instalment and mortgage loans may not change appreciably from current levels. For the months immediately ahead and barring the outbreak of total war, the volume of private credit may move within a narrow range and therefore will probably not be an important factor in any change in the deposit volume in the country during the next six months.

Now I should like to turn and look at the government's financial status. With the Korean war thrust upon us during the summer of 1950, the Congress in the fall of that year increased both personal and corporate income taxes and in addition enacted an excess profits tax. Although a huge volume of defense contracts has been placed with industry, actual production of war materials and arms is as yet only a small stream. This, of course, resulted in the Treasury showing a surplus for the fiscal year ending June 30, 1951.

For the fiscal year 1952, however, the outlook is quite the reverse. If defense expenditures continue at presently proposed levels, the Treasury will finance part of the program through borrowing. To the extent that the Treasury is able to obtain the additional funds from non-bank investors, our deposit volume will not be seriously affected, but if the commercial banks or the Federal Reserve Banks acquire the securities offered, our volume of deposits will increase. If our past experience is any indication as to the results of large government financing programs, it seems reasonably certain that some of the securities will find their way into bank investment portfolios.

The Treasury's deficit financing program commenced last July with an increase in the weekly offerings of bills. This has tended to offset to a certain extent the transfer of the Treasury surplus accumulated during the last fiscal year to private hands. It is interesting to note that the majority of the currently outstanding bills are being held by non-bank investors; whereas, during the years immediately following World War II, the exact opposite was the case. As long as the rate on Treasury bills does not go too high and as long as the non-bank investors continue to absorb these short-term securities, it is expected that the Treasury will, from time to time, increase its weekly bill offerings. Funds from this method of financing will probably not, however, be sufficient.

The Treasury may attempt to tap the funds which are accumulating with insurance companies and savings banks by offering a special non-marketable long-term bond at a rate sufficiently high to attract such bonds. Or institutional investors might be offered a marketable security which would not be eligible for bank purchase until say 10 or 15 years hence. At the present time the Treasury is conducting a Defense Bond Drive in an effort to raise funds from non-bank sources.

To the extent that banks purchase Treasury securities under the deficit financing program, the deposit volume in the country will probably rise. This will, course, give the banks additional funds for investment.

The Subject of Interest Rates

Now I should like to turn to the subject of interest rates. There is not too much information available on this subject prior to the Civil War, but during the past 100 years interest rates appear to have completed two cycles. Rates declined from the 1860's to a low point in about 1898. During the next two decades interest rates gradually rose until a high point was reached in about 1919, and since that time they have declined to a low point in 1946. If this pattern is to be repeated, it would seem that at the present time we are in the upward phase of the cycle. It must be borne in mind, however, that there are fluctuations regardless of the phase of the cycle we are in.

During the past four or five years we have seen a gradual rise in the interest rate structure, including the prime commercial loan rate and yields on government and corporate securities. The greatest increase has, of course, taken place since last March when the Federal Reserve System parted company with the Treasury and refused to purchase all government securities offered at predetermined prices in order to maintain a low pattern of interest rates. As commercial bankers you all realize the importance of this move by the Federal Reserve Board in asserting its independence and not to be dominated by the policies of the Treasury Department. By the same token I do not mean that each pursue an independent course of action. There must be cooperation between the two as decisions by one will affect the policies of the other.

What is the outlook for interest rates during these coming fall months? Let's look at some of the more important factors which will influence rates. In the case of the long-term market, the trend of personal savings, the supply of mortgages and the volume of new corporate issues will be reflected in the prices of the longer government securities. On the other hand, short-term rates will be affected by the enlarged weekly offerings of Treasury bills, the outflow of funds from the large financial centers and the extent to which the Fed will supply commercial banks with reserves.

In recent weeks we have seen commercial paper rates decline somewhat and likewise the yields on government and corporate securities. In view of the reported accumulation of funds in the hands of institutional investors and the prospect of an increase in the money supply due to deficit financing on the part of the government, some sources believe that interest rates on securities may soften somewhat but not to the levels that existed during the first part of this year. Furthermore, it would seem that a moderate decline in yields on government securities would be more pronounced in the intermediate and long-term maturities rather than in the short-term securities.

The Matter of Taxes

The last factor I should like to touch on is the subject of taxes. The present high level of Federal normal and surtaxes and the possibility that they will probably be increased further behooves the investment officer of each bank to give serious consideration to the features of tax-exempt securities. This is particularly true if he finds that his bank is in the excess profits tax bracket. Time does not permit me to go into the details at this time, but there are available today many high grade tax-exempt securities which, on a taxable equivalent basis, provide higher yields than governments. In certain banks it may not be possible to purchase the volume of tax exempt bonds desired because of certain circumstances, such as a large volume of public deposits which usually require that government bonds be pledged. Municipal securities should be purchased only with the idea of retaining them to maturity.

To conclude my discussion it appears that the total volume of deposits in banks may increase somewhat in the near future. The accumulation of funds in the hands of banks, pension funds and institutional investors may increase the demand for governments and high grade corporates with the result that yields will probably decline somewhat. If your bank investment officer decides to purchase additional securities, he should be acquainted with your tax situation and consider the possibility of tax-exempt securities.

*An address by Mr. Chapin before the Sixth Forum of the Federal Reserve Bank of Minneapolis, Minneapolis, Minn., Sept. 21, 1951.

Second Anniversary For Women's Group

Miss Kathryn Linehan, member of the New York Society Security Analysts and with R. W. Pressprich & Co. was the winner of the floral table centerpiece at the luncheon of **Feminine Fame and Fortune** held Sept. 19. Mrs. Wenderoth of Wm. Wenderoth & Son, florists, 82 Wall Street, was guest of honor.

This group will hold its Second Anniversary dinner Oct. 16, 1951. "Fame" in their name is a salute to their guests and "Fortune" signifies the avenue for its guests, members and friends. Members of the group are organized to introduce its members to those in other fields of endeavor, and for mutual knowledge in business, education and arts.

Lester F. Gannon With Peter Morgan & Co.


Lester F. Gannon

Lester F. Gannon has become associated with Peter Morgan & Co., 31 Nassau Street, New York City, in the trading department. Mr. Gannon was manager of the trading department of W. T. Bonn & Co., Inc. for many years.

E. Ray Allen & Co. Formed in Chicago

CHICAGO, Ill.—E. Ray Allen and Ray Olson have formed E. Ray Allen & Company, Incorporated with offices at 135 South La Salle Street to act as underwriters and distributors of municipal bonds and private placements. Mr. Allen is President and Mr. Olson Vice-President and Treasurer of the new firm. Both were formerly associated with the Chicago office of Stranahan, Harris & Co., Inc.

Mason Kight With Morgan

(Special to The Financial Chronicle)

LONG BEACH, Calif. — Mason E. Kight has become associated with Morgan & Co., Farmers & Mercants Bank Building. He was formerly resident manager for Pacific Company of California and prior thereto conducted his own investment business in Long Beach.

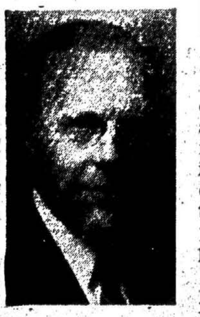
We Must Guard Against Overspending and Overtaxing

By C. A. SIENKIEWICZ*

President, Central-Penn National Bank of Philadelphia

Prominent Philadelphia banker analyzes current business situation and its immediate and long-term outlook. Says, despite possible cessation of Korean hostilities, defense program will go on, and warns we must not impair our industrial efficiency through maze of detailed regulations and controls, while fighting inflationary forces.

The spring and summer letdown in business activity has been largely due to the correction of earlier excesses of inflationary behavior by all of us. When the Korean war broke out, consumers and businessmen rushed into buying everything so that wholesale prices were pushed up and inventories piled up at factories as well as at wholesale and retail establishments.



C. A. Sienkiewicz

Action of public agencies contributed to this inflationary buying not only through abnormal stockpiling, as in the case of wool, and price-pegging of government securities, but also through the continuing extension of Federal credits, aids, grants, subsidies and "welfare" services. Bank loans, to be sure, increased substantially, reflecting both rising prices and inordinate buying activity. The volume of money supply, on the other hand, increased only 5% while the rate at which money was used by consumers rose 15%, again showing the effect of "scare" buying.

The Clamor for Controls

The erratic behavior of consumers, farmers, labor, businessmen and public agencies led to the clamor for controls on all fronts, and controls were adopted. But as soon as they were put into effect, we have found them to be ineffective stopgaps. Price orders and rollbacks created a widespread confusion and could not be strictly enforced. High-sounding wage policy was broken as soon as it was announced. Consumer credit regulations were relaxed under pressure from the market. Experience shows that overall controls seem to have been self-defeating.

Since March, we have been experiencing a wave of corrections. Inventories are being gradually liquidated, particularly in the case of soft goods, television and electrical appliances. Consumers have forgotten their excessive buying and are now resisting high prices so that prices, at least at the wholesale level, have softened. The cost of living continues high with the result that the drive for higher wages continues.

The present uncertainty, of course, is greatly heightened by the efforts to stop the fighting in Korea. At the moment, no one can say whether fighting will cease or a more violent shooting develop if present attempts fail. More likely than not, some form of truce will be reached after the present charges, counter-charges and general confusion are cleared up. Everyone seems to be fed up on the tragic "incident" in Korea and everyone seems to want to "save face."

Russia's maneuvers have been mysterious to say the least. She has been conducting a "peace offensive" among the Western powers on the one hand, while viciously pursuing a policy of "purge offensive" in the satellite countries on the other. Is her "peace" proffer real or is it an attempt to wreck the rearmament program of the West? The recent behavior of the Kremlin's representatives at San Francisco creates grave doubts about the good faith of their promises and the fulfillment of their obligations.

The apparent explanation for the Soviet's strange movements lies probably in its domestic situation. There is the thorny problem of the peasant, who is land hungry and burdened with armament expenditures. He is accused of being capitalist-minded and being an individualist, like most farmers, he is restive and rebellious. There is also a growing unrest in the satellite countries. Jugoslavia's Tito is a thorn in the Kremlin's flesh. Disturbances and purges appear to be daily occurrences in such countries as Poland, Jugoslavia and even Bulgaria. A possible combination of Jugoslavia, Greece, and Turkey puts an unholy fear into the Soviet.

The Korean venture has turned out to be a colossal blunder for the Kremlin because it expected quick victory as in other instances of conquest, but the United Nations, with this country in the lead, foiled that scheme. What's more, our policy is at last becoming tough and the Kremlin knows our economic and military potential. There also appear to be cracks in the iron curtain and leakages are greater and more frequent than was expected.

These are among some of the factors in favor of a cease-fire in Korea. Partly because of the lack of a clear policy in the earlier period, the attitude of the Western powers probably would also favor some speedy conclusion of the Korean disturbance.

Should this come to pass, what effect would a cease-fire have on American business?

The immediate effect of the Korean Truce is likely to accelerate inventory liquidation, speed up price adjustment, and lower production in some lines. This is probably what is in the minds of the consumers in delaying their purchases in expectation of lower prices, and in the minds of businessmen to follow conservative policies on their part. In any event, the prospect of a Korean settlement creates additional uncertainty at least for the time being.

Defense Program Will Go On

It goes without saying that our defense program will go on as planned but it is likely to be stretched out over a longer period. Our present rate of spending for defense is around $45 billion and will soon reach $55 or $60 billion. What it means is that up to this time we have been spending about 10% of our total product in the form of goods and services and soon we shall be taking out 20% of the total for defense, leaving 80% for civilian use and consumption. This factor will have a substantial offsetting effect on any letdown in business that may result from a cease-fire.

What effect it will have on activity in capital goods is hard to say at this time. We are now very active in this area. Gross private domestic investment in construction and producers' durable equipment is running in the neighborhood of $65 billion or almost 35% above that of a year ago.

Another sustaining factor is that personal savings are running very high, reflecting largely a serious letdown in personal expenditures. For example, in the second quarter of this year the annual rate of personal savings exceeded $21 billion as compared with only $9 billion last March and a year ago. This means a large increase in liquid assets of consumers and a great addition to their buying power in the future. Looking from this angle, we are in a strong position, certainly in a much better position than we were in the 1920's.

There is, of course, a lot of talk about inflation. We may even talk ourselves in to another period of "scare" buying, as we did at the turn of the year when the Chinese joined the North Korean forces. There is much skepticism among businessmen because their shelves have been heavily stocked with goods, defense orders have been slow to come in, and consumers are not under any great pressure to buy goods. But continued emphasis on shortages might produce another whirl of protective buying.

There is no doubt that if we are to face another international "incident" like Korea or if general war, involving Soviet Russia, should develop, we would be confronted with great inflationary pressures because it would not be possible to finance such a war without increasing the supply of money and curtailing the supply of goods for civilian consumption. In such an eventuality, our large inventories would help to supply goods but at best it would be only a temporary relief. It is doubtful if we could finance such a war on the pay-as-you-go basis because our taxes already seem to be reaching a breaking point. Our total tax bill is running in the neighborhood of $65 billion a year or 26% of personal income and soon it may even reach 30%. This is a very heavy burden which threatens to cause many dislocations in the economy.

The Korean cease-fire is not likely to change world tensions. The present conflict and distrust in the world will continue, alternating between hopes of peace and fears of war. Our rearmament program will not be stopped because we must build and maintain our economic and military strength. The cleavage between the East and the West is too great. We are up against the combination of irrational dogma and great power led by Soviet Russia. Large defense spending, therefore, is unavoidable to ensure and safeguard our national security. We have been thrust into world leadership and must play our role effectively. Our greatest need is strong leaders.

While fighting inflationary developments on the home front, we must not impair our industrial efficiency through a maze of detailed regulations and controls because it is an easy way to lose our economic freedom and undermine the foundation of our political institutions. Through continuous emergencies of one sort or another, we have already increased government power over economic affairs to a threatening degree.

The long run prospect for business appears to be for high production, high employment, and widespread buying ability of consumers. This is the target at which all of us are trying to shoot. We can achieve this goal if we do not try to do too much in attempting to carry an enormous defense program, give extensive foreign aid, and indulge in all sorts of domestic extravagances. We must guard ourselves against overspending and overtaxing.

*Summary of address by Mr. Sienkiewicz before the National Paper Box Manufacturers, Central Division, Shawnee-on-Delaware, Sept. 15, 1951.

Labor's Advances Under Collective Bargaining

By HAROLD J. KING, Ph.D.*

Dr. King maintains forces outside rather than within the nation have been responsible for workers' gains. Emphasizes increasing importance of manpower incited by war preparations. Points out that relative gains of individual unions are not correlated with their size, but often as under Lewis and Petrillo, success is attained through discipline and lack of members' freedoms. Predicts labor trouble to employers will reach new heights in 1954.

Since the mid-nineteen thirties workers in the United States have made dramatic strides toward the more abundant life. They have enjoyed not only marked increases in the quantity and quality of the goods and services they can purchase with their earnings, but have also experienced a marked improvement in their economic position relative to other classes in the population. In a nation where personal "worth" is traditionally measured by economic status, this should be of decided psychological benefit to those who sell their labor. Were Adam Smith writing of the United States today, he might even be inclined to label "blue collared" employment "honorific."

Harold J. King

That this situation came about in an era which included the most destructive war in the history of mankind is, to say the least, noteworthy. What brought about this march of progress for American workers? Are there any indications as to what the future holds for them?

As this story of progress has coincided with a marked development in the art of collective bargaining, it is quite understandable why many labor leaders have argued that the workers' progress has been caused by collective bargaining. This they have contended even though best estimates indicate that only about one fourth of the American working force has been organized into unions. Their position has been that non-union workers frequently, if not usually, reap benefits as an aftermath of the selling of standards, and winning of gains, by union leaders. They argue that non-union workers too often enjoy a "free ride" at the expense of dues-paying union members. As this argument holds a bit of truth, it should not be lightly brushed aside. The problem is one of separating fundamental causes from superficial ones.

Technological Progress

If one would understand this picture of progress, several things need be considered including: technological progress, the ratio of population to natural resources, the impact of militarism on populations, and the nature of collective bargaining. The people of this earth, be they workers or not, obviously could not enjoy dramatic increases in their levels of consumption, and/or their leisure time, were it not for the discoveries made in the laboratories of the physical sciences, and for the work of engineers and others who put their findings to practical use.

Technological progress enables advances in living scales, but does not guarantee that they shall be made. Population pressure, for example, can counter-balance any and all technological progress. If there are too many people in relation to the natural resources which must be used in the manufacture of products to be consumed, then technological progress cannot be translated into higher scales of living for the masses. Fortunately for the people of the United States the population appears, as yet, to be far below the danger point in this respect.

Workers' Gains Due to External Forces

Upon careful reflection, it appears obvious that the main force responsible for the elevation of U. S. workers, *relative to other classes within the nation*, emanated from outside, not inside, the nation. The development of collective bargaining within the United States has been, at best, a secondary force. Ironic as it may seem, Hitler's military tide brought the American worker "into his own," and paved the way for the rapid development of collective bargaining in this country. It is no doubt true, though, that had organized labor in the United States been devoid of vigorous, imaginative, and daring leaders, workers in this country would not have advanced in relative status to the extent that they have. (In so far as collective bargaining practices lead to restriction of output, workers may purchase gains in relative economic status by forfeiting potential gains in absolute living scales.)

When a nation prepares for war, manpower becomes of increasing importance to it. Ordinarily it will draft part of its manpower for military or other duties, and recruit the balance through open, or controlled, labor markets. In any event, the demand for labor tends to soar, while its market supply is cut. This results in an increase in the real market value of labor, whether collective bargaining is present or not. These shifts in demand and supply raise the value of labor, organized or unorganized. Gains flowing to labor with the advent of the new militarism certainly did not confine themselves to organized labor. Groups which have been totally lacking in organization, such as agricultural workers, have enjoyed dramatic improvements in their economic conditions, along with their fellow workers in unions. Whenever the supply of labor becomes more stringent, workers tend to become more independent, and the stage is set for developments in the field of collective bargaining.

Although some leaders of labor have taken an interest in suggesting ways by which workers under their cognizance may increase their productivity, collective bargaining has to do mainly with the division of the goods produced,

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not with the determination of the amount of goods created. (The united front of those who bargain collectively must be presented *against* some other group in society, such as employers.) Thus collective bargaining should be evaluated only in terms of its contribution to the *relative* status of: groups within organized labor; organized labor as a whole; or all labor, organized and unorganized.

Success of Lewis and Petrillo

If one is to ignore the freedom of individual union members, it may well be argued that the miners, under Lewis, and the musicians, under Petrillo, have enjoyed greater economic gains than have their brethren in organized labor. The imagination and determination of these two leaders, along with the high degree of discipline that they have effected within their respective unions, explain the greater "progress" made by these two groups within the framework of collective bargaining. Of course the purchase price of such gains has been the freedom of union members, for freedom and discipline, in this case, are inverse variants.

One thing to be considered is the size of a union, relative to the total population. Although, in a democracy, political power may stem from numbers (the more members, the more votes, maybe), the chances of a group "gaining" in relation to other segments of a population can, for mathematical reasons, diminish as the group increases in size. The musicians constitute a small group, and the miners are not numerous enough to encounter this handicap. The mathematics is as simple as this. If the total population belonged to one union the possibility of "relative gain" through collective bargaining, of course, would be non-existent. If 90% of the population belonged to one union, the chances for making relative gains through collective bargaining would indeed be very low. But if a union comprises a negligible part of the population, the mathematical chances for its members to enjoy relative economic gains can be very great.

CIO as Political Factor

The idea of industrial (as opposed to craft) unionism is to enroll as many members as possible. Dues and entrance requirements are kept low. It appears that some of the huge industrial unions of the CIO may have encountered some of the mathematical difficulties indicated above. This probably explains the greater interest the CIO (as compared to the A F of L, with its craft unions) has taken in such matters as political action, price control and profit control.

It should be noted that those who rely primarily upon their earnings (along with their dependents) invariably constitute the vast majority of any national population. For this reason, labor leaders would be assigning themselves a tremendous task were they to set out to improve, through collective bargaining, the economic status of all workers, relative to other classes of the population.

We now find the United States going into a period of intense military preparation. Such being the case, it is a practical certainty that the economic position of workers, *relative* to other groups in the population, will improve still further. This will be true even though the impact of military requirements upon the civilian economy will likely become great enough to cause a reduction in the actual living scales of the workers. The improvement in the relative economic position of workers will come about regardless of any developments in collective bargaining. However, as the supply of labor becomes more stringent, the stage will become once again very favorably set for the "advance" of collective bargaining. Employers who ignore this fact will be doing themselves no favor.

Labor Strife to Reach Peak in 1954

In matters of collective bargaining the initiative still rests with labor leaders. Industrialists and other employers continue to do the "catching" in the handling of their labor problems. Labor leaders continue to conceive the demands, and the employers with whom they deal continue "to adjust" themselves as best they can in the political-legal-economic medium in which they find themselves. And there are no indications that organized labor in the United States will want for vigorous, imaginative and determined leaders in that part of the future which may be foreseen. Many industrialists in this country would do well to elevate on their organization charts the subject of labor relations. The time has passed in which this "function" may safely be considered a minor one. In so far as indications as to the future may be gleaned from the history of World War II, most industrialists probably cannot expect the serious impact of labor shortages, and their collective bargaining complications, to hit them before 1954. At that time they should not expect too much help from wage stabilization, conciliation and arbitration agencies of government. And at that time many of them will find it increasingly difficult to shift to customers their increasing labor costs.

Lloyd Canady With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Lloyd E. Canady has become associated with Reynolds & Co. Mr. Canady formerly conducted his own investment business in Raleigh under the name of Lloyd E. Canady & Company.

Naaman F. Morris has also joined the staff of Reynolds & Co. in Winston-Salem.

With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—J. Stanley Caunt has been added to the staff of Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Joins John J. O'Brien

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William E. Tague has become associated with John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with Cruttenden & Co.

Two With Minot, Kendall

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Eldon E. Stark and Raymond T. Vredenburgh are now with Minot, Kendall & Co., Inc., 15 Congress Street, members of the Boston Stock Exchange. Mr. Vredenburgh was previously with Sides, Morse & Co., Inc.

I. A. Allen Opens

BEVERLY HILLS, Calif.—I. A. Allen is engaging in the securities business from offices at 275 South Beverly Drive.

Mutual Funds

By ROBERT R. RICH

REDUCED sales charges will be effective Oct. 1 on shares of Affiliated Fund and American Business Shares, it was announced today by the manager of the Fund, Lord, Abbett & Company.

Sales charges on orders involving more than $10,000 but less than $25,000, will be cut from 7½% to 6¾%, with the dealer commission remaining at the present rate of 6%. On orders between $25,000 and $50,000, the sales charge will be reduced from 5% to 4¾% of the offering price, with the dealer concession holding steady at 4%.

Lord, Abbett & Company, in explaining the reduction, stated, "We believe that more and more executives and professional men who are in a position to invest substantial amounts are turning to investment companies for the investment of their surplus funds.

"This is an important market and we are happy that our sales volume, of approximately $4,000,000 a month during 1951 to date, enables us to help dealers develop it, particularly in the $10,000 to $25,000 range.

"These reductions are consistent with our desire to reduce costs to the investors whenever it is practicable for us to do so without reducing the commissions paid to dealers who in our judgment perform a valuable service to investors and are entitled to adequate compensation.

"Prior changes, with which most dealers are familiar, were three reductions in the management fee paid by Affiliated Fund as the company grew in size in the last few years and the reduction about two years ago in our sales charge from 8½% to 7½% of the offering price without any reduction in the 6% dealers' concession."

FUNDAMENTAL Investors, one of the largest common stock investment funds in the United States, released results of a shareholders' survey today. More than 28,000 shareholder accounts were examined. The survey is significant, since in number, these shareholders represent a larger group than the common stockholders of many individual companies listed on the New York Stock Exchange.

According to the report, ownership of Fundamental Investors' total net assets of $105 million is widely distributed, both geographically and by types of investors. Shareholders of the Fund are to be found on every populated continent in the world except Australia and Africa. They include working and professional people, retired persons, clergymen, teachers, housewives and persons from every walk of life.

More than $64 million of the Fund is owned by people with less than $10,000 each invested in its shares at present values.

An additional $28 million represents holdings of individuals with investments of $10,000 or more, $7 million of shares are in the hands of trustees, guardians or administrators, while the remaining $5 million represents the investments of hundreds of institutions owning shares of the Fund.

The survey pointed out that most of the largest accounts were those of individuals rather than of organizations. Many scores of persons own shares worth between $40,000 and $400,000 at today's prices.

A NEW booklet on mutual funds, designed to help answer the question of whether or not bankers should recommend mutual funds to their customers has been prepared by Axe Securities Corporation.

The author is Morris M. Townsend, Executive Vice-President of Axe Securities Corporation and formerly U. S. Treasury official, who because of his acquaintance with bankers and banking, has written the booklet from the banker's viewpoint.

This booklet offers a thorough discussion of the place of mutual funds in successful investing.

The author traces the history of mutual funds to Belgium where they originated, in an earlier form, around 1822 and were later transplanted to Scotland in the 1880's.

In the United States the first mutual fund, with the unique feature of common stock redeemable at any time on demand, comprising its entire capitalization, was started in Boston in 1924. Today, the booklet states, Mutual Funds have over one million shareholders and total assets of nearly $3,000,000,000.

The booklet then goes on to explain the various features of mutual funds particularly from the standpoint of bankers and questions they might be expected to answer.

Among the subjects treated in the booklet are: mutual funds do not compete with savings accounts; are mutual funds guaranteed; shares redeemable on demand; evaluating management results; mutual funds for trust accounts; acquisition cost; concurrent purchases; cumulative purchases and fundamental elements for prudent investing.

Copies are available from Axe Securities Corp., 730 Fifth Avenue, N. Y. C. 19, N. Y.

INDIVIDUAL investors in the Upper Midwest states of Minnesota, the Dakotas, Iowa, Nebraska, Kansas and Missouri "are demonstrating to the entire nation that sound and consistent thrift and long-range investment programs depend more upon self-obligated, conscientious planning than upon over-average personal incomes," Earl E. Crabb, Chairman and President of Investors Diversified Services, told more than 250 representatives of I. D. S. from the seven states at a conference at the Curtis Hotel in Minneapolis.

"Average annual per capita personal income payments to Upper Midwest residents in the region are slightly below the national average of annual per capita income payments in the entire country, but nevertheles the Upper Midwest is a leading region in America in the systematic use of income for long-range capital accumulation and investment plans," Crabb said.

"By every practical yardstick, the people of the Upper Midwest are setting the rest of the nation an enviable standard of solid accomplishment by consistently putting a higher-than-average volume of savings into long-term thrift and investment plans, despite the inroads of inflation," Crabb said.

Thus far in 1951, said Grady Clark, Vice-President of I. D. S., Upper Midwest investors have purchased more than 20% of the $115,000,000 in face-amount investment certificates issued by Investors Syndicate of America, Inc. throughout the nation. During the same period this year, Midwest residents have purchased more than 25% of the $69,000,000 mutual fund investment shares issued by Investors Mutual, Inc., Investors Stock Fund, Inc. and Investors Selective Fund, Inc., mutual fund affiliates of the Investors group.

Both total and per capita holdings of the company's investment securities by Midwest residents are substantially higher than the current national average of such holdings, Clark said.

Currently, the maturity values of total national investor holdings of I. D. S. and I. S. A. face-amount investment certificates are over one billion two hundred million.

Midwest residents are holders of over $273,200,000 in certificates, or 22.56% of the national total. National per capita value of certificates held by over 317,000 owners across the nation is approximately 3,820. The per capita value of certificates held by approximately 67,360 residents of the seven Midwest states is approximately $4,060.

In the mutual fund investment field, participation by Midwest residents is also in excess of national averages, Clark said. Currently, approximately 124,500 investors from coast to coast hold over $333,800,000 in mutual fund shares of the three I. D. S. mutual fund affiliated companies, or a national per capita holding of approximately $2,681 per fund investor.

Total asset value of mutual funds currently owned by Upper Midwest investors in I. D. S. affiliated funds is over $97,000,000, or a per capita holding of approximately $2,700 per fund investor, it was stated.

IN ITS weekly market analysis, Delaware Fund reported that "The market has moved indecisively during the past few days, with marked cross-currents and eddies. We have used the period to increase the emphasis on industries which have participated less than the average in the summer's rise.

"We have bought additions to our holdings of Canada Dry Ginger Ale, International Hydro-Electric preferred, and General American Transportation, and established a new position in General Foods. In addition to the proceeds of sales of new shares, we have used the cash received from the sale of part of our holding of International Hydro-Electric System 'A.'

"The switch from the 'A' stock into the preferred, in the International Hydro-Electric System, was occasioned by a sharp rise of price in the junior stock this week, when the committee arguing for its continuation as an investment company filed a new brief with the SEC. We can't prejudge the outcome of a further hearing before the Commission, but it seems to use that the 'A' stock was getting fairly fully valued, whichever plan is adopted; and that both plans make adequate provision for the preferred stock at somewhere around its par value plus arrears, or about $108 a share.

"The closer the consummation of either plan approaches, the closer should the preferred approximate this value, provided the market for the underlying securities is not radically changed. Appreciation to $108 a share would give us a capital profit of around 18%, in addition to the 3¾% yield on the dividend which is currently being accrued, although not paid.

"General Foods has long been a market landmark for its stable and conservative growth. It produces the Post cereals: Jello, Maxwell House Coffee, and numerous other household brands of foods, and is the owner and originator of the Bird's Eye frozen food process. It has expanded its net sales from $128 million in 1929 to nearly $600 million at the present time, and net income, although not keeping pace entirely with this rate of growth, has nevertheless shown a steady increase.

"Dividends have been paid regularly for 30 years. Recently the stock has markedly failed to keep pace with the rise in other commons since Korea, due to a mild falling off of net earnings under the influence of wartime taxes and inventory problems. It is this action which makes us believe that the present price level of the stock contains less speculative influence than in the more recently popular issues, and that its well protected 5½% return should give it a strong measure of resistance to any intermediate decline which the market might experience."

COMMONWEALTH Investment Company reports that on Aug. 31, 1951 its total net assets were $39,126,715, with over 22,000 shareholders. Portfolio was diversified with 63.?% common stocks, 22.2% preferred stocks, 10.9% cash and governments, 3.1% corporate bonds.

THE "INVESTORS League Bulletin," containing a statement on pending tax legislation by William Jackman, President of the Investors League, was recently mailed by Institutional Shares, Ltd. to its stockholders, "With the thought that they may be interested in the opportunities for public representation offered by the Investors League."

The League describes itself as a "national, non-profit, non-partisan organization established in 1942 for the protection of investors."

Mr. Jackman, in his statement on H.R. Tax Bill 4473 before the Senate Finance Committee stated, "I speak in the interest of millions of American men and women who have worked hard, sacrificed freely and lived frugally to save and invest in 'Prosperity, American Style.' "

"Gentlemen," Mr. Jackman continued, "these are loyal citizens who can be counted upon to keep faith with the principles and practices which have made ours the greatest country in the world . . . who stand ready to meet every national crisis, every threat to our civilization . . . to give of themselves to help meet every plan for social and material advancement of this country and of the world."

"The Investors League," Mr. Jackman added, "states with pride that the average investor is a splendid, and upright American."

Mr. Jackman asked that a Joint Committee be appointed to rewrite the Internal Revenue Code "from one end to another as speedily as possible," spoke against a proposed 20% levy on dividends and interest at source as "insulting to at least 10 million loyal Americans," advocated a national excise tax of 5%, favored a reduction in the holding period for capital gains to three months, and attacked double taxation of dividends.

Booth Devoted To Funds At Westchester Exposition

FUND SHARES GIVEN AS PRIZES

B. G. Phillips and Co., 44 Wall Street, was the first investment house ever to exhibit at the Westchester Better Homes Exposition when the ninth annual show opened at the County Center in White Plains Tuesday, Sept. 25. Its booth will be devoted exclusively to Mutual Funds.

On display at regular intervals were the Mutual Fund Marionettes, interpreting in serio-comic fashion the advantages of Mutual Fund investments. Literature and prospectuses of leading Funds are available for investors interested in learning more about this comparatively recent financial development.

To acquaint the public further with this form of investment, B. G. Phillips is giving away free, each night of the Exposition, ten shares of a well-known Mutual Fund to the holder of a lucky number drawn at ten o'clock.

Last week the company showed a similar display at the Mineola Fair, Mineola, Long Island. Several hundred people wanting to learn more about Mutual Funds visited this exhibit. Great interest was reporterly expressed in the Funds' operation and in their possibilities for the average "uninformed" investor who has neither the time nor the knowledge to follow closely the workings of the securities market.

"Exhibiting at fairs and expositions in and around New York is one of the best methods I know for getting directly to the people with the story of Mutual Funds," claims B. G. Phillips, general partner of the firm. "At Mineola we met numbers of people who had heard or read a little about Mutual Funds and who were anxious to learn the full story. Meeting them directly is a wonderful means of explaining the Funds more clearly and of giving interested people a chance to ask questions. It clears up a lot of misunderstandings."

Peter Greenquist of White Plains operates the Mutual Fund Marionettes.

Continued from page 13

Air Transportation And Real Estate Values

ator, the community, the opportunities offered to concessionaires and other private enterprise, attracts to it between two and six times as many people as go there to board or leave airplanes as passengers or pilots. I am told that on the Pacific Coast something like 30 cents of the dollar of the visitor to the airport is spent for food and merchandise as compared with 22 cents for transportation to or from the terminal.

So much then for the terminal airport except to repeat briefly the broader truths about the volume of people, their relatively high spending power, the express and cargo and its relatively high value that are transported by air to and from the town or city with adequate and close-in airport facilities. As previously mentioned, air transportation in commercial and private planes is increasingly essential to the commerce, industry and business of cities as well as their surrounding agricultural enterprises. Then, too, important in view of world economic and political conditions today is the national defense aspect to which civil aviation in its every detail is without question a most important element.

To repeat, the airlines terminal airport has created new centers of population, generally suburban, about which have grown new residential as well as commercial enterprises, made the more attractive because of the very utility of air transport for the worker who wants to be near his job, to the manufacturer who wants to be near his means of transportation in and out for supplies and finished products, and to the traveling man—salesman or executive—who needs prompt and easy contact with his market or his operations.

Modern technical improvements in aircraft are tending to make possible unidirectional runways at airports. This will free large airport areas which previously were allocated to multi-runway use to meet variable winds and permit their development for non-flight purposes. This will increase the airport's ability to support itself as well as to eliminate conflicts with the aircraft movements of other airports. With the proper planning and development of these large areas within the perimeter of the airport, a pattern can be established for the entire community to follow as an example of successful community planning in the air age. Horizontal rather than vertical in the architecture of industrial buildings is a perfect fit with restrictive requirements of approach patterns in the air.

Airports integrated with the region's express roadway system indirectly affect suburban road construction and real estate values. Plans for highway building to connect airports expeditiously to the city center, and to all other important areas, should be a part of forward planning. Thus, by indirectly improving street and highway transportation there is a substantial effect on real estate values in the area of the airport.

An airport always creates a demand for stores. The establishment of businesses has a tendency to raise the value of the land. The open spaces of the airport and its drawing power may well encourage recreation centers to follow, such as swimming pools, picknicking and boating, skating rinks. These in turn attract residences. Only last month I read in a Los Angeles paper of a proposed 200-room hotel to cost $1,500,000 which would take care of people passing through our International Airport.

While the railroads created cities, the trolley and later the auto has dispersed the population within those cities. Soon will come the passenger helicopter to further disperse population. However, because the cost of copter transportation might remain relatively high in the foreseeable future, the impact may not be comparable to that of already demonstrated modes of transportation. Let me here say parenthetically, however, that since being in the air transport business I have learned that nothing is impossible — the impossible of yesterday is being achieved daily.

