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EDITORIAL

As We See It

It is now clear that not only as regards Korea but as related to the whole world, our foreign policies are, and will be for some time to come, a matter of sharp debate. Some part of the argument will doubtless be confined to inner circles, but it is inevitable that a good deal of the differences and the confusions of counsel will be aired in public. There is a popular notion that about the only line of cleavage is one between the Democratic and the Republican party and concerns the relative importance of Asia and Europe in combating communism throughout the world. There is some such division of opinion, doubtless, but the situation is basically so much more complex than would thus be indicated, and the confusion of thought in authoritative circles so obvious and so persistent that it would be folly of the first order to waste very much time on this aspect of the matter.

Another and rather silly phase of the situation is found in the survival and revival of some of the slogans of the early World War II days. One of the most troublesome of these is, perhaps, the old, old catch word "appeasement." Some cheap politicians and some rabid commentators are eternally active in laying the blame for Korea upon earlier policies of appeasement, and so damning is such a term believed to be in a political sense that fear of it is proving one of the impediments to any calm appraisal of the situation in the East, and any rational rapprochement

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A Quick Trip to Europe

By EMERSON P. SCHMIDT

Director, Economic Research Department, Chamber of Commerce of the U. S.

Dr. Schmidt recounts observations made during a short trip to Europe in which he visited principal countries and cities. Says, despite marked progress, European recovery is incomplete and socialization has made considerable advance. Holds additional burden of rearmament may raise new political problems and cause set-back.

Three years ago a group of French businessmen visited the United States. They were greatly impressed with the economic, educational and anti-nationalization work being done in this country. Upon their return, they set up an association to carry on somewhat similar work in France.

Dr. E. P. Schmidt

In order to exchange ideas and experiences, this association called together in Paris for Oct. 16-20 delegates from some 20 different associations from 15 different countries. I attended the meeting for the Chamber of Commerce of the U. S. A.

Prior to the meeting I visited London, Oslo, Stockholm and Copenhagen. After the meeting I visited Berlin, Frankfurt, Basel, Biel, Bern, and stopped again on the way back in Paris and in London.

In each city I visited I had made advance contacts, so there was no waste of time trying to find out whom to see or whom to talk to. I had some 50 intensive interviews with bankers, bank economists, business executives, university people, government and newspaper people and others.

The following comment, somewhat disjointed and episodic, should be judged for what it is (for the most part), namely, just one person's observations on a quick trip:

A Quick Trip to Europe

While the official indices of production throughout nearly all of Europe, including Western Germany, are 20% to 30% above prewar, European recovery is incom-

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Impact of Defense Program On American Economy

By EDWARD S. MASON*

Dean, Graduate School of Public Administration, Harvard University

Dean Mason holds, despite uncertainty of extent of defense spending, we seem to be facing a period during which both inflationary and deflationary forces will be at work. Says some recession in aggregate spending or unemployment will not mean end of rising prices since familiar wage-price spiral still marches on. Warns present situation, due to current high rate of employment, differs from that prior to World War II and labor and materials shortages may be expected. Tax problem is manageable.

It is important to emphasize at the outset that no one as yet knows what the volume and—equally important—the rate of build-up of military expenditures is going to be. A few weeks ago President Truman ventured the opinion that by June, 1951, these expenditures might be running at the rate of $30 billion per annum; (in June, 1950, the annual rate was approximately $13 billion). A few days ago Secretary Snyder in his testimony before the Ways and Means Committee estimated a budgetary deficit of $2 billion for fiscal 1951 which would appear to indicate a somewhat slower rate of buildup. But the statements of both of these eminent authorities still merit the phrase "guestimates."

Dr. Edward S. Mason

The fact is that we shall probably begin to know in the course of the next few months what U. S. military expenditures for *American use* in 1951 and 1952 will probably be. But the magnitude of Western European military expenditures and the volume of U. S. military and economic as-

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*An address by Dean Mason before the American Pharmaceutical Manufacturers Association, New York City, Nov. 27, 1950.

SECURITIES NOW IN REGISTRATION—Underwriters and dealers in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

ARMAND G. ERPF
Partner, Carl M. Loeb, Rhoades & Co., Members N. Y. S. E.

Reynolds Metal Company

Following is a summary of my reasons for selecting Reynolds Metal as the security I like best at this time, despite the sharp price rise which it has already enjoyed.


Armand G. Erpf

Domestic production of primary aluminum is running at the rate of 750,000 tons annually, supplemented by some imports and secondary capacity, indicating a total supply of 1,000,000 tons. This production figure will shortly be increased by 500,000 tons or about 65%, to 1,250,000 tons. The major portion of this expansion will be undertaken by the three leading domestic producers. For the foreseeable future, all the aluminum that can be produced will be consumed by the nation, commercially, militarily, or for the stockpile.

The price of aluminum compares favorably with other metals. As of Sept. 30, 1950, aluminum ingot had declined 5% from the 1939 average price while copper had advanced 121%, lead 222%, zinc 243%, and steel 62%.

Reynolds Metals was the first company to challenger Alcoa's monopoly and today has an ingot capacity of 225,000 tons, equal to 30% of the domestic industry's economic capacity. By early 1951 this capacity will be increased to 245,000 tons, in line with the general increase in the industry, and will be larger than Alcoa's capacity was in 1939.

At stated book value, Raynolds is the most leveraged company in the industry, with the common equity representing only 34% of total capitalization. However, if 60% of the excess of original cost of former government plans over their purchase price is added back to surplus, as well as 60% of fully depreciated wartime facilities, to reflect in each case original cost less estimated normal depreciation, Reynolds common equity increases from $50 million to $121 million. This "imputed" book value, therefore, brings the equity to 55% of invested capital which is quite adequate, and means that the asset value of the common stock is around $100 per share compared to its current price of 39. In contrast, Kaiser sells slightly above imputed asset value while Alcoa sells at about 85% of imputed equity.

For various reasons — the low dividend of $1.20, the losses sustained in end product pioneering operations now being abandoned — the common stock sells at a sharp discount from its real value, so that an investment of $1 in the common stock of Reynolds buys five times more aluminum ingot capacity than the same investment in Alcoa and three times more than in Kaiser, making Reynolds the cheapest stock in the industry in terms of physical capacity.

Reynolds common stock is selling at only 4.9 times estimated 1950 earnings of $8 per share. This low price-earnings multiple compares with 7.6 times for Alcoa and 6.0 times for Kaiser (fiscal 1951). With respect to a possible excess profits tax, Reynolds is in a relatively satisfactory position since it sells at 8.3 times average 1947-49 earnings of $4.75 per share, compared with 11.5 times for Alcoa and 7.2 times for Kaiser (fiscal 1948-50).

Reynolds' costs are competitive and plant locations favorable. The explanation for the poor earnings record, in terms of profit margins and return on invested capital, lies in the fact that the company has been sustaining losses in operations beyond the sheet or fabricating stage. As Reynolds eliminates many of its losing manufactured lines, its real earning power will become manifest. This improvement is already indicated in the nine months figures and should continue in the future. However, losses in the end product manufacturing stage of the operation are still being sustained.

Capacity output and high earnings should permit the company to accelerate debt retirement and add to the strength of the common stock. **The shares, although speculative, appear to be the most interesting vehicle for capital appreciation in the industry.** Reynolds, a much misunderstood stock, over the next few years should streamline its operations and its capitalization, and become a lively equity in a dynamic industry.

DR. MAX WINKLER
Partner, Bernard, Winkler & Co., Members N. Y. S. E.

An Investment in Paraguay

Paraguay is one of two South American republics (the other being Venezuela) which has never been guilty of default in respect of dollar obligations outstanding in the hands of American investors, institutions as well as individuals. She has never had any. However, U. S. Capital has been invested in Paraguayan plants and properties in the amount of somewhat in excess of $5 million, or half the estimated amount of British capital in the Republic, and about one-third the estimated amount of Argentine capital.


Dr. Max Winkler

Among the so-called direct U. S. investments in Paraguay, **International Products** ranks first. The Company has been engaged in the manufacture of quebracho extract for many years, having been controlled by German capital prior to World War I. Control is now believed to be vested largely in American hands. The extract is obtained from quebracho logs, and is universally used in the tanning industry. Paraguay and Argentina are the only sources of supply. The wood is also used for railroad ties and construction. The manufacture of canned meat is another important activity.

The assets of International Products consist of 1,800,000 acres of land, of which about one-half is used for grazing, the other half being timber or forest land. Despite fairly frequent interference in the company's activities, because of revolutions and inundations during the rainy season, the past performance has been satisfactory and the investor has been adequately rewarded.

Salient features pertaining to International Products Common, the only capital liability and outstanding in the amount of 327,445 shares, the preferred having been retired, are presented hereunder:

International's assets are carried (as of June 30, 1950) at $1,366,539, equivalent to only about 75c an acre, allowing nothing for a quebracho plant with a capacity of more than 36,000 tons; a meat packing plant; and 90 miles of an industrial railroad. The financial position is strong. Current assets of which about $2½ million is represented by cash or its equivalent, amount to about $7 million, while current liabilities are somewhat in excess of $2 million. Thus, the net working capital per share amounts to about $16.

With prospects for brighter days in the countries south of the Rio Grande, the outlook for International Products may be viewed with a fair degree of optimism.

	Price Range	Net Per Share	Dividends
1950	10⅝—14*	$1.17†	$1.00
1949	8¾—16⅛	1.01	4.00‡
1948	9¼—17	3.07	1.00
1947	11¾—18½	.87	3.00§
1946	10⅜—17¼	3.67	1.00
1945	13 —18½	1.64	.75
1944	7⅜—13⅛	.96	.75
1943	6½— 9⅝	1.56	.50
1942	4 — 7	1.58	.75
1941	3¼— 5⅜	.89	.50

*To Nov. 27. †For January-June, 1950. ‡Of which $3.20 represented return of capital. §Of which $2.25 represented return of capital.

Stock Market at Major Peak

By JACQUES COE

Senior Partner, Jacques Coe & Co., Members N. Y. S. E.

Mr. Coe maintains market has been inflated to an "artificial stratosphere" by investor foibles, as overemphasis of capital gains tax on their accrued profits. Likens premiums being paid in current scramble into Blue Chips to that for "South Pacific" theatre tickets. Compares market's vulnerability to conditions in 1929, 1936 and 1946.

What Price Quality?

In 1929, as in 1936, and again in 1946, many holders of securities (having very large potential profits) were reluctant to cash in, because of the taxes that would have to be paid. In each and every instance if the high price level had been exploited, and the taxes paid, the individual's balance sheet by the end of the following year would have looked much better!

Jacques Coe

In this year 1950 the principal argument is no different. In finance as in politics, people delight in making the same mistakes, even using the same cliches. How often do you hear "If I sell now, and pay the tax, I cannot establish an equivalent position unless and until stocks decline at least 25% so why take the risk?"

On the premise that "disinclination to liquidate" because of taxes, limits the selling pressure, and a special type of buying which we will discuss in the following paragraph gives the market unusual strength, we seem to be in the midst of an artificial stratosphere, the substance of which is tenuous.

It does not take binoculars to see that the so-called "blue chips" or quality stocks have advanced much further than the average of the main body of securities. Numerous Trust funds, estates, and above all, Pension Funds have been avid buyers of these issues. Concentration on these "Prime issues" is no phenomenon. No fund manager, or investment counsel would risk straying from these accepted mediums known as the "quality stocks" even though the premium above the average level continues to widen. In some instances the premium for quality approaches an excess equaled only by that prevailing for "South Pacific" orchestra seats.

This article does not treat with the Business situation in detail, but rather with these two technical developments which tend to create a most vulnerable situation should pension fund buying relax, or the tax conscious investors throw their hats over the wall.

Our "Hopped-Up" Economy

We all know or should know that our present economy is "hopped-up" by the government rearmament and defense program, which in turn takes its cue as to length, breadth and scope from the thermometer of American-Russian-Chinese relations. Metals chemicals, food stuffs, etc. are repeating their World War II performance, black and gray markets flourish, and everything is "hard to get." Yet up to this point we have not been waging a full sized or even medium sized war. Most of the stockpiling is just that, there has been only most moderate consumption or destruction. On the other hand should things get much worse, new restrictions and heavier taxes will reduce profits. Either we have enough, or more than enough, and cannot use what we have, and are obliged to pare down on future deliveries, or we go into "all-out" austerity.

Considering the present and future tax rate, and an awareness that a considerable portion of 1950 profits necessarily are inventory writeups, will companies continue to show fantastic earnings under either a falling raw materials market or a war economy regime?

We wish to reflect again on the first portion of this article. If the supposition is reasonably correct that quality conscious pension fund purchasers, and most reluctant profit takers, have created a false sense of values, then the stock market is building itself up into a *state of vulnerability* similar to the three aforementioned periods of 1929, 1936 and 1946.

Importance of Timing Inflation Hedge

The other side of the picture is that deficit financing of the past will continue in the future—that everything except securities costs twice to three times what it cost 15 years ago—that a share of stock is the best protection against inflation. In the long run there might be some sense to that argument, but the price swings back and forth in the meantime will continue to confuse and perplex the average investor.

From a cyclical standpoint, and particularly the 40-44 month series, November, 1950 is the latest month for a classical top. This formula is neither open sesame or fool proof. The June, 1949 bottom was three to four months late. Motor group average high point (also General Motors) was established early in October. If no new high in four months (early February) we have, by past experience, threat of a general market decline. Our own manufactured "Index of Confidence" closed lower this week than in eight previous weeks, notwithstanding higher Industrial price averages. The Motor Steel ratio (on its time lag) continues to project a selling level in December. On the whole, we view the entire situation with a jaundiced eye.

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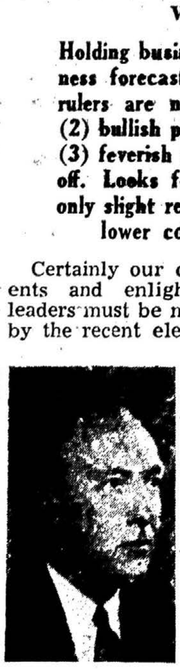
Business and Commodity Outlook for 1951

By ARTHUR C. BABSON*
Vice-President, Babson Reports, Inc.

Holding business trend will be lower in 1951, prominent business forecaster supports view on basis: (1) our monetary rulers are now officially dedicated to policy of deflation; (2) bullish phase of business cycle is already overblown; and (3) feverish rush toward all-out militarization is likely to cool off. Looks for decline in building and auto production, but only slight recession in national income. Contends there'll be lower commodity prices and sharp drop in profits.

Certainly our conservative clients and enlightened business leaders must be much encouraged by the recent election results. It is a rebuff to those labor chieftains who under-estimated the common sense of the plain American citizen, whether a member of the union or not.



A. C. Babson

It is now apparent that in this election the Administration has lost some of its tried political generals, while the Republicans have not. Instead of the new Congress knuckling under to the demands of certain union bosses—and voting for more bureaucratic legislation—it looks now as if much of their proposed program can be put in the deep freeze for the next two years. If "business is ruled by feelings rather than figures," we believe—that provided the conservatives will organize, spend, and work hard—they can hold their own and no business crash need be expected in the next two years.

Despite the hopes raised by our elections, Stalin is still going to help shape the course of United States business again during 1951. No matter what our Administration, our industrialists, our economists, would like to do next year, they must and will keep one eye on every move of the Kremlin. Hence, before we can offer any predictions for domestic developments in 1951, we must first appraise the probabilities of decisions and actions in Moscow. What is the Russian official mind planning for us next year? What will be the effect upon our economy and upon our citizens? In the answer to this question lies the key to any forecast for 1951.

Here is how the Babson Organization feels about this situation at the persent time. It is our frank opinion that Soviet officials received the shock of their lives when the United States stood up on her two feet, backed by every one of the free countries in the United Nations, and gave battle to prevent the spread of Communism. It is obvious that the Russians sponsored the North Korean aggression and thought that it would be a simple matter to tuck away another nation behind the Iron Curtain. And the North Koreans were to do the dirty work while the "innocent" Russians carefully hid their bloody hands behind them.

*An address by Mr. Babson before the Annual New York Babson Client's Conference, New York City, Nov. 22, 1950.

What Will Russia Do?

The Soviet Union is faced today with an open-and-shut decision: Shall she start an all-out war by instigating new aggressions, or shall she play a diplomatic waiting game to allay our fears and to cause thereby deterioration of our military program? It is our opinion that Russia will take the latter course, hoping, incidentally, that the long-heralded economic collapse will engulf the United States.

The vinegar barrel will be rolled away and soothing syrup will be substituted for some time to come. In spite of our Administration's determination not to be thus taken in, we fear that the Russians may achieve a measure of success. The patriotic American ardor which was sparked by the Korean War simply cannot be maintained at fever pitch if the menace of further Communist aggression appears to be growing dimmer. President Truman and his aides will have to face increasing resistance against higher draft total and exorbitant emergency taxes.

Effect of War Fear

For these reasons the Babson Organization is in disagreement with a huge majority of other leading business and investment observers over the 1951 outlook. Our prediction, however, is based upon long-term historic trends as opposed to the hysterical headlines and wavering public sentiment so often used as a basis for forecasting. Here is the framework for our reasoning.

Fear of World War III, occasioned by the outbreak in Korea, caused the public both at home and abroad to start stocking up heavily on a great many items. Domestic results since then have been a sharp rise in prices, wages, and other costs, as well as a huge expansion in business and consumer credit accompanied by a new peak in industrial output. The impact abroad of the sudden war threat was equally startling. Gold began to flow swiftly away from the shores of America, with a general strengthening of foreign currencies in relation to the dollar. And the United States reported its first unfavorable balance of trade since 1937.

Inflation Dragon

Terrified by these events, our governmental authorities charged with regulating the economy rushed pellmell to slay the inflation dragon. The Federal Reserve authorities in one-two fashion made successive increases in the restrictions on mortgage loans and consumer credit. At the same time, the Federal Reserve moved rapidly to increase the difficulty of borrowing, and is at the moment working hard on plans to bring the banking system more completely under its sway. A common reaction is that the inflationary policies pursued by the government from 1933 thru 1950 may have created an economic Frankenstein which is beginning to run wild. In a last-ditch stand, the Administration is now ready to fight inflation with a strong anti-toxin dose of *deflation*.

Business Lower in 1951

At the present time the Babsonchart Index of the Physical Volume of Business stands at 191. Looking ahead a few weeks, we estimate that the index for the complete year 1950 will average close to 175. For 1951, we predict a drop below the average of this year.

Three powerful factors will be at work in the new year to reverse the present boom psychology: (1) Our monetary rulers are now officially dedicated to a policy of deflation, to a developing program of carving away boomtime excesses. (2) The bullish phase of the business cycle is already so overblown that a natural downturn is definitely in the cards. (3) The feverish rush toward all-out militarization is more than likely to cool off substantially before 1951 is very old. We predict that Administration attempts to turn the boom tide back will be successful, especially since we are already in a perfect situation for an overdue readjustment.

The two most important factors in the boom of 1950—building and automobile production—are apt to be significantly involved in the decline expected for 1951. Although both these lines are roaring along at top speed, the accumulated shortages of World War II have been largely made up. In fact, if it had not been for Korea, some slowdown in both these activities would have already been seen. Added to the probability of the normal downturn, we now have the deflationary squeeze of credit regulations W and X.

Appraising the expected developments in 1951, we predict a big decline in construction and a sizeable drop in automobile output as compared with the year drawing to a close. It should be understood also that our estimate of a large drop in automobile output includes trucks. Since there are many indications that the output of trucks of various types will remain high in 1951, it is evident that the contraction in passenger car output alone will be even greater than the percentage figure indicates.

Our prediction that natural gas output will rise substantially next year over 1950 is based upon the fact that this industry is strongly expanding and certainly will be able to buck the down-current of general business. Some may wonder why the anticipated large advance in the output of railroad equipment and big rise in machine tools will not have a greater beneficial effect upon business as a whole. The answer is that these are two relatively small fields. They have been in a slump for some time and have only recently emerged from it. The total output is just not large enough to act as a major brake on the down-drag which will be created by declining automobile output and building activity.

Income and Production

Another seeming discrepancy is to be found in the projected figures for national income. Although we are forecasting a decline in the Babsonchart Index of the Physical Volume of Business, we do not feel that the slump in national income will be nearly so great. Here is the reason: In terms of physical production, the 100% expected growth in the manufacture of tanks, guns, and other defensive equipment will be unable to counteract the slide in building and automobiles. The answer lies in the fact that a ton of war equipment costs a whale of a lot more than a ton of automobiles, and—though it may not seem possible—the price of one military installation will buy a villageful of private homes. This means, of course, that our national income is not likely to decline as swiftly as actual physical output.