My own company Pacific Mutual Life Insurance Company, is planning to construct a heliport on the roof of our office building in downtown Los Angeles. It will be leased to Los Angeles Airways, Inc. There will be a luxurious passenger lounge reached by express elevator, and connected with the landing area by escalators, where passengers may step into a helicopter and be at the airport six minutes later. Time from the Pacific Mutual heliport to other communities is acknowledged to be but a fraction of the time now by surface transportation.

The airlines have not only made their terminals great points of arrival and departure of passengers along with their correlated attractions, but they are rapidly developing a freight business which as cargo terminals will add substantially to the business of the communities adjacent to the airport.

More Remote Effects

Because of lack of time, I shall merely mention many of the other effects of aviation, which subject would justify a paper on these alone.

To some remote areas the plane's impact is as great as that of the train or auto. Areas in South America, Canada and elsewhere, inaccessible by land or water, have been created and their wealth in mining and timber have been made available through air transportation. To many of these areas surface transportation will follow. Thus the *first* contribution of aviation is not the measure of its total effect. Later developments are the indirect effects of aviation.

Summer homes used on weekends and for vacations can be located much further from the city. Resorts in remote areas are developed. Vacation lands such as some of those in California, Arizona, Florida and Mexico have increased dramatically in importance because the time savings of aviation has so increased the area from which they draw. Aviation brings to sports spectacles such as Rose Bowl games, the Olympics, prize fights, World Series, thousands of people who could not otherwise attend.

The growth of air transport has been phenomenal, and its effect on our economy important. When we bear in mind it is less than 50 years since the first airplane got off the ground, one can well marvel at its development today. I believe it might well be said that it is a sturdy member of the family of our industrial American-bred giants. To illustrate air transport growth in the last 10 years the following figures may prove interesting. (Table I)

The growth of air transport as a means of travel, too, has shown a phenomenal increase in its relative place as compared to other methods. Ten years ago, of the 10 transportation companies with the greatest passenger revenue show but two airlines, whereas today there are four, and the latest current figures put one of our air lines, American, second only to the Pennsylvania Railroad. Comparable figures in this regard are shown in table II.

12 Months Ended April 1, 1951

Pennsylvania	137,000,000
American Airlines	114,500,000
New York Central	108,500,000

Summary

The impact of air transportation on real estate values is real. Some of the effect is prompt and easily measurable, but much of it is gradual, covering a transition of many years, and much of it is difficult to measure. In some respects it merely continues processes started by other forms of transportation, and in other respects it creates specific changes peculiar to this new form of transportation. It goes far toward elimination of provincialism and toward unifying a large country covering a great geographical area. It has aided and will continue progress toward achieving the goal of a true world community, creating better understanding among peoples, dramatizing the fact that they are really close neighbors, speeding world economic progress, and eliminating many of the causes of war.

TABLE I

Domestic Air Trunk Lines

	1940	1950
Total assets	$72,559,460	$542,541,065
Net Operating Income	5,967,028	62,570,632
Total Seats	6,089	32,238
Revenue Passengers Carried	2,802,781	15,978,172
Seat Miles (000)	1,817,085	12,385,635
Passenger Miles (000)	1,052,156	7,766,008
Mail Ton-Miles	10,117,858	46,314,753
Express and Freight Ton-Miles	3,476,224	149,398,814
Airline % of Total Air and Pullman Passenger-Miles	12.33%	46.49%

TABLE II

Airline and Railway Leaders in Passenger Revenue

Carriers—	1940	1940 Rank	1950	1950 Rank	1950 Rev. % Incr. Over 1940
Pennsylvania	71,623,000	1	142,374,000	1	98.8
New York Central	59,322,000	2	116,597,000	2	96.5
American Airlines	15,898,000	7	100,508,000	3	532.2
United Airlines	11,065,000	9	81,955,000	4	640.7
Eastern Airlines	8,371,000	13	69,884,000	5	734.8
Trans World Airlines	7,887,000	15	60,890,000	6	672.0
N. Y., N. H. & Hartford	26,342,000	3	46,681,000	7	77.2
A., T. & Santa Fe	18,493,000	5	44,813,000	8	142.3
Southern Pacific	20,872,000	4	38,949,000	9	86.6
Union Pacific	17,473,000	6	33,160,000	10	89.9

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Board of Trustees of **The Lincoln Savings Bank of Brooklyn, N. Y.**, has appointed J. Daniel Smith, Assistant Vice-President of that institution.

Mr. Smith has been with the bank for twenty-eight years.

* * *

FOUR -- FOUR -- FOUR -- FOR

On Sept. 10, the New York State Banking Department approved a Certificate of Increase of capital stock of the **Genesee Valley Trust Company, Rochester, N. Y.**, from $1,750,000, consisting of 70,000 shares of par value of $25 each to $2,000,000, consisting of 80,000 shares of $25 par value.

* * *

The Peconic Bank, Sag Harbor, N. Y., was given approval on Sept. 20 by the New York State Banking Department to increase its capital stock from $25,000 consisting of 1,250 shares of $20 par value to $50,000 consisting of 2,500 shares of $20 par value each.

* * *

The First National Bank of Boston on Sept. 26 offered to holders of its capital stock 375,000 new shares at $42.50 a share, at the rate of one share for each 5 14/15 shares held. The offering is being made until Oct. 16 and will increase the banks capital by $15,937,000. The financing is being made to bring the bank's capital funds into closer relationship to its outstanding loans and deposit liabilities. The bank's deposits on June 30 were $1,423,048,414, loans and discounts $657,000,000 and resources $1,593,000,000. The First Boston Corporation heads the investment bankers underwriting the offering.

With the completion of this offering the bank will have increased its shares of stock outstanding from 2,225,000 shares to 2,600,000 shares.

* * *

Kelley Graham, Chairman of the Board of **The First National Bank of Jersey City, N. J.**, has announced the advancement of Oswald Hopper, head of the bank's credit department, from Assistant Vice-President to Vice-President.

A member of the Robert Morris Associates, Hopper has been engaged in credit work throughout most of his banking career, which began in New York City. He joined the First National organization in December 1937.

Mr. Graham also announced that John G. Hewitt, manager of the bank's Consumer Credit Department, has been appointed Assistant Vice-President.

Hewitt will continue as head of the department which he organized in 1949, when he joined the staff of the First National Bank. Prior to that, he was manager of the Journal Square Office of the Family Finance Corp., and has had a broad background of experience in the small loan field.

* * *

Consolidation of the **Philadelphia National Bank** and **The Ninth Bank and Trust Company**, the latter located in the rapidly growing northeast section of the city, became efefctive on Sept. 24 under the name and charter of **The Philadelphia National Bank**, the city's largest and oldest bank. Frederic A. Potts, President of the enlarged bank, stated that addition of Ninth Bank and Trust Company to The Philadelphia National will increase the resources of the latter by more than $50,000,000, to a figure in excess of $800,000,000. The bank will have a total of eight offices.

Senior executives of the enlarged bank are Frederic A. Potts, President, and Norman T. Hayes, Vice-President; with Ralph D. Withington, Vice-President, downtown office, and J. Wilson Steinmetz, Vice-President, Northeast offices. Mr. Steinmetz formerly was President of the Ninth Bank.

The consolidation, Mr. Potts said, will mark the entry of the Philadelphia National into neighborhood banking. Heretofore the bank has principally served commercial business in this country and abroad. By the consolidation, he observed, the bank has geared itself "to give broad banking service to individuals as well as business." With capital sufficient to make individual commercial loans up to $5,000,000, the bank's expanded lending policy will include home mortgage and modernization loans and personal loans.

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A $100,000 increase in the common capital stock of the **Fayette National Bank and Trust Company of Uniontown, Pa.**, resulting from the sale of that amount of new stock, raising the amount from $200,00 to $300,000 became effective Sept. 13 .

* * *

A $75,000 increase in the common capital stock of the **First National Bank in Bedford, Pa.** from $75,000 to $150,000 by a stock dividend and another $50,000, raising the capital stock to $200,000 by sale of new stock effective Aug. 27.

* * *

First National Bank in Minot, N. D., raised its common capital stock from $150,000 to $300,000 by a stock dividend effective Aug. 30.

* * *

The First National Bank of Grayson, Ky., increase its common capital stock from $50,000 to $100,000, effective Sept. 13, by a stock dividend.

* * *

Utah's oldest banking institution, **Walker Bank & Trust Company**, recently opened its first two branch banks.

John M. Wallace, Walker's President, was in charge of the formal opening of the Sugar House and Pioneer Branches on Sept. 13.

Housed in a new modern stone and brick bank building costing more than $250,000.00, the Sugar House branch is situated in southeast Salt Lake City, in the center of the city's residential area. New Sugar House branch manager is Vernon W. Mackay, an Assistant Vice-President at Walker's. Wilford W. Kimball, recently elected a Walker Assistant Cashier, is Assistant Sugar House Manager.

One thousand safety deposit boxes are included in the Sugar House branch building. There is provision for adding two thousand more later. Off-street parking and drive-in deposit facilities are provided. The branch handles both checking and savings accounts, and makes all types of business, real estate mortgage, installment and consumer credit loans.

The Pioneer Branch handles savings and checking accounts, and makes all types of loans. Albert C. Zenger, a Walker Assistant Cashier, is manager of this branch.

Doubling in the past ten years, Walker's total deposits now reach $76,715,077.63. Capital stock is $1,500,000.00, and surplus, $1,500,000.00. Undivided profits are $1,736,553.21.

* * *

Allard A. Calkins has been advanced from President to the newly created office of Chairman of the Board of the **Anglo California National Bank, San Francisco**, it was announced on Sept. 18, after a meeting of the bank's directors. At the same time Paul E. Hoover, previously Vice-President, was named President, and Paul B. Kelly was promoted from Vice-President to first Vice-President. All three officers have been members of the board of directors for many years.

Mr. Calkins will continue as chief executive of the bank, it was stated. The enlargement of the high management organization of the bank is a reflection of the growth of the institution and of the increase of executive responsibilities.

* * *

On Sept. 17, **California Bank of Los Angeles** opened its 41st branch a completely new and modern office in Vernon, California. Vernon, which is a unique community in that it is almost completely industrialized, is located Southeast of downtown Los Angeles and borders on the city itself, Maywood, Huntington Park, and Los Angeles County.

The Vernon location is ideal for California Bank which is well known as "An industrial and business-minded bank in the industrial West."

The new bank is of reinforced concrete construction with ceramic veneer trim. The main banking room has 4,400 square feet of floor space and a large mezzanine. An added feature is drive-in teller facilities, the first such installation for California Bank.

J. F. Johnson, Assistant Vice-President, is Manager of the new branch and George A. Elder, Assistant Manager. A preview and reception for 800 invited guests officially inaugurated the new bank Sept. 14. Vernon officials and industrial leaders attended.

* * *

The **Pajaro Valley National Bank of Watsonville, Calif.**, raised its common capital stock from $175,000 to $250,000 by sale of new stock, effective Sept. 1.

* * *

The **First National Bank of Cottage Grove, Oregon**, increased its common capital stock from $50,000 to $250,000 by a stock dividend effective Aug. 28.

Harry Reed V.-P. Of Dallas Rupe & Son

Harry F. Reed

DALLAS, Tex.—Dallas Rupe & Son, Kirby Building, announce that Harry F. Reed has been elected Vice-President of their firm. Mr. Reed was formerly with Carl M. Loeb, Rhoades & Co. in New York City.

With Walston, Hoffman

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Chester B. Johnson has become affiliated with Walston, Hoffman & Goodwin, 621 Southwest Morrison St. He was formerly with Foster & Marshall and Merrill Lynch, E. A. Pierce & Cassatt.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It is believed the longer maturities of Treasury obligations are still in the process of marking out a trading range, which, according to many money market followers, means further backing and filling before anything of a very definite nature develops. The performance of the market has been encouraging and its ability to rally from the decline is given as proof of this. However, until more activity and volume come into the picture, price movements will still be looked upon as not too important and not decisive. The tone of the market has been helped somewhat by the buying of state funds which have been putting money to work in the restricted issues. These same funds and private pension funds have also been buyers of the World Bank bonds, which were acquired at favorable levels, after price restrictions had been removed.

The short-term market continues to supply the bulk of the volume and activity and remains on the stable side, despite some question as to whether these rates are likely to move higher or not. Funds seeking investment in shorts still appear to be plentiful.

Short-Term Issues in Demand

It is the same old story in the government market, light volume and curtailed activity in the longer end of the list, with the nearer-term maturities steady and firm on greater activity than has been showing up in the higher-income obligations. The short market continues to have a substantial following despite the apparent lack of agreement among money market experts as to what is likely to be the future trend of near-term rates. Some hold to the opinion that short-term rates are likely to increase moderately, because of the seasonal increase in loans, the demand for bank credit to finance military production, and the high cost of doing business, which will increase the need for bank credit. Whether or not the money markets 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, according to one expert. It would, however, not be surprising to this same expert if this were to take place in the not distant future.

On the other hand, there is the view that near-term rates have about reached a peak and despite a greater demand and need for bank credit there is not likely to be a further firming of short-term rates. It is believed by this group that the monetary authorities will step into the picture and supply funds so that a hardening of near-term rates does not take place. It will not take too long to get an answer to this question because if short-term rates are to be increased, it should be taking place in the very near future.

Long-Term Market Quiet

The higher-coupon obligations have been jumping about, on light volume, with the price movements, or better still, the quotation jockeying smacking very much of professionalism. As has been the case in the past, these quotation changes have very little meaning because of the curtailed activity. One phase of the situation does, however, remain the same and that is the absence of offerings in any kind of volume. Large institutional owners of the higher-income Treasuries continue to refrain from liquidating these securities so that the pressure of selling is not a factor in the action of the quotations of the longer-term governments. Although rumblings are being heard again that the large life insurance companies will have to let out some of the longs in the future, this is not too much of a concern to the money markets, because if it should come it is not expected to be sizable.

Also it is being pointed out that these companies are rather well fortified with shorts, which might be sufficient to take care of expected demands, and thus forestall the liquidation of the higher-income obligations. There is no question about what would take place in the market if the large insurance companies were to hit it with volume and there was no help from the monetary authorities. Although dealers' positions are reported to be light and there are prospective buyers around, it would take considerable more than these to take care of sizable selling in the kind of markets we have been having lately.

Restricteds on Defensive

The bank-eligibles, that is, the intermediate and longs, have been on the quiet side, both from the standpoint of buyers and sellers. According to reports, when quotations were on the defensive, very few of these securities appeared in the market, which tended to result in prices being kept within recent trading ranges, somewhat better than was the case with other higher-income issues. Nonetheless, buyers of the bank obligations are still on the cautious side, seemingly not too much concerned at this time about there being any hurry in picking up these obligations.

State funds have been on the buy side in the restricted issues and they seem to have taken the spotlight away from the private pension funds, for the time being at least. The small life insurance companies, fire and casualty companies and charitable organizations have supplied a moderate amount of competition.

The $168,000,000 of Housing bonds which are scheduled to be offered the latter part of next month are having a mild effect upon the longer Treasuries. The "ballooning" in the long maturities is evidently the reason for this. Taxing of savings banks would probably bring them into these bonds.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected the following to membership:

Herman James Sheedy, McDonald & Company, Cleveland, Ohio; Carl H. Doerge, Wm. J. Mericka & Co., Inc., Cleveland, Ohio; Hugh A. Johnson, Hugh Johnson & Co., Buffalo, New York; Herman B. Cohle, H. B. Cohle & Co., Cincinnati, Ohio.

With Andrew Knox

(Special to The Financial Chronicle)

Ft. Lauderdale, Fla.—Charles H. Shepherd has become connected with Andrew B. Knox and Co., 207 E. Broward Boulevard.

With Harris, Upham

(Special to The Financial Chronicle)

CHICAGO, Ill.—Strother B. Beeson is with Harris, Upham & Co., 135 South La Salle Street.

Continued from page 4

Problems Facing Our Economy

against inflation is by no means hopeless.

Utilization of the Productive Power of Credit

Maximum utilization of the full productive power of credit is the problem on which bankers can give the greatest assistance. Your self-imposed program of unlimited credit for defense, protection of the dollar, and reduction of non-essential lending to a minimum, is exactly what is needed.

In particular, the Voluntary Credit Restraint Program, headed by Governor Powell, merits your wholehearted cooperation. It warrants your active assistance for many reasons, not the least of which is the alternative of more involuntary control. And, don't think the government doesn't have the power to regulate and control the most minute detail of banking! No new laws are needed—the Emergency Banking Act of March, 1933, gives all the authority necessary.

It cannot be repeated too often that we live in a credit economy and that the power of credit for good, or ill, is beyond measure. Bankers are, in a very real sense, trustees of this most powerful force in the economic arsenal of democracy! The extent to which you measure up to that trust will largely determine the future of our country. Your responsibility is indeed great, and I am sure that the credit side of rearmament is in good hands.

A Sound Agricultural Program

Another problem this country faces is the development of a sound agricultural program. While no one will deny the necessity of avoiding sharp, disastrous declines in agricultural prices, it is discouraging, to put it mildly, to read, as we did two weeks ago, that the Commodity Credit Corporation had a "net realized loss of $345,599,000 in carrying out the agricultural price-support program in the year ending June 30, 1951"—a period in which the government asked everyone to resist inflation in every way possible!

Pursuing this thought further, it is but simple justice to give the consumer the protection of "ceilings" as long as the farmer has the protection of "floors." This is all the more true when the consumer is taxed hundreds of millions of dollars in times of such high taxes to supply those "floors!"

A Sound Wage Policy

Development of a sound wage policy is another great economic and social problem that cries for solution. It is really imperative that wage disputes be taken out of politics—wages should be determined on an economic, rather than a political, basis. Round after round of wage increases, such as we have had in recent years, without commensurate increases in productivity can have only one result.

If our standard of living is to be maintained, to say nothing of being improved, it is vitally important that a wage policy which will stimulate productivity be developed—in fact, it is basic, from an economic standpoint, that productivity, rather than power on the picket line be made the basis of increases. For the real welfare of labor itself, the monopoly power of some of the labor leaders should be removed.

Conclusions

In conclusion, our basic, underlying problem is to channel and utilize our great natural resources and almost unlimited productive powers in such ways that they will do the most good for the entire economy—now and hereafter!

Despite the inventory and deflation jitters of recent months, extreme efforts must be made by all segments of the economy during the coming months to keep inflation within bearable limits.

With even a minimum of good faith, decency and restraint on the part of various pressure groups which pervade our economic and political life, we shall come through the rearmament period remarkably well—in fact, better than we have a right to expect. So, put me down as an optimist; record my parting words as "Don't sell America short!"

N. Y. Hanseatic Corp. Elects Vice-Presidents

Otto H. Steindecker Maurice I. Hart

Hans E. Ben

New York Hanseatic Corporation, 120 Broadway, New York City, announced that Otto H. Steindecker, Maurice Hart and Paul Reinisch, heretofore Assistant Vice-Presidents, have been elected Vice-Presidents of the corporations. Hans E. Ben has been elected Assistant Vice-President.

Scherck, Richter Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Ralph R. Smith has become affiliated with Scherck, Richter Co., Landreth Building. Mr. Smith was previously with Stifel, Nicolaus & Co. and Fusz-Schmelzle & Co.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Carleton Davenport has become affiliated with Coburn & Middlebrook, Incorporated, 75 State Street. He was formerly with Clayton Securities Corp. and Draper, Sears & Co.

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Shirley R. Adler has become affiliated with Harris, Upham & Co., 30 State Street. He was formerly with J. Arthur Warner & Co., Inc., and Trescott Griffin & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Orval E. McDonald is now with Waddell & Reed, Inc., Barkley Building.

Securities Salesman's Corner

By JOHN DUTTON

Is This the Home Stretch?

Some years ago a cynical friend said to me. "Ninety percent of the people who buy stocks want something for nothing." I asked him about the other ten percent and he said, "Oh those are the ones who wish they had the nerve to try and get something for nothing too, but since they haven't, they call themselves investors." This may be carrying it a bit far, but for the benefit of some of the old timers who remember the years before 1929, the markets of 1935 and 1936, and the latter half of 1944 and 1945 before the break of 1946, I would surmise that many of us would agree that there might be a grain of truth in this rather discreditible observation concerning those who purchase securities.

For the enlightenment of young men who have come into the securities business during the past five years or so, and who have never known the ire of a hero worshiping customer (there are none such); who despite all urging to the contrary finally over reached himself in his avid search for more paper profits, possibly no feeble words of mine, or from any one else, will make much of an impression. They are going to have to learn the hard way.

Can You Protect A Clientele?

After living through several market breaks, and witnessing what has happened to so many retail organizations when a real severe recession lasting several years has transpired, I don't believe that there is any method that can be used to stop any shatterpated collection of profit-hungry speculators from chasing the elusive rabbit right off the track. However, I do think you can protect a clientele. But this will require some hard work and tall talking. You might even become a bit unpopular too soon—but it will save you disapproval later on.

You Must Understand Stock Buyers

Lew Lehr, the movie comic used to say "Monkeys are such crazy people." He should have spent a few weeks in some of the brokerage offices around the country, he could have said it another way. There is no use mincing—words let's face it. There are those who only buy stocks because they are hoping that they will find someone else (in the shortest possible time) upon whom they can hang their blind bargain at a tidy profit to themselves. There is always a new crop of fortune tempters who come along every time there is a bull market. Mark them down. Do business with them of course. If they want to buy every ten cent dog from here to Nova Scotia go to it and let them have their fun while it lasts. But for the benefit of you new fellows in the business, don't think you have a customer when you latch on to one of this breed. He's only yours for a day.

Then there is the intermediate group, the ones who would like to take a little flyer. They are a bit discouraged with their Funds, their income bonds, their good stable securities that haven't given them that great big play they have been hearing about from their friends. They are the ones who are discouraged because their stocks haven't gone up too! There are some of these rather disconsolate fellows around right now. They think they have missed the train. Of course, you might wonder why it was that they didn't take more kindly to the idea of buying some speculative securities two years ago rather than waiting until the market was bursting at the seams to finally get around to this conclusion. But you know that there is no point in discussing what might have been. Some of these people can be held in line—you might even keep a few of them from jumping the tracks and going after the quick dollar—but count upon it that you will find it very difficult to convince most of them that prudence now is still the best policy. I would say you can also expect to lose some of these intermediate fellows who are determined to "buy 'em too late and hold 'em too long."

The only people that you can count upon to stick with you during the next recession are those who are investors for income. They are going to be retired people, some business men who manage their financial affairs with prudence, and a few professional men. These are the people you should cultivate. Stick to them. Don't promise too much. If you have sold Funds be sure and emphasize that there may be shrinkage in a market break and expect it. Try and build up reserves in these accounts. Keep speculative stocks that can depreciate sharply out of their portfolios. One hundred shares of some marginal issue that passes its dividend during a business recession can hurt you severely with these people.

Selling Securities Is More Than Mere Salesmanship

Stock buyers are emotional—they are dealing in the most sensitive commodity in the world—their bank balance. There are only a few speculators who go about the business of buying and selling stocks for capital gains in a methodical and professional manner. They are not people who can be sold anything by you or anyone else—so forget about them. The gamblers are going to give you some business now, possibly a great deal more during the next few months, or a year, than you have enjoyed in a long while. These people want promotions, sleepers, things that will move, inside information, and all the claptrap that goes to make up a big bull market when the slap-happy public gets into it.

You can do business with many of these people. If you don't, they are going some where else and buy their pets. If you will not consider them as your customers, but just ships that pass in the night, then you will someday not be disappointed when they will pass you by. But old uncle Joe and aunt Martha, who want their checks every month, take care of them and some day **they will take care of you.**

Deposits of Savings Banks Show Gain of $65 Million in August

Carl G. Freese, President of the National Association of Mutual Savings Banks, reports contrast with loss in deposits of $39 million in August last year.

Deposits in the nation's 529 mutual savings banks increased $65,000,000 during August, bringing them to a new all-time high of $20,522,000,000 at the close of the month, according to Carl G. Freese, President of the National Association of Mutual Savings Banks and President and Treasurer, Connecticut Savings Bank of New Haven, Conn. The gain contrasts with a loss of $39,000,000 in August, 1950, and marks the fourth consecutive month this year in which deposit increases have surpassed those for the corresponding month last year.

Carl G. Freese

Deposits were 12% greater in August, 1951, than in August, 1950, whereas withdrawals were 9% less. Beginning with April, amounts deposited have exceeded those of the same month in 1950, while withdrawals have been less since the end of May.

In commenting on the report, Mr. Freese said: "Continued substantial gains in mutual savings bank deposits, in my opinion, reflect (1) the nation's large aggregate personal income, (2) the realization by the man in the street that goods are not likely to be as scarce as he anticipated several months ago, and that during the transition that the nation is undergoing from a civilian to a defense economy the prudent thing to do is to hold on to his cash. It is heartening to observe that the savings pattern of the people at large is thus in harmony with the basic economic need of the times, namely, increased saving in order to strengthen the economy."

Portfolio policy of the mutual savings banks during August continues to reflect the changed conditions in the investment markets. Funds received from depositors were supplemented by drawing upon cash for $33,000,000 as well as by reducing U. S. Governments by $39,000,000 and this total was placed in (1) mortgage loans and (2) corporate and municipal securities, which rose $149,000,000 and $15,000,000, respectively. The gain in mortgage holdings has been progressively smaller each month since May as compared with the corresponding month last year, so that the increase in August was only 1% more than a year ago. The reduction in U. S. Governments was the smallest, except for January, 1951, for any month since June, 1950.

Canadian Securities

By WILLIAM J. McKAY

It is now opportune to consider the possible influence on Anglo-Canadian economic relation of the probable Conservative, or at least an anti-Labor coalition victory, at the British polls next month. During the period of tenure of office of the Socialist government there has been a striking change for the worse in the economic relationship between the Mother Country and the senior Dominion. No longer is Britain and the sterling area the best customer of Canada. In view of the dollar shortage a certain deterioration in trade was bound to occur but superficially at least it would appear that the Labor government has not made the slightest effort to arrest the declining trend.

No consideration whatsoever was given to the generous attitude adopted by Canada during the war years. When it was necessary to impose restrictions on imports from hard-currency areas the Dominion bore the full brunt. At the expiration of the U. K./Canadian Wheat Agreement, according to the terms of which Britian received an invaluable quota of grain at less than half the world price, the Labor government totally ignored the understanding that upon renewal the United Kingdom would take into consideration Canada's previous sacrifice. Likewise although Canada is a leading member of the British Commonwealth of Nations it is a striking anomaly that as a result of the United Kingdom's restrictive trade policies, the Senior Dominion has been virtually debarred from its former Empire markets. Various Labor government representatives have visited Canada in the past few years but their attitude has been uniformly apathetic concerning the Dominion's legitimate interests.

It is still more unfortunate that the British Socialist regime has completely failed to envisage the tremendous opportunities that have been offered for a fuller British participation in Canada's economic expansion during the past decade. It is true that on their own initiative several leading British firms have established themselves in the Dominion since the war but little official encouragement has been given for a large scale movement in this direction. Instead vast capital outlays have been wasted on abortive African projects such as the Tanganyika peanut and Gambia chicken schemes.

In the probable event of the defeat of the Labor government in the forthcoming election there is little doubt that British official policy will be reoriented in the direction of fuller economic cooperation with Canada. The City of London has long been aware of the outstanding attractiveness of investment in the Dominion, but until the recent slight easing of the restrictions, British financiers have had the galling experience of watching the rest of the world seize the opportunities denied to them.

At no time has enthusiasm in London regarding Canadian prospects been at a higher pitch. For this reason a Conservative government with traditional regard for the merits of private enterprise would have little need to exert any pressure to direct British capital towards Canada. Moreover as it is evident that the Dominion is now the brightest jewel in the British economic crown the advent of a Conservative government should give rise to the fullest official encouragement for British participation in Canadian economic development.

It is also probable that serious consideration would be given to the question of the inclusion of Canada in a new sterling area group. Under present conditions, of course, the Dominion has no incentive whatsoever to abandon its independent position outside the restricted British trade area, but in the event of the adoption of more liberal British policies Canada might view a closer association with the group in a more favorable light. This is all the more likely in view of current Canadian misgivings concerning the unusually high proportion of exports to this country in relation to those to British Commonwealth countries.

The question of sterling convertibility would undoubtedly prove to be a difficult hurdle in the path of a closer Anglo-Canadian economic association, but with a Conservative government in power there would be an entirely different outlook on matters of exchange. Although at the moment the freeing of sterling on the Canadian pattern appears out of the question, there would be less risk in embarking on such a course if the British trade group was strengthened by the inclusion of Canada. From a purely exchange angle, moreover, a controlled free rate for sterling would be less vulnerable to speculative onslaughts and periodic panicky liquidations than a fixed level which provides a convenient target with every unfavorable change of sentiment regarding sterling prospects.

During the week activity in the external section of the bond market was again largely confined to dealings in the new Ontario loan. There was also a fair volume of liquidation of shorter dated issues to make way for the new attractively priced longer Ontarios and the forthcoming new issue of Nova Scotias. The internal were steady with continued evidence of U. S. demand for short date investments. This movement should be intensified when the popular 1¾s of November 1st mature. Despite the uncertainty concerning sterling the continued firmness of the Canadian dollar is a tribute to the effectiveness of the new Canadian exchange system. Stocks were less robust and while the price-level of the base-metal and industrial issues was well maintained, the Western oils and the golds registered moderate losses.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Sept. 20 offered $7,500,000 Chicago, Milwaukee, St. Paul & Pacific RR. 2⅞% equipment trust certificates, series 00, maturing semi-annually April 1, 1952 to Oct. 1, 1966, inclusive, at prices to yield from 2.10% to 2.95%, according to maturity. Offering was made subject to approval of the ICC.

The certificates will be issued under the Philadelphia plan and will be secured by the following new standard - gauge railroad equipment estimated to cost not less than $10,000,000: 6-Diesel electric freight locomotives; 6-Diesel-electric passenger locomotives; and 35 - Diesel - electric switching locomotvies.

Other members of the offering group are: R. W. Pressprich & Co.; Bear, Stearns & Co.; Hornblower & Weeks; The Illinois Co.; William Blair & Co.; Freeman & Co.; Wm. E. Pollock & Co. Inc.; Weeden & Co. Inc.; Gregory & Son, Inc.; McCormick & Co.; McMaster Hutchinson & Co.; The Milwaukee Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co. Inc.

Rocky Mt. IBA Group View Special Picture

DENVER, Colo. — The Rocky Mountain Group of the Investment Bankers Association of America at its initial meeting of the season previewed through the courtesy of Borg-Warner Corporation their sound motion picture "In Our Hands." The picture covers communism, socialism and the free-enterprise system and was widely discussed at the White Sulphur Springs meeting of the I. B. A. last spring. Arrangements for showing the picture were made by Walter Coughlin of Coughlin & Co.

Daniel Shaper With R. W. Pressprich Co.

R. W. Pressprich & Co., 48 Wall Street, New York City, members of the New York Stock Exchange, announce that Daniel J. Shaper is associated with the firm as manager of its stock order department. Mr. Shaper was formerly manager of the trading department for Peter Morgan & Co. and prior thereto was with Paine, Webber, Jackson & Curtis.

E. P. Lyons Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edgar P. Lyons is engaging in a securities business from offices at 650 South Grand Avenue.

Continued from page 7

Strong Defense Program and High Living Standards Possible

$1,235 in 1944 (real gross national product divided by population). A similar per capita productivity for our population in 1952 could mean a gross national product of $193 billion in 1952 in terms of 1940 dollars, or over $347 billion in current dollars, and could provide the purchasing power for a standard of living approximately 10% above 1951.

With this level of production the disposable personal income (after Federal and local taxes) available to consumers would total $132 billion in terms of 1940 dollars or nearly double the real purchasing power of our best prewar year 1940. In current dollars the disposable personal income in 1952 could reach over $237 billion.

The level of productivity necessary to provide for defense and an increased standard of living in 1952 should be considered a minimum opportunity because it would require only reaching the level actually reached per capita in 1944 when our tools of production were far less adequate.

We entered World War II with tools of production that were woefully obsolete and inefficient following a long period of depression and limited expenditures for new plant and equipment. In the five-year period 1937-1941 prior to World War II only $35.6 billion had been spent for producers' plant and equipment. Now our equipment for production has been improved by the expenditure of over four times as much in a similar five-year period—$146.3 billion in the period 1947-1951.

In 1950 we entered the new conflict, therefore, with better productive equipment than in 1940, a much larger and better trained labor force and a much stronger financial position of both consumers and business. Between 1940 and 1944 our labor force expanded by 10 million from 56 million to 66 million in order to meet the demands for production and in order to increase the Armed Forces from 390,000 to a peak of 12,130,000. In June 1950, on the other hand, we started out with a labor force of 66 million which is capable of expanding by at least 5 million more to 71 million if needed. Our present defense plans for an Armed Force of 3½ million, however, means drawing only 2 million additional from the labor force instead of the nearly 12 million withdrawn from the much smaller labor force in World War II. (Armed Forces stood at 1,337,000 in August 1950.)

In 1944 our civilian labor force (excluding the Armed Forces) averaged 54,630,000 or 39.5% of the total population but as of August 1951 our civilian labor force was 64,208,000 or 41.5% of the population. Hence to reach the same per capita production in 1952 as in 1944 would require actually less productivity per person in the civilian labor force. But with the better equipment and know how the productivity per person in the labor force should be considerably higher than in 1944. The figures shown here for production in 1952 therefore should be looked upon as a minimum opportunity—we are capable of surpassing them.

It should be noted, also, in speaking of production and potential increases in production that manufacturing alone is not the major source of production and productivity in our economy. In pre-Korea 1949 only 25% of our employed civilian labor force was engaged in manufacturing and manufacturing represented only 29% of the total national income.

But, even the minimum level of production at the 1944 per capita level and its accompanying increase in purchasing power, while entirely possible of attainment, will remain only a dream unless the *demand is created* for the goods and services we can produce beyond military needs. This demand cannot be legislated, or created by government deficits—it must come voluntarily through a change in the standard of living as a result of education and the creation of new desires through advertising and selling.

1952 Real Consumer Purchasing Power Can Be 74% Above 1940

In the first half of 1951 total disposable personal income after taxes reached an annual rate level of $220.2 billion or nearly three times the total of $75.7 billion in 1940. At present prices, nearly half of $100.7 billion of this total disposable income has been dissipated through inflation. This still leaves a *real* purchasing power in 1951 of $119.5 billion in terms of 1940 dollars or a 57% increase over 1940.

In other words, the potential civilian market in terms of physical units of goods or services, or in improved quality, is 57% above the best prewar levels.

Production in 1952 at the minimum per capita levels of 1944 would yield a total disposable income of over $237.0 billion after taxes or a real purchasing power of $132.0 billion in terms of 1940 dollars—a 74% increase over 1940 and 10% over 1951.

This condition of a major increase in purchasing power did not exist after the end of World War I. In 1920, for example, the real purchasing power of the population was 1% under what it had been in 1913 before the war started; on a per capita basis real purchasing power was 9% lower than before the war. So our economy already has demonstrated that through increased productivity we can have a considerably higher standard of living.

1952 Discretionary Spending Power Can Be 4½ Times The 1940 Level

In 1940, when our total disposable personal income after taxes was $75.7 billion, our population used $49.2 billion of this for basic living costs, the necessities of food, clothing and shelter—the remaining $26.5 billion was available for all other items making up the 1940 standard of living or savings. $3.7 billion of this represented personal savings in 1940.

To maintain the same 1940 standard of living per capita for food, clothing and shelter in 1952 at present inflated prices would require $107.0 billion instead of $49.2 billion because of the inflated prices of these necessities and because of the increased population to feed, clothe and shelter. This $107.0 billion would, however, provide for the same consumption in physical units per person and of the same quality as in 1940.

But disposable personal income in 1952 could reach the annual rate of $237.0 billion even after the increase in personal taxes, so the consuming public would have $130 billion of discretionary buying power over and above what would be needed to provide the necessities for a 1940 standard of living. This discretionary buying power (over 5 times as great as in 1940) can provide for increased savings, additional items not enjoyed before, or improvement in the basic standard of living in the form of more or better quality items of food, clothing and shelter. Personal savings in the first half of 1951 at $14.6 billion was at a level 4 times the 1940 level of $3.7 billion. Personal savings in 1952 could reach $25 billion or nearly 7 times the 1940 level, and still leave enough for an increase in consumer purchases of goods and services.

Thus, a large pool of new buying power is available, needing guidance in selection of items that could improve the standard of living over the prewar level without interfering with defense needs. Here advertising and the educational influence of advertising should play an essential part.

An Increase in Real Purchasing Power of All Income Groups

The 57% increase in real purchasing power in 1951 compared with prewar 1940 has affected the opportunity for increased savings and increased standard of living in all income groups—but more particularly in the middle income groups.

The increase in real disposable income after taxes is estimated to have varied by income quintiles of families (spending units) as follows:

Per Cent Increase in Real Income After Taxes—1951 vs. 1940

(Adjusted to Purchasing Power of 1951 Dollars)

Income Groups	Total Real Income	Per Spending Unit
Highest fifth	38%	4%
Second fifth	63	22
Third fifth	77	33
Fourth fifth	98	48
Lowest fifth	68	26
Total	57%	18%

Liquid Assets of Consumers Total 3½ Times 1951 with Double the Real Purchasing Power

In 1940, the liquid assets of consumers totaled $49.6 billion. By Jan. 1, 1951, this element of reserve purchasing power had grown 3½ times to $182.1 billion with a real purchasing power of $100.0 billion in terms of 1940 dollars—or double 1940. The increase in both U. S. Savings Bonds and savings bank deposits reflect substantial improvement in the financial stability of the mass of the population.

U. S. Savings Bonds Are of Growing Importance in Sustaining and Stabilizing Consumer Purchasing Power

Savings bonds maturities will reach a peak of over $7 billion a year in 1954 and 1955. Nearly $31 billion of these savings bonds mature in the years 1952-1956 and between $5 billion and $6 billion mature each year from 1957-1961.

These savings bonds are widely held in small denominations by all income classes with approximately half of all consumer spending units having some bonds. They were not transferable and were not to be used as a basis of loans, hence they represent unencumbered cash when they mature and will require a decision on the part of each holder as to whether to reinvest, accept the government offer of extension, or to spend for something over and above what might have been purchased out of current income. These funds differ from other forms of savings such as savings accounts in that they do mature and do require a decision.

Even if amounts of new savings bonds are sold each year equalling the maturities, the effect is a revolving fund of over $5 billion annually in the hands of consumers, adding to the turnover of current purchasing power—consider what effect this might have had if over $5 billion had matured in such depression years as 1933 when total retail sales were about $24 billion.

The widespread sale of savings bonds apparently has stimulated rather than interfered with the growth of savings in savings banks. It has helped to create a habit of regular saving.

Individuals turned in for redemption over 96% of all the series "A" to "D" savings bonds (maturing from March, 1945, through April, 1951) upon maturity or shortly after. They recognized that these earned no interest after maturity. Evidence that these maturing bonds were not cashed in as a result of pressing financial need is found in the experience with maturing "E" bonds which, under the new plan, can be held with interest for another 10 years at the option of the holder. During the first four months of "E" bond maturities—May through August, 1951—only 25% of the matured bonds were redeemed ($107,093,000 out of $429,000,000 maturing). 75% apparently are being held for a longer period as a part of individuals' backlog of savings.

The recent change in giving the holder the option to continue "E" bonds as they mature for another 10 years at compound interest of 2.9% can make a great deal of difference in their investment attractiveness to people of better-than-average income. The fact that the income tax on an "E" bond purchase now can be deferred for 20 years, if the holder so wishes, is of real importance, say, to the executive past 40 who is now in a relatively high income tax bracket. Twenty years from now he may expect to be retired at a current income that will put him in considerably lower brackets.

Let us take the example of a successful business executive of 45 whose current income from salary and investments puts him in the Federal income tax bracket of say 60%. He could, for himself and wife, invest $7,500 annually in "E" bonds ($10,000 face value—$5,000 each for himself and wife). If he looked upon this as a savings for retirement he could, after the age of 65, have savings bonds mature annually at a value of $13,333 on which he would pay income taxes only on the increment of $5,833 at the then current rate for his income bracket. If he is retired the chances are that this income bracket would be much lower than his present bracket.

In the meantime this executive would have one sure portion of his total investment for retirement in a form which at any moment would have a known dollar value and which could be cashed in at that known value. His other investments might well yield much higher returns but the yield would be coming in at the period when it was subject to the highest income tax rates and would be subject to all speculative ups and downs in the value of the principal.

Consumer Debt Is Low in Relation To Purchasing Power and Savings

Severe restrictions have been put on consumer credit, both short-term and long-term (home mortgages) as a method of curtailing consumer purchasing power and combating inflation. To the extent that materials and manpower needed in defense may have been tied up in production of housing or other consumer products bought on credit these restrictions were, of course, justifiable. They would not be justified by any claim that consumer debt has become over-extended in relation to over-all ability to pay as measured either by disposable income after taxes, consumer accumulated savings or consumer liquid assets.

Consumer debt actually is low in relation to these usual measurements of ability to pay. Total consumer debt, made up of short-term consumer credit, mortgages on 1-4 family houses and farm mortgages, as of June 30, 1951, was far lower than in 1940 or 1929 in relation to disposable income or savings. Total consumer debt of this type, for example, could expand further by 30% before reaching the 1940 ratio to disposable income after taxes, or by 53% before reaching the 1940 ratio to savings.

With the 74% increase in real purchasing power possible in 1952 compared with 1940, there could be substantial opportunities for increasing the demand for new housing and furnishings and for remodeling and refurnishing of older homes. Most of this demand could be met with production not in conflict with defense needs. Perhaps this calls for a reexamination of credit restrictions.

Shift in Income Distribution of Families Provides Increased Market Potentials for Both Savings and Goods

Between 1941 and 1951 there were some very significant shifts upwards in the distribution of families by income groups. Over 22 million consumer spending units moved up to the level above $2,000 with an increase in this group from 14,009,000 in 1941 to 36,400,000 in 1951.

Increased taxes, of course, have cut heavily into the incomes of those who have moved above the $2,000 income level. After taking Federal income taxes into account, however, there still exists a startling shift upwards in income groups.

In 1941 only 1,564,000 consumer spending units had incomes over $5,000 before taxes; now 7,280,000 have incomes over $5,000 after Federal income taxes. In 1941 there were 5,703,000 with incomes over $3,000 before taxes; now 24,440,000 or over four times as many have incomes over $3,000 after Federal taxes.

When families move up from one income group to the next as rapidly as this there is a substantial increase in discretionary spending power, even after taxes and after applying the present increased costs of living to the basic items that made up the family's former standard of living.

The net of these shifts has been an increase of 57% in real purchasing power in 1951 compared with 1940 after taking into account increased taxes and increased prices.

Ordinarily, however, there is a lag in changes in the standard of living. Families do not change their housing, increase their life insurance, change their savings habits, move to a better neighborhood, change their social habits or improve their educational level immediately with increases in income. Selling and advertising perform an important educational function in this upward climb of living standards.

With the present high level of real purchasing power and the share of that purchasing power available for discretionary spending, the opportunity exists for substantial expansion in consumption without reaching levels out of line with the actual standard of living actually enjoyed by large groups of better income families in 1941. These increased potentials could justify substantial increases in production of items not in direct conflict with military needs.

Significant Change in Age Groups Can Affect Savings Needs

The high birth rate of the last 10 years as well as the extension of the life span have brought about very significant changes in the age distribution of our population.

By July, 1952, it is estimated that there will be 62% more children under 5 than there were in 1940, and 45% more children between the ages of 5 to 9.

This large increase in the number of children under 10 years old can be expected to have a major influence over the years to come on savings plans as well as on special needs for housing, school facilities, clothing and food products.

The birth rate has continued at a level far above earlier predictions by population experts. It is probable now that births in 1951 will exceed 4,000,000 for the first time in United States history.

The increase in the birth rate is attributable only in part to the increase in marriages. In fact, the number of marriages may be expected to decline considerably during the next five years since the number of adolescents of 10-19 years who will supply most of the marriageable couples of the next ten years is actually lower than in 1940. A major factor in holding up the birth rate has been the change in attitude of young couples toward having more than one or two children.

There has been a large increase, for example, in the number of second, third and fourth children. On the basis of birth statistics showing a much higher proportion of mothers bearing second, third and fourth children than in prewar, the following estimate of births in 1951 is compared with 1940 births:

Birth Order	Number of Births 1940	1951 Est.	Increase
First	905,000	1,330,000	47%
Second	613,000	1,170,000	91
Third	333,000	620,000	86
Fourth	193,000	310,000	61
Fifth or over	494,000	570,000	15
Total	2,538,000	4,000,000	60%

At the other extreme an increase of 39% in the number of persons over 60 years old has a definite effect on housing needs and old age security plans.

"Unusual Productivity and Expanding Markets" Should Be The Keynote of Our Defense Economy

To finance war or defense expenditures, the government must turn to increased taxes or increased borrowing. The ability to support these new taxes or new loans to government will depend on the maintenance of a high level of civilian earnings — both individual and corporate. We must, of course, meet defense demands and it is obvious that defense orders must have priority over civilian needs which means that some items will be in short civilian supply. But our over-all productive potential is such that we should still be able to encourage an advancing standard of living rather than a declining standard, and also continue to promote thrift through increases in savings bonds, insurance, and other forms of savings.

The real answer to inflation is production, and increased productivity is the key to maintaining the increasing levels of real earnings and real purchasing power. This hope and opportunity for *continued increases in the standard of living* is basic to the maintenance of our free enterprise system and our liberties. A broader understanding of this can strengthen the chances for survival of the free enterprise economy here and in other free nations of the world.

Increasing the production of civilian goods which do not interfere with the production of war material, and expanding the market for these goods through intensified selling will help to hold our over-all productivity at high levels and will help to stem inflation. The opportunity is worthy of serious effort.

With Mason Brothers

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Carl T. Maib has joined the staff of Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange. He was formerly Petaluma representative for Hannaford & Talbot.

Maynard Nominated By Exchange Firms

CINCINNATI, Ohio—September 25th—Walter Maynard of Shearson, Hammill & Co., New York, has been nominated 1952 President of the Association of Stock Exchange firms. Maynard C. Ivison of Abbott, Proctor & Paine, New York, and Phelps Witter of Dean Witter & Co., Los Angeles, have been nominated as Vice-Presidents and William F. Van Deventer of Laidlaw & Co., New York, as Treasurer, it was announced Sept. 26 in Cincinnati where the Board of Governors of the Association is holding its Fall Meeting at the Terrace Plaza Hotel.

Walter Maynard

Election of officers will take place at the Annual Meeting of the Board to be held in New York November 21, 1951.

Mr. Maynard, 45, was born and brought up in New York. After graduating from Harvard University he entered the securities business and, with the exception of the war years, has remained in it, the last ten years having been spent as a partner of Shearson, Hammill & Co. where he has specialized in securities research and economics of security prices. He was elected a Governor of the Association of Stock Exchange Firms in November 1949. He is a Governor of Greenwich House, New York, the well known Greenwich Village settlement house, and a director of Transcontinental Properties, Inc. and the Aerocrete Corp. During World War II he served on General Eisenhower's SHAEF Staff with the rank of Lieutenant Colonel. For his services he was awarded the Legion of Merit by the U. S. Government and the Order of the British Empire.

Merrill, Lynch Golfers Win Hayden Trophy

Merrill, Lynch, Pierce, Fenner and Beane captured its second straight Charles Hayden Memorial Trophy golf tournament at the Rockaway Hunting Club in Cedarhurst, L. I., with a low net of 293 for their four-man team. A total of 32 teams representing New York investment banking houses participated in the 23rd annual observance of this tournament.

The winning team, which consisted of Alpheus C. Beane, Gilbert Stanley, Caryl H. Sayre and Julius H. Sedlmayr won with a four point lead over the second placed team of Blair, Rollins & Co., Inc., who netted a 302. Third place was a tie between Clark, Dodge and Company and Lehman Brothers with 309.

Wallace Richardson of Blair, Rollins & Co., Inc. won the low gross, and low net score honors with 73-4-69, while Lee Higginson Corp. led the two-man teams with a net 153.

The Charles Hayden Memorial Trophy is donated by the partners of Hayden, Stone and Company and is kept in perpetual play as a memorial to Mr. Hayden who was founder of that firm.

Reynolds Co. Adds

Reynolds & Co., members of the New York Stock Exchange, have announced that David Eiron has become associated with them in their Empire State Building office as a registered representative.

Investment in Underdeveloped Areas No Curb to Communism

By PAUL EINZIG

Citing cases of Persia and Burma, Dr. Einzig holds it is mistaken policy to lend to under-developed States and contends it strengthens rather than weakens Russian and Chinese Communist imperialism. Says it gives opportunity to unscrupulous politicians advocating confiscation of foreign enterprise.

LONDON, Eng.—In a recent article I pointed out the broader implications of the repudiation of the Anglo-Persian oil contract. The principle involved is of considerable interest to the American investor and the American taxpayer, and deserves consequently close attention. Nor are its implications confined to the purely financial sphere. A mistaken policy of lending to under-developed states is liable to entail grave political consequences. So far from strengthening resistance to Russian or Chinese Communist imperialism, such a policy may in given circumstances pave the way to a leftward orientation of the countries concerned.

Dr. Paul Einzig

Substantial investment of American, British or other Western capital in under-developed countries tends to encourage anti-Western agitation, not only by Communists but, as the example of Persia clearly shows, also other unscrupulous and ambitious elements who seek to gain cheap popularity by advocating the confiscation of foreign enterprise and the repudiation of foreign debts. This assertion is not based on mere theory. We had ample practical experience in support of it. For example in Burma the fact that British investments run into many hundreds of millions of dollars has strengthened considerably the hands of left-wing politicians. The nationalization of British enterprise amounted to virtual confiscation, because no Burmese Government would have dared to pay anything like adequate compensation. In any case the amounts payable have been borrowed from the British Government, and, having pocketed the British loans and subsidies, the Burmese Government repeatedly defaulted on the agreements concerning the payment of the inadequate compensation agreed upon. No Burmese Government could have acted otherwise without risking to be overthrown and replaced by an even more left-wing government with a program of full repudiation.

The reason why in Burma and in Indonesia the existing near-Communist regimes are the only practicable alternatives to 100% Communism is the large size of foreign capital invested in these countries. There is ample opportunity for unscrupulous politicians to gain popularity by agitating for repudiation and nationalization without compensation. Nationalists flirt with Communism in pursuance of this game, or at any rate they play up Communism against the sympathizers of the Western investor and creditor nations. Nationalization has become a nationalist as well as Socialist device. The majority of the public opinion in such countries has completely lost its moral sense. While during the inter-war period default on foreign obligation was generally considered something for which the defaulting nation had every reason to be ashamed of itself, the postwar generation glorifies in repudiation.

Unfortunately there seems to be very little to be done to save the capital already invested. A large number of British owners of enterprise in India sold out their investments to Indian interests at bargain prices while the going was good. Everybody is not in a fortunate position, however, to be able to save a relatively substantial portion of their capital invested abroad. Much of it may now be considered as a virtually total loss, or it will have to be so considered before very long. There is no reason, however, for throwing good money after bad by adding to the amount that is doomed to be written off eventually. Private investors are naturally reluctant to do so. But their place seems to have been taken by the governments, in particular as far as the United States and, to a much less extent, Britain, are concerned. This means that the loss will be borne by the taxpayer instead of the investor.

If this sacrifice of the taxpayers' billions resulted in at least the safeguarding of the countries concerned against Communist infiltration the money would be considered to have been well spent. In reality the increase of the foreign indebtedness of the countries concerned tends to increase the temptation and opportunity for dishonest politicians to gain popularity by agitating in favor of repudiation. The larger the amount involved the more popular the idea of repudiation is likely to be. So far from achieving popularity in these countries by granting them loans, the United States tends to encourage anti-American agitation by increasing the financial and political advantages of an anti-American policy. The only way in which this could be avoided would be by continuing to lend more and more, in which case the advantages of obtaining fresh money would outweigh the advantages of repudiating the existing loans. But even the United States could hardly afford to pour her billions into a bottomless sink in such manner.

It is high time for enthusiastic supporters of Point Four and other methods of financial assistance reconsidered their attitude in the light of the British experience in Persia and elsewhere. Admittedly in many instances it may appear to be a matter of political expediency to support certain countries financially. If and to the extent to which this is the case, it is much wiser to decide that the support should assume the form of outright grants or subsidies instead of loans or investments. Even if the support assumes the form of loans or investments the lender or investor will never see his money again. It is sheer self-deception to pretend in most instances that there is a chance of obtaining interest or dividends for any length of time, and of recovering the amounts lent or invested. Why not be realistic and write off the amounts granted? In special circumstances this may be wise. In all circumstances it is wiser than indulging in self-deception that the amounts granted are investments. The United States, after the experience of the inter-Allied debts of 1914-18 and of Lend-Lease in 1941-45, should be well aware of this. And yet there seems to be a tendency towards self-deception.

The advantage of subsidies compared with loans and investments in the countries concerned is that the former would not tend to generate anti-American feelings. If the dollars received by these countries constitute outright grants the transactions would not provide Communists and unscrupulous politicians with opportunities for gaining popularity by advocating repudiation. From an American point of view the money will be a dead loss in any case. But if the form of subsidies is chosen the loss will be merely financial, while if the form of loans and investments is chosen then the loss will be political as well as financial.

Needless to say, in special circumstances it may be necessary and advantageous to assist under-developed countries in the development of their resources, in order to relieve world-wide scarcity in essential raw materials. Owing to the lack in native experts or to the corruption and inefficiency of the native governments, subsidies would not solve the problem. American capital and enterprise would have to take an active hand even at the risk of the ultimate loss of the capital invested. What matters is that those concerned should assume their commitments with open eyes. They must be fully aware of the risks arising from the present attitude of under-developed countries towards foreign capital and enterprise, and must make their calculations accordingly.

Continued from page 2

The Security I Like Best

hampered foreign income from regaining its former stature in total company profits. Nevertheless, improvements in this situation have been noted and it is expected that the recent uptrend will be continued if total war does not intervene.

Over the past ten years dividend payments have been conservative with less than 40% of net income paid out. The present $1.00 regular annual dividend has been supplemented by extra cash or stock dividends in recent years. A 5% stock dividend was paid in January 1951.

The latest balance sheet dated June 30, 1951 revealed a highly satisfactory condition. At that time current assets totalled $105,732,000, current liabilities were $44,522,000 and net working capital was $16,210,000. The latter figure is the largest in the company's history and compares with $41,200,000 at the end of the 1946 fiscal year. In the fiscal years 1946 to 1951, the company spent $51.8 million on new machinery and equipment and rental of manufacturing and sales facilities. A large portion of this came from $39 million of retained earnings. In the last fiscal year the company spent $10,392,000 on capital improvements. It is believed that company's expansion program, both at home and abroad, is about completed so that capital expenditures from here on should be reduced and it is unlikely that any new financing will be required.

Currently, office equipment is in a sellers' market with some standard Remington items requiring a six to eight months' wait for delivery. Total bookings are reported to be running some 70% ahead of a year ago. Earnings for the fiscal year ending March 31, 1952 might be estimated at more than $3 per share and as the yield is generous after allowing for stock dividends paid in seven out of the last ten years, to say nothing of the two for one stock split effected in 1947, it would appear that the issue offers definite attraction at this time. The issue, selling at about seven times estimated earnings, seems undervalued particularly when compared with such competitors as IBM priced at about 21 times earnings and Burroughs Adding Machine selling at about 10 times estimated earnings. In my opinion, these price differentials are bound to narrow in favor of Remington Rand owing to its unusually attractive growth potential.

From the longer term viewpoint, while the industry is sensitive to general business fluctuations, the growing need for additional record keeping to comply with Federal, state and union demands, indicates continued growth prospects. The upward trend and inflexibility of general wage costs and the rising ratio of office help to total employees (13.3% in March 1950 versus 4% in 1930) will continue to stimulate demand for labor saving devices. In fact, the areas left for cutting general manufacturing costs are few, but record keeping and statistical control still offer room for improvement. The potentialities of electronics in this field are particularly promising since it is felt a broader market will result from machines with better performance and wider application. A company such as Remington Rand with its large and expert research facilities has a head start in this highly technical area where office machines are being developed that will do an increasingly complicated job at lower cost per dollar of investment.

R. B. WILLIAMS

Manager, Research Department, Kidder, Peabody & Co., Members, New York Stock Exchange and New York Curb Exchange

Mead Johnson & Company

With the stock market at a high level for the past two decades, it is quite likely that wider attention may be given from now on to defensive types of securities.

R. B. Williams

Any conservative common stock portfolio might well include Mead Johnson. The nature of this business is such that its sales trend would be likely to resist deflationary tendencies in the general economy. The earnings record of this fifty-one year old business has been unusually solid—with profits shown even in 1932 and 1938. The Company has long enjoyed an excellent reputation with the medical profession.

It is the leader in most of its chosen fields, including carbohydrates, vitamins, cereals and milk products used in infant and child nutrition. Assets are conservatively stated, capitalization is well balanced, and cash resources are large. The stock currently sells for less than half its 1946 price. Factors such as this tend to make this equity look at least like a small Rock of Gibraltar.

The catalog indicates some 47 products classified under seven divisional headings. The latter, in approximate order of importance, are as follows (with certain individual products indicated): (1) carbohydrates ("Dextri-Maltose"); (2) vitamins ("Poly-Vi-Sol", cod liver oil, brewers yeast, viosterol, Oleum Percomorphum); (3) cereal products ("Pablum" Oatmeal, Barley, Rice and Mixed Cereal); (4) special milk products (complete infant foods, such as "Lactum", "Dalactum" and "Olac"; various powdered milks such as "Casec", "Alacta", lactic acid milk; concentrated protein additives such as "Protenum", "Protolysate" and "Lonalac"); (5) mineral products ("Fer-In-Sol"); (6) Hypoallergenic foods ("Nutramigen" and "Sobee"), which are substitute foods for infants allergic to milk; (7) "Amigen" solutions of amino acids for intravenous use.

Principal plant and research laboratories are located in Evansville, Indiana. Smaller production units are situated at Zeeland, Michigan; Torrance, California and Belleville, Canada. A total of around 1,300 people are employed, of which approximately 1,000 are in Evansville. Employees, who in addition to good wage scales also receive numerous benefits such as insurance, hospitalization, pension funds, etc., are not unionized. Labor turnover is small. Production facilities are modern and efficient. Much new processing and packaging equipment has been added during post-war years, from which cost-savings still appear to be accruing.

Research, which comprises purely scientific studies as well as product development, is extensive and undergoing expansion. Under the program, new products to broaden the earnings base can be expected from time to time.

Sales this year likely will total around $27 million, vs. $24.4 million in 1950. There is a good chance that 1951 profits, despite higher taxes, may moderately top 1950 results of $1.23 per share. With cash or equivalent equal to more than 1½ times total current liabilites, the present quarterly dividend rate of $0.20 per share ($0.15 regular and $0.05 extra) appears quite secure. Payments would be more likely to increase than to decrease.

New "yeast" quite evidently has been introduced in the Company's business formula during the past few years. Production facilities have been increased and improved — distribution methods have been analyzed and changed in some important respects—while research has been broadened and made considerably more aggressive. Increasing attention is being paid to dietary and drug products useful in the treatment of old age ailments (known medically as the science of geriatrics), which is an intelligent course in light of clearly marked population trends. Probabilities for growth are believed to have widened considerably as a result of these constructive steps.

A price-earnings ratio of around 11-to-1 and a yield of 5% would appear clearly justified by the combination of limited risks and earnings expansion possibilities.

With Waddell & Reed

(Special to The Financial Chronicle)

LONG BEACH, Calif. — Ernest F. Biddle is with Waddell & Reed, Inc.

Joins Arnold, Cassidy

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—R. Robert Harter has been added to the staff of Arnold, Cassidy & Company, 448 South Hill Street.

With Bateman, Eichler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Richard J. Becker is with Bateman, Eichler & Co., 453 South Spring St., members of the Los Angeles Stock Exchange.

Public Utility Securities

By OWEN ELY

Columbia Gas System

Chairman Crocker in a recent talk before a large group at the downtown Athletic Club (the fifth annual meeting of this kind) presented a large number of charts and tables summarizing the company's past record and future outlook. As usual, however, he declined to make any projection or estimate of share earnings, preferring to leave that to "you analysts."

A considerable part of his talk was devoted to an explanation of the impending shortage of gas in the company's service area, and the various steps which the company has undertaken to relieve this situation. Gas shortages occurred on the colder days of last winter, and this winter there may be a substantial deficiency of some 300 million c.f. on the "peak day"—the day of largest gas demand based on low temperature, assumed to be February 1, 1952. Back in February, this year, the future shortage had been estimated at 671 million, or a little over one-fifth the total demand; the new estimate cuts it down to about 10%.

Demands for natural gas have increased from all quarters so fast that the company's budgeted growth estimates have had to be revised upward constantly. Thus, in August, 1949, the peak demand in early 1952 was projected as only 2.5 billion c.f.; in May, 1950, the figure was raised to 2.8 billion, and in February, 1951, to 3.0 billion. (In July, 1951, however, it was revised to 2.9.)

The company itself was not anxious to take on so much new business, but was only partially successful in obtaining from state commissions restriction on new house-heating business; the company now has over half-a-million house-heating customers, as compared with 300,000 in 1948. The company has, however, rejected new industrial business in 1951 except when ordered by Washington to accept it.

A more recent factor is the shoratge of steel, which makes it difficult to complete projected new pipelines on schedule, so that gas deliveries from the south will prove disappointing this winter. However, the company has taken a number of steps to alleviate the situation. It managed to obtain increased summer deliveries of gas by Transcontinental (to put in storage for winter use) which amounts had been intended for use as boiler fuel by Consolidated Edison and Public Service Electric & Gas.

Columbia has also hazarded the expenditure of some $11 million in pipe lines in connection with an intensified drilling program in promising sections of the old Appalachian field. Encouraged by the discovery of new gas fields in Clinton and Potter Counties, Columbia has started to build a 153-mile 16-inch pipe line to connect the fields in this area with the company's main system. 100 miles of this line are in the ground by now. So far the Federal Power Commission, as well as the Pennsylvania Commission, have refused to certificate this line but the company is confident that the area will prove so productive that the line can be used to capacity, and once this has been established it will be easy to obtain the approval of the commissions. Recently a good well in the Driftwood Dome was brought in, which is considered encouraging.

The company's construction program for the current year has been revised, primarily because of the Clinton County line. Projects totaling some $10 million have been postponed but new projects amounting to $22 million have been added, so that on balance construction expenditures for 1951 will increase from $65 million to $77 million, providing all the necessary pipe is received on schedule. To finance this program $35 million new money will be needed, and $20 million is being obtained from bank loans. The method of financing to obtain the remaining $15 million has not yet been determined.

Panhandle Eastern and Tennessee Gas Transmission have filed with the Federal Power Commission applications for rate increases, which if granted would cost Columbia Gas about $8.5 million. In order to make up for this increased gas cost as well as other increased costs, Columbia will file rate increases of about $6 million for its wholesale business (other increases must be obtained through higher revenues in the retail business).

What about share earnings? While Columbia Gas in recent years has had a stock equity in the neighborhood of 50% (which it wishes to maintain as far as possible) earnings have fluctuated rather widely, due largely to variations in weather conditions and the resulting amount of house-heating. The stock record over the past decade has been as follows, together with Standard & Poor's estimate of earnings for 1951:

	Earned	Paid	Approx. Price Range High	Low
1951 (estimated)	$1.50	*$0.80	15	13
1950	1.18	0.75	15	11
1949	0.84	0.71	13	10
1948	1.04	0.75	15	10
1947	1.36	0.75	13	10
1946	1.20	0.30	14	9
1945	0.98	0.20	12	4
1944	0.93	0.20	5	4
1943	0.91	0.10	5	2
1942	0.85	--	3	1
1941	0.78	0.10	5	1

*Based on the present quarterly rate.

The stock is currently around 15⅝ and pays 80 cents to yield about 5.8%. Chairman Crocker in his talk did not discuss dividend policy, though he displayed a chart showing that, based on changes in the purchasing power of the dollar, stockholders have not fared nearly as well as consumers and employees, in this closely-regulated industry.

Roddis Plywood Com. Stk. Sold at $15 a Sh.

Blyth & Co., Inc. and Reynolds & Co. headed a group which offered for public sale on Sept. 25 an issue of 286,500 shares of Roddis Plywood Corp. common stock at $15 per share. The offering was oversubscribed and the books closed. This marked the first public distribution of the corporation's shares. Of the offering, 200,000 shares were issued and sold by the corporation and the proceeds will be used for the purchase of additional timber reserves and for working capital. The remaining 86,500 shares were sold for the account of certain stockholders.

The corporation and its subsidiaries are engaged in the manufacture, purchase and sale of hardwood plywood, Douglas fir plywood, hardwood veneer doors and lumber. The principal manufacturing plant is located at Marshfield, Wis. The corporation and its subsidiaries obtain logs from timberlands which they own or lease or on which they have cutting rights and by purchase.

For the year ended Oct. 31, 1950 the corporation reported net sales of $27,887,287 and net earnings of $1,892,581. For the seven months ended May 31, 1951 net sales were $18,948,842 and net earnings $1,268,768. Cash dividends have been paid on the common stock in each fiscal year since Oct. 31, 1943.

Perry Hall In United Hospital Fund Drive

Perry E. Hall, partner of Morgan Stanley & Co., has accepted the Vice-Chairmanship of the United Hospital Fund's Business and Professional Division.

The announcement was made by Division Chairman Isaac B. Grainger, Executive Vice-President of the Chemical Bank and Trust Co.

Mr. Hall, Division Chairman in the 1950 campaign, will help direct the solicitation activities of more than 200 Manhattan and Bronx businessmen and women in the Fund's 1951 citywide campaign for $3,500,000. The division will seek contributions from privately owned firms and executives in these boroughs.

The United Hospital Fund's 1951 campaign will be conducted between Oct. 8 and Nov. 30 to assist 82-member, voluntary hospitals in Greater New York to meet expenses incurred last year through dispensing free and part-pay care to thousands of patients.

Wilson Scott to Be McKelvy Partner

PITTSBURGH, Pa.—Wilson A. Scott will be admitted to partnership in McKelvy & Company, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges. Mr. Scott was formerly a partner in Jenks, Kirkland & Grubbs and prior thereto in Grubbs, Scott & Co.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich. — Robert R. Cole has become affiliated with King Merritt & Co., Inc., 53½ West Huron Street.

John G. Kinnard Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Byron J. Hannay has been added to the staff of John G. Kinnard & Co., Baker Arcade.

Now Sole Proprietor

ABILENE, Kans. — Loraine C. Long is now sole proprietor of Long Investment Co., 310½ North Broadway, Albert E. Long, partner in the firm, having passed away.

Railroad Securities

Nickel Plate and Lackawanna

Considerable interest developed in the common stock of New York, Chicago & St. Louis the middle of last week when it was announced that the Interstate Commerce Commission had finally approved the road's application for authority to split the shares five-for-one. By the time this column is released trading in the new stock will have started on the New York Stock Exchange. With this development, one of the few remaining high priced rail stocks will have been taken off the market. Presumably with the larger number of shares outstanding, and at a more popular price level, the stock should attract a wider public following than it has had in the past.

Another consideration calculated to stimulate interest in the new, split, shares is the expectation in many quarters that a dividend will be forthcoming, and the stock placed on a regular annual basis, before the year-end. Despite years of high earnings (average $25.83 a share on the old stock during the past ten years). Nickel Plate is one of the very few railroads left that has paid nothing on its common stock since the collapse of the boom in the early 1930s. The last distribution was made in 1931. While dividend action is expected this year it seems likely that the rate will be held to quite conservative levels in relation to earnings, at least for the time being. The rate most widely expected is $3.00 a year.

Nickel Plate has had its reasons for failing to pay common dividends during these years of prosperity. Twenty years ago it was burdened with a heavy debt structure and an unfortunate bond maturity schedule. When earnings began to recover from the depression lows, therefore, it was naturally advisable to use the available cash to reduce the debt. Meanwhile dividend arrears were accumulating on the preferred stock. Subsequently these had to be paid off. The last arrears were liquidated earlier this year and the mortgage debt structure is in very good shape. However, the company has serial bank loans outstanding and annual principal payments on equipment obligations are quite heavy. It is because of these requirements that a conservative dividend policy is indicated.

The recently released August earnings report was better than had generally been expected. All through the year gross revenues have been running ahead of a year ago but these gains have been more than offset by the mounting taxes and by heavier payroll charges and fuel and material costs. By August the company was apparently getting these costs under better control. Net income for the month was less than $40,000 below the level of a year ago. For the full eight months earnings per share of common stock, adjusting for the split, came to $5.32 a share. A year earlier, adjusting for the split but not for additional stock sold earlier this year, share earnings worked out to $6.75.

Traffic to date has not shown any particularly sharp reflection of mounting defense production. Apparently this is still lagging while the cutbacks in civilian goods are taking their toll. Even with this lag, however, Nickel Plate's September earnings should show up pretty well—they will reflect the freight rate increases in full. Also, it is still expected that defense production will gain considerable momentum as the year progresses. It seems reasonable to expect, therefore, that Nickel Plate's earnings for the full year 1951 will be in the $9.00—$9.50 range on the split stock.

As a direct result of the renewed activity in Nickel Plate common, the stock of Delaware Lackawanna & Western also turned active and stronger last week. A few years ago this road, which has an important connection with Nickel Plate at Buffalo, purchased 60,000 shares of Nickel Plate common at an average price below $50.00 a share. It also exercised its rights to buy 6,000 shares at $175.00 a share earlier this year. After the split, then, it will own approximately one share of Nickel Plate common for each five shares of its own stock outstanding. The road has a very substantial profit on this investment but it is generally expected that it will not be sold. The holding could materially increase Lackawanna's outside income.

Customers Brokers Elect Officers

Alfred Elsesser, of Kidder, Peabody & Co., was elected President of the Association of Customers' Brokers at their annual election yesterday.

The dinner following the meeting was attended by more than 125 members and was enlivened by the distribution of sample products by many corporations listed on the New York Stock Exchange.

Other offices and members of the Executive Committee were chosen as follows:

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

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

Secretary: William Specht, Hay, Fales & Co.

Executive Committee:

Term expiring 1955: Nicholas Novak, Drysdale & Co.; Edward Strong Wilson, Reynolds & Co.; Nicholas E. Crane, Dean Witter & Co.; Walton Ferguson, Cyrus J. Lawrence & Sons.

Term expiring 1952: Daniel F. Davison, Hayden, Stone & Co.; Joseph Cabble, Abraham & Co.; Albert F. Frank, Ladenburg, Thalmann & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Grant A. Kendell and Tadashi Yokogawa are with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Charles M. Eller has been added to the staff of E. F. Hutton & Company, 2044 Tulare Street.

Continued from page 10

What Irredeemable Currency Means to Bankers and Public

reduces the power and freedom of the individual and increases that of the State.

With the people's purse at the disposal of the government, the way is open for profligate spending, dissipation of our national patrimony, heavy taxation, and the accumulation of heavy debt.

With the government in unrestrained control of the people's purse, a huge bureaucracy develops and lives at the expense of the producers of real wealth, competing with and crippling private enterprise, both domestically and in foreign trade and exchange.