One bright spot worth dwelling upon is air-line passenger miles. Despite a decline next year in general business, this important growth industry should record another healthy expansion over the record figures established in 1950. Moreover, it is expected that profit margins will be substantially expanded as seating capacity comes closer to full utilization. Retail trade will be generally lower next year. Losses will be most noticeable in department stores and mail order houses. Sales volume will gain less support from the turnover of high-priced household equipment and other hard goods because of the fewer homes built and the greater difficulty in meeting instalment sales restrictions.

However, what is one man's poison may be another man's meat. There should, for example, be more money obtainable for soft goods and other low-priced items handled by the variety chains. We are expecting to see a small gain for companies in this category. In addition, more money will be available from the national income for the consumer's table. With this in mind, we are forecasting a somewhat longer gain in sales volume for the food chain stores.

Wholesale Commodity Price Outlook

With few exceptions, the various major groups of wholesale commodities have staged strong price advances since the outbreak of the Korean War last June 25. We do not believe that this trend will continue throughout 1951; in fact, barring all-out war, we are forecasting a moderate drop in the over-all average for next year as a whole compared with current high levels.

Our reasons for taking this position include the following: (1) the postwar business balloon was bulging at the seams just before the Korean situation burst into the limelight; in other words, the stage was set for a letdown. (2) The indicated drastic drop in automobile production and building next year will cut sharply into over-all demand for many raw and semi-finished materials. (3) Government controls on consumer credit—already formidable in housing and instalment fields—probably will be tightened and extended in 1951. (4) Even higher Federal income taxes will be levied next year. This further sharp bite into consumer spending power will take considerable wind out of inflation's sails in the year ahead. (5) Various other inflation-checking controls may be imposed, particularly on wages and prices.

The rearmament program will not, in our opinion, gain sufficient momentum — at least during the first half of next year—to offset fully the five deflationary factors tending to drive commodity prices downward. If, however, Russia should decide on and start a third world war next year, inflationary pressure would mount rapidly and would be difficult to contain.

Skilled Labor Scarcity

At least during the first six months of 1951, the manpower problem will be relatively tough, particularly as regards skilled labor. This is due to the fact that specialists and highly trained workers are far less common than unskilled men and women. Also, the war program will call for a huge number of employees to perform highly skilled tasks of an unusual nature. Unemployment, currently running close to an irreducible minimum, is not expected to pose any particular problems over the months immediately ahead. It would not be surprising, nonetheless, if there were to develop a surplus of unskilled workers during the latter part of 1951.

No Sixth Wage Round

The tremendous surge of raises which has swept across all industries in all parts of the country is at last slowing down. It is our opinion that, once this round is fully completed, worker earnings in general will cease their rapid climb. With declining business, dislocations stemming from switch-overs to defense production, and the popular resentment against any and all inflationary moves, the economic climate will be unsympathetic to extensive wage increases.

There is also likely to be a marked cutback in the number of strikes, with totals falling considerably below the heights of 1950. As a matter of fact, a great deal of union energy, time, and money will be expended for purely political purposes during the new year. Labor unity is the goal of most unionists who actively desire to keep the "Fair Deal"

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The State of Trade and Industry

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

Total industrial production last week held virtually at the high level of the previous week and considerably above the level of a year ago.

Reflecting the scattered lags in the relocation of manpower, both initial and continued claims for unemployment insurance rose slightly in the week.

In the steel industry, steel ingot capacity remained without change at 102.7% of capacity from the previous week. Automotive output as a whole underwent a seasonal decline due to model changeovers and in part to parts shortages. However, passenger-car production in the United States showed a slight increase over the previous week's volume, although the Thanksgiving holiday held operations in many plants to three or four days in the place of the customary five days, "Ward's Automotive Reports" state.

The principal reason for the increase in car production was resumption of volume operations by Chevrolet and Pontiac after last week's shutdown for model changeovers.

Freight carloadings also reflected further contraction in the week ended Nov. 11, 1950, but the distribution of electrical energy, in keeping with previous weeks set a new historical high record for the electric light and power industry in the week ended Nov. 18, 1950, the latest reporting periods.

This week fabricators' steel inventories are melting away fast, hastening the time when drastic curtailments in civilian goods manufacturing schedules will be necessary, says "Steel," the magazine of metalworking. More metalworking shops are being forced to match production scheduling with receipts of steel shipments and as a consequence, are operating on a virtual hand-to-mouth supply basis.

The steel mills will enter 1951 with heavy tonnage carryover. In sheets and strip it is expected the arrearage will range between four to six weeks with hot-rolled items constituting the largest unfilled commitments. Most consumers are letting their unfilled orders remain on mill books rather than take up the option given them of respecifying against reduced allotments.

Except for upward revision in contract tin mill products averaging about 12% in 1950, the market was devoid of feature pricewise last week. Carnegie-Illinois Steel Corp. announced a new method of quoting tin plate under which a price base is set up at each producing mill and revised extras and deductions are established for each of the different tin mill product classifications. This is the first major change in the tin mill product pricing since production was started in this country many years ago.

The severe storm that struck the eastern seaboard and mid-western sections of the country on Saturday of last week left in its wake death and destruction.

In the Pittsburgh and Cleveland areas heavy snows brought industrial operations to a virtual standstill. As a consequence, steel production is expected to show a pronounced drop in the current week.

In Pittsburgh, Carnegie-Illinois Steel, a subsidiary of United States Steel Corp. and the nation's largest operating steel company, was almost entirely closed down on Monday. Other industrial plants in the storm areas were shut or on drastically reduced schedules.

Among companies announcing that their plants would be closed on Monday were Blaw-Knox, H. J. Heinz, Westinghouse, Apex Electrical, White Motor, White Sewing Machine, Anchor-Hocking Glass, General Tire & Rubber and Seiberling Rubber.

Steel Operations Scheduled to Show Sharp Contraction Due to Storm

The American Iron and Steel Institute announced on Monday, last, that the national steel production estimate for the week beginning Nov. 27, 1950, would be delayed because storm conditions had interfered with communication lines of steel companies in the Middle West. The Institute had hoped to be able to announce the estimate on Tuesday, Nov. 28.

The break in the steel wage-price picture is due this week, according to "The Iron Age," national metalworking weekly.

The increase in wages will be about 12 cents an hour on the base. Since there are many wage classifications built on the base, the average wage increase will be around 16 cents an hour. Fringe concessions will bring the total average wage increase cost to around 18 cents an hour.

The United States Steel Corp. will raise steel prices about $6 a ton, but they will distribute the hikes so that all products will

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The London Gold Parity Price

Frank Lilly of American Mining Congress takes exception to statement in Mr. Bratter's article that he is authority for statement gold price in London has increased since 1931 to $102.17 an ounce.

In a letter addressed to Mr. Herbert M. Bratter, author of an article entitled "They Say About Gold," appearing in the "Chronicle" of Nov. 9, Mr. Frank Lilly of Spokane, Wash., a member of the American Mining Congress and other mining organizations, takes exception to the statement made by Mr. Bratter that "Mr. Lilly said (in "Chronicle," Sept. 28) that since 1931 the parity price of gold in London has been increased to $102.17 an ounce." According to Mr. Lilly, he made this statement on the authority of the U. S. Treasury Department, which should be given credit for it.


Herbert M. Bratter   Frank Lilly

The text of Mr. Lilly's letter to Mr. Bratter follows:

I always read your articles on financial matters because I consider you an authority on such matters.

However, I note that in your article in the "Commercial and Financial Chronicle" of Thursday, Nov. 9, you quote me as having said that "Since that time (1931) the parity price of gold in London has been increased. . . (to) $102.17 an ounce."

It is true that that statement appeared in my article in the same paper for Sept. 28, but it was clearly set forth in connection with the statement that the figure of $102.17 was given me by the U. S. Treasury. In other words, the calculation was that of the U. S. Treasury and you should have pointed that out—particularly in view of the fact that your quotation appeared under a subheading of "wishful thinking."

Incidentally, it is flattering to be quoted by you but, to repeat, I think the U. S. Treasury Department *should be given the credit* for the figure of $102.17.

Respectfully,
FRANK LILLY.

Nov. 20, 1950
Ziegler Bldg.,
Spokane, Wash.

With Dean Witter & Co.

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Richard N. Wood has joined the staff of Dean Witter & Co., Equitable Building.

Raoul Thierry

Raoul Thierry, proprietor of The Raoul Thierry Co., New York City, fell to his death on Nov. 23.

With King Merritt

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Mathias M. Maus is now affiliated with King Merritt & Co., Pence Building.

Observations . . .

By A. WILFRED MAY

THE DOUBLE-STANDARD IN INTERPRETING STOCK MARKET PERFORMANCE

As an important cause of the stock market's attainment of new highs last week, a leading commentator, citing the report by the Federal Reserve Board that their installment credit curbs are beginning to be effective, went on to say: "This naturally brought the inference that no more drastic action will be forthcoming soon."

A. Wilfred May

Surely it is highly probable that had this report of consumption curtailment occurred against a background of declining instead of advancing prices, it would have served as the contrary explanation. This is a typical example of market interpretation following the ticker.

This "double standard" in market interpretation even applies to price controls and rationing. At times the investment community looks on them as disruptive of consumption and of the economy in general; at other times of bullish markets, as a constructive element building up a pent-up demand for civilian goods and avoiding later post-armament depression and unemployment.

Chameleon-like Attitude Toward War

This proclivity toward rationalizing the news to fit market performance is highlighted in war phases. The prospects for a cooling-off of international tension and the return of the boys home by Christmas were ascribed as a reason for reactions in stocks as well as commodities. Yet the opposite news this week that the Asiatic trouble is accentuated and permanent rearming made more certain was similarly cited to explain a market "collapse" of twelve points in the Dow, Jones Average, in which practically all issues participated.

The severe June-July market *decline* following the Korean outbreak last June, was explained by the imminence of wartime controls and sensing of the accelerated sabotaging of "capitalism"; on the other hand, the market's ensuing *recovery* to new highs was interpreted as the logical response to wartime "inflation" and high corporate earnings.

Bear reactions during the first part of 1945 were largely attributed to "peace scare" of postwar deflation; but subsequently with the arrival of peace and a 30% market rise, peacetime's bullish prospects for high civilian consumption and employment were emphasized as controlling.

During the severe market declines in 1938 and 1939 the *bearish* implications of war prospects were stressed; but with the subsequent actual outbreak of war in September, 1939, and an ensuing 20% market rise, the *bullish* inflationary elements in the war situation were stressed by the investing public.

Inconsistency Toward Taxation

Taxation is another factor recurrency leading to directly contradictory conclusions, to fit the market's course. A prospective rise in taxation is usually looked on unfavorably as a reducer of earnings and stock prices; but at times of market optimism its inflationary effect on the general price level is selectively stressed.

Similary, wage demands and strikes at times is interpreted bearishly as interfering with industrial activity and lowering profit margins; at other times bullishly as a long-term stimulant to mass buying power.

Selective Emphasis

A prevalent kindred foible is the fashioning of market interpretation to the ticker's action through selective emphasis. Last week's bullish stock market was accompanied by sublimation of attention to the news that steel orders of civilian consumers will be cut back 30% to 50% during the first quarter of next year, to the report on business conditions from the Department of Commerce to the effect that consumer demand has been declining, and to declines in commodity prices.

* * *

Constructive Investor Aids

The ideal way for the investor to keep insulated from whipsawing by these short-term emotional influences on the market, is

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Joins Burns, Potter

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Laird B. Fisher has joined the staff of Burns, Potter & Co., 202 South Seventeenth Street.

Clair Hall Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Mrs. Ann B. Ulmer has joined the staff of Clair S. Hall & Co., Union Trust Building. Mrs. Ulmer was formerly with Don D. Kuemmerling.

With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William H. Stanley is now affiliated with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

William T. McIntire

William Tredick McIntire died at Harkness Palivion, Columbia-Presbyterian Medical Center. Mr. McIntire, who was 65 years of age, was a partner in Dominick & Dominick, New York City, and was a member of the New York Stock Exchange.

Chamber of Commerce of U. S. Views Excess Profits Tax

By ELLSWORTH C. ALVORD*

Chairman, Committee on Federal Income, Chamber of Commerce of the United States

Defining "excess profits" as "high profits resulting from defense program," spokesman for Chamber of Commerce of U. S. holds there is no justification for an Excess Profits Tax applicable to 1950 or to 1951. Reveals difficulties and disadvantages of such levy and offers specific provisions for any measure designed to tax excess profits. Points out taxing excess profits will shackle and freeze industry, unless flexibility is injected into factors determining normal profits.

The American people have united upon a basic policy: Resistance to the spread of Communism—at home and abroad.

Ellsworth C. Alvord

The keystone of this policy, as we have so frequently stated, is strength—economic strength, fiscal strength, spiritual strength, moral strength. Only with such strength can we build and maintain unprecedented military strength, adequate to protect us from military aggression. With strength throughout the indefinite period ahead of us we shall succeed. With weakness during any portion of that period we shall fail.

The American people know the dangers involved in our resistance to the spread of Communism:

(1) When we have built that extraordinary military machine necessary to protect and defend us, we must not become an "aggressor nation."

(2) We must build and maintain the necessary military machine without regimentation and a dictatorship.

(3) We must stop inflation.

The American people also know that the fiscal policies of their government have had, and will continue to have, direct effect. The fiscal policies of the Administration and of the Congress can, and will, lessen the dangers and help avoid them, or can and will force aggression, regimentation and inflation. The problems involved are above politics. Faith, determination, courage, and confidence are required.

Fiscal Objectives

Your committee on many occasions has accorded us the opportunity to present our fiscal objectives. We are, of course, happy that they have now been recognized by the Administration. Secretary Snyder, on page 2 of his Statement before your Committee on Nov. 15, says:

"The President has a threefold objective: *first,* to contribute to meeting the increased cost of defense; *second,* to help check inflationary pressures and enable the government to maintain a strong financial position; and *third,* to tax the high profits resulting from the defense program."

Summary of the Treasury's Position

Our study of Secretary Snyder's statement and of the facts upon which it is based gives us the following summary:

(1) There are no "high profits resulting from the defense program" during 1950—a statement founded upon fact, for defense expenditures so far this year are actually less than during 1949.

(2) There will probably be no "high profits resulting from the defense program" during 1951—a prediction with which we agree, for scheduled expected deliveries of "hard goods" for use of the military in 1951 are only about $9 billion.

(3) The best definition at this time of "excess profits" is "high profits resulting from the defense program"—a definition which we accept.

(4) It is impossible to devise a workable "Excess Profits Tax" to raise $4 billion in additional revenues, as recommended by the President—a conclusion with which we are in complete accord.

(5) There will be no "cash" deficit this fiscal year; a conservative estimate predicts only a relatively small "book" or budgetary" defecit, and there may be no deficit—predictions with which we agree, with perhaps more emphasis upon the possibility of no deficit.

(6) A balanced budget each year is now vital—a principle from which we have never departed, and which is now finally adopted by the Treasury after financing deficits during 19 of the last 21 years.

(7) Corporate profits during the third and fourth quarters of this year are much higher than in previous years—a statement which disregards the 50-cent dollar (resulting from the inflationary policies of the Administration), fails to consider the fortunate consequences of the $100 billion industrial expansion since 1945, gives no credit for success in lowering costs, overlooks the fact that the ratio of corporate profits to national income is remaining constant, blinks the well-known fact that investors do not now receive, and for many, many years have not received a return upon their investments adequate to meet the risks involved, and forgets that our governments are now taxing corporate profits at rates (aggregating about 50%) never before dreamed of, and tax them again when distributed as dividends.

(8) The needs for additional revenues justify a tax of 75% upon normal profits of corporations—a recommendation with which we disagree exactly 100%. If, for a fairly indefinite period into the future, the fires of inflation are to be fought and not fanned; if rigid regimentation is to be avoided and not required; if the people and not the military are to be the master; if strength and not weakness is the objective, then certainly there can be no dispute about one of the essentials: Production, more production, ever-increasing production; expansion, more expansion, ever-increasing expansion; volume, more volume, ever-increasing volume. (Time does not permit of discussion at this time of other essentials.)

The Treasury by its proposal is opposing the specific objectives just enumerated, and flies directly in the face of the President's threefold objective quoted above.

Our Position

In addition to the position we have taken with respect to basic policies and objectives and with respect to Secretary Snyder's statement and the Treasury's proposal, we summarize:

(1) As the first step in preparing to finance the military program, The Administration and the Congress should reduce nonmilitary expenditures by at least $6 billion.

(2) The Administration and the Congress should guard zealously against waste, whether in the military or the nonmilitary.

(3) The taxation of paper profits resulting from inflation is a tax upon capital and must be avoided.

(4) A federal tax in excess of 50% upon the normal profits of corporations cannot be justified—and a 50% rate can be "carried" for only a limited period of time.

(5) We accept Secretary Snyder's definition of "excess profits" as "high profits resulting from the defense program."

(6) We agree with Secretary Snyder that currently there are no "excess profits" and there probably will be none during 1951.

(7) There is no necessity for, and no justification of, an "Excess Profits Tax" aplicable to any portion of 1950 or to 1951.

(8) The consequences of inflation are too gruesome to play with—even though it is frequently said that inflation in its early stages is popular.

(9) The military program, for as long as possible, must be kept on a pay-as-we-go basis.

(10) If and when additional revenues are necessary for the military program (as they doubtless will be in 1952 and subsequent years), every possible source must be explored and tapped, including a considerable increase in our revenues from excises.

The Troubles With an Excess Profits Tax

Everyone with experience knows that a so-called Excess Profits Tax must not be designed to produce substantial revenues, and that no Excess Profits Tax has yet been devised which—

(1) Is a reliable revenue producer;

(2) Can be administeded;

(3) Applies fairly and without discrimination;

(4) Encourages growth, expansion, new industries, new products;

(5) Promotes competition and lower prices;

(6) Contributes to economies and encourages decreasing costs;

(7) Rewards ability, ambition, risk-taking, and progress;

(8) Gives industry the "elbow room" it needs;

(9) Creates financial independence and stimulates sound financing;

(10) Grants to youth the opportunity to build a business;

(11) Builds strength.

The Justification for an Excess Profits Tax

On the other hand, in times of war and grave emergency, requiring high military expenditures, and after effective price and wage controls have been imposed, an Excess Profits Tax will:

(1) Discourage war profiteering;

(2) Make price and wage controls more palatable;

(3) Keep on about the same profit level war industries and the nonwar industries which realize exceptional profits from a war economy.

(4) Produce substantial revenues if excessive profits are not otherwise controlled.

Outline of Basic Policies for an Excess Profits Tax

If a so-called Excess Profits Tax must be considered at the present time, we urge that it be based upon the following general policies (a detailed discussion of which, to the extent that time permits, will follow):

(1) It should expire by its own terms in two years.

(2) Normal profits must be carefully defined and not be taxed as excess profits.

(3) Reasonable profits from expansion, increased production, increased volume, decreasing costs and new products must be determined after adequate experience and should not be taxed as excess profits.

(4) Capital gains should not be taxed as excess profits.

(5) Profits from foreign sources should not be taxed as excess profits.

(6) Profits technically taxable during the taxable year but attributable to prior activities (such as, profits from instalment sales, payments accruing after a dispute, settlements made, facts affecting income which could not be determined, etc.) should not be taxed as excess profits.

(7) The principle that normal profits durnig the taxable year should be measured by either prior earnings or a fair return on invested capital should be preserved and improved.

(8) Earnings during any period during which there are no "high profits resulting from the defense program" will usually reflect normal profits.

(9) The "earnings base" must be adjusted to exclude unusual costs, expenses, and losses, and to exclude costs and expenses technically deductible but attributable to prior activities.

(10) Statutory formulae should be adopted to replace as far as possible, the general "relief" provisions of the prior law (section 722).

(11) Normal profits following consolidations, mergers, or acquisition of assets, whether or not taxable, should not be taxed as excess profits.

(12) There should be no denial of the use of unused Excess Profits Tax credit—backward and forward—during the period of application of the Excess Profits Tax and for a reasonable period thereafter. There should be a five-year carryforward and a two-year carryback of operating losses for all corporations, and 100% credit for intercorporate dividends.

(13) Many corporate profits have been declining since 1945 and should be permitted to return to the 1946 level, for example, before they are taxed as excess profits.

(14) Corporations which have had losses or small profits since 1945 should be protected by a "credit" of not less than 150% of their credit under the prior law, which should not be subject to a reaudit.

(15) There can be no excess profits until after the normal tax has been paid.

(16) The so-called Vinson-Trammell Act should be repealed.

(17) Renegotiation under the present act, or under a new act of more general application, should be "after taxes."

(18) The formulation and adoption of an Excess Profits Tax will be greatly simplified when it is realized that about 50% of the corporation's profits will be taken by the Treasury in any event.

Specific Provisions

We recommend the adoption of the following specific provisions:

Base Period Earnings—(1) the base period should include the

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*Statement by Mr. Alvord before the Committee of Ways and Means of the House of Representatives, Washington, D. C., Nov. 21, 1950.

Petroleum Industry Prospects

By THOMAS W. PHELPS*
Assistant to the Chairman,
Socony-Vacuum Oil Co., Inc.