When a government operates with an irredeemable currency, its management of the people requires that it sit at the nation's international boundary lines as judge and dictator as to what exports and imports and exchange rates shall be permitted and as to what part private enterprise may play in foreign trade and exchange.

Dr. Hjalmar Schacht, the German banker and monetary economist, who perhaps has had experience with irredeemable currencies and the attendant government management not matched by any other official currency manipulator, has this to say about the crushing effects of such government dictatorship (in his *Gold For Europe*, Gerald Duckworth and Co., Ltd., London, 1950, p. 3): ". . . All international trade is involved to-day in a permanent crisis which keeps all politicians and economists fighting for breath. Anyone who lived through those happy days before the first World War—when the international exchange of goods took place without friction under the free play of private enterprise, and when the state confined itself to a few general regulations — sees to-day with horror how governments labor in vain to restore international trade by a succession of regulations and interference. This continual government interference simply results in the damping down of all enterprise on the part of those engaged in trade. The efforts of businessmen, formerly concentrated solely on the organization of production and markets, are exhausted today largely in a struggle against state bureaucracies, who have to carry out the instructions of politicians. The main reason for these instructions are the confusion and insecurity which have arisen in the field of finance. Artificially established international finance relations, restrictions on the international exchange of payments, obstruction and prevention of international transfers of capital—all these deprive trade and production of any basis for recovery."

It should be useful to note how the Communist, Earl Browder, describes the situation at which he contends we have arrived. Says he in his booklet, *Keynes, Foster and Marx, Part I, State Capitalism and Progress* (published by Earl Browder, 7 Highland Place, Yonkers, N. Y., 1950), pp. 43-44: "State capitalism in its most advanced forms is taking over the field of foreign trade more than any other field. . . . The day of private trading between nations is coming to an end; it has already ended for the main bulk of such trade."

* * *

"The large-scale entry of the government into the sphere of foreign trade is only another part of the development of state capitalism. It is another step in the capitulation of the bourgeoisie before the invasion of the principle of socialist planning."

The degree of dictatorship by our government revealed in our international relations, is only one aspect of a governmentally-managed economy, but it is a significant manifestation of what happens when a government thrusts an irredeemable currency on a people and endeavors to lead them into a governmentally-managed economy. Dictatorship at the international boundary line of a nation thrusts itself back into the internal affairs of the people in a multitude of ways.

Browder describes our general situation as follows (*op. cit.*, pp. 29-30): "State capitalism leaped forward to a new high point in the decade 1939-1949. It became overwhelmingly predominant in every major phase of economic life, and changed the face of politics.

"After the war, with the lifting of some forms of state control, there was a certain slowing up of the tempo of this development, but not a change in direction. State capitalism, in substance, if not in formal aspects, has progressed farther in America than in Great Britain under the Labor Government, despite its nationalization of certain industries, which is a formal stage not yet reached in America; the actual, substantial concentration of the guiding reins of national economy in government hands is probably on a higher level in the U. S. A."

Having reached a high degree of governmentally-managed economy in this country, people's savings and the act of saving have come under severe attack, both direct and subtle, through heavy taxation, artificially low interest rates, government competition in lending, government dissipation of our national wealth, the building of a huge debt structure, public and private, against our savings and income.

We manifest a strong tendency today, typical of the prodigal spender, borrower, and waster, not to look at our debts or to offset them against our income, spending, and saving as we look at and comment favorably upon our relatively great activity. We seem to be forgetting again, as we did in the late 1920's, that debt stands as an obligation until paid and that earnings and assets can melt away quickly with the consequence that the debt burdens become generally unbearable and severe liquidation sets in. The great volume of debt in this country hangs over the heads of our people as a dangerous burden and threat of their safety.

An Example of the Subtle Attack By a Depreciating Currency On Savings

An irredeemable currency saps people's savings in ways not keenly appreciated until the ravages of that disease are far advanced. In the days before John Maynard Keynes developed his program of a governmentally-managed economy, he observed, in his book, *The Economic Consequences of the Peace* (Harcourt, Brace and Howe, New York, 1920), p. 235, that not one man in a million is able to diagnose the process by which a debauched currency ruins a society—and an irredeemable currency is a debauched currency.

Perhaps the following data will illustrate the subtle aspect of the weakening process inherent in an irredeemable currency, and also how the public fails to react strongly because of lack of understanding of this process:

The total loss, because of a depreciated dollar, on the average value of life insurance policies, time deposits in banks, and E, F, and G savings bonds for the years 1941-1950, in 1950 dollars as compared with 1941 dollars (using the index of prices at wholesale), amounted to \$116,565,524,000. This huge loss is lightly regarded because so poorly understood. Yet it is 61 times the estimated total loss of \$1,901,000,000 by depositors in suspended banks during the years 1921-1933. Regarding the latter loss, extending over 13 years, we still write and speak with emotion. Regarding a loss 61 times greater on these three items only we offer little more than platitudinous observations that reveal our small understanding of the devastating effects of a depreciating currency. Of this loss of \$116,565,524,000, in purchasing power in these three items, the loss on insurance policies was \$77,497,028,000; that on time deposits in all banks was \$20,140,640,000, almost equal to all time deposits in all mutual savings banks on June 27, 1951; that on E, F, and G bonds was \$18,927,856,000.

The General Picture Today

Our statistical data are too inadequate to enable us to obtain a well-rounded and accurate picture of what our depreciated currency and our move into a governmentally-managed economy are doing to people's wealth, savings, and income. We rely upon samples of one sort or another and these may mislead us because of their inadequacy.

We need to remind ourselves that figures on national income can be run to any height by means of currency depreciation. All data expressed in terms of dollars which have lost their purchasing power require scrutiny and probably adjustment in terms of some base period with which comparisons are made.

Production indexes do not reveal how much of the production is for destructive purposes and war. The decline in the index of industrial production following World War II could mean that more goods, relatively, were being produced for civilian use. Our so-called prosperity rests in high degree upon scarcities fostered by our government, upon destruction and dissipation of our real wealth by war and by giving it away, with the result that we experience an unusual scarcity of goods for civilian use (as revealed by the high prices), upon the blood of our boys, and upon a depreciated currency. No nation prospers in a real sense, or as much as otherwise would have been possible, by destroying wealth, by making it artificially scarce, by giving away its wealth, by sending its boys to their death, and by depreciating its currency.

The Department of Commerce estimates personal saving out of disposable personal income, to be \$9.8 billion in 1941. The estimate for 1950 is \$10.7 billion. Considering the fact that the dollar in 1950, as measured by the index of wholesale prices, had a purchasing power of only 54% of the dollar in 1941 (index for 1941 = 87.3, that for 1950 = 161.5, 1926 = 100) the \$10.7 billion of savings in 1950 had a purchasing power of only \$5,778 million in terms of 1941 dollars as compared with \$9.8 billion in 1941, a decline of approximately \$4 billion. ("Federal Reserve Bulletin" of Aug., 1951, pp. 1013 and 1015.) The increase of population of approximately 14.5% between 1940 and 1950 (from 131,669,275 in 1940 to 150,697,361 in 1950) would reduce the real value of these savings by another 13%, roughly, if computed on a per capital basis—that is, down to \$5,027 million, or \$4,773 million below the \$9.8 billion of 1941.

Time deposits in all mutual savings banks on Dec. 31, 1941, amounted to \$10,525 million. On June 27, 1951, they stood at \$20,380 million. The index of wholesale prices on June 26, 1951, was 180.8; that for Dec. 31, 1941, was 93.8. The dollar had a purchasing power in June, 1951, of approximately 52 cents in terms of the dollar in December, 1941. The \$20,380 million of time deposits in mutual savings banks, in June, 1951, had a purchasing power of \$10,514 million in terms of 1941 dollars and was slightly below the \$10,525 million of time deposits in 1941. ("Federal Reserve Bulletins" of August, 1951, pp. 975 and 1013, and of February, 1942, p. 167.) The increase of population would reduce these figures for 1950 by another 13% if they were computed on a per capita basis.

Time deposits in all banks amounted to \$26,479 million on Dec. 31, 1941, and \$57,210 million on June 27, 1951. The purchasing power of the \$57,210 million was approximately \$29,749 million as compared with the \$26,479 million in 1941. If adjustment were made to a per capita basis because of population growth, this figure of \$29,749 million would be reduced to \$25,882 million which is \$597 million below the \$26,479 million of Dec. 31, 1941.

It should be recalled that the loss *on the average* in real purchasing power of time deposits, for the decade 1941-1950 was estimated to be \$20,140,640,000.

On Dec. 31, 1941, postal savings are reported as \$1,313 million. The peak of the December figures was \$3,416 million in 1947. On June 27, 1951, the figure was down to \$2,800 million, the purchasing power of which, in terms of 1941 dollars, is \$1,456 million as compared with the \$1,313 million in 1941. Adjustment of their real value for 1950 on a per capita basis would bring the figure for 1951 down to \$1,267 or slightly below that for 1941.

The Institute of Life Insurance reports (in "Money-Matters," August, 1951) that accumulated savings, consisting of U. S. Savings Bonds, savings deposits, Postal Savings, savings and loan accounts, and net funds accumulated behind life insurance policies, have grown faster than consumer expenditures until 1945, reaching a peak ratio in that year of 110%. Thereafter the ratio declined to 91% in 1950.

Accumulated savings are given as \$59.1 billion in 1940 and \$176.1 billion in 1950, an increase of nearly 200%. Consumer expenditures are given as \$72.1 in 1940 and \$193.6 in 1950, an increase of 168%.

Since the dollar of 1950 had a purchasing power of 49 cents in terms of the 1940 dollar, as measured by the index of wholesale prices (index for 1940 = 78.6; that for 1950 = 161.5), the real value of accumulated savings in 1950 (\$86,289 million) had increased 46% in terms of 1940 dollars over the \$59.1 billion of that year. Accumulated real savings adjusted to a per capita basis would be \$523 in 1940 and \$570 in 1950—an increase of approximately 9%.

If the Institute's data are accurate, then it would appear that the people of this country have been making real gains in accumulated savings. But there may be more significance, than the Institute's analysis suggests, in the declining rate of increase in accumulated savings shown since 1945 and in the fall in the ratios of accumulated savings to consumer expenditures since that date. (Data for 1941-1944 were not provided by the Institute.)

Dr. Leland Rex Robinson, Vice-President of the Economists' National Committee on Monetary Policy, aided by Mr. Herbert Brinberg of the Committee staff, pointed out, in an address in Salt Lake City, July 26, as an example of the manner in which "we fool ourselves in taking the shadows cast by cheapened money for the substance of goods and services which lie behind these shadows" that the actual purchasing power of the liquid assets of Americans, including bank deposits, currency, savings and loan shares, life insurance reserves, and United States Government securities, have declined on a per capita basis by some 25% since 1945 after deducting the load of rising consumer debt. "Expressed in 1939 dollars, over 90 billions," he said, "or about 40% of liquid assets claimed by individuals in our country in 1949, had been eaten away in postwar inflation, leaving less in purchasing power of accumulated savings in that year than in 1945."

Robinson said further: "As for the vaunted earnings of business, let us bear in mind that we tend to exaggerate the actual earnings of business corporations, because of the inclusion of fortuitous inventory profits and the inadequacy of depreciation allowances charged to expenses in times of rising material and construction costs. . . . As a source of personal income for the people of the United States, dividends fell from about 7% of their total income in 1929-1930 to little more than half that proportion in 1949-1950."

The Institute of Life Insurance, in a July release, reported in "The American Banker" of July 6, states that the combined dollar return on invested savings as represented by rental income was equivalent to 22 cents of every dollar of the nation's overall personal income in that year; that the proportion had fallen to 17 cents in 1940; that it reached a low of 10 cents in 1945; and that the ratio stood at 12 cents in 1949 and 1950. The low interest rates combined with a sharp decline in the purchasing power of the dollar have had a severe impact on the return on invested savings.

In its May issue of "Monetary-Matters," the Institute showed a rise in the ratios of withdrawals to new savings from 32% in 1943 to 99% for the second half of 1950.

According to the Institute, total life insurance in effect in 1932 was \$101,559,000,000; that for 1939 was \$111,651,000,000; that for August, 1951, was \$243 billion. If these figures are adjusted to the purchasing power of the dollar, with 1926 prices at wholesale as 100, the \$101,559,000,000 of insurance in 1932 had a purchasing power of \$156,728,000,000; the \$111,651,000,000 of 1939 equaled \$144,800,000,000; the \$243 billion of August, 1951, equalled (on an index of 177.2 for Aug. 13) \$136,080,000,000. Adjustment on a per capita basis, in consequence of the growth in population, would reduce still further the real value per capita of the present volume of life insurance.

Although the Department of Commerce figures reveal a sharp increase in personal income in 1950 over 1941, after taxes and consumption expenditures have been subtracted, the personal savings out of annual income, in depreciated dollars, are only slightly greater in 1950 as compared with 1941 (\$10.7 billion in 1950 as compared with \$9.8 billion in 1941), and they are roughly \$4 billion less in actual purchasing power. Adjustment for population growth would reduce the 1950 value still further on a per capita basis.

To this decline in real current savings and to accumulated savings should be added the picture of mounting debt, private and public. Total consumer credit increased from \$8,826 million in 1941 to \$20,097 million in 1950. In June, 1951, it had declined to \$19,224 million. The "Survey of Current Business" (U. S. Dept. of Commerce, October, 1950), reports, page 10, that total net individual and noncorporate debt increased from $52 billion at the end of 1939 to $93.8 at the end of 1949; that, for the same period, total net private debt (corporate and noncorporate) increased from $125.5 billion to $205.5 billion; and that net private and public debt increased from $184.5 billion to $442.2 billion. Gross private and public debt increased from $208.9 billion to $512.6 billion. Per capita debt at the end of 1939 was $1,586; that at the end of 1950 was slightly over $3,400.

In its June issue of "Monetary-Matters," the Institute of Life Insurance gives the trends of the principal components of personal debt for the period 1939 to 1950 (estimated) as follows: Home mortgage debt rose from the low of the period—$17.6 billion in 1939—to $44 billion in 1950. Farm mortgages and non-real estate loans rose from the low of $7.9 billion in 1945 to $13 billion in 1950. Consumer credit rose from a low of $5 billion in 1944 to $20.1 billion in 1950. Life insurance policy loans increased from $1.9 billion in 1946 and 1947 to $2.4 billion in 1950.

These samples of pertinent data perhaps reveal something of the complexity of the picture. There is, first of all, the question of the proper definition of savings. Then we are confronted with the accuracy of our statistical data on savings and with the correctness of our use of them. Aggregates may mislead us in important respects. For example, they may not reveal what is happening to a large segment of our people whose incomes do not increase with the cost of living and who are saving less and less out of current income and may be eating into accumulated savings or going into debt or lowering their standard of living. Furthermore, consideration should be given to the increase in population. It is for these reasons, in part, that Keynes was justified in remarking that not one man in a million is able to diagnose the process by which a debauched currency ruins a society.

Inadequate as are these few samples of our current economic situation, a few important elements stand out as a warning to us: Although gross national product in 1950 was 124% above that of 1941, gross public and private debt was 145% above that of 1941; consumer credit was approximately 130% above that for 1941; the purchasing power of the dollar had declined 46%; the real value of current savings, without adjustment to a per capita basis, was down approximately 40%; much of our so-called prosperity rests upon war, waste and destruction.

One of the unsound elements of far-reaching consequence that could and should be eliminated is our system of irredeemable currency and the creation of currency against public debt. An irredeemable currency is dishonest in nature. It poisons the blood-stream of the national economy, creates fever and chills, induces a flush having the appearance of abnormally good health, causes a bloat that looks like real growth in size, creates doubts, fears and distress, and, if it becomes sufficiently virulent, it can reduce the nation to a state of prostration.

Management of credit on the basis of a redeemable currency presents greater problems than we have been able to meet well; but the management of credit, on the unsound basis of an irredeemable currency, presents problems of management that are infinitely greater. A great rise in prices, attempts at price control, and ultimately a collapse are the rather uniform experiences of mankind with such monetary management. The longest business contraction in our history came in 1873-1878 under an irredeemable currency. It lasted 65 months as against 45 months for that of 1929-1933. (Geoffrey H. Moore, "Statistical Indicators of Cyclical Revivals and Recessions," National Bureau of Economic Research, New York, 1950, p. 6.) There is no basis for the apparently widespread belief that an irredeemable currency provides insurance against a severe business contraction. The 13-month contraction of 1937-1938, under an irredeemable currency, was sharper than that for any 13-month period 1929 to 1933.

Revolutions have been a common consequence of the use of irredeemable currency. From irredeemable currency to a dictatorship has been a frequent occurrence. An irredeemable currency is a potent tool of the dictator. Either it is used by a government to get control of the people's purse and, hence, of the people, or it ushers in a dictatorship.

A fundamental property right disappeared in this country when the government thrust an irredeemable currency on our people. Under a redeemable currency any individual can convert his non-gold monetary claims and wealth into gold as a means of protecting the value of his property against a wasteful and profligate government. Under an irredeemable currency, that right disappears and the individual's property becomes subject to the plundering by a rapacious government against which he can take no effective direct action. A basic freedom disappears, and people become the helpless victims of a government that cannot be held effectively to an accounting.

It seems reasonably clear that the great mass of our people have no clear understanding that when an irredeemable currency was thrust upon them they lost control of the public purse and that the way was opened for an orgy of public spending and dissipation of our national patrimony in a manner and to an extent never before seen in the history of this world.

If our people are to be saved from the disaster, distress, and tears into which our present course promises to lead us, it will be because some statesman arises who understands the differences between a redeemable and an irredeemable currency and will lead the way back to a redeemable money. No such statesman, in a position to be effective, has yet appeared. About all we see today is the very old type of battle with symptoms, the basic cause being not understood or ignored. Only a relatively few voices are raised in respect to these fundamental causes. But, as is commonly the case, such voices are generally ignored or scorned. There is no good reason for supposing that we can get any appreciable amount of economy in our government until a redeemable currency is restored. A government and central banking system become cautious in the issuance of promises to pay only if they can be called upon to redeem them upon demand. Pleas for economy in government while a government has an irredeemable currency at its disposal are futile—as we should have learned by this time.

The Urgent Need for Statesmanship in the Field of Money

Let it be emphasized that no candidate for the Presidency in this country is worthy of that responsibility unless he believes that the control of the people's purse should reside in the people rather than with the government and that, consequently, a redeemable currency for our people must be restored promptly.

Any candidate for the Presidency who does not understand the basic issues involved in these considerations or who refuses to lead the battle for a redeemable currency should be denied the nomination. Such a man cannot be the real friend of liberty, of the rights of private property, of real representative government as against dictatorship. Of necessity, he must be either ignorant or an advocate of a government-ally-managed economy.

Leading citizens of this country should confront every candidate with these fundamental issues and obtain clear-cut answers. A candidate who will not make every possible effort to restore a redeemable currency to the people of the United States should be rejected. A redeemable currency and human freedom are inseparable. The future well-being of this nation depends upon a realization by our statesmen and by leading citizens of that fact, and upon prompt action in conformity with that necessary understanding.

May we not forget these important facts: An irredeemable currency, when it cannot be avoided, is evidence of the economic bankruptcy of a nation. An irredeemable currency, when it can be avoided, is evidence of moral bankruptcy and of irresponsibility on the part of the government that employs it.

Marshall Coast Rep. For Knickerbocker

Fred A. Marshall

Karl D. Pettit, President of Knickerbocker Shares, Inc., announced that Fred A. Marshall has become associated with the organization as Pacific Coast Representative of the Knickerbocker Fund, a mutual investment company. Mr. Marshall will make his headquarters at 639 South Spring Street, Los Angeles, Calif.

Floyd A. Allen Opens New Branch Office

STUDIO CITY, Calif.—Floyd A. Allen & Company announce the opening, September 24th, of a new branch office in the San Fernando Valley with Bernard Livingston as manager. Mr. Livingston is well known in financials circles, having been in the investment business for some time. Associated with Mr. Livingston will be Leonard Brooker and William Livingston. All were formerly connected with Standard Investment Co. of California, Pasadena. The new office is located at 12201 Ventura Boulevard.

Reeside to Manage Hirsch & Co. Branch

WASHINGTON, D. C.—Hirsch & Co., members of the New York Stock Exchange, announce that Harmer Reeside has become associated with the firm as manager of its Washington, D. C. office, 1636 Eye Street, N. W. In the past Mr. Reeside was with Bache & Co.

F. S. Moseley Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Robert F. Burnett has joined the staff of F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges and other exchanges.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Dividend policies of insurance companies are generally reviewed in the final months of the year. In years past it has been in this period that increases in payments, stock dividends or extras have usually been declared.

Again this year there should be a number of dividend changes. Because of unsatisfactory underwriting experiences, however, the increases this year are expected to be minor. Established extras and year-end dividends should be maintained.

The principal factor supporting higher dividend payments is the improving investment results. Over the past several years, insurance companies have been adding sizable amounts of common stocks, preferred stocks and tax-exempt state and municipal bonds. In a number of cases holdings of U. S. Government securities and other bonds have also been increased.

One of the reasons for this larger portfolio is the substantially larger and growing volume of business being handled. As the premium volume has increased, a larger total of funds has been available for investment. Retained earnings have also added to the investment funds.

At the same time the rate of return on the investment has been improving. Firming of interest rates has helped the return from both bonds and preferred stocks. Dividend payments on equities have been increasing and at present are running approximately 10% above a year ago.

Thus, despite the fact that underwriting results have fluctuated widely since 1946, the investment income of most insurance companies has improved in each year.

Investment income has traditionally been the primary determinant of dividend policy. Although underwriting results have exerted an important psychological influence in specific years, the long-term dividend policies of most companies have been predicated on the investment returns.

As a result of the improvement in investment earnings over the past several years, payments to stockholders have gradually been enlarged. This has taken the form of stock dividends, stock splits, extras and increased dividend rates. Even though there is not much likelihood of a large number of dividend increases this year, total payments for 1951 will be larger than those of the previous year.

The following tabulation shows the indicated dividends for 1951, including extras, and those of last year for 22 of the leading fire insurance companies:

	Indicated Dividend	Paid 1950	Current Price	Yield %
Aetna Insurance	$2.25	$2.25	56½	3.98
American Insurance	1.00	0.90	22½	4.44
Boston Insurance	2.65	2.39	63¾	4.16
Continental Insurance	2.50	2.40	73	3.42
Federal Insurance	2.20	2.15	87½	2.51
Fidelity-Phenix	2.50	2.38	75½	3.31
Fire Association	2.60	2.60	60¼	4.32
Firemans' Fund	1.60	1.60	54¼	2.95
Firemen's (Newark)	0.70	0.65	22½	3.11
Great American	1.50	1.48	36	4.17
Hanover Fire	1.60	1.60	32¾	4.89
Hartford Fire	3.00	3.00	133	2.26
Home Insurance	1.80	1.60	36¼	4.97
Insurance Co. of North America	2.50	2.50	68½	3.65
National Fire	2.50	2.50	60	4.17
North River	1.20	1.20	26¾	4.49
Phoenix Insurance	3.00	2.90	80¼	3.74
Providence-Washington	1.50	1.50	28½	5.26
St. Paul Fire & Marine	0.80	0.75	32¼	2.48
Springfield Fire & Marine	2.00	1.98	45½	4.40
U. S. Fire	1.40	1.36	39¼	3.57
Westchester Fire	1.00	1.00	21¾	4.60

The above figures have been adjusted for stock dividends and split-ups. Also, where payment dates were changed from one year to the next, adjustments have been made to make the dividend figures more nearly comparable.

Variations in yields between the different securities reflect a number of factors, including the possibility in some cases of larger dividend payments. Also, the yields reflect the differences in investment policies followed by the various institutions.

For example, one of the companies derives most of its investment income from tax-exempt securities. Obviously this stock sells on a lower yield basis than one which obtains its investment income primarily from common stock dividends.

There is also a certain amount of investor preference reflected in the yields. Institutional buying for pension funds has had a noticeable influence on some of these shares.

A number of factors are at work which should correct the current unsatisfactory underwriting situation. When this happens and the business is once again on a normal profitable basis, dividend payments should be further increased. The stock market usually anticipates such developments, so that the current period may be a favorable one to review insurance stock holdings.

Continued from page 3

Are We Heading for a Bust In Capital Expenditures?

in terms of relative magnitude. Capacity for primary domestic production of aluminum which was about 700,000 tons a year pre-Korea is scheduled to be stepped up to 1.5 million tons a year by 1954—an increase of over 100%. Expansion of the air force to approximately 150 groups would result in even further expansion of capacity.

The electric power capacity goal is 97 million kilowatts by 1953. The program has been slowed down by materials shortages, but even so, about 90 million kilowatts may actually be installed by that time—an increase of 35% over present capacity. And so it goes pretty well along the line of capacity to produce the industrial ingredients of modern warfare in abundant measure and still support an expanding civilian economy.

To secure expansion of industrial capacity of the magnitude indicated, the Federal Government—or more specifically the Office of Defense Mobilization—has resorted to a whole series of special inducements. These include the allocation of scarce materials, direct government loans, commitments to purchase supplies requested by the government if they are not otherwise disposed of, and rapid amortization for tax purposes.

Accelerated Depreciation Vehicle

Of these inducements the most important, at least in terms of the money magnitudes involved, as well as the most controversial has been accelerated depreciation or rapid amortization, depending upon which of these relatively confusing terms you prefer. As of Aug. 28, the government had received applications for accelerated depreciation on about $22 billion of facilities for defense production, and some measure of accelerated depreciation had been granted on facilities representing an investment of about $9 billion or about 40% of the total applied for. In the meantime, direct government loans for defense facilities, which are made through the Reconstruction Finance Corporation after recommendation by the Office of Defense Mobilization, had amounted to considerably less than $100,000,000. No figures on commitments to purchase have been made available, but they apparently have not been very imposing.

As you know, the amount of acceleration of depreciation which has been granted has varied widely. The maximum has been complete depreciation of the facilities in five years. The minimum acceleration authorized is 50% in five years with the average about 70%. When the degree of acceleration allowed in each case is taken into account the total tax deductions resulting are less imposing. One way to put it is that if the customary depreciation rules were to apply about $2 billion of the total covered by the accelerated depreciation program to date would be depreciated in the first five years. Under this program about $6.3 billion in depreciation or $4.3 billion more than normally would be allowed has been approved.

As you well know, this arrangement has been bitterly attacked in some quarters as a give-away program for the private benefit of the private owners of industry. For example, Mr. James B. Carey, Secretary-Treasurer of the CIO, has characterized the arrangement as "a raid on the Treasury." Mr. William B. Shannon, writing in the New York "Post" (for March 2, 1951), has remarked that "one of the richest bonanzas in the defense program goes under the name of galloping amortization."

Double-Edged Sword

So far as I can tell, such an attitude is not very closely in tune with the realities of the accelerated depreciation program. To the private owners of private industry the program offers one immediate advantage. It also offers one potential advantage which is highly problematic. The immediate advantage is that the grant of accelerated depreciation reduces the amount of capital required to provide the production facilities involved. If the capital is to be returned from income in five years, less capital is obviously required for a given facility than would be required if the capital would be returned from income over 20 years.

The potential—and highly problematic—advantage is that the deductions from income on account of the accelerated depreciation will be made during a period of very high taxation and, hence, be more advantageous than depreciation deductions made later if taxes are then lower. Such an advantage might emerge if the mobilization emergency passes and with it existing excess profits and other taxes introduced in the name of the emergency. However, I am sure you will agree that this is enough of an *if* to make any future tax gains because of accelerated depreciation highly conjecturable.

On the other hand, the accelerated depreciation program, if properly administered, induces industry to acquire more production facilities sooner than it would otherwise acquire them because they are needed by the government for defense purposes. The facilities in question may turn out to be very helpful to the companies which acquire them, or they may lie very heavily on their hands. Considering the risks the private owners of private industry are induced to take in hurrying to acquire this capacity, the accelerated depreciation program does not look like a bad bargain for the country.

Of course, it would be possible to administer an accelerated depreciation program so badly that it would become a gravy train for private industry. Defense facilities have at times been construed to include not only night clubs for the entertainment of the troops, but the morale-building ladies of the evening to staff them. It is conceivable that an accelerated depreciation program might be administered to cover both. I would be surprised if in the rush attending its beginnings there had not been some loose administration of the present accelerated depreciation program, but that would not invalidate the general program.

"A Damaging Delusion"

In dealing with problems of depreciation, accelerated or otherwise, I have a feeling that we as a nation are laboring under a damaging delusion. The delusion is that if companies are allowed to depreciate equipment rapidly for tax purposes, they are getting away with something. As I have indicated, it can be advantageous to depreciate equipment rapidly during a period of high taxation and slowly during a period of low taxation. But the central fact is that it can only be depreciated once. If the equipment is depreciated immediately, future income derived from the use of it is subject to the full impact of taxation. Granted a fairly uniform rate of taxation, the advantages of rapid or slow depreciation tend to balance out so far as the tax collector is concerned. However, if the company both depreciates and retires its equipment rapidly there can be a gain all around from the speeding up of the installation of improved equipment. The truth of this proposition has struck home in Sweden where the government, which certainly cannot be charged with being excessively solicitous to the interest of private property owners, consistently permits industry to depreciate its equipment as rapidly as it wishes. I am sure this policy has a major bearing on the fact that relative to the resources available to it, Swedish industry is extraordinarily well equipped. I hope that you will consider carefully the benefits that a similar policy might confer on our country.

Will Present Boom Continue?

When the forced draft created by the defense mobilization is removed, what is going to happen to the level of capital investment? Is it going to drop sharply and, perforce, drag the economy with it? Or, as we did after World War II, are we going to have a new wave of capital investment, or at least sustain the present wave?

Some of our more reflective citizens (or perhaps it is merely citizens with a tendency toward ulcers) have been quietly pondering these possibilities for some time. Moves which might lead to a cease fire in Korea have helped to bring the question of whether we are riding for a fall in the field of capital expenditure out of the whispering stage and into the foreground.

In dealing with the future course of capital expenditures (or any other aspect of the economic future for that matter) it is, of course, in order to keep very much in mind the dictum of the philosopher Aristotle that "it is part of probability that the improbable will happen." But even so, it is an essential of an organized society to make plans based upon some assumption about what is going to happen. The guess should not suffer too much from an effort to make it somewhat informed.

On the question of whether a let down in international tension of the sort which would be provided by a cease fire in Korea would also result in a sharp letdown in investment in industrial plant and equipment we have a little bit of evidence. It is based on a recheck of plans for capital expenditure during this year which was made after the idea of a cease fire in Korea was in the wind. This recheck of a fairly broad sample of industry (made by the correspondents of "Business Week" in collaboration with our McGraw-Hill Department of Economics) indicated that industry intends to carry through an even larger program of investment in new plant and equipment than it contemplated early this year when we made our annual survey of intentions. In almost no cases had programs for capital investment been cut back; and some of them, involving large companies, and large expenditures, had been increased by as much as 100%.

If one takes the most optimistic view possible of the potentialities of improvement in the international situation and the most pessimistic view possible of the extent and repercussions of the current let-down in some segments of the economy, notably those engaged in producing textiles and consumer durables, a severe cut-back of plans to invest in new plant and equipment in the months ahead may be envisaged. But it takes a truly strenuous effort to reach this result.

Material Shortages May Cause Cut-Back

I hasten to add that to conclude that there will be no sharp cut-back of plans to install new industrial plant and equipment in the months ahead is not the same as concluding that there will be no cut-back of the carrying out of plans. If the calculations of those in Washington who manage the Controlled Materials Plan are to be trusted there will be an acute shortage of structural steel in the fourth quarter of this year. They report that prospective drafts upon the available supplies are about twice as great as the supplies in sight. Also I am told that quite a few builders who have managed to get hold of structural steel are finding difficulty in finding the requisite numbers of workers to put it in place.

It seems quite likely that shortage of structural steel late this year will slow up the construction end of the process of installing new industrial plant and equipment. I do not, however, expect the reduction in the total of expenditures for new plant and equipment to be large. This is partly because construction constitutes a minor part of the total expenditures, for industrial plant and equipment, partly because much of the structural steel required is already on hand, and partly because American business enterprises have a prodigious way of overcoming shortages of even the most basic materials.

However, insofar as the installation of new industrial plant and equipment is retarded late this year it will swell the total for the coming year. Plans for the coming year still remain to be made, but such preliminary indications as there are (and there are a few) indicate that investment in new industrial plant and equipment will continue at a high level well into 1952.

In this connection, I think what I designate as Keezer's law is important. My formulation of this law which I anticipate ultimately will take its place along with Gresham's law, Say's law and similar economic profundities is that the stability of plans for investment in new industrial plant and equipment tends to vary in direct proportion to the number of vice-presidents who must initial a change to make it effective. The plans are made. Manifold vice-presidents and myriads of Washington officials must act to get them undone in a big way. Hence, among other elements of stability, they have the great stability of inertia. In my judgment they will go through without any drastic downward revision.

Outlook in Later Years

It is along late in 1952 or in 1953 that the question of what's going to happen to capital expenditures by industry really gets interesting and binding. Will something develop to make it possible to sustain the high level of capital investment which is an essential ingredient of a continued boom? Or, at the other extreme, will we, as some influential analysts predict, have a bust in capital expenditures and, hence, the principal ingredient of a serious depression?

Lest you find the suspense intolerable I shall give you my judgment on this range of possibilities immediately. I expect some let-down in the present boom in investment in industrial plants and equipment—a let-down which might reduce the level to that prevailing in the years 1948 through 1950. This would mean perhaps $15 billion of investment in new plant and equipment, compared to $20 billion expected this year. I do not, however, expect anything in the nature of a collapse in capital investment. I think the Federal Government will, if necessary, take steps to avoid such a collapse. Thus, the key question seems to me to be whether investment in industrial plant and equipment will, as I devoutly hope, continue to be conducted primarily under private auspices or whether the Federal Government will enlarge its leadership in this crucial field.

It doesn't take much imagination to conjure up a rather bleak future for private investment in new industrial plant and equipment when, as will probably be the case some time late in 1952, or in 1953, we pass the peak of the mobilization boom. If the price controllers haven't succeeded in their announced purpose to put a bite on profits, the excess profits tax will. And, as you know, corporate profits have in this postwar period been the principal source of funds for new investment in industrial plant and equipment—a point to which I shall return. The special inducements offered by the Federal Government to expand industrial plant and equipment will be largely a thing of the past. And, in quite a few fields, there will not be the inducements of expanding markets. Right now, for example, there seems to be enough capacity to produce the textiles and the automobiles required to meet any civilian demand in sight in the years immediately ahead. The same thing seems to be true of most kinds of machinery.

There are some industries where expanding markets indicate the need for continued plant expansion in the years ahead. This is notably true of the chemical industry. And, although the stocks of television sets it has recently piled up might not suggest as much it is probably also true of the electronics industry.

Replacement Demand to Continue

By and large, however, we cannot look to the demand for continued expansion of industrial capacity to keep the capital goods industries busy and prosperous. Then, what can we look to? The answer is modernization and general improvement of operating efficiency.

I find this answer comes as a surprise to a good many people, including some bankers. They think of the United States as the most efficient industrial country in the world, and rightly so. But, in their preoccupation with that fact, they neglect the equally important fact that a large part of our industrial establishment is either thoroughly worn out or obsolete.

Machine tools, which are perhaps the most basic of industrial equipment, will serve as an example. A recent survey made by "American Machinist" indicates that more than 95% of the machine tools now in place in American industry were produced from designs which are more than ten years old. Machine tools of this antiquated design are only about 70% as efficient as modern tools. This means that by installing modern tools generally we might step up the general efficiency of machine tool performance in American industry by about 40-50%, without benefit of plant expansion. That would mean a saving in labor of at least $1 billion a year.

Right now the machine tool industry is swamped by defense orders. Its rate of output has jumped from about $300 million per year in 1950 to a rate of $800 million now. Mobilization officials say production must be stepped up to an annual rate of $1.2 billion or more. But that will pass and then we shall be confronted by the question of whether the machine tool industry is to return to its tradition position of something of a peacetime pauper or whether it will make a key contribution to its own and the general prosperity by steadily overcoming the inefficiency in machine tool performance.

Textile Plant Obsolete

As I have indicated, the textile industry seems to have no shortage of capacity at the present time. By modern standards, however, a considerable part of its plant and equipment is obsolete. The editors of "Textile World" estimate that by generally installing modern equipment the industry could increase its output per man-hour by at least 20%. The editors of "Food Engineering" estimate that a comparable improvement could be made in the productivity of the food industry by a general utilization of modern equipment. And so it goes throughout our entire industrial establishment.

In a number of industries producing consumers goods — those producing shoes and household appliances, for example—the U. S. Bureau of Labor Statistics has found the output per man-hour in the most efficient plants to be more than four times as great as in the least efficient. This is another indication of the tremendous scope of the use of modern equipment in American industry.

Still another indication of the scope for new industrial equipment in American industry can be found in the terms which industrial managers commonly impose in buying it. In recent McGraw-Hill surveys of investment in new plant and equipment we have asked, "How soon do you think a new equipment should pay for itself?" Three out of four manufacturing companies have told us within five years, and a third of the companies have said three years or less. When we have followed up with the question, "Why do you insist on such a short pay-off period?" the answer more often than not has been, "Because we can invest all the money we have available on these terms."

I trust that I have established the fact that in basic economic terms we shall still have great opportunities for constructive investment in new industrial plant and equipment after the present mobilization emergency has passed.

Will Government Do It?

The next and final question is how are we going to realize these opportunities? Is it going to be done, as I hope it will, through traditional methods of private investment? Or will the government play a dominent part in the process?

There is, of course, a third possibility. It is that nothing much will be done. But, I dismiss this possibility. If capital investment were to collapse we would, as I indicated at the outset, have a major depression. I do not believe the Federal Government would allow that to eventuate without trying to stop it by directly entering the field of capital investment in a big way.

In this connection, it is important to note that early in 1949 our present national Administration sought authority to enter directly into the provision of industrial plant and equipment ostensibly as a means of stabilizing the economy. That was done by introducing in Congress what was called "The Economic Stabilization Act." Later in 1949, when there was a business recession the present Administration sought the same authority in the name of industrial expansion, and called the measure "The Economic Expansion Act." Now authority to build industrial plant and equipment is sought in the name of national defense.

There is obviously a persistent itch in Washington to get into the business of providing industrial plant and equipment. The only thing that will keep it under safe control is adequate private performance. To have adequate private performance there are obviously two key essentials. They are:

(1) An adequate supply of money in private hands, and

(2) Enough private enterprise to rout it into the creation of new industrial plant and equipment.

One facet of the question of an adequate supply of money in private hands leads right to the question of corporate profits. The other facet leads into individual incomes and particularly that enormous volume of liquid assets held by individuals which, at last counting totaled about $182 billion.

As you know, and as I have already remarked, corporate profits have always been a major source of funds for investment in new industrial plant and equipment. Since the end of World War II they have been the principal source. For the years 1943-50 profits provided an average of about two-thirds of the money spent for new industrial plant and equipment.

The Tax Burden

Right now our representatives in Washington are engaged in further increasing taxes on corporate profits. The House has approved a rate of 52% on regular corporate income (about $25,000), and 82% on so-called excess profits. And excess profits have been defined as all profits above 75% of the average profits for the years 1946-48. What the Senate will do remains to be seen, but any very considerable reduction in these rates seems very doubtful.

If a tax load of this general magnitude is imposed upon the nation's corporations for any great length of time, I personally think it will eat away their capacity to make the sort of contribution to capital investment they have been making since the war. To be sure this would not be the case if the rates were applied to recent levels of profits. The new tax rates applied to the volume of profits achieved in the first year after the attack on South Korea (from July, 1950 to July, 1951) would still leave enough to sustain a high level of capital investment after paying the same volume of dividends. On that basis there would be about $12 billion left for internal use, or more than in any previous year except 1948.[1] But I anticipate some contraction in the opportunities to make profits, and —more important—contraction in the zest to make them because of the encouragement to waste and inefficiency given by the excess profits tax.

However, I realize fully that I have no way to demonstrate in advance that I am right. That is partly because what business executives say, at least in their public pronouncements, and what they do seems to have so little in common. I read a great many speeches by leading business executives. From those I have read in recent years, I am sure I would be entitled to conclude that it is the concensus of our business leaders that the country has been going to the dogs hell-bent and continues to do so. And yet if I were to be guided by what is certainly one of the most important indices of confidence in the economic future of the nature, business investment, I could only conclude that our business leaders have been and are overflowing with confidence. Hence, when it comes to interpreting incentives and motives I am inclined to pass.

1 From July 1950 to July 1951 total corporate income before taxes was about $49 billion. Application of the rates approved by the House would leave about $22 billion. Subtracting about $10 billion (the 1950 dividend disbursement) would leave about $12 billion for internal use.

EPT Will Not Die Easily

Nonetheless, I am convinced that continuation for any great length of time of the present excess profits tax will dry up the sources of funds by which corporations have been able to maintain a high and general-prosperity-providing level of investment in new plant and equipment. At the same time, I anticipate great difficulty in unloading a tax which has such overwhelming political charm. Because the tax is so alluring politically and at the same time so destructive economically, getting rid of it seems to me to present a peculiarly formidable problem, and one of peculiar concern to those of you who have special responsibility for the financial welfare of the country.

Of course, if enough energy and skill is applied I am sure that great new sources of funds for investment in new industrial plant and equipment, via common stock purchase can be opened up. In this connection you, no doubt, read about the decision of the leaders of the American Federation of Labor to break politically with the Farm Bureau Federation and the National Grange—a decision, I should think, of rather large potential political importance. The reason given was that these farm organizations have become "big-business minded." I am never sure just what that complaint means, but I judge it means that these farm organizations do not seem to the A. F. of L. to be militant enough in carrying on the continuing effort to redistribute the national income to the masses. If that's the case, it seems to me to mean no more than that these farm organizations are truly reflecting the economic interests of their members, a large share of whom are, as you are particularly well placed to know, bulging with liquid assets.

Labor: The New Rich

The same thing is true, of course, of a considerable share of the membership of the A. F. of L. The United Air Line captains whose salary grievances became so unbearable that they struck recently were reported at the time to be receiving salaries ranging from $10,000 to $15,000 per year—an annual salary somewhat higher than that of truck drivers in the middle west. In this postwar period, I am told, New York City building craftsmen affiliated with the A. F. of L. have regularly taken home day pay of $27 to $34, and I was recently told that for Saturday's work, when special overtime rates prevail, steel riveters in Pittsburgh are collecting $96.

This state of affairs suggests, of course, that the A. F. of L. either has or soon will have a problem of preventing its own membership from becoming too "big-business minded." But, more relevant to our concern here, it indicates the emergence of a new rich. So do the figures on farm income.

Most of those in the new plutocracy have little experience in common stock investment, and relatively little appetite for it. That is clearly indicated by Federal Reserve Board surveys of consumer finances which seem to me to be making a most valuable contribution to knowledge in this murky field.

Increase in Dealer Markups Needed

As I see it, however, there is no insurmountable obstacle to a large increase of direct investment in industrial plant and equipment by the groups I have mentioned. It will take a lot of ingenuity and enterprise, of which some is already being shown. It will probably take an increase in the sales margins for securities which, relative to the sales margins on most products for which wide distribution is sought, remain almost ridiculously low. But it can be done.

In getting it done, you, as bankers, have, I take it, a specially lively interest. But it also seems to me a great public interest in having the base of direct investment in American industry broadened. As matters stand, the *net* expansion of investment in American industry is almost exclusively an institutional matter.

We would, I am convinced, have a stronger economy as well as a sturdier foundation for personal freedom if the direct individual stake in American industry, by virtue of stock ownership, were expanded, instead of giving way to ownership by corporations of one kind and another.

Conclusion

To sum up:

(1) Investment in new industrial plant and equipment can confidently be expected to continue at a very high level well into 1952 and probably into 1953.

(2) Thereafter some decline is to be anticipated, but

(3) we have the potentials of a continuing level of capital investment high enough to make its essential contribution to a high level of general prosperity.

(4) Whether this level will be maintained depends primarily on: (a) the amount of enterprise displayed in exploiting possibilities of industrial modernization, and (b) the provision of adequate funds by Federal tax relief and the opening up of new sources of investment funds, which are now available.

What I have had to say about investment in new industrial plant and equipment has been couched in low and materialistic terms—in terms of machines, profits and taxes. The subject has significance at a much more exalted level than these terms would suggest.

I am convinced that, at root, the issue presented is how much of our most precious heritage—our personal and political freedom —we are going to manage to retain in a period when so many powerful forces impinge to take it away from us.

In the resolving of that issue I think our handling of the problem of capital investment in industry will play a crucial part. If you handle matters skillfully and wisely enough so that the bulk of that investment is kept both private and adequate you will, I am convinced, maintain a key bastion of personal and economic freedom. If you fall down, and thus clear the way for that powerful and persistent party which wants the government to enter in a big way the field of direct investment in industry, I believe your failure will gravely undermine that freedom. Hence, needless to say, I wish you all success. I hope I have said something which will help you.

To Be Ackerman & Co.

Effective Oct. 1st the firm name of Ackerman, Conte, Mattielli & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will be changed to Ackerman & Co. On Oct. 4th, Peter G. Treves and Ernst Wolfgang will be admitted to partnership.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LANSING, Mich. — Lloyd M. Fox has joined the staff of Waddell & Reed, Inc.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich. — Arthur W. Kollin has joined the staff of King Merritt & Company, Inc.

First Boston Group Underwrites Bank Stk.

The First National Bank of Boston is offering to holders of its capital stock rights to subscribe at $42.50 per share for 375,000 newly issued shares at the rate of one share for each 5 14/15ths shares held of record on Sept. 25, 1951. This will increase the capital structure by $15,937,500. The subscription warrants will expire at 3 p.m. (EST) on Oct. 16, 1951. The offering is being underwritten by a group of investment firms headed by The First Boston Corp. The underwriters have agreed to purchase any unsubscribed shares.

The bank, founded in 1784 and now the largest commercial bank in New England, is selling the additional shares because of the continued expansion of its business and the desire to maintain a strong capital position in relation to outstanding loans and deposit liability.

As of June 30, 1951 the bank had total deposits of $1,423,000,000 and total resources of $1,593,000,000. Loans and discounts amounted to $657,000,000. The domestic deposits of the bank alone exceed the combined deposits of all other Boston Clearings House banks. In addition to its main office at 67 Milk Street, Boston, the bank operates 23 domestic-branch offices in the Boston area. There are also 15 foreign branch offices, six in Argentina, six in Cuba and three in Brazil.

All of the capital stock, other than the directors' qualifying shares, of the Old Colony Trust Co., an affiliate of the bank since 1929, is held by trustees for the beneficial interest of shareholders of the bank. The personal trust division of Old Colony administers fiduciary and agency assets which totaled $1,200,000,000 as of June 30, 1951. Its corporate trust and transfer division has grown to be one of the largest in the United States outside of New York City.

Combined operating earnings of the bank and trust company for 1950 were $9,420,000, equal to $4.23 per share on the 2,225,000 shares of stock outstanding. For the six months ended June 30, 1951 the earnings were $5,036,000 or $2.26 per share. Book value per share (capital, surplus and undivided profits of the bank and trust company combined) was $51.98 as of June 30, 1951.

In 1950 the bank and trust company, combined, declared dividends aggregating $2.25 per share on the stock of the bank and dividends totaling $1 per share were declared in the first half of 1951. It is contemplated that the current regular annual dividend rate of $2 per share will be maintained and that, in the absence of changed conditions the year-end extra dividend of 25 cents per share will be paid upon the increased capitalization.

Giving effect to the sale of the additional shares the bank will have outstanding 2,600,000 shares of capital stock of $12.50 par value.

Berk Greenberger Admit

Berk, Greenberger & Co., 42 Broadway, New York City, members of the New York Stock Exchange, will admit Robert H. Berk to limited partnership on Oct. 1st.

E. F. Boruski Opens

Ernest F. Boruski, Jr., is engaging in a securities business from offices at 162 West 54th Street, New York City.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

RED WING, Minn.—Lynn R. Beeman is with Waddell & Reed, Inc.

Continued from first page

As We See It

attached to them. Such procedure is probably necessary in order to give precision to the concepts employed, but the possibility of popular misunderstanding is obvious.

Understanding Needed

It seems to us that the nature of current developments renders it particularly important that certain basic truths about these "national accounts" be once more laid carefully and forcefully before the public. Before we enter into a discussion of the more vital questions to which we refer, it may be well to point to an interesting sidelight thrown upon recent developments in this country. The Department of Commerce in this latest magnum opus undertakes to state various components of what has become popularized as Gross National Product in terms of dollars with purchasing power equivalent to those of 1939 vintage. It is, of course, a hazardous undertaking, and probably the statisticians in the department would be the first to disclaim any close degree of accuracy for the final product. One may assume, however, that the general course of affairs is reflected with a fair degree of accuracy.

At any rate, if we take the data for what they are worth, we find that the boasted rate of business output —total output, that is, without taking into account any growth in the population—in the post World War II years, 1948 and 1949, does not much, if any, more than keep step with the long-term trend from 1910 to date—and this despite the basic shortages of many kinds accumulating during a severe and prolonged depression and a debilitating war. This fact is well worth remembering when the politicians, or certain of them, keep reiterating their claims of unprecedented prosperity due to the policies of their party during the past decade or two.

But we must not permit such observation, as significant as they may be, to divert attention from some real dangers that lurk in misinterpreting such figures as these. To begin with, the terms Gross National Product and more particularly National Income have meanings all their own. Take GNP as the former is often abbreviated. Probably most observers already know that this figure purports to represent the total output of the economy at market prices. Yet how many would stop to think precisely what is implied in such a definition? First of all, such a figure would then include all the outlays made for the replacement of machinery, equipment, plant and other capital assets which during the period covered by the statistics were worn out in the process of production, became obsolete during that time, were lost by accident or fire, or were replaced out of current income. In other words Gross National Product is definitely not Net National Product.

Other Reservations

But there are other and more important reservations which must be made when using this figure. Again let it be noted that it includes the total product, and hence all the tanks, guns, warplanes, warships, ammunition, the services of the men in the fighting forces, the salaries of the fellows who sit in "soft jobs" in government and produce nothing of value, and so on. Such is the fact of the case regardless of technicalities of compilation. What is more the same, with certain adjustments to place the figures on a net basis, is true of a term Net National Product which we do not hear nearly so much of, and likewise National Income, of which much is constantly heard. Thus it is quite conceivable that at the end of a year in which both GNP and National Income ran into many billions of dollars, even hundreds of billions of dollars, we should be poorer than at the beginning of the year — poorer not because we consumed extravagantly, but merely because so much of what we were busy making during the year really did not constitute wealth in any real sense of the term.

It requires but little analysis of the figures as compiled by the Department of Commerce to discover that the role of government throughout all the years after the institution of the New Deal has been very much greater than in prior years. In the degree that the "services" rendered by government were in fact little more than boondoggling, both GNP and National Income for these years overstate the real facts. But, of course, the dramatic exemplification of dangerous use of these terms is found in the war years. In 1942 Gross National Product came to $162 billion, of which goods for government and services rendered government accounted for $60 billion. Of this latter figure some $50 billion were war outlays. In 1929 Gross National Product was about $104 billion, with government contribution running to about $8.5 billion. Again 1944 reported Gross National Product at $214 billion and goods and services for government at $97 billion. Basically the same comparisons reveal the same results in respect of National Income.

Savings?

Again, the accounts are arranged in such a way that government deficits during the war became in effect personal or business savings. Thus during the war savings, year after year, mounted to levels never before dreamed of—and that despite the fact that in any total war real savings are nonexistent, taking the economy as a whole.

Such matters as these are recounted here not in any spirit of criticism of Department of Commerce economists. Absurdities—that is, absurdities, if terms are employed in their every day sense—appear to be an inseparable element in such compilations. We dwell on them now because we are in a defense economy where it is again vital that there be reasonable understanding of such data.

Continued from first page

Sales Tax: The Solution

cians pay lip-service to it without admitting what it means: that we are either too prosperous for our own good or at any rate cannot have both "guns and butter."

Such wisdom is long overdue. As late as in 1944, when inflammable liquid assets were piling sky-high and the wage-price pattern was being thoroughly distorted, the very influential Committee for Economic Development as an example came out for measures to avoid—the depression. That remarkable propaganda outfit for adjusting business to the inflationary climate, advocated fiscal devices to protect the purchasing power of the masses that was highly inflated and to boost a production volume which was to boom anyway. Needless to say, the distinguished economists of the Committee rejected Federal consumption taxes as not appropriate at that time—in 1944—and "will become still less appropriate as times goes on."

The same attitude still prevails —in 1951! — among New Dealers like ex-Governor of the Federal Reserve System Marriner Eccles who vociferously clamor for inflation control but would impose excises only on non-essentials (whatever that means), and especially on consumer durables in short supply. Briefly, we shall combat inflation by taxes which are not to be paid anyway.

III

Presently, the problem is how to cut down consumption and simultaneously keep defense production on the highest level. Under such conditions, levies on consumer spending are **the** appropriate method. Indeed, a general sales tax is the one sensible tax approach to the muddle which is the Federal budget. It is a "classical" weapon in the fight against rising prices. It collects revenues faster than practically any other fiscal technique (except the best of all: the prompt reduction of government expenditures). Cost of collection and control is comparatively low, particularly so if levied on the manufacturing level. Also, the sales tax has to be paid even if the purchase is made out of liquid savings, not out of currently taxable income, a very important consideration when accumulated savings are a first-rate inflationary menace.

To be sure, our fiscal theories stem from a bygone age of low taxes—of no taxes to speak of—in comparison with what we know now. The fact is as well known as its significant implications are often ignored. The rational of tax progression, when rising to 10% or even 25% of individual incomes, is one thing; it is quite another thing when the rates reach over 90%.

Actually, the scarcely 12% of the population in the higher than $6,000 family income bracket probably carries over one-half of the Federal tax liability which has risen, not counting social security contributions, from $6.16 per capita in 1914-15 to $235.95 last year, or from 4% to nearly 23% of the gross national income. Both the total tax liability and the upper brackets' share in it keep rising. Under such circumstances, complicated by inflation, the simple textbook notions about the tax shifting and its equity implications may as well be forgotten. At any rate, major revenue raising from here on **must** dip into the "lower class" pockets, leaving little choice but between: substantially lowering the exemptions and upping the rates on incomes below $6,000; and consolidating the existing Federal excises into a general sales (purchase) tax to cover the whole area of "consumption" at a stiff rate.

Equity or no equity, if the defense efforts continue to increase, a combination of both methods to skin the "poor" will be the only alternative to a mounting deficit in the budget.

IV

The question is not merely how to eliminate the deficit and how to restrict consumption. The trouble is, as indicated above, that extremely sharp tax measures have to be resorted to in order to accomplish that, but **defense production must not be discouraged.** Patently, income taxation could not serve both purposes; it is hardly feasible to distinguish an individual or corporate income arising from "defense" activities from any other kind. (The same holds for transaction taxes.) But disregarding borderline cases, consumer outlay is well distinguishable—from the tax collector's point of view—from governmental as well as from business spending for "productive" purposes. The point is that an excise covering all goods and services, other than rents, bought by the consumer does not create the disincentive that would interfere directly with the kind of output that is to be fostered while it represses the other kind.

Yet, the resistance against a generalized sales tax because of its **regressive** character should not be underestimated. It is most painful to those least capable either of carrying or of shifting the burden. Moreover, it is argued, the regressiveness is an open invitation to feed the cost-price spiral by raising wages. To overcome the political and emotional resistance, some method has to be devised that does not nullify the fiscal and monetary objective and still satisfies to a reasonable degree the natural sentiment opposed to a tax that is far more severe on the poor than on the rich.

Exempting basic elements in the cost of living—food, of course, which constitutes 40% of the low-income household basket—would not do. It would minimize the tax return and cause severe control headaches. Solutions proposed so far by way of issuing special, redeemable tax coupons or allowing a defined exemption from the tax for each family are unworkable for one reason or another.[1] However, a new variant of this family exemption principle, Professor Walter A. Morton's "Progressive Consumption Tax" (in the June, 1951, issue of the **National Tax Journal**) may be the answer to our sales tax prayers.

V

"Since the chief use of a sales tax is to suppress consumption without repressing production, it is applicable whenever these two ends cannot be achieved by income taxation," Morton points out. Given the limitations of the latter, a general excise or gross income tax on value could be made if not really progressive, as Morton claims, at least less flagrantly regressive by proper **adjustment on income tax returns.** Suppose that at a 10% sales tax on all retail sales a standard **sales tax credit** of $40 per person is established on per capita incomes of $400 or less. The $40 would be refunded on the annual income tax return or in a quarterly fashion on the withholding tax. The reinbursement could vary as incomes rise; on those of $2,000 and more per capita, no more refund would be granted. To minimize misuse, refunds would be available only against submitting an income tax declaration and turning in the coupons which the taxpayer receives from the retailer for this purpose.

The drawback of this system is that a few million additional income tax returns would have to be processed, involving a great deal of red tape and additional bureaucracy. On the other hand, the direct cost of collection would fall on business. Furthermore, since the refunds come at the end of the fiscal year or of each quarter, the **Treasury will have borrowed** the respective amounts from the taxpayer for weeks and months. And the plan might be greatly simplified by **eliminating its coupon feature:** automatically, the revenue collector might deduct on every tax return the per capita sales tax credit, if any, to which the taxpayer is entitled.

VI

With the equity "bug" and the red tape taken out of it, the general sales tax gets the money from those who have it. The Federal government already draws on this source to the tune of $8 to $9 billion a year. It would do well to consolidate the multitude of its commodity taxes into a single excise and possibly duplicate its revenues drawn from the consumer—not so much as an addition to, but rather as a correction of a top-heavy and misconstrued tax set-up. Inasmuch as the consumer prefers to avoid the levy by refusing to buy, the result is just as good: it reduces the inflationary pressure on the basic resources and induces savings which the Treasury may absorb directly or through institutional channels.

All this rests, however, on the assumption that the sales tax is wholly or largely added to prices —that it helps to "inflate" them. But that is exactly as it should be: it takes a temporary inflammation of the economic skin, so to speak,

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1 See A. G. Hart and E. C. Brown, *"Financing Defense: Federal Tax and Expenditure Policies"* (Twentieth Century Fund, 1951) pp. 65-68.

to disinflate the underlying cost structure. This may be too subtle for the control-infested minds which cannot distinguish the surface and short-run phenomena of the price-making process from its ultimate determinants.

In the first place, higher prices either reduce the consumer's spending power or increase his unspent reserves; in any case, his total demand falls off. True, given ruthless unions and senseless escalator contracts—or are they a device of Big Business connivance with the Big Bosses?—higher prices are translated pronto into higher wages. But thanks to our Government by Statistics, this might be alleviated: a sales tax with "family allowances" attached, offers the great advantage that it need not, and scarcely could, be included in the cost-of-living index, not more so than a payroll tax. (The tax ought to be specified in all sales as an additional item.)

Besides, the unions can use payroll taxes, too, as a pretext for fresh wage demands. In fact, are not other taxes shiftable, and have they not cost-raising effects? Theoretically, the incidence of income levies rests on the taxpayer. In practice, this has ceased to be true. Take the **corporate** income **taxes** which yield an annual $20 billion. They are being "unloaded" substantially, no doubt about that. But with this very significant feature: that the **shifting** takes **place primarily by way of production costs** rather than of selling prices. Corporations are generous with bonuses, expense accounts, productivity premiums, one thing and another, when they can charge a goodly slice to Uncle Sam and avoid labor trouble. The consequent increase in costs is truly inflationary, automatically permeating the entire cost-price structure. On top of that, since production must go on, the enhanced outlay per unit of output calls for more credit expansion—and the inflationary circuit is intensified—with no buyer's resistance to stop it when the government is the buyer.

Patently, corporate taxes have reached the level at which they are inflationary, in effect. For the excess profits tax, at least, the incomparably more rational sales levy should be substituted. However, it would be naive to assume that even the stiffest sales tax could stop the inflation for more than a short while. Even a permanently balanced budget would merely slow it down—unless we keep Federal expenditures in the bounds of reason and levy taxes so as to **disinflate** the body economic. What we need is the one and **only purgative** (in lieu of "controls") that works; it consists in creating a **budgetary surplus** to be used for "burning up" the overhanging excess of Federal debt certificates.

With Dayton & Gernon

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Lawrence P. Barrett is now with Dayton & Gernon, Pioneer Building.

C. W. Hall Opens

PORTLAND, Ore. — Charles W. Hall has opened offices at 419 Southwest Start Street, to engage in the securities business.

Edward Mathews Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Frederic J. Schwartz has been added to the staff of Edward E. Mathews Co., 53 State Street.

Donald A. Daly

Donald A. Daly of Walston, Hoffman & Goodwin, New York City, passed away on Sept. 10.

Continued from page 5

The State of Trade and Industry

carryover into first quarter of next year is indicated. Meanwhile, it points out, the over-booked condition of the mills will make it difficult for consumers who have until Sept. 25 to convert unrated tonnage to Controlled Materials Plan tickets, to get positions in fourth quarter rolling schedules. As a matter of fact, the lead time has expired for the first two months of the quarter, leaving only December, for which month the mills already are booked to the hilt.

Most steelmakers, this trade paper observes, have opened their orders books for first quarter 1952 tonnage on the various products. Several are booking even further ahead, though in most cases far forward commitments are restricted to military tonnage.

Carbon bars are becoming one of the most difficult items to obtain, being almost in the same class with plates and shapes in this respect. Some producers, "Steel" notes, are taking nothing but top priority orders for first quarter.

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 102.1% of capacity for the week beginning Sept. 24, 1951, or an increase of 0.9 of a point from a week ago.

This week's operating rate is equivalent to 2,041,000 tons of steel ingots and castings for the entire industry, compared to 101.2%, or 2,023,000 tons a week ago, and 99.8%, or 1,995,000 tons a month ago. A year ago it stood at 100.7% of the old capacity and amounted to 1,942,200 tons.

Electric Output Turns Downward the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 22, 1951, was estimated at 7,013,950,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week was lower due to a return to more seasonable weather.

The current total was 123,702,000 kwh. below that of the preceding week; 556,920,000 kwh., or 8.6% above the total output for the week ended Sept. 23, 1950, and 1,458,309,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Turn Upward in Latest Week

Loading of revenue freight for the week ended Sept. 15, 1951, totaled 850,812 cars, according to the Association of American Railroads, representing an increase of 117,904 cars, or 16.1% above the preceding holiday week.

The week's total represented a decrease of 15,846 cars, or 1.8% below the corresponding week in 1950, but an increase of 107,790 cars, or 14.5% above the comparable period of 1949.

Auto Output Receded Slightly the Past Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," dropped to 135,436 units, compared with the previous week's total of 136,150 (revised) units, and 179,313 units in the like week of 1950.

Studebaker output, this agency stated, was slightly under the previous week's figure.

For the United States alone, total output dropped to an estimated 128,705 units from last week's revised total of 129,489 units. In the like week of last year output totaled 179,313 units. Canadian output in the week totaled 6,731 units compared with 6,661 units a week ago, and 6,795 units a year ago.

Total output for the current week was made up of 99,988 cars and 28,717 trucks built in the United States and a total of 4,726 cars and 2,005 trucks built in Canada.

Business Failures Turn Downward

Commercial and industrial failures dipped to 160 in the week ended Sept. 20 from 164 in the preceding week, Dun & Bradstreet, Inc., reported. Despite this decrease, casualties exceeded last year's total of 155 and were off only slightly from the 169 which occurred in 1949. Failures were 33% less numerous than in prewar 1939 when 239 concerns succumbed in the comparable week.

Casualties involving liabilities under $5,000 accounted for the week's dip, but held slightly above the level of last year. Small failures, those having liabilities under $5,000, rose mildly and were slightly above a year ago.

Trade and commercial service mortality declined during the week. Contrary to this downward trend, manufacturing and construction rose. These two lines had more casualties than last year, but a slight decline from the 1950 level prevailed in the trade and service groups.

Five of the nine major geographic regions reported a mild decrease, including the Middle Atlantic, East North Central, and the South Atlantic States. Increases, on the other hand, occurred in the Pacific, East South Central and in New England States. Most areas had fewer casualties than a year ago; the Pacific, West North Central, and East South Central States were the only regions where more businesses failed than in 1950.

Wholesale Food Price Index Declines for Sixth Straight Week

Marking the sixth successive weekly decline, the Dun & Bradstreet wholesale food price index for Sept. 18 dropped slightly to $6.77, from $6.79 the week before, bringing the current figure to the lowest level since Nov. 28, 1950, when it stood at $6.67. On the corresponding date of last year the index likewise registered $6.67, the year-to-year rise equaling 1.5%.

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 Moved Slightly Higher Last Week

While continuing to move in a narrow range, the Dun & Bradstreet daily wholesale commodity price index trended slightly upward during the past week. The index finished at 298.72 on Sept. 18, comparing with 297.91 a week earlier, and with 289.88 on the corresponding date a year ago.

Trading in grain futures at Chicago was more active last week with prices moving irregularly during the period. Corn developed strength toward the close. The upturn was spurred by anxiety over the lateness of the crop and a forecast of a probable frost in sections of the main corn belt over the weekend, which, however, failed to materialize. The Sept. 1 report of the Department of Agriculture confirmed earlier reports of deterioration in the corn crop.

The latest official forecast was for a yield of 3,131,000,000 bushels, a drop of 76,000,000 bushels below the previous estimate.

Wheat showed a moderate rise for the week with the forecast of a large Canadian crop tending to hold advances in check. Oats were quite steady. Demand was only moderate due to competition of Canadian oats in the East.

Domestic bookings of hard wheat bakery flours continued in small volume except for a mild flurry of buying at midweek. Most of the large buyers were covered for extended periods and showed no disposition to add to their holdings. Cocoa moved sharply lower in heavy trading. There was considerable liquidation at times, prompted by reports of lower prices for the main Accra crop. Coffee values continued to rise, aided by a fair volume of buying by roasters and strength in primary markets.

Trading in raw sugar was quiet and the market was featured by a further decline in prices. Demand for refined sugar picked up slightly during the week. Butter was in fairly good demand with prices firmer and supplies moderate. Lard trended higher in moderate trading. Hog prices went to new lows for the year but showed some recovery at the close as the result of lessened marketings. Steers were steady to firmer; the average selling price of all steers set a new all-time high at $36.89 a hundred pounds.

Domestic spot cotton prices rose steadily last week, influenced to a large extent by reports of a heavy movement of the commodity into the government loan.

The market was also bolstered by predictions of heavy exports during the current season and reports of some progress being made toward developing a stockpiling program.

Sales of the staple in the ten spot markets increased sharply last week to 245,300 bales, from 181,900 the previous week, and compared with 263,100 in the like week a year ago. Consumption of cotton during the August period, as estimated by the New York Cotton Exchange, was about 780,000 bales, comparing with 808,000 for the similar period last year.

Trade Volume Registers Further Mild Gains the Past Week

The total dollar volume of retail trade rose very slightly in the period ended on Wednesday of last week. Dollar comparisons with volume in the corresponding week in 1950 ranged from slightly above to slightly below the year-ago level, Dun & Bradstreet, Inc., reports in its current trade summary. The consumer response to the continued promotional sales of seasonal merchandise was usually favorable. While there were scattered signs of improvement in the consumer demand for major electrical appliances, overall volume in these goods remained well below a year ago.

Apparel volume in the sections of the country where cool weather prevailed was as high as, or higher than a year ago.

Fall sportswear and children's apparel generally sold well. The demand for women's coats, suits, and dresses was high and steady. Shoppers slightly increased their buying of millinery, jewelry, and cosmetics. Volume in men's sportswear rose slightly; the response to promotions of suits and haberdashery was usually favorable.

The consumer demand for food was unchanged at a high level last week. While fresh fruits and vegetables continued to sell well, volume in frozen and canned foods dipped slightly. Housewives eagerly sought substitutes for high-priced meats. Poultry, fish, and canned and smoked meats were often requested and the volume in dairy products remained large.

Consumer interest in curtains, draperies, and small household goods was generally favorable the past week. Overall volume in floor coverings and major household appliances remained very slow in comparison with a year ago, although there were scattered reports of an increase in the demand for washing machines and television sets.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 1% above to 4% below a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England +3 to +7; East +2 to —2; South —3 to —7; Middle West —5 to —9; Northwest —1 to —5; Southwest —2 to —6; Pacific Coast —4 to —8.

A spurt in the demand for seasonal merchandise accompanied a moderate expansion in wholesale volume last week. While dollar volume in some lines was above the year-ago level, the gains were partially offset by slight declines in other lines. The number of buyers attending the major wholesale centers was about 10% above that of the preceding week and about 24% above that a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 15, 1951, decreased 10% from the like period of last year. A decline of 2% was recorded in the previous week from that of a year ago, and a decrease of 5% is shown for the four weeks ended Sept. 15, 1951. For the year to date department store sales registered an advance of 3%.

Retail trade in New York last week was retarded to some extent by warm weather resulting in the volume holding at a level close to that recorded in the like week of last year.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 15, 1951, decreased 11% 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. 15, 1951, a decrease of 4% was recorded below that of a year ago, and for the year to date volume advanced 6% from the like period of last year.

Continued from first page

Personal Saving in an Inflationary Economy

the conclusion that during the decade 1955-65 the prices of consumer goods would be about 10% below 1947 and wholesale prices about 18% below.[1] The particular figures used are not important, but the conclusions about long-term trends are important. Last month a distinguished student of monetary problems, Dean C. A. Phillips of the University of Iowa, speaking at the School for Banking at the University of Wisconsin, expressed the view that the price level in the years ahead might drop from its present level of about 80% above 1926 to around 55 above and hold reasonably stable around that level.

The belief that the economy is not an inflationary one rests upon several grounds which vary somewhat with the political leanings of the holders. Thus many conservatives believe that the economy will be threatened by deflation rather than inflation because government policies, hostile to business, will discourage enterprise and thus limit the volume of spending in the community. Many radicals believe that deflation is the long-run problem because, as per capita incomes increase, a rising rate of personal saving will limit the demand for consumer goods. Many persons, some conservative and some radical, fear that rapid technological progress will reduce costs and flood markets with large quantities of goods.

I agree with the conservatives that there is danger that unwise government policies will produce a deflationary effect, but I think that such policies will be offset by other conditions. I do not believe that personal savings are likely to have a strong deflationary effect. One reason is that much personal saving occurs because people wish to buy certain kinds of goods, such as houses, and hence is not deflationary at all. A second reason is that an excess of personal saving can be easily offset by a drop in corporate saving which is quite large. A third and most important reason is that the thriftiness of the population has been declining slowly over a long period of time and is likely to continue to decline, as people acquire more wants and as relatively cheap methods of providing security, such as insurance and annuities, are developed. As for technological progress, its net deflationary effect (if any) is small because it stimulates spending as well as increases the supply of goods.

My belief that the economy is fundamentally an inflationary one rests upon three principal policies of the government: (1) the policy of supporting farm prices; (2) the policy of attempting to assure full or nearly full employment; and (3) the policy of encouraging the growth of trade unions. Each of these policies could be changed or abandoned, but I do not think that there will be sufficient changes in them to alter substantially their inflationary effect.