Asserting oil industry's growth prospects are limitless and have the greatest expansion potential in both domestic and foreign markets, Mr. Phelps points out that every phase of its development is essential to our welfare, progress and national defense. Decries idea oil industry will become a public utility and contends, because of risky character of oil exploration, it is not likely to be operated by governments.

My first thought in addressing you is not that oil is a growth industry—you all know that—but rather that the oil industry's growth prospects are limitless, barring only the possible discovery of new, cheaper and equally portable energy sources. The oil industry is our principal energy industry, and man's capacity to use energy to raise his standard of living has no ceiling. Sometimes I suspect we give lip service to that idea without fully appreciating its truth.

Thomas W. Phelps

When a man pulls a plow, as he still does in some backward parts of the world, his economic worth and hence his living standard cannot be much higher than a donkey's. When a man learns to drive the donkey, instead of competing with the animal, he has taken an important step up the energy ladder. Two donkeys are better than one, and four are better than two, but all donkeys must eat. Their net energy output is low compared with that of an oil-powered machine.

The more net energy man can control, the higher his standard of living can be. A hundred years ago in this country, man could count on machines to provide him with only 6% of the energy he used. The rest came from his own muscles and those of his animals. Now enough mechanical energy is in use in America to supply each one of us with power comparable to the efforts of sixty men. Sixty servants is a good average for anyone but our wants are infinitely elastic. Having become accustomed to life in which our needs are supplied by mechanical energy equal to the labors of sixty serfs, we relax after a hard day and a good dinner in the comfort of a modern home, and with our families view the television screen while dreaming of a living standard equal to the labors of a hundred serfs. That's not bad. Such dreams are the birth of demand, and demand aided by ever greater use of mechanical energy puts dreams into a machine and turns out realities.

Of all this energy now in use in this country, our people estimate the oil industry (including natural gas) is supplying 59% this year. Thirty years ago the oil industry's share was 18%, and a hundred years ago there wasn't any oil industry.

I know that one of the commonest faults of economists and soothsayers is to assume the continuance of whatever trends are apparent at the moment, and on that basis to calculate where we shall be tomorrow. But if we think of oil as a source of energy and lubricants, rather than as fuel for any particular machines, our expectation of limitless growth has a firm foundation. Until human nature changes, our use of energy will continue to increase, no matter how.

*A talk by Mr. Phelps before the Association of Customers' Brokers, New York City, Nov. 28, 1950.

The Growth Potential

My second thought about the oil industry is that the biggest growth potential, percentagewise, is to be found in foreign markets. In the United States, as you know, our per capita oil consumption is about 600 gallons a year, ten times that of France, twenty times that of Italy and 600 times the latest known figure for China. Those figures by themselves do not prove the point, any more than the fact that General Motors is bigger than Packard *proves* that Packard will grow faster than G. M. Nor does the fact that oil consumption in foreign markets has risen faster than ours in the last three years *prove* that it will continue to do so over the next three, even though our economists do think it will. No, my freshman thinking takes a different tack. What makes me look for more rapid growth in foreign oil markets than in our own United States is penicillin, democracy, farm machinery and our struggle with Russia.

At this point you must be recalling the old story about the London beggar who carried a sign reading, "Three years' service, four wounds, seven months out of a job, wife, five children, total twenty—please help." In this case, however, I think penicillin, democracy, farm machinery and our struggle with Russia do add up to a more rapid growth in foreign oil markets than at home, and here's how:

The new antibiotics of which penicillin is simply the best known seem to me certain to keep many people alive who otherwise would die of disease, particularly in the more backward countries. Decentralization of wealth and power which seems to be going on in the world outside the Iron Curtain means increased demand where ther were formerly great extremes of wealth and poverty. The only hope of meeting the increased demand for food, clothing and shelter is by way of increased production, and the only hope of increased production is increased use of mechanical energy. The case seems particularly clear with respect to food. If the people saved from death by disease are to avoid death by starvation in the more densely populated areas of backward nations, work animals which eat a substantial part of the food they help to produce must be supplanted by oil-powered machinery which leaves every kernel of corn for human use. All this might still leave us wondering how the foreigners were going to pay for the oil and machinery they need if it were not for our struggle with Russia. That struggle is forcing us not only to make huge purchases abroad for our own needs, but to give aid to foreign nations who we expect or hope will be our allies.

Haven't you ever wished you could step into a time machine and live, say, a hundred years ago, knowing of course what was going to happen? In these foreign oil markets under existing conditions the investor, it seems to me, has a chance to step into such a time machine, and to profit by the repetition abroad in the next few decades of the great growth of the oil industry here in America.

Oil Industry Essential in All the Parts

My third thought about the oil industry is that all parts of it are essential, and that every essential dog has his day. Without presuming to forecast, I wonder sometimes whether the popular feeling that oil production is the be-all and end-all of the oil business is based on anything more substantial than the fact that for the last 18 years—a period of both deliberate and unavoidable inflation—the producing end of the business has been the most profitable. True, there would be no oil industry without oil, but what would we do with the oil if we lacked transportation, refineries and marketing outlets? Who would want to bet that wheat farming always would be more profitable than flour milling? Beware the easy generalization. Live and let live is a good rule for people, but when the birds say "Fly and let fly," they don't mean the same thing. You gentlemen don't need to be reminded of the differences between investment and speculation, but I like to tell myself now and then that while our company might be better off one year if we had nothing but producing properties there is a safety factor in knowing year in and year out where our production can be turned into useful products and sold.

Just to show you that in spite of what I have just said, I have a proper appreciation of oil in the ground, my fourth thought about the oil industry is that security analysts sometimes are a little rough in commenting on the financial position of producing companies. To my mind, developed oil reserves are much more readily realizable than typical fixed assets though they are not current because, if for no other reason, proration makes it impossible for their owner to bring the oil to market at will. Still, when considering a company's current position, it seems to me that oil which can be produced by merely turning a valve merits more consideration than say 1% copper ore.

Will Oil Industry Become a Public Utility?

My fifth and for today last thought on the petroleum industry has to do with its essential nature and the threat that some day it may be regulated like a public utility. I know a man who for many years has made it a rule never to buy the stock of any company making essential products, and I can appreciate his point of view. Those who would have the State control everything have such an itch for power that they could not sleep if they wanted to. Their tactics with the electorate remind me of the instructions an optometrist gave to his assistant regarding the charge for a pair of glasses.

"When the customer calls for his glasses," the optometrist said, "tell him the charge is $20. If his face does not fall, add, quickly, 'for the frame.' Then say the lenses are $10. If he still does not protest, say 'Each'."

There are four important reasons why I doubt that the public ever will approve utility status for the oil industry once the facts are known:

The oil industry is a risky business and people don't take big risks without hope of big rewards. Why just recently our company drilled nine dry holes in Canada before getting a drop of oil, and there was no guarantee that the tenth would be a producer either. The oil industry is a progressive business, and government controls inhibit new ideas. When the first pressure still was proposed for cracking oil—a development that in effect vastly increased our oil reserves because of the greater yields of useful products that resulted—some authorities predicted it would blow the refinery all over the countryside. Bureaucrats don't take that kind of chances. One of the most significant passages in Churchill's book on The Second World War occurs in Stalin's remarks about the collective farm policy. Said Stalin:

"All kinds of grain used to be grown. Now, no one is allowed to sow any but the standard Soviet grain from one end of our country to the other. If they do they are severly dealt with."

When the last invention has been invented, when the last improvement has been made in our industrial operations, we shall be ready for government operation of the oil industry, but not a day before. Some of the things I have read in the newspapers this month have encouraged me to believe that people are smart enough to understand that.

The oil industry is a highly competitive business, and competition means the kind of service the American people want. Sure we could save money in the oil business by having fewer filling stations, say one every mile or two, and by letting you wipe off your own windshield. Maybe it would be better in some bureaucrat's mind to have the motorists wait in line at filling stations so that the attendants could keep busy all the time than to have the attendants sit on their hands occasionally waiting for customers. We can have it either way we want it. My bet is we keep it this way.

In the present world situation, the oil industry is vital to national defense. Today a nation's strength is measured not merely in terms of its population, but by multiplying the number of people by the power available to them. By that test we are incomparably the strongest power on earth. But that strength depends on available energy, and that in turn depends almost three-fifths on oil and natural gas. Consuming as we do nearly two-thirds of the world's oil output, and having within our borders as we do roughly one-third of the world's known oil reserves, our future strength and safety clearly points to maintenance of our present interests in foreign oil reserves. At all times, and particularly now, when Russia is trying so hard to raise the cry of imperialism against us, those interests in foreign oil reserves can best be obtained and held by private oil companies free of any ties that might make them appear to be acting as agents of our government.

I'm afraid this has been meager fare for the statisticians among you. Like the man who was known in Wall Street as a polo player and on Long Island as a banker, I'm in that between-grass-and-hay state where I don't know much about oil and have begun to get rusty on securities. But for what it's worth, I'm still bullish on an international oil company—whose products are sold under the sign of the Flying Red Horse. And I'm honored and happy to have had this chance to meet with you all again.

Dealer-Broker Investment Recommendations and Literature

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

Bank Stocks—Discussion of their prospects for the conservative investor—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Chemical Stocks—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Latin American Business Highlights—Quarterly digest—Chase National Bank of the City of New York, Pine Street Corner of Nassau, New York 15, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pennsylvania Tax Free Long Dividend Paying Stocks—List of 133 common stocks—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Special Call Offerings—Explanatory booklet—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.

Tax Exempt Dividends—Memorandum on **General Precision Equipment, Pennroad Corp., Transamerica Corporation,** and **United Corporation,** whose dividends are wholly or partially tax-exempt—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

* * *

American Express Company—Follow-up memorandum — New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Bowser, Inc.—Special report—J. Arthur Warner & Co., Incorporated, 120 Broadway, New York 5, N. Y.

Also available are special reports on **Liberty Products Corporation** and **P. R. Mallory & Co. Inc.**

Cerro de Pasco Copper Corporation—Analysis — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Clary Multiplier Corporation—Analysis — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Continental Copper & Steel Industries—Circular — Edelmann & Capper, 29 Broadway, New York 6, New York.

Delta Airlines, Incorporated—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, New York.

Houdaille-Hershey Corp.—Review—Hecker & Co., Broad and Arch Streets, Philadelphia 7, Pa.

Missouri Pacific Railroad Company—Study — Smith, Barney & Co., 14 Wall Street, New York 5, New York.

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

National Union Fire Insurance Co.—Memorandum—Geyer & Co., 63 Wall Street, New York 5, N. Y.

Ohio Oil Co.—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a bulletin of **Railroad Developments** of the week.

Petroleum Heat & Power Co.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas.

Plymouth Rubber Co.—Memorandum—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Purolator Products, Inc.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Reading Tube Corp. — Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Riverside Cement Company—Card memorandum — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Robbins & Myers, Inc.—Analysis—H. M. Byllesby and Company, Incorporated, 1500 Chestnut Street, Philadelphia 2, Pa.

Safeway Stores, Incorporated—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

St. Regis Paper Co.—Study—American Securities Corp., 25 Broad Street, New York 4, N. Y.

Seatrain Lines, Inc.—Report—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

Standard Gas & Electric—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

United Biscuit Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, New York.

U. S. Thermo Control—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Also available is an analysis of **Simplex Paper.**

COMING EVENTS

In Investment Field

Dec. 1, 1950 (Dallas, Texas)
Dallas Bond Club election of officers.

Dec. 1, 1950 (New York City)
Security Traders Association of New York annual election and Buffet Supper at the Produce Exchange Luncheon Club.

Dec. 8, 1950 (New York City)
New York Security Dealers Association Silver Anniversary Dinner at the Waldorf-Astoria Hotel **(Starlight Roof).**

Dec. 8, 1950 (Pittsburgh, Pa.)
Pittsburgh Security Traders Association Annual Dinner at the Pittsburgh Athletic Club.

Dec. 14, 1950 (Cincinnati, Ohio)
Cincinnati Stock & Bond Club annual election and winter dinner at Hotel Gibson Ballroom.

Dec. 21, 1950 (St. Louis, Mo.)
Mississippi Valley Group of IBA Christmas Party at the Park Plaza Hotel.

Jan. 16, 1951
National Association of Securities Dealers, Inc., Meeting of Governors and Election of Officers.

Feb. 4, 1950 (Houston, Tex.)
Board of Governors of Association of Stock Exchange Firms winter meeting.

Feb. 6-7, 1951 (San Antonio, Tex.)
Board of Governors of Association of Stock Exchange Firms winter meeting.

Feb. 8-9, 1951 (Dallas, Tex.)
Board of Governors of Association of Stock Exchange Firms winter meeting.

Monetary Controls Under Defense Mobilization

By CHESTER C. DAVIS*
President, Federal Reserve Bank, St. Louis

Asserting general controls of money supply should precede specific controls on prices, wages and allocations, Reserve Bank executive reviews avenues of attack on inflation, and contends a restrictive monetary policy is a powerful corrective. Cites pros and cons of low interest rate policy and concludes "issue is by no means one-sided," and should be weighed calmly, openly and objectively.

In an article in last Sunday's St. Louis "Post-Dispatch," Raymond P. Brandt, the chief of its Washington Bureau, wrote: "Only two major issues will confront the new Congress. . . . Restraining Communist aggression abroad and controlling inflation at home. . . . All other issues are minor."

Chester C. Davis

I am to talk to you tonight about one of those two major issues—controlling inflation. I approach this task with mixed feelings—on the one hand with a strong sense of the importance, the urgency, of the subject; on the other hand, with a sense of inadequacy. Over the past decade we have heard a lot of talk about inflation and its control. About everything that could be said on the subject has been said many times over.

We have been reared to think of a peaceful world as normal, although it actually has not been peaceful in our adult lifetime. Now we realize that we aren't going to see what we thought of as "normal" times for the rest of our lives, or while Stalin's ruthless dictatorship controls a large share of the world's resources, with satellite armies ready to march when he pulls the string, just as they did in Korea.

The implications are clear. We are going to devote a large share of our national resources to building and maintaining here and in Europe, if there is time, a great military force. The renewed military effort must be superimposed on an economy that was already going nearly full blast with comparatively few unemployed last June. That's vastly different from 1940 when we had ten million unemployed, and a lot of slack in our production line. The actual effect of the expenditures and material drains involved in this program haven't been felt yet, but their anticipation has given us a foretaste.

To my way of thinking, one of the most significant aspects of this foretaste is that it has occured before there has been any large-scale impact from our renewed military and foreign arms aid program. The inflationary kick from this factor is still largely in the future. So, too, is the return to deficit financing on a large scale which I am morally certain is ahead of us.

We've had more than a nodding acquaintance with inflation over the past ten years, but there is still a lot of fuzzy thinking about it and its root causes. Inflation is an old economic disease which has one very curious characteristic. Most of us like some aspects of it. All of us like to see inflated prices on what we sell, though none of us likes inflation in what we buy. Everyone has a sort of a split personality when it comes to controls for inflation. We are apt to favor controls for the other fellow, and freedom for ourselves.

We have inflation when the rate of flow of spending exceeds the rate of flow of goods and services into the market. Now that is not a hard idea to grasp and yet a good many of the prescriptions for inflation tend to ignore its basic cause, which, is, I repeat, a disproportionate increase in the volume of purchasing power relative to available goods and services.

War, or intense preparation for war, gives a doublebarreled impulse to inflation. It steps up demand for labor, materials and facilities, while it subtracts them from the use and service of civilians at the same time civilian incomes are expanding. I know that the National Industrial Conference Board has nice figures to show that inflation hasn't increased much since June 25, but brothers, we haven't seen anything yet to what we will see if (1) military spending is as large as projected, and (2) if we don't do better than we have been doing to finance the government deficit in other ways than through commercial bank and central bank credit.

Augmenting Money Supply

A moment ago I used the term, "the flow of purchasing power." Let me paint in a couple of details. Most purchasing power comes from current income, but there are two important ways to augment it—by the use of past saving for current spending, which means a more rapid turnover of existing purchasing power, and by drawing against future income; that is, by credit expansion. These two factors widen the disparity between the flow of purchasing power and the flow of goods and services into the economy, and put more dynamite into the inflationary kick.

Let's say that purchasing power is the money supply times its velocity. If we slow down the rate of spending we reduce applied purchasing power. If we sop up some of the increased income through taxes or through savings, we attack inflation at its source. So do we also, when we restrain growth in credit or perhaps even reduce the amount outstanding. Let me stress again that the only real cure for an inflationary situation is to bring the supply of purchasing power into balance with the supply of goods and services. No other method cures the disease.

That is the inflationary process, as simply as I can put it. It can be attacked on two sides—either the rate of flow of civilian goods and services can be increased or the rate of growth of purchasing power can be restrained. That's the case in theory. Actually, the attack has to be made on the money supply. When an inflation becomes dangerous, the economy generally is producing at pretty close to capacity. That's the case now. Obviously, it is in the national interest to keep production for civilian use rolling up to the limits fixed by the needs of the military program. But a broad increase in available goods and services over a short period of time is hardly possible. To arm ourselves and our allies we have to take vast quantities of goods and services from civilian use. As far as consumers are concerned, we might just as well sink these goods in the ocean.

So if we are to restrain inflation when the armament impact hits us, we will have to act on the money supply—hold down increases in the flow of purchasing power as well as we can to balance the supply of available goods and services.

Avenues of Attack on Money Side

There are several avenues of attack on the money side. I will mention just a few: voluntary self-restraint; reduction of nonmilitary spending; taxation to meet military costs as nearly as possible on a pay-as-you-go basis; greater savings; and a restrictive monetary policy. I'll have the most to say about the last.

These are primary steps, aimed at the causes of inflation. You may wonder why I haven't listed price and wage controls across the board in this category. Price and wage controls by themselves do not stop inflation. They may conceal and defer the effects of inflation, but sooner or later if the fundamental causes of inflation are not dealt with, there will be an explosion. A tied-down safety valve on a boiler won't hold the steam in check very long if you keep shoveling fuel into the fire box.

Prospects are dim that inflation can be overcome by voluntary action, although general restraint—a willingness to discipline ourselves—is essential to any successful program. The reason why individual, voluntary restraints historically have not sufficed lies in that curious split personality of individuals and businesses with respect to inflation. The things each individual, each business, each labor or farm group, each banker and each government official must do to overcome inflation through a program of voluntary restraint run counted to habitual action and preferences. But to the extent voluntary restraint can be exercised, it is extremely helpful.

Unnecessary spending must be restrained not only by individuals and businesses, but also by government—Federal, State and local. In the present situation any decrease in the volume of spending must take place mainly in the nonmilitary sector of the economy. Government can do much more than it shows signs of doing to curtail expenditures in nonessentials to offset increased military expenditures. To the extent it succeeds, inflationary pressures will be reduced. The difficulty in government retrenchment, of course, stems from the fact that people and their political leaders really don't want it applied to their own pet projects or interests.

A more promising avenue of attack is through increased taxes. If we can pay as we go with increased taxes to match the added armament costs we could conceivably sop up an amount of purchasing power equivalent to the amount of goods that will be

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*An address by Mr. Davis at the 317th Regular Meeting of the National Industrial Conference Board, Chicago, Ill., Nov. 16, 1950.

Pension Fund Management

By THOMAS D. SEARS*

Investment Counsel, Santa Barbara, Calif.

Mr. Sears lays down as considerations in management of pension fund investments: (1) obtaining average interest rate sufficiently high to meet fund's requirements; (2) determining that securities selected are eligible; (3) securing regularity in maturity run-offs; (4) proper diversification for distribution of risk; and (5) management techniques that will secure greatest available value when making investments. Advocates regular inspection and revaluing of pension fund holdings.

It has been my good fortune to have been closely identified, since their inception, with the operation of the two service retirement funds in Santa Barbara. I have observed their growth and development from the beginning and in the process have been increasingly impressed with the great interest which the members of these commissions have shown in their operation, and with the earnest and careful attitudes assumed in establishing policies and working out a *modus operandi*. The operation of service retirement funds has added greatly to the administrative duties of county treasurers and their staffs. New ground has had to be broken in many directions in working out procedures, and new problems have had to be met. Not the least of these has been the profitable and safe employment of the monies paid in to the retirement funds each month. In the early stages of operation, the investment problem seemed relatively simple. The sums at hand were not very substantial, interest rates were more liberal and the gradations in investment quality of bonds were more easily identified by simple rule of thumb.

Thomas D. Sears

Today, the problem is much more complicated. The funds already invested have assumed large proportions. The individual bond issues in the portfolio must be watched for possible deterioration in quality. Redemption notices must be scanned. The amounts available for new investment each month have grown steadily. Purchases must be planned to get the best quality available and the greatest yield. In recent years, the investment problem has been greatly complicated by the persistent drift toward lower interest rates. Since the outbreak of World War II, the basic long-term borrowing rate has been dictated by the needs of the U. S. Treasury and has been quite firmly established on a 2½% basis. The result, so far as yields upon bonds of all descriptions are concerned, has been a steady procession of refunding operations bringing the corporate borrowing rate closer and closer to that of the Federal government. The differential in yields as between medium-grade and strictly high-grade corporation bonds has steadily narrowed and today, in the public utility and telephone groups, it is almost as hard for the average investor to distinguish a medium-grade credit from a high-grade credit as it would be to tell one Dalmation dog from another. In order to do so, one would almost have to count the spots. Furthermore, with the steady increase in income tax rates, individuals with large incomes have sought increasing shelter from taxes in buying municipal bonds. This greater buying pressure has steadily reduced the rate at which municipalities can borrow and has brought the yield on tax-free municipal bonds of good quality far below the point where the income requirements for a pension fund can be satisfied. For all practical purposes, high-grade municipal bonds have priced themselves out of your reach. The income requirement of most pension fund systems in operation in this state has been set at 2½%. Such a yield can now be obtained only in the U. S. Savings, Series "G" and in public utility, telephone and railroad obligations. The following table gives some idea of the yields which are now obtainable in various types and classifications of bonds:

	Public Utility	Railroad
A1+ Quality (20-year maturity)	2.685%	2.714%
A1 Quality	2.708	2.899
A Quality	2.812	3.250
U. S. Treasury, 2½%, due 12-15-72/67		2.44%
U. S. Savings, Series "G," 2½%, 12-year maturity		2.50
Standard & Poor's Municipal Bond Index (20-yr. maturity)		1.79

It will be noted that the yield obtainable from Grade A public utility bonds is less than .13 of 1% greater than that obtainable from A1+ and that the differential between A1 and A1+ quality is only a little over .02 of 1%. This spread does not adequately reflect the difference in underlying quality and there is little incentive to invest currently in anything under a A1 grade. The yield differentials in the railroad bond group are considerably greater, but, here again, prudence would dictate the confining of new commitments to top flight issues.

As stated before, the basic rate of interest on highest grade obligations is extremely low but there is little prospect of any material change in the bond yield picture for an indefinite period. The Treasury Department's basic borrowing rate of 2½% is for all practical purposes a fixture. Any upward revision of it would precipitate a wholesale cash-in of U. S. Savings bonds and would greatly magnify the Federal Reserve Board's task of maintaining an orderly bond market. The point is particularly important now that the country is faced with a re-armament program of indefinite size and duration which may require further extensive borrowings on the part of the Treasury. The recent changes in bond yields as a result of the Federal Reserve's open-market policy have been confined quite largely to the short-term rate, for it is within this short maturity area that bank investments are concentrated and where open-market operations can have the greatest effect so far as credit control is concerned. It would appear, therefore, that the bond buyer has little reason to defer purchases in the expectation of the development of an appreciably higher interest rate. The loss in income involved in deferring purchases can run to a substantial figure and the best results, in accounts of this type, are obtained from investing the funds as they accrue to the best possible current advantage.

*A paper by Mr. Sears delivered at the State Convention of County Treasurers and Administrators of County Service Retirement Funds, Los Angeles, Calif., Nov. 15, 1950.

Considerations in Fund Management

With the foregoing background of discussion on the subject of basic yields, it appears that the principal considerations in the management of investments for a pension fund are as follows:

(1) The obtaining of an average interest rate sufficiently high to meet the requirements imposed.

(2) Determination that the bonds selected are eligible for investment by pension funds.

(3) The securing of some degree of regularity in the run-off of the investments by maturity. This point is perhaps of secondary importance but is deserving of some attention.

(4) The distribution of risk by an orderly diversification, geographically, by industry, and by type of security.

(5) The development of management techniques to the end of securing the greatest values which the market affords for your investment at any given time.

Nearly all of the retirement funds in this state are set up on a 2½% basis. To make sure that the operation of your fund is actuarily sound, an average yield somewhat in excess of this figure should be obtained. From a practical standpoint, there are very definite limitations in the market and your selections must necessarily be made chiefly from the field of long-term government, public utility and railroad obligations. The Treasury's special offering of Series "G" bonds permitting you to buy up to $1 million par value during the current year provides an opportunity to acquire a medium-term obligation at a relatively high yield. For those who have not taken advantage of this offering, the December subscription books will be open.

Some attention to maturity distribution appears desirable, principally to the end that you will not be confronted with the problem of re-investing any very substantial proportion of your funds at a given time, thus making the fund particularly dependent upon the rate of interest which may prevail at the re-investment date. In determining the maturity run-off, there is some reason to give attention to the years in which peak loads of your retirement fund may develop. Your actuarian can be of help to you in this regard. Probably such peak loads in nearly all systems are from 10 to 20 years away and no sales from the bond fund should be necessary to meet requirements in early years. Since Series "G" bonds offer a higher yield than any other top-flight investment of 12-year maturity, it appears desirable to provide for this maturity run-off in earlier years by regular investments in series "G" obligations. Aside from this issue, you are familiar with the fact that the best yields on top-grade bonds are available in the longest maturities, and there need be little hesitation in going out as far as 30 years in your maturity schedule to obtain the most satisfactory returns.

Diversification of risk is an important element in the commitment of your funds. Your risk should be spread geographically, industrially, and by type of security. It would be a fair guess that an inordinately large proportion of the investments in your county pension funds have been made in California municipal obligations or corporation bonds. This was a very natural development since these securities have

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From Washington Ahead of the News

By CARLISLE BARGERON

Undoubtedly it is because I am an unusual fellow, wholly unafraid of death, that I have never taken seriously the stories that the Russians can and may destroy us with the atomic bomb. A 22-calibre rifle can kill you just as dead, I have always said to the utter consternation of my internationalist or more global-minded friends.

Carlisle Bargeron

But I have a fear of World War III—one that makes cold beads of perspiration form on my brow and causes me to be restless in bed of nights. Mr. Truman said sometime ago that for the first time in our history we are vulnerable to bombs from an overseas enemy. This stirred me not in the slightest and it may be that, besides being the unusual fellow and wholly unafraid of death, that Roosevelt the Great, in his second speech to Congress after the Germans had invaded Poland, warned that the bombs might be dropping over St. Louis. St. Louis has a heavy German-origin population and it was there that I went in 1932 seeking to ascertain how the campaign between Hoover and Roosevelt was coming and ran into the most bitter anti-Hooverite I have ever met—the Republican city chairman—which was quite surprising because Mr. Hoover was the Republican nominee.

"That man Hoover," this fellow spat, "he could have saved this election had he uttered just one sentence—just one sentence, that's all."

I finally got the opportunity to ask what this one sentence was that Hoover could have uttered and been reelected and saved this fellow's job.

"All he had to say," this fellow replied with heat, "was that I am in favor of beer."

Inasmuch as Mr. Hoover was the darling of the drys this would have been quite an utterance, indeed.

But Roosevelt the Great, who gave the German-origin citizens of St. Louis their beer and then gaily promised them bombs, was ahead of Truman in the predictions of dire disaster, and served to harden me against them.

But as I have said before, I have my fears. I live in mortal dread of the air-raid warden and the home defense entrepreneurs. They are organizing again! God forbid!

Only the other night I met in the National Press Club a fellow who has been in retirement out in Indiana for several years. He has returned, he said maliciously, to take his old job as air-raid warden of the NPC. I became so loud in protests that friends subsequently remarked they had never before seen me so excited.

The thought of this fellow is nightmarish to me. To me he epitomizes the stupidity and the silliness and the arrogance and the bossing of one's fellow citizens which characterized the tin-hatted and tin-badged brigade that roamed the home front in World War II.

One night—I become feverish as I tell this—I sat in on the Press Club's poker game, stud, a dollar on each card, two dollars when a pair are revealed, two dollars on the fourth and fifth cards. I had planned to play until midnight, but that hour found me $50 loser. I continued to play.

At 3 a.m. I had aces back-to-back with everybody around the table sucked in. There was easily $50 in the pot and the gang had come to realize that I really had my aces.

At this time the air-raid siren blew and notwithstanding the club was protected by blacked-out windows, in rushes this Keystone cop from Indiana, with his tin helmet and his badge, demanding that we retire to a place in the corridor two floors below.

Holding my hand over my aces and at the same time trying to guard the pot, I sought to explain to this fool that we had blackout curtains, but to no avail. He had the authority of the United States Government, at war, back of him, and the rest of the gang now knowing they were hooked, sided with him and insisted he should be obeyed. We stood in the corridor two floors below for an hour before the clear signal was sounded, when I went home in disgust.

This type of fellow is raising his head again. I can't imagine anything more frightening. In some cities the fire department has been ordered to go quietly to fires with the result that it takes them 10 to 15 minutes longer to get there.

In Washington, bright minds have worked out a plan of spreading the government departments to outlying areas at a cost of many millions of dollars. The plan will be submitted to Congress with a request for the necessary appropriation. I simply cannot believe that Stalin, assuming he has the physical strength, would seek to destroy one of his greatest assets, the bungling bureaucracy of Washington. But there is the plan.

All over the country, mayors and governors, pressed by their constituents as to what defense they have against the atomic bomb, are demanding "leadership" from Washington. I have no doubt they will get it soon, at a cost of a billion dollars or so. Oh, atomic death, where is thy sting?

With Daniel F. Rice

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Hugh W. Jackson is now connected with Daniel F. Rice & Co., 120 Northeast First Avenue.

With Allen C. Ewing

(Special to THE FINANCIAL CHRONICLE)

TALLAHASSEE, Fla.—James K. Rozier is associated with Allen C. Ewing & Co., of Wilmington, N. C.

Joins Oscar E. Dooly

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MIAMI, Fla.—Ross D. Young has become affiliated with Oscar E. Dooly, Ingraham Building.

Gordon Graves Co. Adds

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MIAMI, Fla.—Mrs. Treva M. Seepe is now affiliated with Gordon Graves & Co., Shoreland Arcade Building.

How to Show True Profits In Annual Report

By LEWIS H. HANEY

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

Dr. Haney, contending organized labor threatens to take over function of management, asserts one way to combat this encroachment is to recognize in accounting the different production functions. Advocates items of cost be distributed among production functions of an enterprise, and that there be statements in as much detail as possible indicating what labor, capital and the "enterpriser" each do in the business. Says misleading ratios should be avoided.

Private enterprise is still in danger. The danger is no longer from consumers, and the many annual reports that show an accounting for the "consumer's dollar" indicate one reason why the consuming public is being satisfied. The main danger now lies in the attitude of the leaders of organized labor: Either (1) by controlling the government and its interference with business; or (2) by direct participation in management, organized labor threatens to take over the function of the enterpriser. The danger comes to this: There is a tendency to mix labor up with enterprise and to demand both a share in the direction of the business and a share in profits.

Lewis Haney

This danger is increased by the fact that, in its accounts and reports, business makes no attempt to analyze the several different economic functions that participate in production: labor, capital, enterprise, and land. It does not show any distinction between enterprise and capital.

Different Production Functions

Therefore, one way to combat the encroachment of labor leaders is to recognize in accounting the different production functions. They include at least the following:

(1) Enterprise, or responsibility for organization and direction.

(2) Venture capital (usually represented by common stock), closely related to enterprise.

(3) Invested captial, embodied in plant, equipment, materials, supplies, goods in process, and inventories; and represented by bonds, loans, cumulative preferred stock, part of other stock, and part of surplus.

(4) Managerial labor.

(5) Routine labor.

(6) Location and natural resources.

I do not undertake to tell the accountant **how** to do this, but I do say that if there is no way to make a reasonable distribution of costs and performance among these items, enterprise is in a weak position. I venture to predict that either enterprise will find a way to keep the record straight in this respect, or that enterprise will lose the fight to keep its separate existence.

Private enterprise has not been giving a true account of what it does for us. This failure is mainly caused by accepting an out-of-date and inadequate theory of economics.

Erroneous Ideas About Enterprise

The annual reports of business are based on accounts as now kept, and the accounts are based on two old and erroneous ideas about enterprise and profits. These ideas are:

(1) **The erroneous notion that accounts are kept merely for the businessman and his business.**

But the truth is that the accounts are of importance to labor, investor, consumer and government. Accounting should therefore analyze expenses, charges and production so as to give all possible information not only concerning the total earnings and expenses of the business, but also concerning the earnings and expenses pertaining to each of these items or elements in the business.

(2) **The erroneous notion that profits are merely something left over after expenses, and that they belong to the businessman no matter what he does.**

But the truth is that profits are something positive and are a necessary part of the cost of business. They are the reward for the skill of enterprise in directing business and bearing the hazards of business that can't be insured. To treat profits as a mere leftover, which may or may not exist, is to treat the enterpriser as a gambler who may well be left out.

Two Ways to Approach the Problem

(1) One can put labor in its place by an accurate and detailed analysis of labor expense and performance. At the same time, one can bring out all expenses that pertain to capital — maintenance, repairs, additions and betterments, and interest payments. (The latter should include part of dividends in most cases.)

(2) One can then make a place for enterprise, over and above labor and capital, by demonstrating that profits are necessary and are earned, over and above wages and interest, including all capital charges.

This requires, first, that the **total expense** be so clearly proved to be necessary and accurate, that any balance remaining will be generally accepted as justified. We will never get such general acceptance unless and until each business (1) reports operating expenses in more detail, and (2) quits mixing interest and salary items with profits.

Second, it requires that each state as accurately and in as much detail as possible what **the enterpriser** does in that business.

The Expense Dollar

Many businesses now account for the sales dollar in order to show the consumer where it all goes, including the parts paid to labor and government. What is now needed is to account for the expense dollar, in order to show employees, investors and would-be government controllers that enterprise is important, and that profits are necessary.

To this end, I make the following suggestions:

(1) Accurately and with reasonable fullness, account for all expenses and charges, and publish them in the annual reports.

This is essential in order to establish the base for profits. As long as people don't know exactly what the costs are, they will doubt the reality of profits.

Many companies do not make any complete and accurate analysis of their operating expense. Few, indeed, are those that publish such figures.

Total of Capital Charges

(2) All the costs and charges that pertain to capital should be figured in detail and be presented as "costs of capital."

This would give the true basis for the gross interest charge.

Some of the items to be covered are these: Maintenance, repairs, replacement, additions and betterments and carrying charges for working capital such as materials and supplies.

Raw materials, for example, should not be charged merely as an operating expense. They should be treated as working capital and an interest charge should be allowed as a deduction from true profits.

Dividends on cumulative preferred stocks are a capital charge, just as bond interest is, and should come before profits. And when a company has no bonds or preferred stock, it should charge its business with interest on capital just the same as if it did. Part of all dividends is interest on capital.

Nothing but confusion results from treating all dividends as paid out of "profits."

This is one reason why so-called "profits" seem so large just now.

The True Net Profit of Enterprise

(3) The aim is to provide for all operating costs and charges that the business must cover before any true profit exists. These should be estimated and be stated in the annual report in reasonable detail.

Then the "cost of sales" should be determined by adding to the operating costs and charges any gain or loss on inventories during the period.

Then the "net sales" of the business should be stated. This means total sales, less discounts and allowances to customers.

Finally, the true net profit of the business can be determined by deducting the total "cost of sales" (including capital charges) from the sales.

This is the only way to figure the true profit that enterprise has earned, which will tie into the balance sheet, or financial position of the company, at the end of the period.

The time has come to recognize that provision must be made for invested capital ahead of enterprise.

Labor and capital should not be asked to bear the non-insurable hazards of business, but should be kept in their places as factors that are organized and directed by enterprise. Accordingly, there will be:

(a) Funded retirement and disability provision for labor.

(b) Adequate data for collective bargaining, to enable the true market value of labor force to be determined with relation to its **relative productivity.**

(c) Provision for non-venture capital investors, with interest charges made on all capital goods.

The provider of "venture capital" will share in true profits, his equity being in net earnings after all interest charges.

Enterprise must bear the hazard of not earning more than interest on the investment. Then profits—the true profits of enterprise—will not be as large as now reported. And so-called venture capital will find its true place as being, not "invested" capital, but shares in the hazards and profits of enterprise.

I will add that executives who really make responsible decisions should own equities in earnings, and thus get part of their rewards as a share in profits.

Misleading Ratios Should Be Avoided

Great care should be used to avoid misleading comparisons of costs of labor and capital with the total results of the company. Much harm has been done by showing wages only as a percentage of the sales dollar, and reporting total output as related to labor alone.

The sales dollar includes any profit. Why, then, figure wages as a percentage of profits?

For the purpose of such comparisons first deduct the cost of materials, supplies, and taxes from total operating expense. (Labor employed in the business has nothing to do with these items.) This gives the manufacturing expense proper, or what it costs to convert the materials used into the finished product or products.

Then figure the cost of labor employed as a percent of the cost per dollar of such manufacturing expense.

Next make the same comparison for capital: Figure the interest of capital employed as a percent of the dollar of "manufacturing expense."

Finally, estimate the net profit of enterprise (after all expense and capital charges) as a percentage on the total of all costs, including materials and supplies. This total of all costs is what best represents the enterprise's hazard in directing the business.

All possible statistics of physical performance should be used.

(a) Man-hours used may then be compared with physical units of product, if the same comparison is shown for (b) power units used, and for (c) $1,000 of cost-of-investment used.

The Margin

It can hardly be too much emphasized that the main way to make competition effective is through the "marginal," high-cost, or low-profit company in each industry. But the only way to do that effectively is for all companies to include all capital charges (either before surplus or as a deduction from surplus), and to report them. Then labor and legislators can see the facts.

W. G. Paul Invades San Francisco Reunion

W. G. Paul

W. G. Paul, President of the Los Angeles Stock Exchange, invaded San Francisco with his wares for the reunion of the Stanford class of 1915—which takes a real warrior's spirit. The score was Stanford (known as Indians) 7, California (known as Bears) 7. Known to his friends as "Blondie Paul," Mr. Paul won acclaim for his masterful piano playing and singing.

Want No Controls On Food Industry

By RALPH S. TRIGG*

Administrator, Production and Marketing Administration and President, Commodity Credit Corp., U. S. Dept. of Agriculture

Asserting adequate food supplies constitute main objective in present international crisis, chief Federal Food Administrator points out American farmer is producing at such high levels that no rationing or price controls are in prospect. Says Agricultural Department will institute controls only as a last resort and efforts will be directed toward helping farmers keep production at high levels.

There may be differences of opinion as to details of operation within the various segments of our food economy, but there can be no disagreement on the value of better understanding of relationships. It is no accident that American consumers enjoy the highest level of food supplies and services in the world. Our farmers are increasingly efficient producers. Our food industry is equally efficient in processing and distributing the thousands of finished items which go into the family market basket. Teamwork makes this possible, and you are on sound ground when you talk about the "Life Line of America."


Ralph S. Trigg

I think I can safely say that farmers have a better understanding today of the fact that there are many necessary processes and services between the agricultural commodity at the farm and the finished product which reaches the dinner table. I believe it is also correct to say that the food industry is increasingly conscious of its positive obligations and responsibilities in the national welfare. The very importance of the place it holds in the chain of food supply emphasizes these obligations. When costs are lowered through increased efficiency in processing and marketing, the consumer benefits in lower food prices—and the farmer gets the benefit of wider markets and a higher percentage of the consumer food dollar.

As our economy has grown more complex, this interdependence between food production and food distribution has become more real in fact, as well as in understanding. As a result, the services and responsibilities of the Department of Agriculture have been broadened to include more emphasis on the marketing side.

The Department is now nearly 100 years old. Through most of this period, its resources were concentrated largely on improved methods and increased efficiency in farm production—the old basic job of making two blades of grass grow where one grew before. In more recent years, under Congressional authorization and instruction, it is devoting more effort to the solution of problems in processing, distribution, and marketing. Broad research, special distribution programs, market information and services are all directed toward cooperative assistance for the food industry.

Food Under Defense Production Act

There is a good illustration of this trend in a recent development in which you are all interested. I refer to the assignment of responsibilities with regard to food under the Defense Production Act of 1950. Because of your concern with what may lie ahead, I think a brief review of these assignments—and how we are set up to handle them—will be of interest.

Overall responsibilities for food and related activities under the provisions of the defense legislation were assigned by the President to the Secretary of Agriculture. The Secretary, in turn, delegated these responsibilities to the Administrator of the Production and Marketing Administration. This was a logical assignment. PMA—as the agency is generally known—includes practically all of the services and units which made up the War Food Administration of World War II. It was therefore not necessary to establish any new, emergency agency in the Department to handle defense activities. We not only have the organization, but we also have a very large number of the same people who carried out wartime assignments before and have the background knowledge gained through that experience.

The PMA organization is based on commodity and functional branches, in each of which is concentrated the responsibility for initiating and carrying out the programs and services which lie in its field. Fruits and vegetables, livestock, dairy, food distribution, transportation and warehousing—these and the other major groups of commodities or services are represented by individual branches. This serves to bring operating responsibilities together in single offices, and it provides single points of contact for those who work with us.