(1) The Policy of Supporting the Prices of Farm Products: This policy is particularly important because it affects the price of food, and the price of food affects the wage demands of unions. Hence, the policy of supporting the prices of farm products is one way of encouraging unions to make stiffer wage demands. Parity prices of farm products are so defined that even in June, 1950, when the country was in the midst of a business boom, all six of the so-called "basic" crops were selling below parity and only six out of seventeen other crops included in the price support program were selling above parity. In the first half of 1950, the government was spending many hundreds of millions of dollars in support of farm prices, despite the fact that the farmers' real per capita income, though lower than in the last several years, was still very high. During the present fiscal year, the budget calls for expenditures of $504 million for rice support and related programs. The policy of supporting the prices of agricultural commodities ought to be modified so that government expenditures for this purpose would occur only in times of abnormally severe unemployment. Both of the political parties are competing keenly for the farm vote. Hence, the outlook for a non-inflationary farm price support policy is not bright.

(2) The Policy of Maintaining "Full" or High Level Employment: The necessity of making large expenditures on defense may create such a persistently strong demand for labor that the policy of maintaining a high level of employment may be pushed into the background. It will be applied, however, whenever there is recession and a rise in unemployment. The policy means that any tendency for unemployment to grow will be fought more aggressively and with less regard to other considerations than would have been the case before the general acceptance of the policy. But the policy is likely to be inflationary. Booms are usually accompanied by a rise in the price level. If the price level in the long run is not to rise, the drops in prices which accompany recessions must offset the rises which accompany booms. Perhaps this will happen. A rather mild recession may be sufficient to produce a fairly pronounced drop in prices. For example, the index of wholesale prices dropped from 169.5 in August, 1948 to 151.2 in December, 1949, the low point in prices for the recession of 1949. But the December, 1949 low was above the average for the year 1947. Certainly the policy of active intervention by the government to halt any drop in employment lessens the likelihood that the price declines of recessions will be offset by the price increases of booms. Consequently, the policy of maintaining or of encouraging full employment is likely to bring about a slow drop in the purchasing power of the dollar.

(3) The Policy of Encouraging Employees to Organize: This policy has resulted in a more than four-fold increase in trade unionists in the United States between 1933 and 1951. Considerably more than half the wage earners in manufacturing, mining, transportation, and construction are union members. The large trade union membership and the great strength of the unions make it likely that wages will rise a little more than output per manhour, which seems to have been increasing at the average rate of about 2.5% per year.

Many economists doubt whether trade unions have any significant effect upon the general level of money wages. In fact, some economists believe that unions may even retard the rise in money wages on the ground that in periods of expansion employers are less willing to agree with a union on a wage increase than they would be to advance the wages of unorganized employees. The reason is that a wage increase granted to union workers is likely to be permanent, whereas one granted to non-union workers may be temporary. Economists point out that the level of wages is determined in large measure by the demand for labor and over this trade unions have no direct control. If unions raise wages faster than the demand for labor grows, unemployment will increase and this will limit the bargaining power of unions. It has been historically true that rises in wages have followed increases in prices. Furthermore, there is fairly conclusive evidence that during the period 1890 to 1926 the wages of union employees moved a little bit later than the wages of non-union employees —though over the period as a whole, the rise in the union wage level was about the same as the rise in the non-union wage level. Finally, if one compares the movement of hourly earnings in different industries during the post-war period or between 1940 and the present, one finds no satisfactory evidence that earnings have risen faster in highly organized industries than in weakly organized ones.

I do not find these arguments in support of the view that unions have little effect on money wages very persuasive. Certainly one cannot get adequate evidence of the effect of unions simply by studying periods of strong sellers' markets, such as 1945 to 1948 or 1939 to 1948. It is in such periods that unorganized workers are in the strongest position relative to the organized. Periods of recession as well as periods of expansion need to be studied in order to judge the effect of unions because some unions gain concessions even in the face of declining demand when non-union workers are getting nothing or even losing part of what they have gained. During the severe depression following 1929, for example, union wages in the building trades and printing industry continued to rise for about two years. During the recession of 1949, a significant minority of union workers obtained wage increases and a considerably larger proportion obtained concessions, such as pension plans and sick benefit plans, that appreciably increased labor costs. Indeed, if one were to study the relationship between money wages in general (both union and non-union) and prices simply in periods of expansion, one would conclude that money wages follow advances in prices. But if one looks at longer periods, say 50 years or 100 years, one discovers that prices adjust themselves more to the wage level than the wage level adjusts itself to the price level. Between 1850 and 1940, for example, the rise in money wages was sufficient to prevent the extraordinarily rapid technological progress of that period from producing much of a drop in prices. The principal effect of technological progress was to raise money wages, not to reduce prices. This result is explained by the fact that in periods of recession, when prices were falling, wages remained unchanged or continued to rise.

I am skeptical, however, that even studies of wage movements in different industries over fairly long periods of time would shed much light on the influence of unions on money wages. There are two reasons for this conclusion. One is that important conditions other than unions affect wages. When several powerful influences affect wages, it is difficult to isolate the effect of anyone of these influences, especially if the number of cases in the comparisons is small. A second is that non-union wages are not independent of union wages. If the two kinds of wages move upward more or less together, as is reasonable to expect, it may be impossible to demonstrate statistically that the movement would be faster or slower if the strength of unions were greater or less or if there were no unions at all.

All of this indicates that one may be compelled to rely upon circumstantial evidence to judge the effect of unions upon money wages. I submit, however, that the upward pressure for wage increases will be stronger and more effective when 13 million workers are organized than when 3 million are organized. And if union membership grows to 20 million, as it may well do within ten years, the upward pressure on wages will become even stronger. These conclusions are fortified by a consideration of the changes that unions introduce into the labor market. In the absence of trade unions, the services of employees are bought and sold on a take-it-or-leave-it basis at prices named by employers. Unions change the method of selling labor from a take-it-or-leave-it price named by employers to a negotiated price. There is a certain amount of rivalry among unions which impels each organization to attmpt to obtain better terms for its members than other unions are obtaining. The negotiations between unions and employers do not inevitably produce easy agreement. Sometimes there are strikes and when there are strikes, the union is not usually completely defeated. At other times, settlements are achieved only after long and painful negotiations or as a result of arbitration. In all of these cases where settlement is difficult or is obtained only after a strike or arbitration, the resulting wage is likely to be above the take-it-or-leave-it price that the employer would set in the absence of unions.

If the government were not pursuing the policy of attempting to maintain a high level of employment, one might question whether the upward pressure of unions upon wages would be inflationary or deflationary. It might be either, but I do not have time to discuss the reasons for this statement. If the government seeks to encourage a policy of full empolyment, however, the upward pressure of unions on wages will affect prices rather than employment. This means that unions, through their wage demands, are likely to be among the principal makers of fiscal and credit policies—having more influence than the people who **appear** to make those policies.

II

If the economy is an inflationary one, as I believe it to be, how will its operation be affected? Many economists think that an inflationary economy will operate very differently from the one with which we are familiar and that the results will be bad—possibly disastrous. They base these conclusions upon the effects that they believe even a slow rise in the price level will have upon the operation of the economy. During the last two or three hundred years the movement of prices has been predominantly upward, but this upward movement has not been accompanied (except for brief periods or under special circumstances) by the expectation of a rise in prices. The upward movement of prices has been interrupted by extended periods of declines. These declines were particularly long and pronounced during the 19th century. Hence the general price level in 1920, soon after the First World War, was virtually the same as in 1814 at the end of the Napoleonic wars. The long periods of declines in prices prevented the development of the expectation that the long-term movement of prices would be upward.

If the expectation of a long-run rise in prices were ever to become general. Many economists believe that there would be a wide-spread attempt to shift from money and fixed-dollar assets into goods. Suppose, for example, that an actual price increase of 4% a year, extending over several years, created the expectation that a 4% rise in prices would continue. Suppose that this expectation caused the rise to increase from 4% to 5% a year. The 5% rise might create the expectation of a continued 5% rise which, in turn, would cause the actual rise to become greater than 5%. In this way, through the effect of price increases upon expectations and of expectations upon price increases, a slow or creeping rise in prices would soon become a galloping rise.

I do not believe that the economy will be particularly sensitive to the expectation of long-run increases in the price level. In the first place, an actual increase of probably around 3% a year (and possibly more) will be necessary in order to create the expectation of a long-run rise in prices. Perhaps the actual average increase will not exceed this point of toleration. In the second place, the effect of expectations of an increase in prices upon the actual movement of prices may be quite limited. Indeed, experience shows that most periods of inflation are self-limiting. It takes special conditions, such as lack of confidence in the stability of the government, or a conviction that the government will finance itself by issuing large quantities of paper money, to prodoce an indefinite continuation of shifts from cash and fixed-dollar assets into commodities.

There are several reasons why periods of inflation are self-limiting. One is that the rise in prices limits the purchasing power of the existing money supply. Many people find it convenient or necessary to hold a certain amount of purchasing power in the form of cash. Consequently, as prices rise, expectations of higher prices are less and less effective in inducing people to shift from cash into goods—unless the purchasing power of each unit of money is further depreciated by the creation of new currency. Furthermore, the prospect of a general rise in prices does not mean that the price of any particular article will advance. Hence, the expectation of a slow rise in the average level of **all** prices may not be particularly effective in stimulating individuals or business concerns to buy specific articles in anticipation of higher prices. The possibility of improvements in some goods also limits advance buying. And, of course, purchases by each individual and enterprise will be limited by uncertainty concerning the size of future incomes, by the possibility of unemployment or the loss of markets, by the necessity of going into debt, and, in the case of business concerns, by the knowledge that rival enterprises may also be accumulating inventories.

All of this means that the rise in prices in an inflationary economy will not be steady. It will go by jerks. The periods of expansion will be interrupted by periods of recession. The proportion of the time represented by expansions will be greater than in a non-inflationary economy and the proportion of the time represented by recession will be less. The average level of employment will be higher than in a non-inflationary economy and, of course, the volume of output and the level of consumption will be higher.

III

What investment problems does a slowly rising price level present to savers? These problems, of course, are only a small segment of the wide variety of problems with which an inflationary economy confronts the community. Among other things, an inflationary economy will re-

[1] Eightieth Congress, Second Session, Committee Print, "Long-Range Agricultural Policy," pp. 17-21.

quire important reforms in accounting procedures. American corporations cannot go on indefinitely counting a rise in the cost of replacing inventories as a profit, and paying taxes on it as a profits. Nor can they indefinitely base depreciation charges upon original cost rather than replacement cost.[2]

The problems that concern us this morning, however, are the problems of the personal saver. These problems are serious enough, but they are not as serious as many people fear. Although the economy is now being recognized as an inflationary one, it has, as a matter of fact, been an inflationary one for some time. Furthermore, it is likely to be less inflationary in the future than it has been during the last 20 years. Since 1930, for example, the wholesale price index has risen 106% and the consumer price index 55%; since 1940, the wholesale price index has risen 126% and the consumer price index 85%. Today the wholesale price index is 3.2 times as high as it was 50 years ago, and the consumer price index 3.3 times as high.

I do not believe that prices will rise as rapidly as they have done in the last several decades. In other words, although our policies may be quite inflationary, and although we shall be much more conscious of the problems of inflation than in the past, the economy in fact will be less inflationary than it has been. But in the past the rises in prices have not been foreseen or have been regarded as temporary. Consequently, while the expectation of inflation has affected the investment policies of investment trusts, college endowments, and a few large investors, the vast majority of investors, especially small ones, have behaved as if the dollar could be counted upon not to drop in purchasing power. Hence, a general expectation of a slow rise in prices may cause important modifications in the investment practices of millions of small savers.

The best way to form an idea of some of the changes that may occur is to look at some of the principal assets owned by individuals. Unfortunately, it is impossible at the present time to draw up a consolidated balance sheet for all individuals in the United States. Rough estimates of a few of the principal forms of property owned by individuals, however, are available. The following are some of the principal items that would appear on the asset side of a consolidated balance sheet for all individuals:

Asset—		*Amount Billion
Corporate securities		$200
Stocks	$170	
Bonds	30	
Non-farm residential buildings		110
Currency		20
Demand deposits		30
Savings deposits		53
Savings & loan shares		13
U. S. govt. securities		40
State & local securities		9
Government insurance		40
Private insurance		62
Total		$577

The number of owners of these different assets varies tremendously. About 45 out of every 100 of the 53 million spending units in the country had savings accounts; about 41 out of 100, checking acounts; about 41 out of 100, savings bonds; 50 out of 100 owned a home or a farm; about 73 out of 100 had life insurance; but only about 7 or 8 out of 100 owned stock in corporations. About 47% of the volume of savings accounts, checking accounts, and U. S. Savings Bonds were held by one-tenth of the spending units.[3] Three-fifths of the spending units held only about 3% of the investment in savings accounts, checking accounts and United States Savings Bonds. These figures shed light on the widespread indifference to the problems of inflation. Most people have only a negligible volume of assets that would depreciate in purchasing power as a result of inflation.

A little less than half of the assets owned by individuals (stocks and non-farm residential buildings) would roughly retain their purchasing power in the face of rising prices. To these should be added some assets not in the above list, such as farms, urban land, and unincorporated businesses. It is evident, however, that there ought to be substantial shifts in the assets held by individuals in order to reduce to a minimum the losses in purchasing power from inflation. This is particularly evident if one observes the changes in holdings of personal assets that have occurred during the rapid inflation of the last ten years. The increase, relative to personal incomes, has been particularly rapid, in the very kind of assets that suffer most loss of purchasing power from inflation—namely, cash, demand deposits, and U. S. government securities. In 1950, personal incomes were 3.1 times as large as in 1939, but holdings of cash were 4.7 times as large, demand deposits 4.1 times and holdings of government securities 7.0 times. Holdings of savings and loan shares just about kept pace with the rise in personal incomes—they were 3 times as large in December, 1950 as in December, 1939. Savings deposits, however, have lagged considerably behind personal incomes. In December, 1950 they were only 2.2 times as large as in December, 1939.

Individuals ought to hold substantially less cash and substantially smaller demand deposits than they now own and substantially larger quantities of real estate and corporate securities. In order to reduce holdings of cash and demand deposits to the same ratio to personal incomes as prevailed in 1939, individuals last December would have needed to reduce their holdings of cash and demand deposits by about $14 billion—from around $49.3 billion to $35.3 billion. The figure today would be a little smaller, but not much smaller. Certainly it is a blunder in periods of rising prices for individuals to hold large quantities of cash and bank deposits on which they do not even receive interest.

The best places for individuals to shift their excess of cash and demand deposits would be to savings banks. I say this because I assume that the money held by individuals in the form of cash or demand deposits is money that they may need on fairly short notice. Shifting these funds to savings banks would not protect the owners against a loss in purchasing power from rising prices, but it would give them some form of compensation, probably inadequate, in the form of interest for the loss in purchasing power, and it would do this without exposing them to a loss of liquidity. Government savings bonds, unfortunately, are less satisfactory than savings deposits to protect individuals against emergencies because the present form of savings bonds pays no or virtually no interest if redeemed within the first year or two after purchase.

An important difficulty with a large shift from cash or demand deposits into savings deposits is that it might be inflationary. The reason is that the cash and demand deposits that would be converted into savings deposits are now relatively inactive. The savings banks, however, would invest the new deposits and they would be spent for goods. Thus the turnover of money would be increased. The Treasury should promptly take steps to offset this inflationary effect by raising its rate of borrowing and hoarding the proceeds of the additional loans.

Not only do individuals need to decrease the proportion of their assets that pay them no return but they need to increase the proportion of assets that will not lose their purchasing power as prices advance. This means an increase in their ownership of real estate and stocks. Individuals are already heavy owners of residential real estate, as the previous table shows. There has been a particularly rapid increase in the number of owner occupied dwelling units during the last ten years—from about 18.5 million in April, 1940 to 23.4 million in April, 1951. Since slightly less than half of the spending units contain home owners, the opportunities for further expansion of home ownership are very good indeed.

Particularly great are the opportunities for increases in the individual holdings of corporate stocks. Since most individuals need to diversify their risks, particularly when they buy stocks, the increase in stock ownership should in considerable measure come indirectly through purchases of the shares of investment trusts. It is really shocking that in a thriving country with a marvelous record of production, such as the United States, the corporations, which turn out roughly half of the national output, should be owned by only around 6 million or 7 million persons. In a democratic system of private enterprise the ownership of corporations should be about as broadly spread as the ownership of savings accounts. Instead of around 7 million shareholders, American industry should have well over 20 million.

But is it practicable for individuals as a whole to increase their ownership of real estate or of stocks on fairly short notice? Both real estate and corporate stocks are already largely owned by individuals. Consequently, there is virtually no opportunity for individual holdings to be increased by purchases from institutional owners. Fortunately in the case of real estate there is a considerable opportunity for individuals to increase their ownership simply by paying their debts. The rapid growth of residential building during the last five years has resulted in an increase of $21.4 billion in the mortgage indebtedness of individuals to institutions between the end of 1945 and the end of 1950.[4] The reduction of this indebtedness will enable individuals rapidly to increase their equity in a good inflation hedge. And by repaying their debts to institutions individuals would be improving the demand for government bonds and thus helping the government to do non-inflationary borrowing. During the first half of 1951 the repayments of mortgages were running at the annual rate of about $9 billion.

Beyond the repayment of mortgage debt the opportunity of individuals to increase their ownership of inflation hedges depends upon the volume of private residential construction and the volume of capital formation by corporations. Despite shortages of labor and materials the volume of private housing construction during the first half of 1951 has been large—larger than in any year except the record-breaking year of 1950. Housing as an outlet for personal savings will continue to be large, though not as large as it has been.

An even more important opportunity for individuals to increase their ownership of inflation hedges is provided by the enormous rate of capital formation by corporations. Expenditures on plant and equipment, for example, are running at recordbreaking rates—nearly 50% above last year in the second quarter and 36% in the present quarter. The huge expenditures on plant and equipment are being financed mainly by plowed-back earnings and to a moderate extent by outside borrowing. New stock issues (exclusive of refundings) are almost negligible—in the first five months of 1951 they were only $549 million. All of this means that the present rapid increase in industrial plant and equipment is an inflation hedge for present stockholders, but it does not offer much opportunity for the many millions of persons who are not now stockholders to improve the type of assets that they own.

You may wonder whether American industry can increase its capital rapidly enough to provide investment opportunities for many millions of new stockholders. I assure you that it can. For example, an increase of $20 billion in capital would permit 10 million new owners holding an average investment of $2,000 each. This is roughly the amount that corporations have recently been financing by plowing back profits over a two-year period. Not only do many millions of Americans need the inflation hedge that ownership of private industry provides, but industry needs many millions of new owners. Until it gets them, it will operate in an atmosphere that is unsympathetic, if not hostile, to corporate enterprises.

In an inflationary economy, ought not individuals to reduce their holdings of government bonds and savings deposits? As I have pointed out, individuals, exclusive of trust funds, now own about $40 billion of government securities and over $50 billion of savings deposits. Government bonds and savings accounts are an excellent source of liquidity because they can be converted into cash quickly and they pay interest. Their attractiveness as long-term investments, however, is low in an inflationary economy because they will lose in purchasing power if prices rise and they do not pay enough interest to compensate their owners for the risk of a rise in prices. It would be most unfortunate, however, if the owners of government bonds of savings accounts were to attempt to shift into other assets on a large scale at the present time. In view of the limited rate at which other assets, such as houses or industrial plant and equipment, can be created, a large-scale shift out of government bonds or savings accounts would create an unhealthy boom in real estate or stocks. Over the next decade or so, as the physical plant of the country expands, individuals can

Continued on page 34

*These rough estimates are taken from Release No. 1001 of the Securities and Exchange Commission (April 12, 1951), and from the *Federal Reserve Bulletin*, July, 1951, "Estimated Liquid Asset Holdings of Individuals and Business," pp. 807, 808. The figure for residential building is a rough estimate based upon the estimate of Kuznets for the year 1938 in *National Product Since 1869*, p. 231. This figure has been brought down to date by the use of the annual expenditures on non-farm dwellings. The figures have been converted to the end of 1950 prices by the use of the Boeckh index of construction cost for frame residences. Depreciation since 1938 has been assumed to be at the rate of 3% per year. It is arbitrarily assumed that 85% of all non-farm residential buildings are owned by individuals rather than by corporations.

2 I discussed these matters at some length in my testimony before the Joint Committee on the Economic Report in December, 1948.

3 "Federal Reserve Bulletin," December, 1950, p. 1593. There is evidence of considerable under-reporting of liquid asests, but how this affects the distribution is not known.

4 Securities and Exchange Commission, "Statistical Series," Release No. 1001, April 12, 1951.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

It's no secret to regular readers of this column that I'm not exactly crazy about the bull side of this market. It's also no secret that some of the stocks suggested here in the past have done right well by those who bought them. If you'll do a little researching you'll come up with the stocks and if you'll compare them with the current prices you'll see where they are now.

* * *

Paramount Pictures was one that was recommended under 25 based on my belief that it represented a good stock in an industry that was slowly but surely turning the corner. The fact that it came up with a new type of color tube that resulted in a 6 point move in one day last week, was comforting but was not the chief reason for its inclusion in the list.

* * *

But to get back to the subject of the first sentence: I prefer to play a minority role in any stock market venture, or, as in this case, telling others what to buy and sell. Instead I now find myself with so much company that I can't move around. I'll grant the possibility that this may be one time that the majority is right. As a matter of fact the majority is usually right at the onset of a move. It is when the move starts taking shape that they enter the danger zone.

* * *

According to the New York Stock Exchange the short interest is now the largest it has been since 1932. The study is a matter of record. If anyone is interested in seeing what stocks have the largest short interest they can refer to these records.

* * *

At the same time it is significant that the industrials have started to retreat and equally significant that the rails have started to move ahead. According to the familiar Dow Theory if the rails now penetrate their old highs the bull market signal will be on. This theory isn't a secret. It's well known to most traders. There's an old market axiom that something that's generally known will have little market effect when it actually occurs. I probably misquoted the axiom; but you get the general sense.

* * *

It all sums up to this: because there's a general belief that a market spill is right around the corner, the chances are that the spill won't come for some time. There may be reactions, or corrections in individual issues as time goes on, but a general break will be postponed.

* * *

I have a post card from a Tulsa, Oklahoma, reader, who takes me to task for not giving dates when the averages made certain levels. First of all I'm not a statistician, so I don't keep records (except those the Internal Revenue people are insistent about) and secondly, I'm naturally very lazy.

[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.]

With King Merritt

(Special to The Financial Chronicle)

ST. CLOUD, Minn.—Conrad M. Lidstrom is now with King Merritt & Co., Inc., 1616 St. Germain Street.

Joins H. O. Peet Staff

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Ross W. Judson, Jr. has joined the staff of H. O. Peet & Co., 23 West 10th Street, members of the New York and Midwest Stock Exchanges.

With Waddell & Reed

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Leonard L. Sherman has been added to the staff of Waddell & Reed, Inc. 1012 Baltimore Avenue.

Continued from page 33

Personal Saving in an Inflationary Economy

gradually adjust their portfolios to the inflationary economy. I do not believe that this adjustment is likely to entail any absolute reduction in the volume of savings deposits. As personal incomes rise, individuals will supply themselves more adequately with emergency funds. Furthermore, the loss of attractiveness of savings deposits as long-term investments in an inflationary economy will be compensated by their increased attractiveness as an interest-bearing source of liquidity. In other words, the movement from savings deposits into real estate and stocks ought to be offset by the movement from cash and demand deposits into savings deposits.

A special problem for both government and investors is presented by the large borrowing that the government will need to do during the next two years—unless the increase in military expenditures is considerably less than is planned. I happen to think that the budget planned for the fiscal year 1952-53, namely over $65 billion of expenditures on defense and foreign aid and total outlays of $85 billion to $90 billion, is substantially too high, but there is not time to discuss that important issue. Such a budget would require about $15 billion to $20 billion a year in new money. The kind of taxes that Congress considers it politically expedient to levy are bad for the economy. Consequently, it would be folly to attempt to meet the increased expenditures solely by new taxes. Borrowing on a substantial scale will be necessary, and it must be borrowing that does not aggravate inflation—the borrowing of real savings. A considerable part of the borrowing will be from insurance companies and savings banks, but a substantial part of it will undoubtedly have to be from individuals.

At a time when the government is pursuing policies that make a long-term rise in prices highly probable and when many savers have the problem of adjusting their portfolios to protect themselves against the possibility of a rise in prices, can individuals be expected to increase still further their large holdings of the type of assets that will lose purchasing power from inflation? If people do not buy the government's securities, the control of inflation will be made much more difficult. If a limited number of people will buy them, perhaps out of patriotic reasons, the buyers are likely to find themselves making a sacrifice from which the community as a whole benefits—a commendable act by the buyers but not an arrangement that appeals to one's sense of justice.

It seems to me that the problem requires two steps by the government. One is to issue a savings bond that bears a rate of interest sufficiently attractive to compensate buyers for the possible loss of purchasing power of their principal. In order to discourage the purchasing of these securities out of capital rather than income, the amount that any individual may buy should be limited and the securities should be made non-negotiable and non-redeemable within five years except for special reasons. There is still sufficient disagreement about the long-run outlook for prices so that an interest rate of around 4% would probably be sufficient to induce a good many buyers to risk a possible loss in the purchasing power of their principal. A 4% rate on a relatively non-liquid security should not be compared with 2% or 2.5% on a highly liquid asset.

The second step would be for the government to issue a bond that possesses some of the characteristics of common stocks—that fluctuates in price with the rise and fall of the general price level. Such a bond would be redeemable after five years in a fixed amount of purchasing power, not a fixed number of dollars. It would have the important characteristic of being deflationary in times of inflation and inflationary in times of deflation because, as long as people expected prices to rise, they would hold it. On the other hand, it would be inflationary in times of deflation because when people expected prices to fall, some of them would convert their bonds into cash. In other words, its inflationary and deflationary effects would be exactly the opposite of the present E bonds. The E bonds have been an inflationary influence since the outbreak of fighting in Korea because the fear of higher prices caused redemptions of the bonds to exceed purchases by about a billion dollars. Fear of higher prices would cause a purchasing power bond to be held, not converted into goods.

A purchasing power bond would not be attractive to institutions, such as savings banks or insurance companies, that make investments against fixed dollar liabilities and wish the maximum interest they can get, and the bond should not be offered to institutional buyers. It would be a boon, however, to many thousands of savers who find themselves heavily invested in assets that lose in purchasing power as prices rise and who are seeking to diversify their portfolios. Many of these savers are not in a position to buy real estate and, in view of the small new issues of common stocks, they cannot go into the stock market in large numbers without bidding up prices. In order to discourage the purchase of the bond out of capital, the amount that an individual might purchase should be limited. I suspect that an interest rate of 1% or a little more would make the bound attractive.

IV

Let me repeat, as I close, the important reminder that though the economy is now regarded by many people as an inflationary one, it is in fact less inflationary than it has been in the last 20 years, when external events, if not the internal characteristics of the economy, made it highly inflationary. An inflationary economy is not an ideal one; it creates problems and it inflicts certain types of injustices. I wish that some of the policies that tend to make the economy inflationary, such as the policy of supporting farm prices, could be modified. But there is no ideal economy. All types of economies have their faults. In comparison with an economy in which the price declines of recessions cancel out the price rises of booms, a mildly inflationary economy has the advantage of a lower average rate of unemployment and hence a higher level of production and a higher standard of consumption.

With F. I. du Pont & Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Kenneth A. Mitchell has become associated with Francis I. du Pont & Co., 607 Marquette Avenue. He was formerly with Kalman & Co. of St. Paul and Minneapolis.

William Dore Joins Singer, Deane Firm

William H. Dore

CLEVELAND, Ohio — William H. Dore has become associated with Singer, Deane & Scribner, of Pittsburgh, members of the New York and Pittsburgh Stock Exchanges. Mr. Dore was formerly manager of the municipal department for Otis & Co. Prior thereto he was with Field, Richards & Co. and was Cleveland manager for Stranahan, Harris & Co.

Winners in N. Y. Curb Golf Tournament

Joseph F. Reilly, an independent broker, captured the New York Curb Exchange gold championship at the Sunningdale Country Club, Scarsdale, New York, yesterday when he scored a 76. Mr. Reilly's name will be inscribed on the non-retireable Curb trophy. He was awarded the President's Cup by Edward T. McCormick, Exchange President. Henry C. Hagen, also an independent, and Arthur Brett of Goodbody & Co., placed second and third with scores of 82 and 85.

Thomas J. Hickey, Jr., Vilas & Hickey, low net winner, with a net score of 72 received the Chairman of the Board's trophy from John J. Mann, Curb Chairman.

Low gross winner among the guests was G. Keteltas who shot a 73.

In the press division Ray Bateman of Forbes Magazine emerged as low gross winner with a 90 and Burton Crane of the New York "Times" was low net winner with a 74 net score.

In the nearest to the pin competition Marcus Kaufman took member honors while R. Foshay scored among the guests.

About 200 Curb members and guests participated in the day's activities.

Leonard Greene was Chairman of the affair. He was assisted by Jack Kassel, John H. McDermott, Joseph A. McGarry, P. Philip Megna, Joseph Petta, Francis J. Purcell, Robert F. Shelare and Francis X. Gaudino of the Exchange staff.

With Walter Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Richard C. Campbell has joined the staff of Walter & Company, First National Bank Building.

Smith, Moore Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Walter M. Schott has become affiliated with Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges.

Edward J. Samson

Edward J. Samson, partner in Paine, Webber, Jackson & Curtis, passed away on Sept. 18 at the age of 71. He had been a partner in the firm and one of its predecessors, Jackson & Curtis, since 1918.

Continued from page 9

Background of U. S. Securities Market

would reduce the attrition on maturing obligations. But, in the case of the $755 million of 3% bonds which became due on the 15th of this month, we find that $175 million or more than 20% were redeemed for cash. Special circumstances may have contributed to this high rate of attrition but these do not completely explain it.

The net sales of savings notes have not come up to expectations. For the fiscal year to date redemptions have exceeded sales.

For the first 14 days of September, one might say that the Treasury was going into the hole deeper than ever with respect to savings bonds. Obiously, a great change will have to take place before the Treasury can count attrition on public debt as an unimportant item.

In addition, because of the stubbornness of the Veterans' Administration and the FHA with respect to changing the interest rates on their mortgages, both the VA and Fanny May may have to increase their buying. The sums are not important, but such government competition with private business and the inconsistency of the government in the area of credit policy are worth noting.

The possible drain on Treasury cash as a consequence of crop support is potentially of larger proportions.

In other words, estimates of the Treasury's need for cash have to include more than the usual number of considerations, and though the Treasury may be expected to have a cash surplus in the first quarter of next year, its anti-inflationary impact may be less than expected at a time when the forthcoming seasonal deficit will be quite large.

Federal Reserve Policy

Federal Reserve credit policy is difficult to weigh, because we do not know the degree by which the Federal is prepared to modify its responsibility, for the availability and cost of reserve credit to considerations of debt management.

The point I have in mind can be illustrated by commenting upon the financing of World Wars I and II. During both wars the Treasury's issuance of new debt vastly exceeded the probable postwar desire for such residual prime-rate investments. Certainly the volume of new securities issued during both wars was greater than the non-bank public wanted to acquire as permanent investments. Even the Treasury did not try to sell them on such a basis.

In World War I the method of achieving maximum non-bank absorption of the Treasury's deficit took several forms. Treasury securities were given varying degrees of exemption from income taxes, new issues were offered at increased interest rates as this seemed necessary, and the public was urged to borrow and the banks to lend, against the new issues. The postwar result was thoroughly unsatisfactory to all concerned.

In World War II it was decided to encourage maximum non-bank absorption of the Treasury deficit by other means. The new technique involved the setting of fixed prices for the redemptions of nonmarketable issues and minimum prices for those that were marketable. In the subsequent postwar period, we found, as was true following World War I, that public holdings were substantially greater than the amounts the public wanted to hold on a more or less permanent basis. Postwar conversion and expansion brought out large demands for capital and credit, and most classes of nonbank lending institutions sold on balance in exchange for other capital assets. These provided the base of our peacetime prosperity and inflation.

Now that the holdings of lending institutions have become a far lesser percentage of total assets, the key to World War II financing —fixed prices for marketable securities—has been abandoned. Apparently, we are floating somewhere between the fixed prices of the earlier period and some new form of price support which is obscure, although all leading authorities agree that a completely free market in Treasury securities is out of the question. Just what the ultimate solution will be is of importance to the Treasury security market, to all private financing, and to the freedom of our economy and people.

The Federal Reserve, however, has not become free to regulate the volume, availability, and cost of its credit without giving a good measure of consideration to the problem of maintaining maximum non-bank ownership of Treasury debt and the financing of Treasury deficits.

The Treasury's cash needs for the remainder of the present fiscal year, with the possible exception of some Treasury bill financing, should be completed by the middle or end of October. From then until next spring, the Treasury's cash position should not be a serious deterrent to a restrictive credit objective if the business environment urges such a policy.

The Federal Reserve, since June, may be said to have been neutral with respect to open market operations in Treasury securities except for the reasonably close control that has been exercised, at times, over the Treasury bill rate. If the Federal were to remain neutral in its attitude toward the Treasury security markets, from now to the end of the year, seasonal factors would cause the policy to be defined as restrictive.

The 1⅞% certificates currently command a relatively small premium. An attitude of neutrality might cause such certificates to sell below par. This might start rumors as to the likelihood of an increase in the rediscount rate, even though this was not in contemplation. The end result could be another sharp decline in Treasury restricted bonds, although not necessarily accompanied by a large volume of selling.

The major question with respect to Federal Reserve open market operations therefore is the degree by which the Federal may be aggressive in order that its credit policy may be neutral. A second major question is whether the business environment could be such that the Federal would be justified in reverting to an easy money policy and aggressively purchase Treasury securities.

I doubt very much that the latter is more than a remote possibility and the prospect of a resumption of the inflation virus, spurred by increased government expenditures and the other factors I have mentioned, suggests the probability of a neutral to a restrictive objective in open market operations.

Debt Management

Treasury debt management has been properly cautious during recent months. Some have voiced a suspicion, however, that the Secretary of the Treasury may have in mind confining new issues of Treasury securities to ones that are short-term in character with a hope of eventually re-establishing a broad demand for Treasury bonds with a 2½% rate. If we hit a point in the business outlook where there is a prospective drought of non-Treasury investment media that might last for several years or longer, such a hope might be fulfilled. This is not in prospect for the next year. Moreover, I believe that when and as large scale Treasury financing is undertaken the Treasury will willingly pay 2¾% if necessary, and I think it will be.

Changes may come about in Treasury financing procedures. Since 1942 the Treasury has financed against a pegged market. Prior to tnat time it had to contend with unpegged market conditions, and the pricing of new securities had to be handled in a different manner. For example, prior to 1942 Treasury financing announcements were made piecemeal. One announcement might state the volume of refunding or the amount to be raised for cash. At that time or shortly thereafter, the Treasury would announce that the offering would consist of a long note, an intermediate bond, a long bond and so forth. Market prices then were given a chance to reflect the weight of the new financing, and not until some days later were the actual terms set and released.

You may recall that issues maturing in the 1930's commanded considerable exchange or "right" values substantially in advance of refunding dates. And that, in 1941, when the Treasury issued what are now known as Bank 2½s, the first offering quickly attained a premium of 3½ points above par. The issue was re-opened almost immediately but the Treasury did not seek to price it above par. After the books closed, just prior to Pearl Harbor, the price of the enlarged issue had moved up to 102¾.

In other words, the terms of new issues offered against the freer market that presently exists must be more generous and must offer a greater discount from existing yields than was true of the pegged markets. For example, the 2¼s of 1956-59 sell to yield approximately 2% as a 5-8 year bond. If the Treasury were to offer a 5-year issue, my guess is that it could not be less "rich" than a 5-year 2¼. As more offerings such as the 2½% 28-month piece of paper recently offered by the Central Bank for Coperatives, a quasi government corporation, become outstanding, the yield offered by the 2¼s of 1956-59 may increase, and a new 5-year Treasury 2¼ would appear less attractive.