Primary responsibility for activities which may be required under the Defense Production program has been assigned to these established branches. That means you in the agricultural and food industry can and should continue to make your initial contacts with the branches and the men with whom you have been working right along.

The only new administrative units it has been necessary to establish are a few coordinating offices to focus overall action on specific defense problems. These include:

An Office of Materials and Facilities to determine the minimum requirements of food producers and processors for materials without which they cannot keep food supplies at high levels—and then to support and press claims for the allocation of the needed materials or services.

An Office of Requirements and Allocations to appraise the demand for agricultural commodities at home or abroad—and then to plan steps to direct distribution where it is most needed, if serious shortages develop in available supplies.

A Price Staff to determine legal price minimums under the Defense Production Act, and to advise on the relationship of price to production, allocation or other measures.

A Food Distribution Branch with broader responsibilities in determining civilian food requirements and assisting in distribution problems.

A small group to watch the manpower situation, and to advise on action which might be needed

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*An address by Mr. Trigg at the Annual Meeting of the Grocery Manufacturers of America, New York City, Nov. 14, 1950.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market, following the announcement of the Treasury that 1¾s would be used to meet the December and January maturities, was not only in a state of confusion, but seemed to have been more than surprised that such an obligation should be offered for the 1½s and 1⅛s. Why there should have been all the uncertainty that the 1¾% issue brought with it is not easily explained, because it fitted into the pattern developed by Federal and there were many followers of the money market that were looking for just such an obligation. There is no doubt the psychological make-up of the Treasury market is a long way from being satisfactory.

A fast and sharp decline took place in prices of the eligibles with all sections of the list affected, especially the longer maturities which receded a quarter to three-eighths of a point. Part of the recession has since been made up because investors and traders took advantage of what looked like bargain prices to acquire desirable issues. Volume on both sides of the operation has been on the small side. The restricted bonds, especially the near-term eligibles, were also taken down in price, but not as much as the bank issues.

Treasury Acted Realistically

Refunding by the Treasury of the Dec. 15 and Jan. 1 maturities with five-year 1¾% notes is a realistic approach to the problem even though there is a minor increase in debt charges. The money market has needed this type of security for some time, and it has been expected on more than one occasion in the past. The extending of maturities with slightly higher interest rates indicates at least some meeting of the minds between the monetary authorities. The decision to refund the December and January maturities with other than short-term obligations is looked upon by many money market followers as initiating a change in debt management, which should eventually have a favorable influence upon the whole government list.

Further increases in the floating debt, such as meeting maturities with certificates, only postpones the day of reckoning, which might come at an inopportune time. If this policy has been changed, as quite a few seem to believe is the case, there will not be the same need for the commercial banks to move out into the more distant eligibles in order to obtain income. Some increase in the not too sizable amount of higher yielding bank obligations will also take the pressure off outstanding issues, which have been and will continue for a time at least, to be in not too large supply.

New Issue Attractive

The 1¾% note is attractive to the deposit banks and will most likely result in switching from the outstanding eligibles, not only for maturity and income purposes, but also in order to cut down the premium account. All of this will be more evident after the market has had an opportunity to digest the new announcement, and money is not as tight as it is at the present time. It seems as though the 1955/1956 area of the eligible list is the more vulnerable, although there will probably be some switching from the longest maturity.

Sooner or later there had to be some change in debt management policy because with inflationary forces so strong, keeping down debt cost could not be the all-determining factor. The Treasury is face to face with many problems, including the handling of demand obligations, and not a few followers of the money market believe the current refunding will usher in a complete change of attitude and the whole debt management policy will be overhauled and put on a more realistic and constructive basis, in order to meet the new conditions which are developing.

Liquidation Not a Factor

The yield curves are again being worked over and the 1½% level is being used by many as the guide at the moment as to what and where prices of the various issues are likely to do or go. Despite the usual confusion which generally comes with the announcement of new financing there has not been very much real liquidation of securities, although the market for a while was on the defensive beyond a question of doubt. Federal, the main gun in the picture, has been letting the market take a hand and work out its own answers to the new refunding. This condition will not prevail too long because the emotionalism is usually overcome in short order by hard-headed realism and appreciation of values and there is still plenty of both in the government market. This does not mean there cannot be fairly sharp or wide price movements in both directions. A not excessive amount of uncertainty is desirable in the market, as far as the Central Banks are concerned, in order not to make the creation of excess reserves too easy.

Flexible Short Rate

Although there is considerable talk about the pegging of the certificate rate at 1½%, and there is substantial support for this opinion, it is not believed in many quarters that short-term rates will be held indefinitely in a set pattern. To be sure, there may be an absence of fluctuations during the refunding period in order to aid in the successful carrying out of the current operation, but this does not mean there will not be changes in short-term yields after the refunding has been completed. It is believed the Central Banks, with control of the money market, and with no further maturities until June, will continue to keep short-term rates in a state of flux, so as to make more costly and less certain the creation of excess reserves. The bill rate and the certificate rate, it is indicated, will be the means for carrying out this operation.

F. D. Williams Treas. of Am. Sec. Corp.

Frank D. Williams, Jr., has been elected Treasurer of American Securities Corp., 25 Broad Street, New York City, Emmett F. Connely, President, announced. Mr. Williams, who has been associated for several years with William Rosenwald, Chairman of the corporation's board, will continue his duties as Vice-President and director of the Vistario Corp. and in the management of the Rosenwald Trust timberlands in Volusia County, Fla.


F. D. Williams, Jr.

H. N. Friedlaender, who has charge of William Rosenwald's personal investments, has been elected a director of Winter & Co., largest piano manufacturers in North America, and a director of the 1407 Broadway Realty Corp., which recently completed construction of the 42-story building on Broadway between 38th and 39th Streets, New York City.

David Malzman has resigned as Secretary of American Securities Corp. and from the above directorships and other related positions.

Grey Appointed By Inv. Assn. of N. Y.

Clifford E. Grey of Spencer Trask & Co. has been appointed Chairman of the auditing committee of The Investment Association of New York, it was announced by Blancke Noyes, President of the association. The other members of the three-man committee are Walter F. Blaine, Jr. of Blyth & Co., Inc. and J. Glencross Gallagher of W. H. Morton & Co., Inc.

Two With Bradley Higbie

(Special to The Financial Chronicle)

DETROIT, Mich.—Richard L. Mathot and Edna M. Thompson have joined the staff of Bradley Higbie & Co., Guardian Building, members of the Detroit Stock Exchange.

Women Should Not Take Back Seat in Industry!

By MRS. ELSIE M. MURPHY*
President, S. Stroock & Co., Inc.

Woman executive of prominent U. S. textile firm, pointing out 70% of wealth is owned by women, tells Investment Woman's Club of Philadelphia, because of this, they should take more active part in industrial management and assume responsibility of ownership. Says women's influence is still indirect and deplores placing barrier between a woman and property she owns. Urges women own stocks as well as bonds, and thus become stockholder as well as customer of concerns whose products she uses.

If there is one single factor which marks our society today from that of earlier times, it is the position of women. Today we take for granted political suffrage and equal educational opportunities, while the place that women have won for themselves in business, science, the arts and professions is accepted by every thinking person as a matter of course.

Elsie M. Murphy

Yet it is interesting to note how recent is our achievement. When Queen Victoria ascended the throne, there was no such thing as systematic education for women at all in England. Women received the right to vote only within the living memory of many of us. While not until 1903 was the first woman barrister briefed before a French court of law.

And yet, today, what do we see? We see a society here in which women writers outnumber men. In which women yearly force themselves more and more to the fore in the professions—often against the stubborn resistance of a now, I am glad to say, fast disappearing prejudice. In which women are more and more assuming positions of responsibility in politics, industry and finance.

But even more significant, we see a society which is to an amazing degree owned and influenced by women.

Women own close to 70% of the industrial wealth of this country, and do about 80% of the buying. They do most of the reading—excluding the sport page and the comic strips. In fact, the whole flavor—the texture, if I may use the word—of our society is settled in accordance with the preference and tastes of women.

Indeed, it is no wonder that a well known novelist of the 1920s (Joseph Herkesheimer) now no longer writing, in bemoaning the passing of the market for his work, was recently quoted as saying that he was afraid he had a hopelessly 19th Century point of view, and found himself entirely out of touch with what he called, "Today's *gynecratic* world!".

Women's Influence Still Indirect

And yet if we consider the position of women in society today not in relation to the past, but simply as it exists now, we must be struck at once by the fact that their influence on society today is still by-and-large indirect.

While it is women's preference that sets styles and largely determines the nature and quality of consumers' goods our corporations make. it is still predominantly men that form the judgment on those preferences, make the decisions and direct the actual manufacture.

*An address by Mrs. Murphy before the Investment Woman's Club of Philadelphia, Philadelphia, Pa., Nov. 20, 1950.

While women do most of the buying, having in fact become the actual purchasing agent for the American home, it is still men who for the most part direct the organizations which bring the merchandise to the consumer.

And above all, while it is women who own nearly 70% of all American industry, without considering agriculture, men still sit for the most part in the corporate driving seat.

Let me give you a few figures on this last observation.

The census of 1940 revealed that there were 27,000 women acting as proprietors, managers and officials of American industry. The best estimates are that the census of 1950 will raise that figure to about 33,000 today.

This may seem like a large amount compared to the past, and it is indeed more than 100 times the number of women in top jobs in 1870. It is, furthermore, one-third more than in 1930, 80% more than in 1920, and 143% more than in 1910.

But these some 33,000 women in executive positions in the industrial and business world today still do not represent as much as 4% of the total number of persons holding such jobs.

Thus, while women own 70% of the non-agricultural wealth of this country—that is, 70% of its industry—96% of the managerial force directing industry are men.

What this, of course, means is that women are not as yet really assuming the responsibility of their ownership. They are delegating authority, management. I wonder at the broad social effects of such a condition.

Many economists and sociologists have called attention to the increasing divorcement of management and ownership as one of the most serious developments in our modern politico-economic structure.

In the first place, ownership without managerial responsibility breeds within itself a broad tendency to social irresponsibility. He—or she—who owns yet does not direct finds that interest tends more and more to concentrate on the fruits of ownership and to neglect its obligations.

The stockholder who knows nothing of the problem of industrial relations, cares nothing for the condition of his company's labor force. He whose only interest in his shares is in the dividend they provide, is apt to be careless as to the means by which his dividend is earned and to forget that industry today has a three-pronged obligation: to owner, to employee, and also to society as a whole.

On the other hand, management largely divorced from ownership fosters equally undesirable conditions. Many of the best thinkers of the times have noted with concern the emergence of what is called a managerial class, or group, an elite corps of highly trained engineers and technicians who represent ownership only in theory and who are in fact a self-perpetuating body. And it needs no very great stretch of the imagination to see that in the extension of such a system lie the seeds of eventual disintegration of our whole economic system.

The basis — indeed, the very structural foundation of free enterprise—is ownership. I want to emphasize that. The ownership of property is capitalism. And, when ownership finally becomes nothing but something attested to by a piece of paper in a safe deposit box and a quarterly dividend check, we shall not have a capitalist society, but something quite different. And that, I am sure, is a development which this country wants to avoid.

The very fact that women in the past, passively delegated authority so far as their huge ownership in industry is concerned, is, I am sure, a very strong contributing factor to this slow divorcement between ownership and management. I do not say it is the only factor, of course. But I do think it is predominant. And that is why I welcome so deeply the chance to talk today to you women of the financial world, for it seems to me that the work you are doing, and the role that you may fill in our economy, reaches far beyond the mere fact that you are pioneering in a field which until a generation ago was pretty well preempted entirely by men.

Can Financial Judgment of Women Be Trusted?

Let me digress a moment—

I am an industrialist, and therefore, naturally concerned with finance. Let me ask you, is it not so that the underlying theory of investment for women has been the conviction that the financial judgment of women is not to be trusted, and that, herefore, every possible barrier should be erected between a woman and the property she owns? That every means conceivable should be brought into play that would deny her access to what she owns? In other words, that every women is *per se* a fool—and that the main idea was to prevent the working of the old adage that a fool and his money are soon parted?

I am, of course, not going to take the time to point out the essential absurdity of the theory. There are few today, thank goodness, who would not admit that, given the same experience and training, the judgment of a woman is not the equal of that of a man. I am not concerned with that, anyway. What I am concerned with is the effect that this theory has had, and in fact is still having, upon our economic society.

For if a woman, the owner of 70% of our industry, is to have a wall put up between her and her property, under the theory that she is not fit to handle her property, then we are 70% on the way towards complete divorcement of ownership and management—and all the social consequences that such a condition implies.

Now you women in finance are today not only proving that the old theory is wrong, you are initiating perhaps a new theory—at least you are in your work laying the stepping stones which could easily in the years ahead lead towards what I am going to call a broadening and a deepening of woman's ownership of industry, and that is a mighty task constituting at once a challenge and a burden—but withal a burden that is well worth while.

I want to explain further just what I mean when I speak of a broadening and a deepening of women's ownership of industry. Indeed, in that phrase lies the message, if I may use the word, which to the best of my ability I am trying to bring to you today.

It is of course not quite exact to say that women own close to 70% of industry. What we mean when we say that, is that women own 70% of the bonds and stocks of this country. Bonds, of course, are not evidences of ownership; they are instruments of debt. And I am told that percentage-wise women are probably larger bondholders than are men. Furthermore, I am also told that among women the more conservative, better known, so-called "Blue Chip" stocks predominate.

Says Women Should Buy Stocks

In other words, that women are apt to own the sure thing with a small return, while the longer chance carrying the possibility of high returns is usually held by men.

This situation, I believe, is wholly undesirable, both economically and socially, and can be attributed to the failure or, at least, the reluctance of women to assume the responsibility of the administration of their wealth. The present concentration of women's wealth in the very well known forms of corporate enterprise and in bonded debt reflects this apathetic attitude.

In my opinion, this is a mistake.

I want to see women's ownership in industry broadened—infinitely broadened. I want see women owning stock in the companies whose products she sees when she walks through the corner grocery store or shops in the big retail establishments downtown.

I want to see women owning stock in the companies that makes the clothes on her back, the food she buys for her family, and the furniture and appliances she puts in her home.

It is not that I don't want to see women own General Electric, Standard Oil of New Jersey, or the other blue chips—of course, everyone should have a certain amount of such security. But no woman will ever get quite the same amount of satisfaction in owning these remote giants which produce basic materials or services, as she will in the feeling of proprietorship when she walks into a store and buys the brand name product of a company of which she is herself part owner.

But there are other factors here of greater importance than simply an individual's satisfaction—although the importance of that must not be deprecated; there is no reason why we should not derive a little non-fiscal fun out of the securities we own.

Being Both Stockholder and Customer

The woman who is both stockholder and customer of a company is by that very fact brought into a much closer relationship with the whole economic system, and hence her interest is quickened—quickened, of course, both as owner and customer. She becomes more aware of the problems of industry in general, to say nothing of those of her company, in particular.

She becomes thus a more intelligent stockholder, and a much more intelligent consumer, and hence a better informed and more fully rounded citizen—I am sure that I do not have to elaborate on the crying need today for an economically well informed electorate. Indeed, it is economic ignorance—or, I might say, ignorance of the economic facts of life which is back of so much of the soft thinking politically. This currently provides the somewhat frightening aspect of the richest and industrially most powerful nation on earth pursuing somewhat indefinable policies. These promise various forms of economic Edens in which we shall all delight in $14,000 annual incomes, luxuriating in freedom from all want and care, and are much more apt to lead us down

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Mutual Funds

By ROBERT R. RICH

Axe-Houghton Prepares Excellent Inflation Study

To be Released to Dealers Early in December

Every investor, including those who are now "investing" their funds in savings bonds, savings bank accounts and other highly liquid prix-fixe investments, should read Axe-Houghton's economic study, "Inflation and the Investor."

This 26-page study treats inflation both analytically and historically. The excellent historical treatments of both the German hyper-inflation after World War I and the prolonged French inflation of the 'Twenties are enough to make one shudder for the fate of our economy.

The Axe-Houghton book, which will be released to dealers in the early part of December, in studying the German and French inflations, which (with the American panic of 1837) are classic cases because of their orthodox development, analyzes the fates of investment combinations during these periods, and this is perhaps the most important service it renders. It is a most powerful and reasoned argument for investment in mutual funds.

In order to simplify the permutations, the study assumes a fixed list of investments or standard formula of "20% in bonds or currency, 20% in stocks, 20% in commodities, 20% in bonds of other countries, and 20% in stocks of other countries." The results, in tables and charts, are traced through the periods of both inflations.

In summarizing the investment results which would have obtained during these two periods, the analysis states, "By investing in domestic stocks and commodities and in the securities of other countries, and by keeping only a small reserve in cash, an investor would have been able to protect himself against serious loss in both the German and French inflations.

"A French investor who kept his funds in cash or high-grade French bonds would have suffered severe loss. A German investor who kept his funds in cash would have lost his entire property and would have been completely ruined. This study shows also that it is more important for the investor to protect himself against inflation in its later than in its earlier stages."

"The German inflation lasted seven years, the French inflation ten years. Inflation is a prolonged process. Its consequences manifest themselves slowly. Inflationary developments are seldom apparent in the course of a few weeks, or even in the course of several months. In the course of several years, however, the investor who heeds the danger finds himself in an enormously better position than the investor who ignores it."

In discussing the present-day outlook in the United States, Axe-Houghton comments, "It is remarkable that the World War II advance in commodity prices conformed closely to that of World War I, in view of the strenuous efforts that were made to prevent or limit price advances. From June 20, 1950, one week before the outbreak of the Korean War, until Aug. 8, 1950, commodity prices advanced 6% in the short space of seven weeks. There is therefore enough of a possibility that we are entering a period of rapidly advancing commodity prices to warrant careful attention on the part of investors to the danger of deterioration in the purchasing power of their investments

"Several aspects of the present situation indeed point even more strongly than in 1916 to a substantial advance in commodity prices. The gold value of the dollar has been cut. The gold values of foreign currencies have also been reduced substantially in the last ten years. The national debt is far above its 1920 peak and is certain to rise further. The country's gold supply is nine times as large as it was in 1926. Many believe that devaluation will be the only way in which the tremendous war debts can be carried. Many features of the situation therefore suggest that prices in the United States may rise still further on top of the 1939-1948 advance. There is good reason then for the investor to be concerned over the possibility of [further] inflation."

In presenting to investors this analysis of inflation and its consequences, Axe-Houghton, in this writer's opinion, has rendered the investment community and the funds industry an important service. The many graphs and tables and the remarkably clear and simple language lend a forceful cogency to this study, which is a credit to the fund and the intelligence of the investor.

[Editor's Note: Those desiring copies of Axe-Houghton's study, "Inflation and the Investor" should not write to The Chronicle. Please communicate directly with Axe Securities Corporation, 730 Fifth Avenue, New York 19, N. Y.]

Boston Investment Trust Elects Advisory Board

Trustees of the Investment Trust of Boston announced today the election of an Advisory Board composed of men who are active in the management of prominent Boston banks, trust companies, and other important financial institutions.

Those elected were: William B. Snow, President of the Suffolk Savings Bank and trustee, director and member of the Executive Committee of many other important Boston financial institutions; Charles C. Cabot, partner of the Boston law firm of Herrick, Smith, Donald, Farley & Ketchum, and director of the Old Colony Trust Co. and trustee or director of other prominent financial, charitable and educational institutions; Francis W. Capper, Senior Vice-President of the Boston Safe Deposit & Trust Co., director and member of the Trust Committee of the Brookline Trust Co. and a trustee or director of many other business, charitable and financial institutions; and H. S. Payson Rowe, Treasurer of the John Hancock Mutual Life Insurance Co., one of the nation's largest life insurance companies and one of the largest financial institutions of any kind in this country.

Investment Trust of Boston is regarded as having an excellent record. A $10,000 investment at the time of its original offering price in 1931 has a market value of more than $100,000 today, and in addition the $10,000 investment has already paid $21,900 in cash dividends and $8,760 from realized gains. The Fund believes that this is the outstanding mutual fund record in this country.

Custodian of the Trust is the Old Colony Trust Co. of Boston. The trustees are: Ernest Henderson, Robert Lowell Moore, Chandler Hovey, George B. Henderson and Joseph Furst.

New England Fund Elects New Chairman

The Board of Trustees of New England Fund elected Henry E. Kingman as Chairman at their meeting in Boston. Ray Vance, who has been Chairman of the trustees since this mutual investment company was organized in 1931, will continue to serve on the board.

Henry Eugene Kingman has been a trustee of New England Fund since 1940 with the exception of the three years he served as an officer in the United States Navy during World War II. He has investigated exclusively in London the practices of British investment managers. He has spent his entire business career in the fields of financial and investment management.

He joined Franklin Management Corporation in 1928, within a few months after the time this Boston firm was established to specialize in the management of large investment funds and in corporate finance. Since 1937 he has been President and a director. He has also held responsible executive positions and directorships in many other corporations, among which are the Solar Aircraft Co. of San Diego, Calif., which he once served as Executive Vice-President and director; Aeronautical Securities, Inc., of which he was formerly a director, and the Brown Bag Filling Machine Co. of Fitchburg, Mass., of which he is President and director.

Bullock Crosses $8 Million Mark

Total net assets of Bullock Fund, Ltd., on Oct. 31 aggregated to $8,491,203, equal to $21.39 a share on the outstanding capital stock, compared with $6,810,464 or $17.68 a share on Oct. 31, 1949, and $7,708,812, or $19.78 per share on July 31, 1950.

Investments in common stocks on Oct. 31, 1950, amounted to 81.29% of total net assets versus 86.14% three months earlier, while holdings of U. S. Government bonds, other high grade bonds, cash, etc., amounted to 18.71% versus 13.86%.

The fund is managed by the investment firm of Calvin Bullock and stresses "growth" and appreciation in its selection of securities.

The largest holdings of common stocks on Oct. 31, 1950, were in the oil and gas group, which represents 10.61% of total assets, versus 10.25% three months earlier; utilities, 8.80% versus 10.30%; building, 7.47% versus 7.26%; paper and publishing, 6.34% versus 5.89%; and steel, 5.56% versus 3.08%. Holdings of automotive and accessory stocks on Oct. 31 represented 3.35% of total net assets compared with 6.73% on July 31, 1950.

Wellington at $151 Million With 59,000 Stockholders

Wellington Fund has had a record $46,000,000 increase in total net assets thus far this year to top the $150,000,000 mark in resources for the first time in its history, Walter L. Morgan, President, reported. On Nov. 25, last, the Fund's resources had risen to $151,391,856 from $105,441,702 at the start of the year.

The rise was accompanied by a record expansion in both number of stockholders and dealer outlets. Mr. Morgan said the Fund this year has added 16,415 stockholders, to boost the total to 59,298. Dealer outlets increased 38%.

The Wellington President stated that this year's growth in resources follows a $41,347,192 increase in total resources in 1949 and a gain of $87,000,000 in total net assets since Jan. 1, 1949.

The mutual fund executive cited this two-year expansion as an indication of the broad public acceptance of mutual funds. "Our analysis of our own expansion," he observed, "indicates that the increasing number of purchasers in the middle income group are being joined, especially in this past year, by more and more large investors.

"Based on our own experience, I believe that the mutual fund industry has added more new stockholders this year than in any other year in its history."

Business Shares Reports

American Business Shares, Inc., reports net asset value per share on Oct. 31, 1950, of $4.07 compared with $3.95 on July 31, 1950, the last quarterly report, and with

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Dividend declarations during the past few weeks have continued to occupy the interest of investors in New York City and other bank stocks.

Central Hanover Bank & Trust Co. recently announced that subject to the approval of stockholders which will meet Jan. 17, 1951, a stock dividend of one share for each seven shares held will be paid on Feb. 15 to stockholders of record Jan. 22. Such action would increase the number of $20 par shares outstanding from 1,050,000 to 1,200,000 and capital from $21,000,000 to $24,000,000. Providing the stock dividend is approved, it is the intention of Central Hanover to continue the current annual cash payment of $4.00 on the increased number of shares to be outstanding.

This distribution in effect is a stock dividend of 14.28% and inasmuch as the regular dividend is to be continued on the larger capitalization, the cash payment will be increased by a corresponding percentage. In other words, the present cash dividend of $4.00 a share would be increased to an amount equal to $4.57 on the present outstanding shares.

At the same time as the stock dividend was announced, it was made known that stockholders will also vote on a proposal to shorten the corporate title to "The Hanover Bank." The shorter title is for the purpose of simplification as no change is involved in operations, functions or services performed. It is interesting that the name to be adopted next year is the same as that of one of the original institutions going back a hundred years to 1851.

The Chase National Bank also announced recently that it would increase its distribution to stockholders this year. An extra payment of 20 cents a share is to be made Dec. 15 to stockholders of record Dec. 1. This will bring total payments for 1950 to $1.80 a share as four quarterly dividends of 40 cents were paid previously and compares with a $1.60 a share paid last year.

These increases in dividend payments represent the first time in a number of years that either bank has changed its distribution to stockholders. The last time Central Hanover changed its payment was in 1936 when the present $4.00 distribution was established. No stock dividends have been paid up to now.

Chase Bank has paid $1.60 a share since 1946, when the payment was increased from the rate of $1.40 that had had been maintained since 1935.

Many of the other New York banks meet for dividend action during the next two weeks for payments to be made in the first part of next year. Institutions such as Bank of Manhattan, Guaranty Trust and Irving Trust which have paid extras in years past should give consideration to similar payments at this time. Others, such as Chemical Bank and New York Trust, could enlarge their distributions by moderate amounts.

The larger payments this year and recent increases have been general with many banks in other areas enlarging their distributions.

Bank of America, of course, has been one of the most liberal in this connection. During 1950, Bank of America split its shares 2-for-1 and paid cash dividends of $1.50 a share on the basis of the present outstanding shares. In 1949, a 20% stock dividend was paid and $1.25 in cash adjusted to the present capitalization. The current dividend rate is 40 cents quarterly, indicating an annual rate of $1.60 a share.

Two of the other prominent West Coast banking institutions have also increased their payments to stockholders this year. The American Trust of San Francisco in connection with the sale of 118,963 shares of common stock through subscription rights in May, 1950, raised its quarterly payment to 60 cents from the 50 cents a share previously paid. The larger payment was maintained throughout the remaining part of the year bringing total payments to $2.30 as against the $2.00 a share paid in 1949. The continuance of the increased rate is expected, indicating payments of $2.40 on an annual basis.

Security-First National Bank of Los Angeles recently paid an extra dividend of 25 cents a share. This brought distributions for the year to $3.25 a share as against the $3.00 paid in 1949.

Among the larger Chicago banks there have been few dividend changes in 1950. Continental Illinois National, First National of Chicago and Northern Trust have all maintained the same payments this year as in 1949. Harris Trust, however, paid a 25% stock dividend in July and continued to pay the same quarterly rate of $3.00 on the increased number of shares. In effect, this increased the cash dividend by 25%.

Among four of the major banks in Philadelphia, two have raised their payments this year and two have maintained the same rates as in 1949. Pennsylvania Company for Banking & Trusts and Fidelity-Philadelphia Trust have both made the same payments as last year. Corn Exchange National raised the quarterly rate at the beginning of the year from 50 cents a share to 55 cents. Their payments for 1950 have totaled $2.20 as against $2.00. Girard Trust recently paid 50 cents a share as a special dividend and brought total payments to $2.50 a share as against $2.00 in 1949.

Specie Payments, Not Controls, Can Stop Inflation!

By FLOYD CRAMER*

President, New York State Savings and Loan League
President, Washington Heights Federal Savings and Loan Ass'n

Commenting on decline in purchasing power of dollar, prominent savings and loan executive contends controls cannot stop inflation under present monetary system that permits wasteful government expenditures. Pleads for restoration of specie payments not only as stimulation to industry and commerce, but also as means of obtaining sound management of government finances.

The paramount domestic problem facing the American people today is the rapid depreciation of the dollar. Every day brings a realization of this fact. Every day witnesses an increase in the price structure. Every day the housewife pays a little more for the food for her family, for the clothing they wear and for all the necessities of life. This has been going on for years and is getting worse all the time. The purchasing power of the dollar is today the lowest it has been since 1914 when the Federal Reserve System was set up for the purpose of controlling and stabilizing the financial structure, including the monetary system, of the nation.

Floyd Cramer

War Savings Bonds which are coming due today are being paid off in currency which will buy less than 60% of the value of the money in use 10 years ago when the bonds were purchased. This means that in real value the purchasers of bonds during World War II not only are failing to receive any return on their investment but are actually losing a part of their principal. The same thing is true of all other investments in fixed-dollar items and if continued will eventually wipe out the value of savings in life insurance, savings accounts and—in short, in the value of the dollar itself.

The reason for this situation is very simple. There is more and more money in circulation in relation to the amount of goods and services available. When the per capita amount of currency in circulation increases in an amount greater than the per capita amount of goods and services on hand, the price rises. Another way of saying this is that money becomes less valuable. When money becomes less valuable not only do prices go higher but a part of the savings of every individual is wiped out. In countries where this situation has gotten out of control the entire savings of the people have been wiped out.

The amount of money in circulation plus bank deposits for each individual in the United States has increased since 1933 from about $350 to around $1,200 at the present time. If the goods and services available to each person in the country had increased in a similar manner during this period, it is obvious that prices would have remained the same. The fact that they have not has resulted in a high degree of inflation. The task before the country is to bring this inflation under control so that the dollar will halt its downward trend.

Since 1934 the government has redeemed our money for other governments and central banks at $35.00 an ounce in gold. It will not, however, redeem its currency for the citizens of this country. This means that the people of the United States must place their faith in paper currency the amount of which can be increased indefinitely.

Redemption of paper currency for the people of this country when requested would stabilize the value of our money. It would impose upon the Treasury the necessity of managing the national debt in such a way as to protect the value of our money. At the present time the currency is tied to the national debt which is on the increase. During recent years government deficits have been financed largely through the commercial banks on manufactured credited which has resulted in an increase in the money supply. Redemption of money in gold would impose upon the Treasury the need for bonding deficits with securities which would be bought by non-bank investors with money already saved and would not, therefore, increase the money supply. As things stand at the moment, there is no limit to the amount of money and credit that can come into being.

What Gold Redemption Will Do

Gold redemption would bring about an effort at economy in government because deficits would then have to be accounted for in real money instead of being absorbed in an ever-increasing sea of money and credit as at present. It would bring an end to a situation whereby, in effect, more money is printed when the government needs it.

It would stimulate industry and commerce. It would arouse initiative. For the people would then know what will be the value of their money tomorrow and in the days ahead. One can imagine the difficulty that would ensue if weights and measures were not fixed. Suppose, for example, that 12 inches might not make a foot next year or two thousand pounds a ton. This seems ridiculous yet the constantly changing value of our money presents an even greater hazard to business and to the individual.

At the present time millions of Americans have something saved for a rainy day. They have savings accounts, life insurance and other forms of savings all of which are constantly becoming worth less because of the government's monetary policy.

Perhaps the saddest spectacle before us today is the newly-won pension many a citizen prizes. The average pension in this country as well as Social Security payments is daily being reduced in value.

We have had in this country since 1934 what is known as a "managed currency." This means simply an irredeemable currency, a type of money which bears the faith of the government but nothing else. The government merely agrees to give you a new bill for an old one. History tells us that such currency systems generally run into trouble. The phrase "not worth a continental" which was used to describe the irredeemable notes issued by the Continental Congress during and after the American Revolution is still with us today.

Controls Not Effective

Most persons in responsible government positions today apparently put their faith in our ability to control inflation through controls. There is no reason to doubt their sincerity and honesty of purpose. The fact remains, however, that controls have not halted a rapid depreciation of the dollar so far. During World War II the dollar dropped sharply in value. Since the close of the war this depreciation has continued, although at a slower pace. Now, however, with expenditures for defense programs again confronting us in volume we can expect a new and accelerated decline in the purchasing power of our money unless a bold approach is made toward solving the problem.

Suggestions have been made by persons in high authority that the dollar can be stabilized by a "pay as you go" system from now on. In fact, a well-known member of the Federal Reserve Board has recently come forth with the idea that a $75,000,000,000 annual budget can be caried indefinitely without increasing the national debt. Marriner S. Eccles of the Reserve Board in the November, 1950, issue of "Fortune" figures that this can be achieved by reducing present non-defense expenditures $5,000,000,000 and raising taxes another $20,000,000,000. This is what might be called "good management" of the currency and is ideal from the sound money point of view. The difficulty is that it is unlikely to be put into effect. We have long tried to reduce government expenditures without success and the possibility of Congress voting a $20,000,000,000 tax increase does not seem too bright.

One might say, however, that there would be more likelihood of achieving Mr. Eccles' program if we had in effect a system of redeemable currency. There would probably be more interest in protecting the value of our currency on the part of the Treasury.

The facts of the matter are that we are not apt to entirely "pay as we go." There is much likelihood that we will bond a portion of a much-increased budget during the next few years. If we had a system of redeemable currency to take into consideration, we almost certainly would avoid bonding such deficits as might occur through the commercial banks and thereby increase the amount of money in circulation.

The people of the United States are entitled to a redeemable currency. It would protect our savings and renew our faith in our way of life. It would stimulate our initiative, our commerce and our industry. A redeemable currency is the hallmark of a great nation.

*An address by Mr. Cramer before the Western New York Savings and Loan League, Buffalo, N. Y., Nov. 16, 1950.

George C. Astarita Joins Boettcher and Company

(Special to THE FINANCIAL CHRONICLE)

DENVER, Col. — George C. Astarita has become associated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. Mr. Astarita was formerly associated with Lehman Brothers in New York City.

With Garrett-Bromfield

(Special to THE FINANCIAL CHRONICLE)

DENVER, Col. — Philip M. Young has been added to the staff of Garrett-Bromfield & Co., 650 Seventeenth Street, members of the Midwest Stock Exchange.

Earl Scanlan Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — I. Warren Hawkins has joined the staff of Earl M. Scanlan & Co., Colorado National Bank Building, members of the Midwest Stock Exchange.

Canada's Possibilities Of Future Progress

By I. K. JOHNSTON*
President, Imperial Bank of Canada

Chief executive of one of Canada's great banks, in reporting to shareholders on economic, political and financial situation both at home and abroad, points out factors which give Canada great promise of future progress and prosperity. Warns, however, difficult problems lie ahead, and courage is required to meet situation in present world crisis. Cites Canada's defense activities, and urges measures be taken to carry out program without inflation or other disruption of the economy.

The 12 months which have passed since our last meeting have witnessed some marked shifts and significant new developments. They have also been remarkable for the continuation of the high levels of employment and business activity which have characterized the whole period since 1945.

I. K. Johnston

The value of our gross national production, which is calculated to have been somewhat over $16 billion in 1949, is likely to exceed $17 billion in 1950. This is estimated to represent an output of goods and services 75% above that of 1939. Our total working force has increased by about 75,000 in the year, and of the 5,300,000 persons employable, less than 2% were without jobs at at the date of the last survey in August.

It is, of course, well recognized that much of the increase in the value of our production in recent years has been the result of the increase of prices rather than of the quantity of goods and services produced. Nevertheless it is somewhat startling to find, on the basis of new calculations of national production in "constant dollars" which the Dominion Bureau of Statistics has recently published, that our output of goods and services per person in the working force has increased little if at all in the four years from 1946 to 1949. The increase in the output per hour which has undoubtedly taken place seems to have been largely offset by the reduction in the weekly hours of work in non-agricultural industries. This, of course, is an average condition. Many workers have both shorter hours and more goods and services. Our farmers generally have not increased their leisure. Many other workers have found their standard of living seriously pressed down by rising costs.

Employment at High Level

Though employment and incomes have been maintained at high levels, there have been important variations posing serious problems. The long predicted United States recession of 1949 proved short in duration and had comparatively little effect on Canadian business beyond some decline in our exports. Yet in the early months of this year there was serious concern over rapidly mounting unemployment. The Bureau of Statistics survey reported 312,000 unemployed on March 4. The Employment Service showed over 400,000 applicants for jobs in the late spring and in the first five months of the year more than $62 million was paid out in unemployment insurance benefits. To many, this looked like the onset of a serious slackening in post-war prosperity. In small part, this condition was a delayed result of the United States recession. In part, it reflected some further loss of sterling export markets. In much larger part, however, it was the result of unusual weather conditions which cut down lumber and pulpwood production both in British Columbia and the East. These have always been our chief expanding source of employment in the winter months.

Though unemployment was more severe than in any year since the war it proved to be seasonal and of short duration. The United States economy turned with remarkable speed from contraction to expansion. Canadian exports mounted rapidly, construction plans went to even higher levels than for the previous year and manufacturing operations turned sharply upward. In March we were alarmed at the volume of unemployment. By the end of May, we were becoming seriously concerned over the swift rise in prices as demand again outran supplies. Food and raw material prices had begun to increase early in the year but by the end of May they were bounding up at an alarming rate and the rising cost of living was beginning to pinch.

The Challenge of Korea

It was at this juncture that the unexpected outbreak of hostilities in Korea occurred. The response of the United States and of the United Nations to this challenge was immediate and powerful. The shock of the unexpected crisis galvanized United States opinion. The prompt United States reaction encouraged other countries to contribute their share. The studied absence of the Soviet Union from the Security Council provided an opportunity for effective collective action such as the United Nations had not known before. Outside the Soviet bloc there was unusual unanimity of opinion that the challenge must be met and met on a much wider front than that of the Korean episode. The possibility that Korea was but a diversion, with Western Europe as the real target, brought agreement among the North Atlantic nations not hitherto possible. The result has been a widespread and co-ordinated defense program aimed at strengthening the Western countries but also at a real collective security through the United Nations. It has been apparent particularly in recent weeks that this policy has been attended by serious risks and that the stakes are high. The policy of firmness appears, however, more likely than any other of winning through to some tolerable stability in world affairs. It must now be clear to everyone that Korea is an incident, though a highly dangerous one, and that the essential task is the strengthening of Western defenses in all vital parts of the world.

Prospects and Problems

Clearly, in any look at the future the impact of the necessary defense expenditures upon which we and our neighbors are already embarked looms up as the major problem confronting us. The effect of these on economies which are already operating close to capacity involves very definite risks. The amounts are not so large as to be unmanageable but, in the present circumstances, they can be dangerous.

Defense and Inflation

When the second World War broke out in 1939, the belligerent countries and the United States had a large number of unemployed who were soon drawn into active work as the war effort was built up. Now in 1950, industry in America and Western Europe is already operating at capacity. Unemployment is negligible. New capital investment is at a high level estimated to be in Canada about 8% above the figure for 1949. Prices have risen at an alarming rate and are still rising. There are already serious shortages of both materials and labor.

In our own case the additions to Federal expenditures in the fiscal year ending March 31 next are stated to be about $244 million while the addition for a full fiscal year will be approximately a billion dollars. Defense measures of this magnitude can only be carried out without further sharp price increases if there is sufficient reduction in the demand for consumers' durable goods, capital goods and new construction to make a place for defense projects. At present consumer buying is buoyant and investment in replacements, extensions and new projects is estimated to amount to about 22% of our gross national expenditure. Both our construction industry and our raw materials markets are overstretched by demand.

In the supplementary budget of September the government moved carefully and indicated its intention to rely on fiscal measures rather than direct controls to withstand inflation. Revived luxury taxes, increase in the corporation tax and a promised postponement for other expenditures are estimated to create a budgetary balance but they provide no substantial surplus to offset the expansion of private expenditures. The projected increase in next year's expenditure will raise serious budgetary problems. If direct controls or continuing price rises are to be avoided, a balanced budget is not enough. The limitations of consumer credit now in force should curtail the demand for durable goods but it will remain to be seen how effective they will be. There is as yet no evidence of a decline in the demand for housing.

The Bank of Canada has recently raised its discount rate. This, while not effective in itself, would seem to be a signal that the Bank and the Treasury are prepared to see yields on government bonds rise. This may to some extent discourage capital projects, but it will be more effective in putting the Bank in a position to combat inflationary forces in this country. As the Minister of Finance stated, nothing could be so helpful in this situation as an increase in efficiency and productivity. It will require a great deal of ingenuity and genuine cooperation on the part of labor and management to achieve this at a time of tight employment and of a persistent movement to reduce hours of work.

The defense program is large, but not of unmanageable size, and it is certainly no more than our share in the collective defense against aggression. It must be clear to anyone that if it is to be carried out effectively and count in safeguarding us against war, we must use less of our resources for other things in order that we may use more of them for defense. So far the government has moved cautiously, perhaps with an eye on some winter slackening

Continued on page 18

*From an address by Mr. Johnston at the 76th Annual Meeting of the Imperial Bank of Canada, Toronto, Ont., Nov. 22, 1950.

Canadian Securities

By WILLIAM J. McKAY

Some fluttering in the dovecotes was caused by the statement in Ottawa last month by Mr. Hugh Gaitskell concerning the world price of gold. Added force has been given to this expression of opinion as the then British Minister of Economic Affairs has now been elevated to the post of Chancellor of the Exchequer. Mr. Gaitskell in a speech before the Canadian Club advanced the suggestion that "some means must be found of increasing the world's stocks of monetary gold, or alternatively, making the existing stocks work more satisfactorily." Needless to add this declaration was enthusiastically endorsed in most Canadian circles as the Dominion would be one of the principal beneficiaries of any effective action in this direction.

Following Mr. Gaitskell's rather vague reference to this subject, the "London Times" has since developed the theme in considerable detail. This authoritative journal puts forward the suggestion that the price of gold be increased in all countries by over 100% by means of universal currency devaluation. The "Times" stated in support of their contention that the value of trade and the amount of credit outstanding in the world are 2½ to 3 times the prewar figure, and therefore 2½ to 3 times as much gold is now required.