There is another important consideration in debt management, namely, the problem of non-marketable issues. Technically speaking, the terms of the Series E savings bonds are not "out-of-line," particularly, with open market rates, although on a comparative basis their attractiveness has been reduced. Savings bonds, however, have lost their popular appeal, and if the Treasury desires to stimulate sales of these securities, either as a "holding action" with respect to outstanding amounts or to increase the public's holdings on balance, some changes will have to be made. You could put a modern automobile engine and many of the refinements of the modern car into a prewar body, but you couldn't sell many, particularly if today's costs were reflected in the price.

Investor attitudes toward long-term Treasury bonds may be different in the future than they were when such issues were supported at par regardless of economic conditions. One of the results of the withdrawal of par support for 2½% Treasury bonds was that high-grade corporate securities sold at yields that have not been available for many years. In addition, holders of two issues of 2½% restricted bonds received an opportunity to acquire a new Treasury obligation bearing an interest rate of 2¾%. It seems to me that no broad demand is likely for Treasury issues bearing a rate of 2½% unless they are available at a discount. Moreover, one lesson that has been relearned as a consequence of the wide fluctuations in the prices of Treasury securities is that more liquidity, even at some reduction in current income, is desirable.

The "bullish" attitude toward 2½% restricted bonds, to the extent it exists today, comes partly from a hope that "the depreciation in the investment account" may be reduced. It is also based on the belief that there will be a great demand for restricted bonds when they become eligible and that the newly acquired eligibility will be reflected by an increase in their price. It seems to me that such a point of view requires two premises. One is that Treasury short-term paper can be financed next spring at measurably lower rates and business activity will have undergone a material decline. One undebatable point is that the prospective increase in corporate tax rates will reduce the incentive to commercial banks to extend into newly-eligible bonds even at present prices, unless the short-term rate has been collapsed to new issues of Treasury certificates at 1½%.

Investor Preferences

The arithmetic of investment must take into consideration the wider fluctuations that will take place in Treasury securities. It has been assumed by some that near-term fluctuations will consist of ups and downs of approximately ½ point from present prices. Within only the past 10 days, however, restricted bond prices have almost covered such a range with no important market influences at play. Consequently, if in the future an investor uses semi-permanent funds for purposes of obtaining a 2½% coupon on an intermediate or long-term obligation a downward fluctuation of ⅝ of a point, at the end of one year would leave him no better off than had he bought one year securities in the first place.

Since June last the 2½% restricted bonds have moved upward some 2 to 2½ points from their lows. Future fluctuations, in my opinion, are apt to cover a wider range. Investors should take these potentially wider fluctuations into consideration before they employ temporary or semipermanent funds in intermediate and long-term Treasury bonds.

It is clear that a greater incentive to the purchase of long-term 2½% Treasury securities could be induced by decreasing the short-term rate, and it has been suggested that a widening of the international tension or our involvement in an outright war would result in a lowering of all Treasury yields. I do not agreed with this. The easy money policies of World War II were not brought about initially by pushing rates down. The first move in the financing of World War II was to increase the short-term rate so as to increase the desire of investors to acquire short-term securities and to reduce the spread between short-term and long-term yields.

The arithmetic of investment will be more carefully calculated in the unpegged markets of the present by both the investor and the Treasury.

Outlook for Prices

The outlook for Treasury security prices depends upon the business background, the business environment, and the other considerations I have outlined. My guess is that seasonal influences will tend to force short-term rates a hair higher. I doubt, however, that Federal Reserve open market operations can permit much of an increase to occur in one-year securities. In intermediate obligations, such as the 2¼s of 1956-59, the price declines may be greater.

I cannot see anything in the picture that suggests measurably higher prices for Treasury restricted bonds. The most optimistic point of view I can acquire is for stability around present levels. I am not too sure of that.

If the Treasury is willing to engage in long-term financing when and as non-bank institutions have an excess of investable funds, a 2¾% rate seems almost predestined. The impact, at the time, of such financing on outstanding 2½% bonds will depend as much, if not more, on the rate commanded by maturities of one year than it will on the maturity of a new 2¾% bond. The one-year rate should have to decline to approximately 1½% before the price of the to-be-eligible bonds would be expected to move up.

In my view, the adjustment to increases in the amounts of eligible securities will come about largely by declines in the prices of the presently eligible issues.

With respect to Treasury security portfolios, for savings banks and insurance companies, I recommend a policy of confining new investments to short-term issues, and I would not go longer than the 2s of 1952-54. Where quasi-government obligations are available, bearing coupon rates such as 2½%, these might be preferred, particularly where an exceptionally high degree of liquidity is not required. Pension funds, etc., that are confined more or less to Treasury securities, can properly place more of their funds in longer-term issues, because when, and as the Treasury engages in long-term financng, they will have other funds that will still be restricted to Treasury securities.

Pacific Northwest IBA Group Elects

SEATTLE, Wash.—Beardslee B. Merrill of Richards & Blum, Inc. Spokane, Washington, has been elected Chairman of the Pacific Northwest Group of the Investment Bankers Association of America.

The Group held its annual meeting Sept. 9, 10 and 11 at the Gearhart Hotel in Gearhart, Orego at which election of officers an new members of the Executive Committee for the year 1951-5 took place.

Albert O. Foster of Foster Marshall of Seattle, Washington and Elbert H. Greene of Conrad Bruce & Co., Portland, Oregon were elected Vice-Chairmen. John J. Hasfurther of Blyth & Co., Inc Spokane, Washington, was elected Secretary-Treasurer. Harold L. Temple of Campbell & Robbins of Portland, Oregon, and Leonard G. Musser of the Spokane and Eastern Branch, Seattle-First National Bank, Spokane, Washington, were the newly elected members to the Executive Committee for a three-year term.

Laurence M. Marks, Laurence M. Marks & Co., New York City President of the IBA, and Murray Hanson, General Counsel of the Association, attended the meeting and addressed the Group on Association matters.

W. H. Blakely of Blankenship Gould & Blakely, Inc. of Portland, Oregon, is the retiring Chairman of the Group.

The Pacific Northwest Group includes the States of Washington Oregon and Idaho, and the Province of British Columbia.

T. J. Carson Opens

STILWELL, Okla.—Tom J. Carson is engaging in a securities business from offices here.

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. 30	102.1	101.2	99.8	100.7
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 30	2,041,000	2,023,000	1,995,000	1,942,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Sept. 15	6,282,200	6,278,200	6,240,850	5,938,330
Crude runs to stills—daily average (bbls.)	Sept. 15	¶6,544,000	6,705,000	6,470,000	5,983,000
Gasoline output (bbls.)	Sept. 15	21,720,000	22,136,000	21,526,000	19,628,000
Kerosene output (bbls.)	Sept. 15	2,558,000	2,620,000	2,497,000	2,175,000
Distillate fuel oil output (bbls.)	Sept. 15	8,833,000	8,732,000	8,593,000	8,314,000
Residual fuel oil output (bbls.)	Sept. 15	8,598,000	8,865,000	8,442,000	8,160,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 15	114,318,000	114,871,000	116,668,000	104,305,000
Kerosene (bbls.) at	Sept. 15	32,945,000	31,980,000	28,924,000	26,577,000
Distillate fuel oil (bbls.) at	Sept. 15	92,528,000	90,430,000	83,113,000	74,136,000
Residual fuel oil (bbls.) at	Sept. 15	47,972,000	48,328,000	47,166,000	42,208,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 15	850,812	732,908	829,398	866,658
Revenue freight received from connections (number of cars)	Sept. 15	670,779	612,958	666,622	697,398
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 20	$232,381,000	$189,224,000	$188,893,000	$238,899,000
Private construction	Sept. 20	63,843,000	102,892,000	87,412,000	144,425,000
Public construction	Sept. 20	168,538,000	86,332,000	101,481,000	94,474,000
State and municipal	Sept. 20	101,345,000	62,586,000	76,590,000	85,998,000
Federal	Sept. 20	67,193,000	23,746,000	24,891,000	8,476,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 15	10,860,000	9,235,000	10,290,000	11,383,000
Pennsylvania anthracite (tons)	Sept. 15	784,000	592,000	712,000	917,000
Beehive coke (tons)	Sept. 15	133,200	*116,000	140,200	158,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Sept. 15	330	289	268	368
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 22	7,013,950	7,137,652	7,076,534	6,457,030
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 20	160	164	130	155
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 18	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Sept. 18	$52.69	$52.69	$52.69	$46.61
Scrap steel (per gross ton)	Sept. 18	$43.00	$43.00	$43.00	$40.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 19	24.200c	24.200c	24.200c	22.825c
Export refinery at	Sept. 19	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Sept. 19	103.000c	103.000c	103.000c	101.000c
Lead (New York) at	Sept. 19	17.000c	17.000c	17.000c	16.000c
Lead (St. Louis) at	Sept. 19	16.800c	16.800c	16.800c	15.800c
Zinc (East St. Louis) at	Sept. 19	17.500c	17.500c	17.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 25	98.56	98.83	98.91	101.66
Average corporate	Sept. 25	111.62	111.62	111.07	[illegible]
Aaa	Sept. 25	116.22	116.41	115.82	119.82
Aa	Sept. 25	115.43	115.43	114.85	118.60
A	Sept. 25	110.34	110.34	109.97	115.24
Baa	Sept. 25	104.83	105.00	104.31	109.06
Railroad Group	Sept. 25	108.16	108.34	107.62	111.62
Public Utilities Group	Sept. 25	111.25	111.44	111.07	116.02
Industrials Group	Sept. 25	115.24	115.43	114.85	119.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 25	2.59	2.58	2.57	2.37
Average corporate	Sept. 25	3.08	3.08	3.11	2.87
Aaa	Sept. 25	2.84	2.83	2.86	2.66
Aa	Sept. 25	2.88	2.88	2.91	2.72
A	Sept. 25	3.15	3.15	3.17	2.89
Baa	Sept. 25	3.46	3.45	3.49	3.22
Railroad Group	Sept. 25	3.27	3.26	3.30	3.08
Public Utilities Group	Sept. 25	3.10	3.09	3.11	2.85
Industrials Group	Sept. 25	2.89	2.88	2.91	2.69
MOODY'S COMMODITY INDEX	Sept. 25	457.4	451.0	458.6	472.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 15	201,011	262,017	187,002	207,785
Production (tons)	Sept. 15	222,702	161,170	223,617	231,325
Percentage of activity	Sept. 15	94	71	93	100
Unfilled orders (tons) at end of period	Sept. 15	538,949	566,141	568,311	714,466
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Sept. 21	149.5	149.4	148.0	136.4
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Sept. 8	25,553	26,153	29,270	19,828
Number of shares	Sept. 8	754,988	766,124	845,551	592,738
Dollar value	Sept. 8	$33,031,337	$33,035,485	$37,156,123	$26,141,879
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 8	24,588	24,510	26,550	21,884
Customers' short sales	Sept. 8	166	211	312	294
Customers' other sales	Sept. 8	24.422	24,299	26,238	21,590
Number of shares—Total sales	Sept. 8	706,004	697,344	736,740	612,186
Customers' short sales	Sept. 8	5,840	7,448	10,167	10,832
Customers' other sales	Sept. 8	700,164	689,896	726,573	601,354
Dollar value	Sept. 8	$28,476,518	$27,855,249	$30,339,739	$23,424,479
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 8	222,330	222,600	217,730	201,450
Short sales	Sept. 8	------	------	------	------
Other sales	Sept. 8	222,380	222,600	217,730	201,450
Round-lot purchases by dealers—					
Number of shares	Sept. 8	266,030	295,400	312,010	202,020
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Sept. 18	176.7	*176.9	176.7	170.3
Farm products	Sept. 18	188.6	189.7	188.6	180.6
Grains	Sept. 18	180.2	184.0	181.0	166.0
Livestock	Sept. 18	256.7	255.9	262.5	235.3
Foods	Sept. 18	187.9	189.0	186.0	178.0
Meats	Sept. 18	280.0	*279.5	278.5	259.9
All commodities other than farm and foods	Sept. 18	165.8	*165.7	165.9	160.2
Textile products	Sept. 18	166.3	*166.5	168.1	161.0
Fuel and lighting materials	Sept. 18	138.5	*138.4	137.8	135.1
Metals and metal products	Sept. 18	189.4	188.2	188.1	177.1
Building materials	Sept. 18	222.0	*222.3	221.7	220.8
Lumber	Sept. 18	341.0	*342.4	341.2	‡
Chemicals and allied products	Sept. 18	140.4	140.2	140.0	129.6

*Revised. ‡Not available. ¶Includes 517,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of July:			
Total gas (M therms)	3,123,907	3,246,896	2,745,300
Natural gas sales (M therms)	2,906,813	3,007,455	2,536,600
Manufactured gas sales (M therms)	110,278	117,591	127,500
Mixed gas sales (M therms)	106,816	121,850	81,200
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (bbls. of 42 gallons each)	199,830,000	207,914,000	175,586,000
Domestic crude oil output (bbls.)	183,898,000	191,268,000	161,332,000
Natural gasoline output (bbls.)	15,920,000	16,640,000	14,237,000
Benzol output (bbls.)	12,000	6,000	17,000
Crude oil imports (bbls.)	16,889,000	16,051,000	14,931,000
Refined products imports (bbls.)	9,385,000	11,097,000	10,203,000
Indicated consumption domestic and export (bbls.)	210,844,000	218,506,000	190,030,000
Increase—all stocks (bbls.)	15,260,000	16,556,000	10,690,000
COAL EXPORTS (BUREAU OF MINES) — Month of July:			
U. S. exports of Pennsylvania anthracite (net tons)	526,289	475,131	274,971
To North and Central America (net tons)	294,884	312,337	274,971
To South America (net tons)	35	28	------
To Europe (net tons)	231,370	162,766	------
To Asia (net tons)	------	------	------
To Africa (net tons)	------	------	------
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of June (000's omitted)	25,716,567	25,466,691	22,694,422
Revenue from ultimate customers—month of June	$456,313,300	$451,676,900	$414,734,400
Number of ultimate customers at June	45,919,171	45,711,427	43,923,668
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of August:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	22.272c
Electrolytic export refinery	27.425c	27.425c	22.499c
Lead (per pound)—			
Common, New York	17.000c	17.000c	12.926c
Common, St. Louis	16.800c	16.800c	12.726c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.160c	90.160c	72.750c
Silver, London (pence per ounce)	78.500d	78.500d	63.500d
Sterling Exchange (Check)	$2.79921	$2.79982	$2.80000
Zinc (per pound)—East St. Louis	17.500c	17.500c	15.052c
Tin (per pound)—			
New York Straits	103.000c	103.000c	102.194c
§§New York, 99% min.	102.000c	105.000c	101.194c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$195.852	$206.800	$78.000
¶Antimony (per pound) (E. & M. J.)	45.307c	45.300c	27.928c
Antimony (per pound) bulk, Laredo	42.000c	42.000c	24.648c
Antimony (per pound) in cases, Laredo	42.500c	42.500c	25.148c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$90.000	$90.000	$75.189
†Cadmium (per pound)	$2.55000	$2.55000	$2.15000
‡Cadmium (per pound)	$2.67500	$2.67500	$2.22500
§Cadmium (per pound)	$2.80000	$2.80000	$2.30000
Cobalt, 97%	$2.10000	$2.10000	$1.80000
Aluminum, 99% plus, ingot (per pound)	19.000c	19.000c	17.500c
Magnesium, ingot (per pound)	24.500c	24.500c	22.500c
**Nickel	56.500c	50.500c	48.000c
PORTLAND CEMENT (BUREAU OF MINES)—Month of July:			
Production (bbls.)	22,439,000	21,984,000	20,709,000
Shipment from mills (bbls.)	24,266,000	24,935,000	23,167,000
Stocks (at end of month—barrels)	14,612,000	16,439,000	12,848,000
Capacity used	98%	99%	94%
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—Month of July:			
Total operating revenues	$816,811,659	$855,753,244	$772,160,756
Total operating expenses	663,823,556	677,684,976	579,116,186
Operating ratio	83.72%	79.19%	75.00%
Taxes	$73,139,048	$96,568,337	$93,824,366
Net railway operating income before charges	41,934,985	63,930,048	84,157,336
Net income after charges (est.)	17,000,000	50,000,000	59,000,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of July (000's omitted):			
Savings and loan associations	$447,747	$461,147	$489,745
Insurance companies	131,756	139,784	142,517
Bank and trust companies	272,781	293,514	302,001
Mutual savings banks	89,011	90,919	100,379
Individuals	215,586	215,033	193,878
Miscellaneous lending institutions	213,320	221,865	242,292
Total	$1,370,201	$1,422,262	$1,470,812
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of August:			
Net sales	------	------	$1,984,100
Net purchases	$4,651,800	$236,300	------
U. S. GOVT. STATUTORY DEBT LIMITATION As of August 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	$256,644,152	$255,656,634	$257,873,892
Guaranteed obligations not owned by the Treasury	32,404	28,313	17,557
Total gross public debt and guaranteed obligations	$256,676,556	$255,634,947	$257,891,449
Deduct—Other outstanding public debt obligations not subject to debt limitation	675,208	678,301	716,904
Grand total outstanding	$256,001,347	$255,006,606	$257,174,545
Balance face amount of obligations, issuable under above authority	18,998,652	19,993,353	17,825,454
ZINC OXIDE (BUREAU OF MINES)—Month of June:			
Production (short tons)	17,570	19,050	19,338
Shipments (short tons)	15,870	16,656	18,955
Stocks at end of month (short tons)	15,262	13,562	16,126

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained.

Securities Now in Registration

★ REVISIONS THIS WEEK
● INDICATES ADDITIONS

New Registrations and Filings

Aberdeen Petroleum Corp., Tulsa, Okla.
Sept. 14 (letter of notification) 28,000 shares of capital stock (par $1). **Price**—$5.50 per share. **Underwriter**—Bonner & Bonner, Inc., New York. **Proceeds**—For working capital. **Office**—1010 First National Bldg., Tulsa, 3, Okla.

Acme Industries, Inc., Jackson, Mich.
Sept. 12 (letter of notification) 14,840 shares of common stock (par $1), of which 4,840 shares are to be offered to officers and employees of company and 10,000 shares to the public. **Price**—To employees, $3.08 per share and to public $3.50 per share. **Underwriters**—Stoetzer, Faulkner & Co. and Wm. C. Roney & Co., both of Detroit, Mich. **Proceeds**—To Estate of Roy C. Weatherwax, the selling stockholder.

Aluminium, Ltd., Montreal, Canada (10/18)
Sept. 21 filed 372,205 shares of capital stock (no par) to be offered for subscription by stockholders of record on or about Oct. 18 at rate of one new share for each 10 shares held; rights to expire on or about Nov. 7. **Price**—To be supplied by amendment (not to exceed $65-Canadian-per share). **Dealer Managers**—The First Boston Corp. and A. E. Ames & Co., Ltd. **Proceeds**—For working capital to be available for expansion program.

Associated Musicians, Inc., Los Angeles, Calif.
Sept. 20 (letter of notification) 10,000 shares of capital stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For operation expenses.

Bloch Brothers Tobacco Co., Wheeling, W. Va. (10/17)
Sept. 26 filed 50,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Underwriter**—Fulton, Reid & Co., Cleveland, Ohio. **Proceeds**—To Forchild Corp., the selling stockholder.

Brown-Borhek Co., Bethlehem, Pa.
Sept. 17 (letter of notification) 3,862 shares of common stock (no par). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—315 Brodhead Ave., Bethlehem, Pa.

Chance (A. B.) Co., Centralia, Mo.
Sept. 21 filed 50,000 shares of common stock (par $5). **Price**—$12.50 per share. **Underwriter**—Stifel, Nicolaus & Co., Inc., St. Louis, Mo. **Proceeds**—To certain selling stockholders. **Business**—Manufacture and sale of earth anchors and other equipment used in communication lines.

Consumers Power Co., Jackson, Mich. (10/17)
Sept. 20 filed 561,517 shares of common stock (no par), to be offered for subscription by common stockholders of record Oct. 17 at rate of one share for each 10 shares held; rights to expire on Nov. 2. Unsubscribed shares to be offered employees of company and its subsidiary, Michigan Gas Storage Co. **Price** — To be supplied by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers; Harriman Ripley & Co., Inc. and The First Boston Corp. (jointly). **Proceeds**—For property additions and improvements. **Bids**—Expected to be received on or about Oct. 17 at 11 a.m.

Dansker Realty & Securities Corp., N. Y.
Sept. 20 (letter of notification) 47,720 shares of class A stock (par 35 cents). **Price**—$1.05 per share. **Underwriter**—None. **Proceeds** — To Dansker Brothers & Co., Inc., New York, the selling stockholder.

Delaware Fund, Inc., Camden, N. J.
Sept. 25 filed 401,598 shares of capital stock. **Price**—At market. **Underwriter**—Delaware Fund Distributors, Inc., New York. **Proceeds**—For investment.

Doman Helicopters, Inc., N. Y.
Sept. 20 (letter of notification) 3,000 shares of capital stock. **Price**—At the market (estimated at $4 per share). **Underwriter**—None. **Proceeds**—To Glidden S. Doman, President, who is the selling stockholder. **Office**—545 Fifth Ave., New York 17, N. Y.

Empire Petroleum Co., Denver, Colo.
Sept. 14 (letter of notification) 200,000 shares of class A common stock (par $1) and 25,000 shares of class B common stock (no par). **Price**—$1 per share for class A and $3 per share for class B stock. **Underwriter**—None. **Proceeds**—For working capital. **Office**—3975 East 58th Ave., Denver. Colo.

Engineering & Manufacturing Corp., Dallas, Tex.
Sept. 12 (letter of notification) 225,000 shares of 4% cumulative convertible preferred stock (par $1) and 225,000 shares of common stock (par 10 cents) to be offered in units of one preferred and one common share. **Price**—$1.30 per unit. **Underwriters**—Beer & Co., Binford, Dunlap & Reed, and Lynch, Allen & Co. of Dallas, Tex.; and Underwood, Neuhaus & Co. and Rotan, Mosle & Moreland of Houston, Tex. **Proceeds**—For working capital. **Offering**—Now being made.

Golden Crown Mining Co., Prescott, Ariz.
Sept. 17 (letter of notification) 35,000 shares of capital stock (par 50 cents). **Price**—At market (approximately $1.25 per share). **Underwriter**—Singer, Bean & Mackie, Inc., New York. **Proceeds**—For exploration and development of properties. **Offices**—Union Block Bldg., Prescott, Ariz., and 42 Broadway, New York.

Hollingsworth & Whitney Co., Boston, Mass. (10/16)
Sept. 25 filed 100,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Harriman Ripley & Co. Inc. **Proceeds**—To finance acquisition of southern timberland and for working capital.

Kost Multiple X, Inc. (Ore.)
Sept. 18 (letter of notification) 59,999 shares of common stock (par 10 cents) to be offered in exchange for Kost, Inc. common stock on a share-for-share basis. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For aforementioned acquisition, and to pay for research and development and for other corporate purposes.

Louisville (Ky.) Gas & Electric Co.
Sept. 26 filed 130,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Probable Lehman Brothers and Blyth & Co., Inc. **Proceeds**—For property additions.

MacMillan (H. R.) Export Co., Ltd., Vancouver, B. C.
Sept. 26 filed 2,281,582 shares of class B capital stock (no par) to be offered in exchange for stock of Bloedel Stewart & Welch, Ltd. on the following basis: 44.54596 shares for each ordinary share of Bloedel; two-fifths of a share for each preference share of Bloedel. Following such acquisition, name of MacMillan Export will be changed to MacMillan & Bloedel, Ltd.

Maracaibo Oil Exploration Corp., Dallas, Tex.
Sept. 20 filed 49,500 shares of capital stock to be offered to stockholders at rate of one share for each nine shares held. **Price**—To be supplied by amendment. **Underwriter** — None. **Proceeds** — To acquire new properties and for general corporate purposes.

Marine Midland Corp., Buffalo, N. Y.
Sept. 21 filed 276,000 shares of common stock (par $5) to be offered in exchange for all outstanding stock of Syracuse Trust Co. at rate of 2¾ shares of such common stock for each share of Syracuse stock (offer subject to acceptance by holders of not less than 80% of stock of Syracuse). **Underwriter**—None.

Mays (J. W.), Inc., New York
Sept. 21 (letter of notification) 14,000 shares of common stock (par $1) to be offered to employees. **Price**—$7 per share. **Underwriter**—None. **Proceeds**—To Joe Weinstein, President, who is selling stockholder. **Office**—510 Fulton St., Brooklyn 1, N. Y.

Mercantile Acceptance Corp. of California
Sept. 18 (letter of notification) $15,400 of 10-year debentures, 4% series, to be offered in denominations of $1,000, $500 and $100. **Underwriter**—Guardian Securities Corp., San Francisco, Calif. **Proceeds**—For general corporate purposes.

Metaline Mining & Leasing Co., Spokane, Wash.
Sept. 7 (letter of notification) 250,000 shares of non-assessable common stock (par 10 cents), of which 200,000 shares will be offered publicly and 50,000 optioned to underwriters. **Price**—To public 27 cents per share and to underwriters 25 cents per share. **Underwriter**—Stolle, Baker & Co., Inc., Spokane,, Wash. **Proceeds**—To pay indebtedness, to acquire new mining claims and for working capital.

Mid-Continent Casualty Co., Kansas City, Mo.
Sept. 17 (letter of notification) 29,000 shares of common stock (par $8). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For capitalization under Missouri insurance laws. **Office**—3527 Broadway, Kansas City, Mo.

Midland Cooperative Wholesale (Minn.)
Sept. 10 (letter of notification) $250,000 of 4% subordinated debenture notes and 500 shares of 4% preferred stock, series D (par $100). **Price**—At principal amount. **Underwriter**—None. **Proceeds**—To purchase outstanding preferred stock offered without solicitation on part of company and for working capital. **Office**—739 Johnson St., N. E., Minneapolis 13, Minn.

Mid-States Terminals, Inc., Dover, Del.
Sept. 18 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To construct a truck terminal. **Office**—129 So. State St., Dover, Del.

Montana Power Co., Butte, Mont.
Sept. 14 (letter of notification) an undetermined number of shares of common stock (no par) to aggregate a total of $280,000 to be purchased by the company for resale to its employees. **Underwriter**—None. **Office**—40 East Broadway, Butte, Mont.

Phoenix-Campbell Corp., N. Y.
Sept. 20 filed 203,000 shares of capital stock (par $1) and 100,000 warrants. Of the 203,000 shares, 100,000 will be reserved against the warrants and 3,000 shares have been purchased by the promoters. **Price**—For stock, $10 per share; for warrants, 5 cents each. **Underwriter**—Morris Cohon & Co., New York. **Proceeds**—To acquire an interest in so-called "special situations" and for working capital.

Public Service Electric & Gas Co. (10/16)
Sept. 26 filed 249,942 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. **Proceeds**—For plant additions and improvement.

Puppet Plays, Inc. (N. Y.)
Sept. 24 (letter of notification) 49,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For operating capital.

Riddle Aviation Co., Miami, Fla.
Sept. 17 (letter of notification) 2,000 shares of 6% cumulative preferred stock (par $100) and 10,000 shares of common stock (par $1) to be offered in units of one preferred and five common shares. **Price**—$100 per unit. **Underwriter**—None. **Proceeds**—To purchase engines and other aircraft parts. **Office**—Building No. T 254, Miami International Airport, Miami, Fla.

Ritchie Associates Finance Corp.
Sept. 18 (letter of notification) $200,000 of 6% 15-year debentures, dated July 1, 1951, to be issued in multiples of $100. **Underwriter**—Cohu & Co., New York. **Proceeds**—To retire debts and purchase building. **Office**—2 East Church St., Frederick, Md.

Robbins Mills, Inc., New York (10/17)
Sept. 26 filed 166,864 shares of series A cumulative preferred stock (par $50) to be offered for subscription by common stockholders at rate of one share of preferred stock for each five shares of common stock held. **Price**—To be supplied by amendment. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds** — For working capital.

Rockland Light & Power Co.
Sept. 21 filed $6,000,000 of first mortgage bonds, series D, due 1981. **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**—To reduce bank loans and for construction program.

Scudder, Stevens & Clark Fund, Inc., Boston, Mass.
Sept. 25 filed 100,000 shares of capital stock. **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

Sundstrand Machine Tool Co. (10/10)
Sept. 21 filed 94,064 shares of common stock (par $5), to be offered for subscription by common stockholders at rate of one share for each four shares held on or about Oct. 10; rights to expire Oct. 24. **Price**—To be supplied by amendment. **Underwriters** — Shields & Co., New York; and Bacon, Whipple & Co. and Rodman & Linn of Chicago. **Proceeds**—For plant improvements and working capital.

Transgulf Corp., Houston, Tex.
Sept. 18 (letter of notification) 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., New York.

Treasure Mountain Gold Mining Co., Denver, Colo.
Sept. 18 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For exploration project. **Office**—Room 202, Midland Savings Bldg., Denver 2, Colo.

West Texas Utilities Co.
Sept. 24 filed $8,000,000 of first mortgage bonds, series C, due Nov. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); The First Boston Corp.; Kidder, Peabody & Co.; W. C. Langley & Co.; Union Securities Corp.; Equitable Securities Corp.; Harriman Ripley & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Glore Forgan & Co.; Merrill Rynch, Pierce, Fenner & Beane. **Proceeds**—To retire bank loans and for construction program. **Offering**—Expected late in October.

West Virginia Coal & Coke Corp.
Sept. 25 filed 80,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Underwriters**—The First Boston Corp. and Tucker, Anthony & Co. **Proceeds**—For expansion program.

West Virginia Pulp & Paper Co. (10/16)
Sept. 24 filed $20,000,000 20-year debentures due Oct. 1, 1971. **Price**—To be supplied by amendment. **Underwriter**—Harriman Ripley & Co., Inc. **Proceeds**—For improvements and additions to plant and equipment.

Wilcox-Gay Corp., Charlotte, Mich.
Sept. 13 (letter of notification) 165,250 shares of common stock (of which 82,625 shares represent stock to be issued on exercise of stock purchase warrants issued in connection with sale of 110,000 shares on or about Oct. 24). **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital.

Wisconsin Michigan Power Co.
Sept. 25 filed $3,500,000 of first mortgage bonds due 1981. **Underwriter**—To be determined by competitive bidding.

Continued on page 38

Continued from page 37

Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Goldman, Sachs & Co. (jointly); Dillon, Read & Co. Inc.; Hemphill, Noyes, Graham, Parsons & Co.; The First Boston Corp. **Proceeds** — From sale of bonds and $2,000,000 of common stock (latter to Wisconsin Electric Power Co., parent) to be used for new construction and to repay bank loans.

Previous Registrations and Filings

Aegis Corp., Denver, Colo.
Aug. 8 (letter of notification) 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase 50,000 shares of capital stock (par $1) of Aegis Casualty Insurance Co. at $1.50 per share, and for operating capital. **Office**—E and C Building, Denver, Colo.

Acro Manufacturing Co., Columbus, Ohio
Aug. 14 (letter of notification) 40,716 shares of common stock (par 25 cents), to be offered to present stockholders at rate of four-fifths of a share for each share held (unsubscribed shares to be sold to public). **Price**—$7 per share to stockholders and $8 per share to public. **Underwriter**—None. **Proceeds**—For plant improvements and expansion and for working capital. **Office**—2040 East Main Street, Columbus, Ohio.

Alabama Flake Graphite Co., Birmingham, Ala.
July 12 (letter of notification) $100,000 of 7% 20-year sinking fund bonds dated Jan. 15, 1949 and due Jan. 15, 1969 (in denominations of $1,000 each). **Price**—At par. **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Proceeds**—For plant expansion. **Office**—420 Comer Bldg., Birmingham, Ala.

★ **Alaska Telephone Corp. (10/8-13)**
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 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 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 Oct. 25. **Dealer-Managers** — Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. Statement effective Sept. 5.

American Mucinum, Inc.,
July 17 (letter of notification) 1,000,000 shares of class A stock. **Price**—At par (15 cents per share). **Underwriter**—To be supplied by amendment. **Proceeds**—For operating expenses. **Office**—27 West 72nd Street, New York 23, N. Y.

Arizona Motion Picture Corp., Mesa, Ariz.
Aug. 22 (letter of notification) 27,800 shares of 6% cumulative preferred stock. **Price** — At par ($10 per share). **Underwriter**—None. **Proceeds** — For expenses incident to production, advertising and exploitation of motion pictures. **Address**—P. O. Box 364, Mesa, Ariz.

Arkansas Power & Light Co. (10/9)
Sept. 5 filed $8,000,000 of first mortgage bonds due 1981. **Undewriter**—To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. and Central Republic Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Proceeds**—For construction and other corporate purposes. **Bids** — Expected to be opened at noon (EST) on Oct. 9.

★ **Ashland Oil & Refining Co. (10/2)**
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.

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.

★ **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. **Withdrawal**—Request to withdraw statement was filed with SEC on Sept. 18.

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.

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.

Consolidated Equipment Corp.
July 10 (letter of notification) 300,000 shares of 6% cumulative preferred stock. **Price** — At par ($1 per share). **Underwriter**—None. **Proceeds**—For purchase of soft drink dispensing machines. **Office**—105½ East Pike Peak Avenue, Colorado Springs, Colo.

Consumers Cooperative Association, Kansas City, Mo.
Aug. 30 filed $5,000,000 of 4½% 10-year certificates of indebtedness and $3,000,000 of 20-year 5½% certificates of indebtedness. **Underwriter**—None. **Proceeds**—To purchase 6,000 shares of common stock of The Cooperative Farm Chemical Association, and for other corporate purposes, including financing of inventories and accounts receivable. **Business**—A regional farmers' cooperative purchasing association of the federated type, organized and operated on a cooperative basis to supply member associations with the products required by their farmer members and patrons.

Consumers Public Service Co., Brookfield, Mo.
Aug. 22 (letter of notification) 1,500 shares of 5% cumulative preferred stock. **Price** — At par ($50 per share). **Underwriter**—None, but will be sold through Wachob-Bender Corp., Omaha, Neb. **Proceeds**—For liquidation of short-term notes and for further extensions and betterments of the company's electric property. **Office**—201½ No. Main St., Brookfield, Mo.

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price—$2 per share. Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes. Temporarily deferred.

Continental Electric Co., Geneva, Ill.
March 2 (letter of notification) $300,000 of 6% sinking fund debentures due Dec. 1, 1975 (to be issued in units of $100, $500 and $1,000 each). **Price**—91% of principal amount. **Underwriter**—Boettcher & Co., Chicago, Ill. **Proceeds**—To retire indebtedness and for working capital. **Offering**—Postponed indefinitely.

Cornucopia Gold Mines
May 14 (letter of notification) 229,800 shares of common stock (par five cents) being offered for subscription by stockholders of record June 30, 1951, on a one-for-five basis, with an oversubscription privilege; rights to expire on Oct. 1. **Price**—30 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—824 Old National Bank Bldg., Spokane, Wash.

Cribben & Sexton Co., Chicago, Ill.
Aug. 30 (letter of notification) 500 shares of preferred stock. **Price** — $13.50 per share. **Underwriter** — Wayne Hummer & Co., Chicago, Ill. **Proceeds** — To Harold Jalass, the selling stockholder.

★ **Crown Drug Co., Kansas City, Mo.**
Aug. 21 (letter of notification) by amendment $300,000 4½% debenture convertible notes due Oct. 1, 1962 (in units of $60, $100, $500 and $1,000). **Underwriters**—Roger W. Babson, Wellesley Hills, Mass.; H. J. Witschner, Kansas City, Mo.; Business Statistics Organization, Inc., Babson Park, Mass.; or their nominees. **Proceeds**—To retire debt to RFC and for working capital. **Office**—2110 Central Street, Kansas City, Mo. **Offering** — Expected in November (probably to stockholders).

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.

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.

★ **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. **Offering**—Indefintiely postponed.

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.

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.

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.

★ **Herff Jones Co., Indianapolis, Ind.**
Sept. 10 (letter of notification) 10,000 shares of class A preference stock (par $1), to be offered to employees. **Price**—At the market or less (approximately $10 per share). **Underwriter**—For unsubscribed shares, City Securities Corp., Indianapolis, Ind. **Proceeds**—To Harry J. Herff, President.

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.

★ **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; rights to expire Oct. 19. **Price**—To be supplied by amendment. **Underwriter**—A. G. Becker & Co. Inc., Chicago, and R. W. Pressprich & Co., New York. **Proceeds**—For expansion program.

• **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.

★ **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**—To be received up to 11:30 a.m. (EST) on Oct. 2 at office of Bankers Trust Co., 46 Wall Street, New York 15, N. Y.

Imperial Brands, Inc.
Aug. 20 (letter of notification) 50,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To purchase additional machinery and equipment and for working capital. **Office**—324 Hindry Avenue, Inglewood, Calif.

Inland Steel Co.
Aug. 27 filed 250,000 shares of capital stock (no par) to be issuable upon exercise of stock option issuable under the company's proposed stock option plan. **Price**—To be 85% of current fair market value of the stock. **Proceeds**—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.

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.

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 being offered first to stockholders of record Sept. 17 at rate of ⅕ of a share for each share held; rights to expire on Oct. 15. **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. Statement effective Sept. 14.

NEW ISSUE CALENDAR

September 28, 1951
Marine Midland Corp. — Preferred

October 2, 1951
Ashland Oil & Refining Co. — Debs. & Pfd.
Idaho Power Co. 11:30 a.m. (EST) — 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. — Debs. & Bonds
Toledo Edison Co. — Preferred

October 4, 1951
Heyden Chemical Corp. — Preferred
Louisville & Nashville RR. 11 a.m. (EST) — Equip. Trust Ctfs.
Standard Products Co. — Common

October 8, 1951
Alaska Telephone Corp. — Debentures
Public Service Co. of Indiana, Inc. — Common
Stix, Baer & Fuller Co. — Common
Warren Petroleum Corp. — Debentures

October 9, 1951
Aakansas Power & Light Co. noon (EST) — Bonds
Associated Telephone Co., Ltd. (Calif.) — Bonds
Harshaw Chemical Co. — Preferred
Pennsylvania Electric Co. — Bonds & Pfd.
Western Pacific RR. Co. — Preferred

October 10, 1951
Sundstrand Machine Tool Co. — Common

October 12, 1951
Pacific Gas & Electric Co. — Preferred

October 15, 1951
Central & South West Corp. — Common

October 16, 1951
Chicago, Rock Island & Pacific RR. — Eq. Trust Ctfs.
Hollingsworth & Whitney Co. — Common
Public Service Electric & Gas Co. — Preferred
West Virginia Pulp & Paper Co. — Debentures

October 17, 1951
Bloch Brothers Tobacco Co. — Common
Consumers Power Co. 11 a.m. (EST) — Common
Robbins Mills, Inc. — Preferred

October 18, 1951
Aluminium, Ltd. — Common

October 23, 1951
American Consolidated Freightways — Common

October 29, 1951
Utah Power & Light Co. noon (EST) — Bonds

October 30, 1951
Ohio Power Co. — Bonds & Notes

November 1, 1951
Long Island Lighting Co. — Common

November 20, 1951
Gulf States Utilities Co. — Bonds
Pacific Telephone & Telegraph Co. — Debs. & Stock

December 10, 1951
Virginia Electric & Power Co. — Bonds

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 on Sept. 20 approved 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 three-for-one 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. Statement effective Sept. 18.

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, Ind.**
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. **Offering**—Indefinite.

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)
July 27 filed 150,000 shares of common stock (par $10) being offered for subscription by common stockholders of record on or about Sept. 12 on a 1-for-5 basis (and to employees); rights will expire on Oct. 9. **Price**—$10 per share. **Underwriter** — Kidder, Peabody & Co., New York. **Proceeds**—To pay outstanding bills and for construction program.

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.

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.

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.

Pay-Velope Corp., New York
Sept. 14 (letter of notification) 50,000 shares of common stock (par 1 cent). **Price**—$1 per share. **Underwriter**—

Continued on page 40

Continued from page 39

Peter Morgan & Co., New York. **Proceeds**—For working capital. **Office**—15 Whitehall Street, New York 2, New York.

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** — 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**—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 and then to stockholders on an oversubscription privilege. **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). Statement effective Sept. 18.

Philadelphia Suburban Transportation Co.
June 11 (letter of notification) $300,000 of 4½% convertible debentures of 1967 (each $100 principal amount convertible into three shares of common stock). **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital. **Office**—69th Street Terminal, Upper Darby, Pennsylvania.

Pittsburgh Plate Glass Co.
June 27 filed 450,000 shares of common stock (par $10) to be offered to certain employees of the company and its subsidiaries under a stock option plan. **Price**—At 85% of the market price on the New York Stock Exchange at time options are granted. **Underwriter**—None. **Proceeds**—For working capital.

★ **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 31, 1955 at rate of one share of Pubco Development for each Public Service common share held of record Oct. 1, 1951. **Price**—At par ($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 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**—To be received up to 11 a.m. (EST) on Oct. 2 at Guaranty Trust Co. of New York, 140 Broadway, New York 15, New York.

★ **Public Service Co. of Indiana, Inc. (10/8)**
Sept. 19 filed 345,662 shares of common stock (no par) to be offered to stockholders of record Oct. 8 through subscription (expected to be about 325,000 shares on a 1-for-10 basis); rights to expire on Oct. 24. **Price**—To be supplied by amendment. **Underwriter**—To be named later. **Proceeds**—For property additions.

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.

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.

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.

★ **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. Warrants expire on Oct. 1. **Price**—At par ($10 per share). **Underwriter**—Probably F. S. Moseley & Co. **Proceeds**—To purchase new equipment and for other corporate purposes. Statement effective Sept. 14.

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.

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.

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.

★ **Stix, Baer & Fuller Co. (10/8-9)**
Sept. 19 filed 216,694 shares of common stock (par $5), of which 73,294 shares will be for the account of the company and will be offered for subscription by stockholders of record Oct. 8 or Oct. 9, viz: by preferred stockholders on a 1-for-5 basis and by common stockholders on a 1-for-10 basis, with rights to expire on or about Oct. 17; the remaining 143,400 shares will be 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 compelte parking facilities and to repay loans.

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.

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.

Ultrasonic Corp., Cambridge, Mass.
Sept. 4 filed 100,000 shares of common stock (par $5). **Price**—To be supplied by amendment (approximately $18 per share). **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.

★ **Warren Petroleum Corp. (10/8-9)**
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 stock of Devonian Co., 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 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.

● **American Consolidated Freightways (10/23)**
Sept. 14 it was reported that there may shortly be a public offering of about 100,000 shares of common stock. **Underwriters** — Probably Blyth & Co., Inc., Walston, Hoffman & Goodwin and Shields & Co.

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.

Atlantic 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 Illinois Light Co.
Aug. 10, it was reported company plans to issue and sell about $7,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For new construction and to repay bank loans. **Offering**—Expected in September.

Central 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.

● Chicago, Rock Island & Pacific RR. (10/16)
Sept. 19 company applied to ICC for authority to issue $5,250,000 of equipment trust certificates, series K, to be dated Nov. 1, 1951, and to mature in 30 equal semi-annual instalments of $175,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected to be opened on Oct. 16.

Chicago & Western Indiana RR.
June 2 it was reported company expects to be in the market late this year or early in 1952 with a new issue of approximately $70,000,000 of first mortgage bonds, due 1981, of which about $65,000,000 will be sold initially. **Price**—Not less than par. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co. **Proceeds**—To refund $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem $13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

Colorado Fuel & Iron Corp.
Aug. 15, it was reported that company plans erection of a $30,000,000 mill at Pueblo, Colo., which may be financed partly by private placement and partly by public offering. Traditional underwriter: Allen & Co., New York.

Colorado Interstate Gas Co.
Aug. 20 it was reported that the holdings of the Union Securities Corp. group of stock of Colorado Interstate (531,250 shares) will probably be sold publicly in October or November.

Commonwealth Edison Co., Chicago, Ill.
Sept. 7 it was announced that consideration is now being given to offering to common stockholders the right to subscribe to from 1,500,000 to 1,750,000 shares of convertible preferred stock (par $25). Stockholders will vote Oct. 25 on increasing common stock (par $25) from 16,000,000 shares to 24,000,000 shares and on authorizing 5,000,000 shares of preferred stock (par $25). **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.

Consolidated Edison Co. of New York, Inc.
March 23 company applied to New York P. S. Commission for authority to issue and sell $25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981 (in addition to $40,000,000 series G bonds filed with the SEC on March 30). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Proceeds** — To redeem a like amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967. **Offering**—Postponed.

Continental Can Co., Inc.
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.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 oustanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

Derby Gas & Electric Corp.
July 16 corporation received SEC authority to issue and sell $900,000 of debentures to mature July 1, 1957 (placed privately with an institution) but reserved jurisdiction over the proposed issuance of approximately 12,500 additional shares of common stock (latter to be offered to public pursuant to a negotiated transaction). To be selected through competitive negotiation. Probable bidders: Allen & Co.; Union Securities Corp.; Smith Ramsay & Co.; Hincks Bros. and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—To be applied toward 1951 construction program. **Offering** — Expected in October.

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.

● Dobeckmun Co.
Sept. 20 it was stated that company may probably offer in November or December 90,000 additional shares of common stock. **Underwriter**—Blyth & Co., Inc. **Proceeds**—For expansion 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.

● Family Finance Corp.
Sept. 22 it was announced stockholders will vote Oct. 16 on approving an increase in the authorized common stock (par $1) from 2,000,000 shares to 2,500,000 shares, and in the authorized preference stock (par $50) from 150,000 shares to 200,000 shares. The company plans to sell some of the preference stock which may have a convertible feature. The proceeds will be used to increase working capital.

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., and W. C. Langley & Co. **Proceeds**—To reduce bank loans. **Offering**—Expected in latter part of October.

● Gulf States Utilities Co. (11/20)
Sept. 22 it was reported that the company plans to offer $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers; Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly). **Proceeds**—To pay off short-term loans and to provide the company with funds to carry forward its current construction program to the Spring of 1952, at which time company expects to undertake additional financing. **Bids**—Expected to be opened on Nov. 20.

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.

Illinois Bell Telephone Co.
June 27 W. V. Kahler, President, announced that this company (approximately 99.31% owned by American Telephone & Telegraph Co.) plans issuance and sale, sometime before the end of the year, of 682,454 additional shares of capital stock to its stockholders. **Underwriter**—None. **Proceeds**—To repay short-term loans and for new construction.

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.

● Jacobsen Manufacturing Co., Racine, Wis.
Sept. 21 it was stated that company plans to issue and call approximately 120,000 additional shares of common stock. **Underwriters**—A. C. Allyn & Co., Inc. and Shillinglaw, Bolger & Co., both of Chicago, Ill. **Proceeds**—For working capital.

Kansas Gas & Electric Co.
May 24 Murray F. Gill, Chairman of the board, announced that the company's present construction program calls for expenditures of more than $8,000,000 in 1951. To finance part of the expansion program, company may sell $5,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). There is a possibility that company may also decide to refund its outstanding $16,000,000 first mortgage 3⅜% bonds due 1970 (held by a group of insurance companies) and $5,000,000 first mortgage 3⅛% bonds due 1978.

Lehmann (J. M.) Co. (N. J.)
Sept. 1 it was reported that the Office of Alien Property expects to call for bids in October on all of the outstanding stock of this corporation.

● Long Island Lighting Co. (11/1)
Sept. 20 it was announced the company plans to offer common stockholders rights to subscribe to 524,949 additional common shares in ratio of one new share for each seven shares held. It is anticipated that the subscription period will start around Nov. 1. **Price**—To be decided later. **Underwriters** — Blyth & Co., Inc. and The First Boston Corp. **Proceeds** — To repay bank loans and for property expansion. **Meeting**—Stockholders on Oct. 22 will vote on approving proposed financing.

★ Long Island Lighting Co.
Sept. 20 it was announced the company plans, at the time of the common stock offering (see above), to sell approximately $10,000,000 of preferred stock and to follow this with the sale of about $25,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders for preferred: Blyth & Co., Inc.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; The First Boston Corp.; Equitable Securities Corp.; Union Securities Corp.; White, Weld & Co. **Proceeds**—To retire approximately $14,500,000 of long term debt of former securities, to repay bank loans and for construction program. **Meeting**—Stockholders will vote Oct. 22 to approve financing.

★ Louisville & Nashville RR. (10/4)
Bids will be received by the company at 71 Broadway, New York, N. Y., up to 11 a.m. (EST) on Oct. 4 for the purchase from it of $7,800,000 equipment trust certificates, series K, to be dated Sept. 15, 1951 and to mature in 15 equal annual instalments to and including Sept. 15, 1966. Probable bidders: Halsey, Stuart & Co. Inc.; The Hanover Bank; Salomon Bros. & Hutzler; The Chase National Bank of the City of New York; Harriman Ripley & Co., Inc.; Lazard Freres & Co.

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 Edison Co.
Sept. 26 the Bankers Trust Co., New York, as distribution agent for the common stock of The Commonwealth & Southern Corp., intends to sell not more than 21,850 shares of common stock of Ohio Edison Co. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. Any person or persons desiring to submit a tender should notify the agent not later than 3 p.m. (EDT) on Sept. 28.

★ 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); Harriman Ripley & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.;

Continued on page 42

Continued from page 41

Lehman Brothers; Kuhn, Loeb & Co. **Proceeds** — For construction program. **Bids**—Expected to be received on Oct. 30.

★ **Pacific Gas & Electric Co. (10/12)**

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.

● **Penn Electric Swith Co., Goshen, Ind.**

Sept. 21 it was reported that company plans to issue and sell 100,000 additional shares of common stock. **Underwriter**—F. S. Moseley & Co., Boston, Mass. **Proceeds**—For expansion program and 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.

Rochester Gas & Electric Corp.

Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately.

July 18, it was reported that the company expects to raise money through the sale of some preferred stock later this year. **Underwriter**—Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,000,000 construction program the company has budgeted for the next two years.

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 2,000,000 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.

● **Shellmar Products Corp.**

Sept. 20 it was stated company plans to issue and sell 100,000 shares of convertible preferred stock (par $50). **Underwriter**—Glore, Forgan & Co., New York.

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 Co.**

Sept. 26 it was announced that Bankers Trust Co., as distribution agent for the common stockholders of The Commonwealth & Southern Corp., intends to sell in the near future, at competitive bidding, not more than 127,200 shares of Southern Co. common stock. Probable bidders: Lehman Brothers; Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); Blyth & Co., Inc. Any person or persons interested should notify the agent not later than 3 p.m. (EDT) on Sept. 28.

Southern Natural Gas Co.

July 31 it was announced company has filed an application with FPC for permission to construct additional facilities to cost an estimated $13,641,000, of which approximately $9,187,000 is expected to be spent in 1951.

★ **Standard Products Co. (10/4)**

Sept. 13 company announced it plans to offer to common stockholders of record about Oct. 4 the right to subscribe for additional common stock at rate of one share for each 10 shares held; rights to expire Oct. 23. **Price** $8.50 per share.

● **Sylvania Electric Products, Inc.**

Sept. 18 it was reported company is considering about $40,000,000 of new financing to consist of bonds and a convertible issue. **Underwriter**—Paine, Webber, Jackson & Curtis.

● **Tide Water Power Co.**

Sept. 17 it was reported company has applied to the North Carolina Utilities Commission for permission to borrow $1,500,000 on 3% notes. These notes would be refunded through the sale of common or preferred stock. Traditional underwriters: Union Securities Corp. and W. C. Langley & Co., New York. Proceeds from notes to be used to pay for construction costs.

United Gas Corp.

Aug. 1, N. C. McGowan, President, announced that "it will be necessary to arrange for an additional $50,000,000 to complete the total financing, and it is presently anticipated this will be done by the sale of first mortgage and collateral trust bonds during the latter part of the year." **Underwriters**—To be determined by competitive bidding. Bidders for an issue of like amount sold on July 24 were Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—For expansion program of United Gas System and for other corporate purposes.

★ **Virginia Electric & Power Co. (12/10)**

Sept. 25, Jack G. Holtzclaw, President, announced the company proposes to issue and sell $20,000,000 of first and refunding mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co. **Proceeds**—For construction program. **Bids**—Expected to be opened on or about Dec. 10.

Western Pacific RR. Co. (10/9)

Sept. 19 the RFC invited bids for the purchase from it of 17,778 shares of 5% participating preferred stock (par $100). Probable bidders may include: Bear, Stearns & Co.; and Hornblower & Weeks, White, Weld & Co., Merrill Lynch, Pierce, Fenner & Beane and Stein Bros. & Boyce (jointly). **Bids**—To be received by the RFC on Oct. 9 at 143 Liberty Street, New York 6, N. Y., or 811 Vermont Avenue, N. W., Washington 25, D. C.

Wisconsin Public Service Corp.

Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Braniff Airways, Inc.—Bulletin—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Bullock's Inc.—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available is a leaflet on the outlook for **Department Stores.**

Consolidated Vultee Aircraft Corporation—Review—Farrol & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a brief review of **Superior Steel Company.**

Hydro Electric Securities Corporation—Analysis—Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Interstate Engineering Corporation—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Maine Public Service—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is an analysis of **Iowa Electric Light & Power Co.**

J. P. Morgan & Company, Inc.—Circular—Security Adjustment Corp., 16 Court Street, Brooklyn 2, N. Y.

Nekoosa-Edwards Paper Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available in the current "Business and Financial Digest" are analyses of **Lake Superior District Power Company** and **Parker Pen Company.**

New York, New Haven & Hartford Railroad Co.—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Pabst Brewing Company—Bulletin—Republic Investment Co., Inc., 231 South La Salle Street, Chicago 4, Ill.

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

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.**

Rudolph Wurlitzer Co.—Report—Westheimer & Co., 322 Walnut Street, Cincinnati 2, Ohio.

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

Texas Engineering and Manufacturing—Circular—Butler, Moser & Co., 44 Wall Street, New York [illegible] N. Y.

Timken Roller Bearing Co.—Analysis—[illegible]ehling, Meyerhoff & Co., 120 South La Salle Street, Chic[illegible] 3, Ill.

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

Vacuum Concrete Corporation — Analysis — Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

West End Chemical—Circular—J. F. Reilly & Co., Inc., 61 Broadway, New York 6, N. Y. Also available is a circular on **Lone Star Steel.**

New York Stock Exch. Weekly Firm Changes

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

Transfer of the Exchange membership of Warren E. Fisher to Thomas E. Brittingham, Jr. will be considered by the Exchange on Sept. 27.

Transfer of the Exchange membership of Harry D. Diamond to Robert Shene will be considered on Sept. 27.

Transfer of the Exchange membership of the late J. Wright Brown to Bertrand L. Taylor, III will be considered by the Exchange on Oct. 4th.

Transfer of the Exchange membership of the late Charles H. Cairns to Samuel Gronick will be considered on Oct. 4th.

Transfer of the Exchange membership of Albert V. Fischer to Harold Eliasberg will be considered by the Exchange on Oct. 4th.

Thomas F. Ryan retires from partnership in Bull, Holden & Co., Sept. 29th.

Benton M. Lee, Ficks & Tompane will be dissolved Sept. 28th.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK (STANY)

The Bowling League Standing as of Sept. 20, 1951 are as follows:

TEAM	Points
Mewing (Capt.), G. Montanyne, M. Meyer, La Pato, Klein	13
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	11
Leone (Capt.), Tisch, Pollack, Nieman, Bradley	10
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	9
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	8
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	8
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	7
Kumm (Capt.), Gehegan, R. Montanyne, Krasnowich, Manson	7
Serlen (Capt.), Gold, Krumholz, Young, Gersten	6
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	6
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, King	4
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	1

This season Bowling has been made very interesting with the innovation of a new scoring system:

Each game won gets one point.
High Team game gets one point.
High team total gets one point.
So that each series is contested right to the last pin.

High game for the bowling last night went to Buzz Huff with a 220 game. C. Kaiser with 204, and Hoy Meyer with 213 were the other bowlers over the 200 mark.

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

At the Annual Luncheon Meeting of the past presidents and present Board of the Securities Traders Association of Detroit and Michigan, Inc., the following persons were elected to hold office for the coming year:


Harry B. Buckel


Edward J. Miller


H. Schollenberger

President—Harry B. Buckel, Manley, Bennett & Co.
Vice-President—Edward J. Miller, Smith, Hague & Company.
Secretary—Harry A. McDonald, Jr., McDonald-Moore & Co.
Treasurer—Herbert Schollenberger, Campbell, McCarty & Co., Inc.

The new Board includes Edward J. Miller who was reelected, Leslie C. Muschette of First of Michigan Corporation and Bertrand Leppel of Charles A. Parcells & Co. who were newly elected.

A. C. Stayart Joins Mason, Moran & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Andrew C. Stayart has become associated with Mason, Moran & Co., 135 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Detmer & Co. and G. J. Case & Co.

E. A. Viner to Admit

James J. Viner of Bangor will become a partner in Edward A. Viner & Co., 11 Wall Street, New York City, members of the New York Stock Exchange.

Barrington Investments

(Special to The Financial Chronicle)

WORCESTER, Mass.—Laurence W. L. Barrington has formed Barrington Investments with offices at 390 Main Street to engage in the securities business. Mr. Barrington was formerly for many years with Paine, Webber, Jackson & Curtis.

Three With Inv. Service

(Special to The Financial Chronicle)

DENVER, Colo. — James E. Bond, Fred R. Close, and John W. Tempest have become affiliated with Investment Service Corporation, 650 Seventeenth Street.

Ample Working Capital for Manufacturers

National Industrial Conference Board survey indicates, despite higher inventories and greater amount of receivables, there is generally no pressing need for additional cash, and loans are available, should cash shortages arise. Points out difficulty in obtaining equity capital because of taxes and other factors.

Adequate working capital is reported by most of the 161 manufacturing companies surveyed by the National Industrial Conference Board. Should the need for additional sums arise, "hardly any of these companies expect difficulties in borrowing."

Some firms, representing almost all industries, say they have already borrowed or expect to borrow soon. The need for cash is generally occasioned by a rise in both accounts receivable and inventories during the past year. Capital expansion and greater reserves for taxes are also cited as contributing to the drain on cash.

Higher receivables and inventories are believed justified in almost every case by an increase in the volume of sales. These are reported to have doubled or more than doubled in a number of instances.

Most manufacturers report they are carefully watching their higher inventories but do not consider the situation unfavorable so long as their inventory-to-sales ratio remains good. In some cases, the "turnover rate has remained the same in spite of a very large increase in inventory." Nevertheless, several executives state that they have already taken precautionary measures and have reduced inventories.

Although a part of inventory increases was attributed to higher costs of raw materials and finished goods, in a few cases an intentional building of inventory against future materials shortages and production cutbacks was reported. Such high levels of inventory were called "anticipatory" by one manufacturer, who believes civilian production will be curtailed by military orders and that a large inventory will eventually "prove a blessing."

Accounts receivable have risen during the past year mostly because of increased sales volume but partly because of the willingness of these manufacturers to extend greater dealer credit. There were some reported cases of collection slowdowns. For example, one company says its average collection time has increased from 35 days to 42 days in the past year.

There was no uniform pattern of changes in cash, receivables, and inventory positions within the same industry, but there were "marked differences" industry to industry. Some industries—electrical appliances and hardware, for instance—are "plagued by shortages of critical raw materials such as copper and zinc." This, they say, has reduced their inventories of these items and, consequently, raised their cash position. Others, such as the textile industry, have experienced a piling up of inventory owing to a lag in consumer purchasing with a consequent pinching of working capital.

Cooperating manufacturers stated they would utilize short-term bank loans for most of their borrowings if cash is needed. They expect no difficulties obtaining such loans.

Some executives believe the current working capital pinch is not a temporary problem. These executives are looking to long-term funded debt and equity capital for more permanent relief. However, they expect difficulties in finding adequate equity capital because of taxes and other factors that have reduced the allure of capital investment.

DIVIDEND NOTICES

COMBUSTION ENGINEERING-SUPERHEATER, INC.

Dividend No. 190

A quarterly dividend of seventy-five cents (75c) per share on all the outstanding stock of the Company has been declared payable October 30, 1951 to stockholders of record at the close of business October 16, 1951.

OTTO W. STRAUSS, Treasurer.

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 177

A dividend of $.50 per share on the no par value Common Stock has been declared, payable October 27, 1951, to stockholders of record at the close of business on October 5, 1951.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, September 19, 1951.

The Mark of Quality

At a meeting of the Board of Directors of The Weatherhead Company, held September 11, 1951, a Dividend of $1.25 per share was declared upon the $5.00 Cumulative Preferred Stock of the Company, payable October 15, 1951 to the holders of such stock at the close of business on October 1, 1951.

MORRIS H. WRIGHT
Vice President & Treasurer

September 11, 1951

THE WEATHERHEAD COMPANY
300 E. 131st St. • Cleveland 8, Ohio

Southern California Edison Company

DIVIDENDS

COMMON DIVIDEND NO. 167

PREFERENCE STOCK
4.48% CONVERTIBLE SERIES
DIVIDEND NO. 18

PREFERENCE STOCK
4.56% CONVERTIBLE SERIES
DIVIDEND NO. 14

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on the Common Stock;

28 cents per share on the Preference Stock, 4.48% Convertible Series;

28½ cents per share on the Preference Stock, 4.56% Convertible Series.

The above dividends are payable October 31, 1951, to stockholders of record October 5, 1951.

Checks will be mailed from the Company's office in Los Angeles October 31, 1951.

P.C. HALE, *Treasurer*

September 21, 1951

DIVIDEND NOTICES

DIVIDEND NOTICE

AMERICAN-MARIETTA COMPANY

The Board of Directors has declared the following quarterly dividends:

32nd Consecutive Common Dividend

A dividend of 50c per share on the Common Stock, payable November 1, 1951 to Stockholders of record October 19, 1951.

32nd Consecutive Preferred Dividend

A dividend of $1.25 per share on the Preferred Stock, payable November 1, 1951 to Stockholders of record October 19, 1951.

H. J. HEMINGWAY
President

PAINTS • CHEMICALS • METAL POWDERS
ADHESIVES • RESINS • BUILDING PRODUCTS

GOODYEAR

DIVIDEND NOTICE

The Board of Directors has declared today the following dividends:

$1.25 per share for the fourth quarter of 1951 upon the $5 Preferred Stock, payable December 15, 1951 to stockholders of record at the close of business November 15, 1951.

75 cents per share upon the Common Stock, payable December 15, 1951 to stockholders of record at the close of business November 15, 1951.

The Goodyear Tire & Rubber Co.
By W. D. Shilts, Secretary
Akron, Ohio, September 24, 1951

The Greatest Name in Rubber

"Call for PHILIP MORRIS"

ONE HUNDREDTH Common Stock Dividend

Philip Morris & Co. Ltd., Inc.

Common Stock ($5.00 Par) A regular dividend of $0.75 per share has been declared payable October 15, 1951 to holders of record at the close of business on October 1, 1951.

Cumulative Preferred Stock. The regular quarterly dividends of $1.00 per share on the 4% Series and $0.975 per share on the 3.90% Series have been declared payable November 1, 1951 to holders of record at the close of business on October 15, 1951.

L. G. HANSON, *Treasurer*

New York, N. Y. September 19, 1951

DIVIDEND NOTICE

WORLD-WIDE BANKING

Chase

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

DIVIDEND NOTICE

The Chase National Bank of the City of New York has declared a dividend of 40c per share on the 7,400,000 shares of the capital stock of the Bank, payable November 1, 1951 to holders of record at the close of business October 5, 1951.

The transfer books will not be closed in connection with the payment of this dividend.

KENNETH C. BELL
Vice President and Cashier

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Robert A. Lovett, the new Secretary of Defense, stands fast for two outstanding military planning policies.

First of these is that it is far more important to build up an industrial capacity to produce a large volume of weapons in case of a war emergency than it is to accumulate a large inventory of military hard goods.

Lovett is credited with having been so tenacious for capacity expansion as to stall the actual production of weapons themselves. For this reason it may be that Lovett has subjected the Administration to the criticism it has suffered because neither the materials shortages nor the price inflation developed as fast as the scheduled dates advertised by the Truman anti-inflation chorus.

Second of Mr. Lovett's major policies is that there shall be no interruption ahead in production of the weapons and equipment needed for the planned force in being of 3.5 million persons until that goal has been reached. The new Secretary of Defense was for slowness but sureness in actual weapons production. He opposes "fits and starts" defense production, a situation easy to come about in a lukewarm war with Russia.

Overall, Mr. Lovett's promotion to the foremost civilian position in the Defense Department is expected to have only minor influences in the course of the defense program and the military procurement picture. This is because for a number of months—as is one of Washington's worst kept "secrets"—Mr. Lovett has in fact directed the Defense Department with General Marshall "fronting."

As an aside, this business of utilizing sub-cabinet men to run defense operations has become almost a habit with Administrations starting with Roosevelt. It was Forrestal who sparked Navy production when Knox was Navy Secretary, and Robert P. Patterson who gave life to the War Department under Secretary Stimson.

While Mr. Lovett is a far more vigorous man than his predecessor, General Marshall's commanding rank and prestige were useful in reconciling intramural arguments among the uniformed services, and thus was an asset to Lovett.

* * *

About the moving of William C. Foster from his job of Administrator of ECA to Under Secretary of Defense, there is no settled interpretation among informed men on the Hill as to its significance.

It was apparent that President Truman was disposed to give the State Department policy domination over ECA. Congress also cut purely economic aid substantially. These two developments could have made the job of ECA Administrator less attractive to Mr. Foster, and a new job more interesting.

In this connection it is noted that the foreign military aid program is so set up under the law that hundreds of millions of economic aid could be passed out under the guise of military aid, without any one but a select few in Congress being the wiser.

Under the law Congress allowed officials the broadest latitude in determining what is in fact military aid. If they desired—not that they would do so—they could rule that nylon hosiery was a military item and buy millions of pairs of them. There is nothing in the law to prevent officials from terming anything "military."

Another thing officials can do is to achieve a very real increment of economic aid in a form which has all the appearance of direct military aid.

Thus, for example, there is no reason why, if the Administration wanted to do so, it could not buy British tanks and give them to the Italians, French rifles and give them to the Greeks, or even contract to buy from British firms a few hundred British fighter planes and donate them gratis to the RAF. Officials do not have to use military aid funds to buy American equipment.

Furthermore, there are strong signs that the NATO allies will exert just this kind of pressure. Ottawa dispatches suggest that the Allies are disgruntled over the cut in economic aid, and the apparent disposition, for the time being, of this government to refrain from asking Congress to repeal its limit on the dollars available for foreign economic aid.

Purchase of end items of military goods from Ally Paul and giving them to Ally Peter, and in turn buying from Peter to give to Paul, could provide a real means of putting dollars into NATO allies' hands, as effective as ECA itself.

There is no evidence to indicate that military aid funds are being used for any such purpose at all. There is little evidence of any substance of any kind as to what is being done with military aid funds. If the Administration found itself forced to yield to deals of this kind to keep within the economic aid limitations and still keep the Allies happy, there is no reason why such a move would ever become known.

That is because the Pentagon has covered military aid operations with a heavy blanket of secrecy. During the late war, when the military decision was far from won, liberal statistics of aid by countries and broad categories of commodities under Lend-Lease were published.

Now, the Pentagon has made stick a verboten against publishing any information about the receipts of any country. Only how much goes to NATO countries as a whole, how much to the Near East as a whole, and how much to the Far East, with some very rough category figures, are made public. Whenever Congress has asked questions about the disposition of military aid funds, the officials have responded off the record.

On the other hand, the Pentagon itself is not likely to take to any easy diversion of military funds for any such indirect economic aid. The Pentagon would resist a process of this character which would only have the effect of substituting American for foreign military expenditures, and thereby reduce the total military potential of the NATO Allies by the amount to which U. S. dollars substituted for foreign spending. The pressures of the Allies upon the Administration will be directed, however, in a contrary direction, it is believed.

* * *

By its dispassionate and balanced analysis of the current economic trends, earlier this month, the national Voluntary Credit Restraint Committee gave to many the unmistakable impression that it "was marching up the hill and down again" and was not in fact very sure when inflationary pressures would resume and how severe they would be.

It may be stated reliably that the feeling of the VCR Committee was that the outlook is beyond question inflationary, and that its statement was designed, even if it did not altogether succeed in doing so, to convey that impression and emphasize the need for continued voluntary efforts to divert credit extension from nonessential needs. On the other hand, the committee did not want to stultify itself by failing to give recognition to the current abatement of inflationary pressures.

The national VCR Committee, incidentally, took a step which was little noted, in raising to two-thirds from one-half, the amount of credit which would be extended on "luxury" housing costing $16,700 or more. At a time when the materials regulators are doing everything they can to stop the upper middle class from buying homes, VCR took the viewpoint that new housing starts were to be discouraged for upper middle class families, credit controls should not, at least by voluntary means, make it harder to sell existing housing.

IF the West Virginia Administration succeeds in inducing banks to help sell bonus bonds successfully, VCR, much as it would like to, will not advise banks against buying these bonds, since the program is voluntary, and intervention by the VCR a second time, after it had opposed the West Virginia bonus issue a couple of months ago, would seem to take the voluntary character away from the VCR program.

* * *

The House Agriculture Committee is again trying to push through its old nostrum of trying to hoist upon the nation's principal cities the idea of municipally-sponsored or cooperative, nonprofit super fresh fruits and vegetables markets to try to replace the privately owned and usually congested fresh fruits and vegetables markets.

Creation of new and huge markets outside congested areas usually fails because of the vested interest of every one in down-town central locations, despite congestion, including the opposition of organized labor to new super-duper markets with facilities to reduce cartage labor.

So the House Committee has proposed to set up a fund of $100 million to insure loans for these super markets, loans to run for 40 years.

* * *

Rep. Noah M. Mason (R., Ill.), a member of the Ways and Means Committee, reported to his fellow members of the House that if all personal income over $100,000 were confiscated by the Federal Government, it would provide sufficient additional funds to run the government at the current rate of spending, for one day.

If all personal income above $50,000 per person were confiscated it would pay for operating the Federal Government for four days.

If all income above $10,000 were confiscated, it would raise the substantial sum of $5.5 billion which, however, Mr. Mason said, would operate the government for about one month.

The Congressman said his source of statistics was the Treasury.

(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

"Van Jerkmore always has to outdo everyone else!"

Skinner Dept. Mgr. For Coffin & Burr

Charles L. Skinner has been appointed Manager of the Municipal Bond Department of Coffin & Burr, Incorporated, 70 Pine Street, New York City. Fred C. Sloan will be associated with Mr. Skinner in the department, the firm announced. Mr. Skinner was formerly manager of the municipal bond department for Freeman & Co.

Joins Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jerry N. Deets is with Samuel B. Franklin & Company, 215 West Seventh Street.

Stetson to Admit

Horton R. Prudden will be admitted to partnership in Stetson & Co., 60 East 42nd Street, New York City, members of the New York Stock Exchange, on Oct. 15.

Chase Meyer to Admit

On Oct. 4th, David Martin will be admitted to limited partnership in Chase, Meyer, Barnett & Co., 120 Broadway, New York City, members of the New York Stock Exchange.