This is not the first time that the United Kingdom has espoused the cause of a higher gold price and as on previous occasions U. S. opposition is likely to be the principal stumbling-block. However desirable it might be to find ready means of boosting the dollar value of the United Kingdom's exchange reserves, it is under present conditions neither politically nor economically a practical proposition as far as this country is concerned. On the contrary the present trend of opinion here is in the direction of sustaining by all means possible the present value of the dollar. In view moreover of the necessity to combat mounting inflationary pressures, writing up the value of the gold stocks of this country would serve only to defeat the present counter-inflationary policies.

Consequently it would appear that Britain will have to resort to other means of improving her exchange position. Instead of dallying with ideas that have little or no possibility of early materialization it would be more constructive to follow the practical example set by Canada in the field of foreign exchange. The success of the Canadian move provides all the more reason for consideration of similar action on the part of the Mother Country.

The terms of trade and the price-level should now constitute the principal determinants of the direction of British exchange policy. Whereas import costs are steadily rising export prices are lagging to an increasing degree. The mere boosting of the exchange reserves will serve no useful purpose with regard to the correction of this unfavorable trend. Only a higher revaluation of sterling will serve to lower import costs. Such a development would also have a deflationary influence on the steadily rising British level of prices which is now a serious political embarrassment to the Labor Government.

Chancellor Gaitskell is also apparently overlooking the technical difficulties involved in financing an increase in the exchange reserves from the present level of $2¾ billion to the $10 billion total which he has indicated as a desirable objective. Recent Canadian experience in this connection offers an appropriate example of the disturbing effect on the national financial structure of rapidly rising exchange reserves. In the British case moreover any further large-scale increase would give rise to other complications of an even more embarrassing nature. Exchange reserves even of the order of $4 or $5 billion would not only bring strong demands from Britain's many creditors, but would also provoke an insistent call for immediate convertibility of sterling and the abolition of exchange restrictions.

Consequently it would appear that British immediate interests would be best served by following the Canadian example. There is also little question that in exchange for British relaxation of restrictions on imports from North America, both Canada and this country would seriously consider a U. S.-Canadian-British exchange agreement whereby a higher exchange level of sterling would receive tripartite support.

During the week there was little activity in the external section of the bond markets but prices were slightly easier. The internals also were dull and a shade lower in sympathy with the decline in the bond market in Canada. After showing notable strength the corporate-arbitrage rate finally reacted to 8½%-7½%. Free funds likewise had an easier undertone, and it will not be surprising if in the period immediately ahead the exchange level will tend to move seasonally lower. Before the international news caused a sharp break in the stock markets, the base-metals and golds had been particularly firm led by Smelters, New Calumet, Waite Amulet, Labrador, Dome, and McIntyre. Among the industrials United Asbestos was also heavily traded.

Shelley-Hicks & Co. Formed in Denver

(Special to The Financial Chronicle)

DENVER, Colo. — Edward I. Shelley and Joseph W. Hicks have formed Shelley-Hicks & Co. with offices in the Cooper Building to engage in the securities business. Associated with them will be James D. Metzger. All were formerly with Robert Bowers & Co., of which Messrs. Shelley and Hicks were officers.

Securities Salesman's Corner

By JOHN DUTTON

Effective sales letters that bring in the business are always hard to find. We are indebted to one of our New York City dealers who has sent us the following letter, and also the sales letter reproduced below. Although we are not at liberty to disclose the stock which was offered in this letter, possibly you can use the idea for a situation of your own.

"Dear Mr. Dutton:

"In markets which we are witnessing one can often use a special type of circularization. The enclosed letter is one which proved particularly effective. One salesman sent it to 1,000 names with whom he had been unable to do any business. The response was immediate and very satisfactory for he sold 1,200 shares of stock and a great many accounts were opened on the telephone. The recipients for the most part telephoned immediately.

"Of the points about the letter is that it did not go out on the firm's letterhead but merely carried the name of the salesman, and the street address of the firm along with the phone number. I am sure that the idea can be adapted profitably by some of your readers.

"Of course this differs radically from our system of leads for salesmen. We believe that every salesman should have at least 5,000 names behind him. We mail the 5,000 names continuously so that our men have a constant supply of fresh leads with a regular method of closing sales."

The Letter That Sold 1,200 Shares of Stock

"Dear Mr. Jones:

"I suggest for your consideration a certain $7 preferred stock, fully cumulative and now carrying arrears of over $125 per share.

	Approximate Cost	12 Months Earnings	Price Times Earnings
"Based on 100 shares:	$4,000	$840	4¾

"As soon as bond interest is up to date, earnings will be available for preferred payments. That this might be within a reasonably short time is indicated by the following earnings figures:

	6 Mos. 1950	1949	1948	1947
		(000's omitted)		
Gross	$35,622	$73,130	$83,292	$68,817
Net operating income	3,431	7,684	9,324	5,843
Available for fixed charges	3,570	7,951	9,653	6,047
Fixed charges	1,222	2,403	2,472	2,549
Avail. for contingent interest	2,348	5,548	7,181	3,498
Contingent interest accrued for period	339	678	678	678
Available for preferred	2,009	4,870	6,503	2,820
Unpaid contingent interest on Jan. 1	4,744	4,744	4,744	4,403
*Paid on acct. contingent int.	1,356	678	678	339
*Unpaid balance contingent interest at close of period	3,728	4,744	4,744	4,744
Earned per share of preferred (on 666,939 shares)	$3.01	$7.30	$9.75	$4.23

Financial Position June 30, 1950

Cash and cash items	$12,907,000
Net working capital	6,595,000

*To date in 1950.

"For the last 10 years the income of this company was used for the improvement of the property and the purchase of up-to-date equipment, and the result of this program will be to increase the income available to pay off the balance of the interest arrears, and the dividend arrears on the preferred stock."

"Storm Shelter" Stocks

Selected defense-type equities providing combination of income and reaction-resistant potentialities.

The Research Department of Francis I. du Pont & Co., members of the New York Stock Exchange, 1 Wall Street, New York City, has prepared the following list of stocks designed to meet both the opportunities and risks that lie ahead:

SECURITY	Apprx. Price	*Last 12 Mos. Divd.	Yield	Divid. Each Yr. Since	Estim. 1950 Earn.	Average Last 10 Years Earn.	Average Last 10 Years Divd.
American Gas & Electric Co.	50	$3.00	6.0%	1910	$4.10	$3.14	$1.70
American Tobacco Co.	67	4.00	6.0	1905	7.00	5.32	3.70
Brown Shoe Co.	55	2.80	5.1	1923	5.50	2.97	1.32
Chase National Bank	37	1.80	4.9	1879	2.50	2.96	1.45
Columbia Gas System	12	0.75	6.3	1943	1.20	0.97	0.34
Commonwealth Edison Co.	28	1.60	5.7	1890	2.00	1.94	1.52
Consumers Power Co.	30	2.00	6.7	1913	2.80	1.88	1.40
Continental Insurance Co.	70	†2.50	3.6	1854	6.50	3.03	1.69
Diamond Match Co.	46	3.00	6.5	1882	4.40	2.01	1.65
Fidelity-Phenix Fire Insurance	68	†2.50	3.7	1911	6.75	3.03	1.69
First National Stores	83	3.50	4.2	1926	8.75	4.72	2.88
General American Transport'n	54	3.00	5.6	1919	4.25	4.22	2.68
General Electric Co.	50	3.40	6.8	1899	5.25	2.42	1.59
General Telephone Corp.	28	2.00	7.1	1936	2.60	2.40	1.70
Grant (W. T.) Co.	27	1.50	5.6	1907	3.35	2.35	1.03
Guaranty Trust Co.	295	14.00	4.7	1892	17.50	20.95	11.36
Home Insurance Co.	36	1.60	4.4	1874	4.90	2.54	1.38
Homestake Mining Co.	37	2.75	7.4	1946	3.25	1.25	2.04
International Shoe Co.	41	2.55	6.2	1913	2.75	2.37	2.10
Jewel Tea Co.	67	4.20	6.3	1928	7.50	3.75	2.20
Kresge (S. S.) Co.	39	2.25	5.8	1913	3.50	2.51	1.71
Lehigh Portland Cement	49	2.50	5.1	1936	7.25	3.16	1.60
Liggett & Myers Tobacco Co.	79	5.00	6.3	1912	7.25	5.71	4.25
Manufacturers Trust Co.	54	†2.40	4.4	1909	5.00	4.20	1.86
May Department Stores	58	3.00	5.2	1911	6.50	3.79	2.02
Melville Shoe Corp.	23	1.80	7.8	1916	2.35	1.62	1.27
Montgomery Ward & Co.	66	3.00	4.5	1936	10.00	5.60	2.50
Murphy (G. C.) Co.	55	2.00	3.6	1920	4.60	2.64	1.35
National City Bank	45	2.00	4.4	1813	3.50	2.72	1.29
Ohio Edison Co.	30	2.00	6.7	1930	2.90	1.95	1.29
Penney (J. C.) Co.	69	3.00	4.3	1926	6.00	3.21	1.92
Philadelphia Electric Co.	26	1.35	5.2	1902	2.10	1.67	1.32
Ruberoid Co.	53	†3.25	6.1	1889	9.50	4.61	1.61
Safeway Stores	38	2.40	6.3	1927	5.25	2.48	1.06
Southern California Edison	33	2.00	6.1	1910	2.75	2.03	1.62
Squibb (E. R.) & Sons	36	1.55	4.3	1929	‡4.46	1.98	0.73
Union Carbide & Carbon Corp.	51	2.50	4.9	1918	4.25	1.94	1.17
United Shoe Machinery Corp.	43	2.50	5.8	1905	2.75	3.43	3.24

*Paid or declared. †Plus Stock. ‡Actual.

Excess Profits Taxes Can Lead to Inflation!

By JOHN J. ROWE*

President, Fifth Third Union Trust Company, Cincinnati, O.

Mid-West banker points out high corporate taxes, including excess profits tax, not only raise costs and prices, but discourage incentives by curtailing profits. Concludes an excess profits tax can, to great degree, "stop us in our tracks."

Evidence of the arbitrary character of so-called excess profits taxation and the haphazard way in which it falls on industry and commerce has been given by other witnesses and, in certain cases, supported by statistical detail. For information of this kind, I commend to your attention a very excellent article by Dr. Harley L. Lutz, published in the "Commercial and Financial Chronicle" of Nov. 2. I would point out that the problem which confronts our country lies in making maximum use of the quality possessed by our people and our economic system in which we are superior. That quality is the ability to design and produce in practically unlimited quantity the highly mechanical weapons of modern warfare. We must supply to a limited number of fighting men the necessary quantities of what they need where it is needed. Anything which interferes with or reduces the incentive to the accomplishment of this purpose is antagonistic to military success, and may ultimately be paid for in the lives of our soldiers. In anything short of all-out war (carried to the point of actually defending the soil of our country and our homes), the incentive to invention and production is the hope of profit.

John J. Rowe

Profit is not obtainable until all costs have been met. In recent years one of the major elements in cost to which management has been forced to give primary consideration is taxes. It is the universal admission of businessmen and is proven by examination of company statements and overall statistics, covering the major part of the industrial enterprise system of this country, that taxes have been so thoroughly taken into account in the pricing of products that the net available after taxes has shown suspringly small variation. This is true under various rates of Federal corporation tax, and was even true during the period when excess profits taxes were imposed. This means that as taxes have increased so also have prices. This must be so, for unless the producer can collect all costs, including taxes, in the selling price of his product, he does not have money to expand production, and ultimately must cease to operate.

The effort, therefore, to devise a fiscal policy must first recognize that burden on producers which reduce incentive are, in the long run, costly. It must also recognize that rapidly rising taxes, being a primary element of costs, make inevitable a rapidly rising level of prices. It has been generally assumed that the inflation spiral is created by excessive spending over and above budget receipts. It is my opinion that this is not necessarily the sole or perhaps even the primary stimulus to increased prices. This is shown by the fact that if money paid out by the government in excess of that taken in from taxes were all to find its way into savings and investment channels, the general price level need not receive any direct stimulation. If, however, at the same time costs of producing both war and peace goods were being increased substantially through rising tax rates, retail prices and the cost of war material would both rise.

*Testimony of Mr. Rowe before the House Ways and Means Committee, Washington, D. C., Nov. 20, 1950.

Deficit financing by the Federal Government is freely condemned, and a pay-as-you-go tax policy is almost universally commended. I believe that too little analysis has been made of the character of various kinds of deficit financing and the indirect effects of pay-as-you-go tax policies. When a government has indulged for a great many years in a program of over-spending for purposes which do not receive the sanction of the propertied group among its citizens, faith in that government's credit can become impaired, and further borrowing for current operating extravagances can bring about a condition, one of the features of which is rapidly rising prices. This is to say that inflation phenomena are not the mathematical quotient of a few simple factors, but rather result from the influences of these factors, plus other factors not ordinarily included in the problem, with a large admixture of faith and public emotion.

High Prices Increase Bank Deposits

Corporate Bank deposits bear a direct relationship to the volume of business done. When a company's dollar volume of business is doubled, it automatically needs approximately twice as big a bank account. As people's wages and salaries go up, they need a larger bank account, and in the higher brackets of income, a higher bank balance is imperative in order to accumlate for each quarterly income tax check, and at the same time take care of higher living expenses. This leads me to the firm conclusion that the volume of money and bank deposits are largely the result of higher prices —and not solely the cause.

When a government is strong and is faced with genuine emergency expenditures necessary to guarantee its survival, deficit financing, instead of being the way of the wastrel, may instead be the course of prudent financial management. A businessman does not try to take out of the profits of one year the cost of expanded facilities which double plant capacity. The young head of a family is never criticized for financing the purchase of a home over a period of ten or twenty years. So, if the cost of a necessary arms program, together with the present enormous debt of the United States Government were to appear in the annual budget for an amount equal to total interest charges plus a *rigidly adhered to* 2% or 2½% amortization charge, there would be little dislocation of our economy. Stimulus to increase prices would be confined solely to excess purchasing power. This could be directed through proper incentives to other channels than consumption goods. The other stimulus of rising costs through rising wages and taxes could be largely eliminated, and the damage of a near-war economy to the position of each individual citizen within the country could be held to a minimum.

Incentives to Maximum Production Should be Maintained

To sum up, incentives to maximum production for both corporations and individual workmen must be maintained. This incentive in our economy is the hope of profit. If taxes take away the profit from increased production of the manufacturer or the profit from increased hours worked by the laborer, maximum production is not possible. Taxes increase costs, and so-called excess profits taxes particularly discourage cost reduction efforts. The transfer of unnecessary government employees from a parasitic relationship to a productive one in the economic system by channeling them into productive enterprise, and the elimination of other wasteful government expenditures would reduce the overall cost of arms spending. Finally, it is by no means certain that under proper conditions increased purchasing power created by government spending for munitions need necessarily find its way immediately into competition for a limited supply of consumption goods.

Referring again directly to the excess profits tax, I would like to elaborate upon the effect upon our economy of the inevitable carelessness which creeps into the conduct of a corporation which knows that it will be in the excess profits tax classification. Management and all people employed in such a plan are human, and it is only human nature to become careless with other people's money when there is no incentive to be careful.

Prices are dependent upon the varying impact of costs and demand. Payrolls make up the overwhelming percentage of spendable money. Any careless corporate spending provides additional spending ability, and it can very conceivably have an appreciable affect on the demand side for goods.

In my opinion, it is of tremendous importance that the tax structure be so built that management has the strongest inducement to be careful with the government's money. There is no substitute for incentive.

The worker who works extra hours is entitled to more pay. The management which produces more is entitled to more profit. What steps are taken to influence this purchasing power on the supply of goods is another matter, but to curtail the profit lure to either workers or management curtails total productive output.

There are innumberable companies given the generic title of growth companies, who have been, and undoubtedly will become increasingly effective in providing those articles of both peace and war which are the hope of maintaining America as the envy of the world. The term "growth companies" includes corporations of all sizes. To take away from these growth companies all incentive to continue to grow during this near-war emergency will nip in the bud the flowering of the world of the future with its multiplicity of new products. These companies give the only promise we have of continued progress. Let us hope the government has the vision to appreciate the necessity of cherishing them.

An excess profits tax can, to a great degree, stop us in our tracks.

With Shuman, Agnew

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Robert M. Fisher has become affiliated with Shuman, Agnew & Co., 155 Sansome Street, members of the New York and San Francisco Stock Exchanges.

Continued from page 16

Canada's Possibilities Of Future Progress

in employment. In 1951, it will have to face the whole problem. We are not however completely masters in our own house. The Canadian economy is greatly affected not merely by our own defense expenditures, but by those of the United States and other countries. We cannot fully protect ourselves against the impact of our neighbor's actions. We should, however, see that our own defense program is financed by sound measures and not by inflationary means which will thwart the program and disrupt the economy.

Currencies Strengthened

A by-product of the United States boom and the prospect of increased defense spending has been the great strengthening of other currencies against the United States dollar. Gold and United States dollar holdings of the United Kingdom, Canada and other countries have risen greatly. The wisdom of the sterling and other devaluations of last year would seem to have been demonstrated, but accelerated United States buying and other expenditures abroad had also a decisive influence. The strengthening of sterling and the building up of United Kingdom reserves have been a great step toward economic stability in the world. While the United Kingdom has made substantial progress in raising per dollar exports, it has been particularly the increase in the dollar earnings of the other parts of the sterling area that has brought about the rise in reserves. United States demand for raw materials had caused dollars and gold to flow to other countries and for the moment there is no dollar scarcity. This may not be a continuing condition, yet it marks a milestone in postwar history.

The "Free" Canadian Dollar

In the case of Canada, we have had like the United States a declining surplus on our world trading, but this has been much more than offset by a large and mounting inflow of capital. In part, this inflow represented long-term investment in Canadian industry and resources based on growing optimism as to the future of this country. As it rose in volume, however, it represented more and more investment or speculation in anticipation of a rise in the value of the Canadian dollar. In August and September the inflow reached the proportions of a flood. In these two months nearly half a billion dollars were added to our reserves. On Sept. 30, it was announced that the Foreign Exchange Control Board would no longer quote official rates of Canadian exchange, but allow the dollar to find its own level in the market. Aside from the official rate, the other aspects of foreign exchange control remain pretty much as before. There is, however, this great difference that the chartered banks are back in the foreign exchange markets on their own.

The episode raises two points on which the evidence of experience will be watched with interest. It is clearly difficult if not impossible to hold a rigid rate of exchange against a strong capital inflow. When any change in the rate must be upward the speculator will gain if the rate moves up. If it is unchanged, he cannot lose. Presumably with a so-called "free" rate, any substantial capital import will force the rate up promptly and minimize the chance of speculative gain.

The second point is that the change which has already taken place in the rate has protected us to some extent against the strong rise in U. S. prices. The effectiveness of anti-inflation measures in that country is uncertain, but if there is a further burst of increases, our exchange rate presumably will move further toward parity or even beyond. The flexibility of the rate will to a degree protect us against uncertainties abroad.

Despite the sharp problems raised and the critical international situation, the past year has been one of accomplishment and has made many solid contributions to the economic strength of this country. Though strains have been apparent, we have added greatly to the productive capital of the country, we have substantially increased the supply of housing, we have pushed further in the discovery of new resources and we have increased the efficiency of industry. All these are gains, but the future, though promising, offers also serious problems.

Our Trade With the Sterling Area

The spectacular improvement in the dollar earnings of sterling countries has raised again the question of the future distribution of our world trade. With growth and development we have not become less dependent on external trade, but a much higher proportion of our exports has latterly been going to the United States. Our trade with the United Kingdom has moved more nearly toward a balance. This has been accomplished partly by a decrease in our exports, but fortunately mainly by an increase in our imports. In our trade relations with them we are approaching a critical test. The United Kingdom and its sterling-area associates have very substantially increased their pooled reserves. The sterling area since the war and particularly in later years, has strictly controlled its imports in the interests of dollar conservation. The control has had the effect of a severe and rigorous system of protection for home industries. Now that the need for dollar conservation has waned we shall see how far the sterling area is simply a banking and monetary arrangement among countries which wish to pool their reserves or how far it is a preferential trading system.

At the moment, we ourselves are not greatly in need of enlarged export opportunities. Our grain exports which are our chief shipment to the United Kingdom and Europe have stood up well in the period of crisis. We have had difficulty in filling other food and raw material orders. But later we may have greater needs and wider markets will contribute to a more varied and productive development. Even where totals are not large, individual Canadian producers have important interests in sterling markets. Having invested a great deal in the recovery of the United Kingdom and Western Europe we should press for such reopening of their markets as is consistent with the strength of their currencies.

Our Widening Resources

The continuing development of the oil resources of the West is a very strong constructive force in our future. New sources are being discovered and the potentialities are very great. Actual production has now risen above 100,000 barrels a day. Only over a considerable period of time will the full effects of the use of these resources make themselves felt in the pattern of industry in the West and in the economy of the country. Equally, the exploitation of the new iron resources of the East will widen the area of industrial development and create a great inward flow of traffic through the St. Lawrence. These and other important developments are an assurance that, despite variations, the rate of investment in this country over a considerable period of time will be high and the need for labor and capital great.

Immigration

One development which could help significantly both in the immediate situation and in terms of long-run progress would be an increase in the rate of immigration. We need additional hands to perform the work which must be done and well-selected immigrants could contribute greatly to the desired increase in production. In the years immediately ahead the low birth rates of the depression are limiting numbers in the age groups just entering productive work. There are fortunately already signs of a renewed emphasis on immigration which had slackened off somewhat in the past year. In a longer view there is also a strong feeling that it will be difficult for so small a population as ours in a crowded world to hold the resources which we have in so much greater abundance than many countries. We can with great advantage to ourselves absorb a moderate but steady stream of well-selected immigrants who may well bring new skills and aptitude to our country, even though they may bring little capital.

The St. Lawrence Waterway

Our need for power and the necessity of getting Labrador iron into the Great Lakes Basin is making continually more urgent some definite steps toward the long deferred St. Lawrence seaway. Indications that the Canadian Government is preparing to press the project with renewed vigor are to be welcomed. Beyond the economic case for it, its place in the strategy of defense makes it a stern necessity.

Future Prospects

Canadians may look forward with sober confidence to the future ahead. The problems are great and difficult, but they are more manageable than some have been in the past. For the immediate future, they are likely to be problems of too much rather than too little business activity. For the more distant future we have great advantages. There has been great advance in the past five years in the equipment of our industry and in the knowledge of how to develop our resources. There has been a great step forward in the increase in our confidence in our own ability to chart our course.

Despite the many crises and the successive problems, we have come through the postwar period much more fortunately than any would have been willing to predict in 1945. Our own internal development has proceeded at rates which are well up to the limits of safety. Despite warnings and misgivings the United States has persisted in an international policy which has opened its markets and its capital resources to world use. Europe and the United Kingdom have made real progress back toward prosperity and ability to stand on their own feet. There are hopeful signs that the Atlantic community may develop into more than a mere defensive alliance. But over all hangs the grave shadow of war and the recurring threat of war. To persist in the policy of strength which has given us initiative and a chance to influence events, will require sacrifices and restraint. But we cannot afford to play less than our full part nor can we miss the great prize of ultimate stability in the world by making our own contribution less than of the maximum effectiveness.

The outlook for this country and other friendly countries is hopeful. The possibilities of progress and prosperity are very great, but the dangers are also great. Above all, to realize the full promise of the future we must have courage; continued courage in government to lead, even though the path may not be a popular one; courage on the part of management, labor, farmers and businessmen to cooperate for greater productivity; courage even on the part of consumers to restrain their purchases in the confidence that it need only be a postponement. With courage and mutual confidence, we cannot be defeated from within while presenting a strong front to the aggressors. Sir James Barrie in his historic rectorial address at St. Andrew's University in 1922 quoted Dr. Johnson: "Unless a man has that virtue (courage), he has no security for preserving any other."

Military Orders Show Slight Increase

Business Survey Committee of National Association of Purchasing Agents holds though prices edged up in November, they may be expected to level off unless wage rates take another jump.

The composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Co., Division of Olin Industries, Inc., New Haven, Conn., is that though November business is running high, it continues to show the trend of new orders declining at about the same rate as in October. Future commitment bookings remain substantial, with 48% maintaining previous order position, 35% showing increases during the month. Viewed from the extended purchasing policy for production materials—71%, 90 days; 29%, 4 months and over—industrial business should be good through the first quarter of 1951 if not hampered by further government restrictions on the use of critical materials.

Robert C. Swanton

Production, the report states, is holding at high rates and still increasing where materials and manpower are available. For the third consecutive month, the NAPA Survey shows a widening of the gap between increasing production and decreasing order trend; this may represent a decline in scare-selling or the increasing grip of controls. Military business is creeping up but its over-all effect is spotty.

NAPA limitation orders issued this month, covering several metals, are not as drastic as might have been expected but, when added to government stock-pile demands and special allocation directives, they will require a heavy cutback in materials for civilian use. Prices edged up in November, machine tools being the leader in the movement. Prices are expected to level off, unless wage rates take another jump. Inventories are drifting down. Employment is high and the trend is to a longer work week.

Commodity Prices

The general trend is up, though the advances are fewer and smaller than last month. Machine tools took another substantial price spurt. Escalation is general and there is a tendency to limit the permissible advance. A steel wage increase may set a national pattern, giving another inflationary boost to the price structure.

Inventories

The down trend continues at a slower pace. Many inventories are now below practical needs for steady operations; there is growing unbalance in raw material stocks, which is spreading into work-in-process. NPA restrictions, coupled with government stock-piling and ECA commitments, forecast further confusion in the industrial inventory picture.

Employment

Employment is holding at the high pay roll level of last month. Skilled and semiskilled workers are hard to find. Much overtime and extra shift operation is reported where materials are available. On the other side, more short-time and temporary layoffs are mentioned as the supply of strategic materials is channeled away from civilian production. In some localities, this situation is becoming serious.

Buying Policy

Commitment range remains at the extended time of the past two months. Longer production lead time and uncertainty of deliveries appear to be keeping future coverage policy in the bracket of the immediate postwar years. Industrial back-order positions seem to support this longer view of procurement, indicating good demand for three to four months ahead.

Firm Name Daugherty, Butchart & Cole, Inc.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Frank Butchart, formerly proprietor of Frank Butchart & Co., has become a member of Daugherty, Cole & Co., Park Building, and the firm's name has been changed to Daugherty, Butchart & Cole, Inc.

William Miller With Republic Inv. Co.

CHICAGO, Ill.—Republic Investment Co., 231 South La Salle Street, announces that William E. Miller will become associated with them Dec. 4 as Manager of the trading department. Mr. Miller was formerly of Paul H. Davis & Co.

Harry C. Dackerman Co. To Be Formed in Phila.

PHILADELPHIA, Pa.—Harry C. Dackerman and Morris Waber will form the New York Stock Exchange member firm of Harry C. Dackerman & Co. with offices at 1401 Walnut Street as of Dec. 8. Both are members of the Philadelphia - Baltimore Stock Exchange, and Mr. Dackerman will acquire the New York Stock Exchange membership of the late Frank S. Levi. Both are now partners in Dackerman and Waber.

Justice and the Price System

By E. W. ECKARD

Professor of Economics, University of Arkansas

Prof. Eckard reviews concept of a "just price" and points out its implication ties it to cost-of-living index, with no accompanying increase in productivity. Holds this concept will lead to a perpetual dominant class which will formulate and interpret the so-called "just price" rules.

The concept of justice, in recent years, has entered more and more into discussions concerning prices, wages and profits. This concept has been employed in forcing increases of labor income which have not been based upon increased productivity. Many of those who would substitute justice for competition fail to recognize that their way of thinking was characteristic of the medieval period in history.

E. W. Eckard

During that period the priest in the marketplace sought to set prices of commodities according to some presumption of what those prices ought to be. In many cases the basis for evaluation was the labor involved. There was the aim of bringing about equal exchange ratios between articles with equal amounts of labor embodied. In other cases the price was set with the view of maintaining the producer at the level of consumption to which he had become accustomed. Perhaps more often prices were maintained at some customary level which would have been difficult to defend upon other grounds.

Whatever the basis for the establishment of the "just price" the net effect was to maintain the status quo. There was no place in such a system for the more efficient producer who would offer to undersell his competitors thereby causing a general raise in standards of efficiency and, hence, reduction in costs and prices. The inefficient producer was sustained in his position because it would have been "unjust" to submit him to the rigors of competition. Modern progress did not take place until this stultifying practice of the "just price" was supplanted by the action of competition in the marketplace.

The concept of justice in determination of incomes to the various members of society is inextricably involved in the ideas concerning the "just price." In general, it was believed by the philosophers of the "just price" that a person had a "right" to receive an income that would enable him to maintain a "proper" scale of living. This "proper" scale of living was determined by the social class to which the person belonged. There were many sumptuary laws designed to prohibit people from the use of articles which were not "proper" for their class. The laws which prohibited members of the lower classes from wearing clothing which was appropriate only for members of the upper classes were very noticeable.

The concept of the "just wage" may be illustrated by a discussion of how much mush to put in the dish of a slave in ancient Egypt or how much grain the medieval serf should be allowed to keep as well as what percentage of its profits that a modern corporation must refund to its employees in the form of higher wages or more security.

Today the idea of the "just wage" is used to support programs for tying wages to a cost-of-living index. Also, it plays a part in the arguments for increasing wages for the purpose of preventing "under consumption." Frequently this concept is used in admitted attempts to divide profits among laborers. In short, the concept of "justice" is relied upon to gain favor for wage increases when there has been no accompanying increase in productivity.

If laborers, through the use of institutional devices, encroach upon the returns of the other factors of production, they will impair the capital equipment of their country and soon will reduce their real income. For in spite of many high-sounding phrases of those who would supplant competition with "justice," it is impossible to have more than is produced.

When justice is substituted for marginal evaluations in the determination of the returns to the various members of society, some person or group of persons is faced with the establishment of some principles of justice which will serve as criteria for the determination of these returns. As in the past these criteria are likely to be determined by the beliefs of the dominating pressure groups. In the long run, the application of "justice" to the distribution of wealth will lead to the establishment of a perpetual dominant class which formulates and interprets the so-called "just" rules to its own advantage. This result would be attended by a decrease in efficiency and a lowered standard of living.

The fundamental nature of man and the relationship to his environment is involved in this discussion. Any given amount of Aristotelian, Thomasian or other logic will not alter the fact that the number of people that can be supported on the face of the earth is limited by the food supply. Mankind can make the decision between a population limited by choice with a high standard of living and a population with a high birthrate limited by the operation of malnutrition, misery and filth. It has always been difficult for many philosophers to accept this basic relationship. Perhaps it seems logical to them to substitute variously constituted concepts of justice for the operation of the marketplace in the distribution of wealth. The employment of the concept of "justice" in the distribution of wealth emphasizes that man should receive a certain income because he is man rather than because he has behaved wisely with respect to his environment. In other words, it emphasizes that man should not be faced with the consequences of his mistakes.

It is up to us to make the following choice. Do we wish to become a society of paupers who depend upon the existing social organization to provide bread and security as did the serf in medieval times; or do we wish to be a society of self-reliant men who claim their portion of the total wealth because they have earned it and who have the moral stamina to pay for their mistakes?

The development of the system of free enterprise together with the revival in learning gave the average man opportunity to increase his economic, mental and spiritual stature. Also, it gave him responsibility. It is indeed regrettable that many educated persons today are believing and disseminating those very ideas that were characteristic of the thought of the middle ages. We should devote our efforts to defending the system that has made us great instead of being misled by the ideologies surrounding planned economies which claim to be able to give us more than we earn.

R. Schaffer Forms Own Investment Co.

PHILADELPHIA, Pa. — Announcement is being made of the formation of Schaffer & Co., an investment firm to deal in state, county municipal and revenue bonds with offices in the Packard Building.

Russell W. Schaffer

The new firm is headed by Russell W. Schaffer, formerly Vice-President and Manager of the municipal bond department of Rambo, Close & Kerner, Inc.

Govs. of Exch. Firms to Meet in Texas

The Board of Governors of the Association of Stock Exchange Firms will hold its February winter meeting in three of the principal cities of Texas, Houston, San Antonio and Dallas, it was announced by Joseph M. Scribner of Pittsburgh, senior partner of the New York Stock Exchange member firm, Singer, Deane & Scribner, who was elected Association President at its annual meeting in New York City last week.

Members of the Board from 18 financial communities will assemble in Houston on Feb. 4. Feb. 6 and 7 will be spent at San Antonio and Feb. 8 and 9 at Dallas where scheduled Board sessions and meetings with Texas members and business men will be concluded.

"This will be the first meeting of the Association Board in the great State of Texas," Mr. Scribner said. "Our Board members from all over the country are looking forward to seeing first hand the wonderful developments there in recent years. We also expect that members of the New York Stock Exchange Board of Governors and many former Association Governors will join us on this important visit to Texas. One of our Association's objectives is to help broaden the base of ownership in American corporate enterprise. We want personally to assure Texans of the desirability of this objective both with respect to their own industry and commerce and all American industry."

Hal H. Dewar, senior partner of Dewar, Robertson & Pancoast, San Antonio, is the Association's Texas Regional Governor, who will be in charge of arrangements.

Joins A. A. Tibbe & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John P. S. Barrett has become associated with A. A. Tibbe & Co., 506 Olive Street. He was formerly with Herrick, Waddell & Co., Inc.

With Inv. Research Corp.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Albert N. Salters has joined the staff of Investment Research Corporation, 53 State Street. He was previously with R. H. Johnson & Co. and Kidder, Peabody & Co.

Britain's Declining Commodity Reserves

By PAUL EINZIG

Dr. Einzig calls attention to declining British commodity reserves as counterbalancing the rise in that nation's gold and a more favorable trade balance. Sees in it a policy of "window dressing," and contends commodity reserves and gold reserves are interchangeable parts of same structure.

LONDON, Eng.—Much has been heard in recent months about Britain's increasing gold reserve. It is time to cast a glance at the other side of the picture, represented by Britain's declining stocks of imported commodities. From time to time publicity is given to the decline in the supply of some essential foodstuff or raw material. No figures are published, however, to give an idea about the overall position. Nevertheless, even such casual statistics as are available are sufficient to show that the situation is far from satisfactory. Indeed it can be said that a very considerable proportion of the increase of the gold reserve has been canceled out by a simultaneous decline of supplies of iron ore, timber, wool, meat, etc.

Dr. Paul Einzig

In some instances the decline has been largely the result of world-wide shortages in raw materials. This is the case with zinc, newsprint, animal feeding stuffs, etc. In other instances it has been due to the shortsightedness of private firms which could and should have restocked themselves earlier this year but failed to do so because they expected a fall in prices. Many a business executive deplores now not to have listened in the spring to good advice to cover rubber or wool requirements in advance. Finally there is a suggestion, though it lacks confirmation, that the government itself has pursued a policy of allowing its stocks of raw materials to decline in order to be able to show an improvement in the gold reserve and in the trade balance.

In some instances there was genuine justification for allowing the commodity reserves to decline. For instance, the Minister of Food, Mr. Maurice Webb, was right in suspending the purchase of Argentine meat rather than pay the fantastic price demanded by the Peron Government, even though the result was a sharp decline in the government's meat reserve carefully built up last year. Nevertheless, in the majority of instances the decline was the result of shortsightedness, whether by the government or by private enterprise. Since the price of most commodities has risen considerably during the last few months, their lack of judgment will prove to be very costly to the taxpayers or to the shareholders concerned.

If the government's deliberate policy was to build up the gold reserve at the expense of the commodity reserve, by swapping, so to say, iron ore for gold, then such window-dressing would deserve censure. For after all, the accumulation of a gold reserve is not an end in itself—it is merely a means to the end of being able to buy essential raw materials abroad. To sacrifice raw material reserves for the sake of showing an increase in the gold reserve would be, therefore, mistaking the means for the end. It would be all the more deplorable since, apart from the losses incurred as a result of the rise in commodity prices, a decline of reserves of strategic raw materials in existing circumstances would be most untimely. As a result of rearmament, existing commodity shortages are likely to become accentuated and new shortages are likely to develop, so that it might prove to be difficult to replace the stocks, apart altogether from having to pay higher prices for them.

Last, but by no means least, the unduly favorable picture resulting from the replacement of commodity reserves by gold and from the balancing of foreign trade through using up supplies of imported goods must have been partly responsible for the change in American official, political and public opinion in favor of a discontinuation of Marshall Aid to Britain. Few people in the United States are aware that the net genuine increase in the British gold reserve is considerably less than the increase shown by the quarterly gold figures. The extent of the difference could not be estimated even approximately, partly because our statistics of commodity stocks are incomplete, and partly because much depends on whether the deficiencies in stocks could be made good through import from non-dollar countries. Again the establishment of the European Payments Union has introduced another element of obscurity, because it is difficult to foresee at this stage to what extent adverse trade balances with Western European countries are likely to lead to a loss of gold. For instance, it remains to be seen whether the replenishment of Britain's depleted woodpulp and soft wood supplies from Sweden will result in a substantial loss of gold. But on the basis of the inadequate statistical material available, it seems probable that the part of the gold reserve which has been acquired through sacrificing commodity stocks of corresponding value must run into many hundreds of millions of dollars.

To give only a few figures, the supply of imported soft wood declined from 457,000 standards at the end of 1948 to 268,000 standards in August, 1950, the latest date for which official figures are available. Raw silk stocks declined from 590,000 lbs. to 347,000 lbs., raw wool stocks from 300 million lbs. to 239 million lbs., hard hemp from 32,300 tons to 11,200 tons, woodpulp from 318,000 tons to 251,000 tons.

Some years before the war the writer of this article put forward a suggestion that commodity reserves should be considered as part of the metallic reserves of a country. Had this been done, and had not changes in such reserves been taken into account in announcing changes in the gold reserve, there would have been more inducement for the British Government to prevent a decline in Britain's essential commodity supplies. Even at this stage the realization that gold reserve and commodity reserves are really interchangeable parts of the same general reserve would go some way to halt and reverse the deplorable process.

Incentive Taxation

By W. MAXEY JARMAN*

Chairman, General Shoe Corporation, Nashville, Tenn.

Mr. Jarman attacks proposed excess profits tax as being inflationary, since it destroys production incentives. Proposes setting up an average rate of profit in relation to volume of business in selected base years, and applying tax only on part of profits exceeding fixed average rate.

Taxes are levied first of all to produce revenue for the expense of government. They also serve to help equalize opportunities and conditions among people. In addition, however, taxes can also be used as an incentive to stimulate efforts to reach certain desired goals. This incentive can be used to hold down inflation, to increase the production of goods, to raise the standard of living of the country. Greater productivity, higher wages, more jobs, more rapid technical advances—all of these can be stimulated by tax incentives. And these tax incentives can be designed so that they will produce even more revenue for the government.

W. M. Jarman

Let's take the case of holding down inflation. As a matter of fact, if we increase the total production of goods, that is the best medicine, and the most pleasant, for the ills of inflation. So we can combine the objectives here of holding down inflation and increasing the production of goods. Also, that will raise the standard of living of the nation as a whole.

With these goals before us, let us consider the excess profits tax. As written during the last war, there was no incentive in it. It tended to put a ceiling on growth by saying that any gains made in producing more goods on an economical basis would be penalized by a very high tax rate. In other words, progress in effect carried a higher tax rate than non-progress. The intent of the law was of course a worthy one. It was designed to raise revenue and to prevent profiteering. But by the time all the hardship claims are settled the amount of revenue raised will be greatly reduced. And most of the profiteering was taken care of by renegotiation of contracts, by rationing and by other means.

Now suppose that the excess profits tax is set up to give an incentive to increase production. The businessman sees that there is opportunity for progress. If he produces more he is not penalized by having a higher tax rate on the increased production. To sell the increased production, he must produce the extra amount on an economical basis. Extravagance was very tempting under the old law, but would be restrained by an incentive for more production. The ingenuity of the business is put to work. It can make great progress in using materials more economically and in meeting shortage problems.

This incentive in the excess profits tax can be handled in several ways. The old law set up a base for excess profits tax purposes of the average dollars earned in certain years. A better way would be to set it up on the average rate of proift in relation to the volume of business in the selected base years. A manufacturer who earned an average of 5% on his volume in the base years would have 5% of his volume as a base before applying excess profits tax.

This gives a strong incentive to increase the volume of business. If the businessman increases his profits without an increase in production the excess profits tax hits him. But if he increases his profits only in proprtion to his increased production, he is not penalized by the higher tax rate. So there is a great incentive for increased production of goods.

On this increased volume of business, the government gets increased revenue from its regular tax rates. That increased revenue can run up into large amounts—much more than the relatively small revenue under the old penalty form of tax. Excess profits tax revenue would also come in from those concerns whose rate of profits increased.

Incentive for more production not only helps our defense program. It also helps control inflation by providing more goods. It helps increase the standard of living by making those goods available on an economical basis. Workers are kept busy at good jobs. The profits on the extra production are taxed by the government several times as the goods move from the manufacturer through the various distribution channels to the consumer. Profit is made along the way and the government collects a percentage of that profit at each stage. Under the old form of excess profits tax where production is retarded this does not occur.

Safeguards can be placed around such a tax to take care of the exceptional case. A limit on growth of 20% or 25% per year might be set up for excess profits tax purposes. Minimum allowed rates of profit would be needed to permit those corporations who operated at a loss during the base years to have a reasonable base to work toward.

Would price advances create an unreasonable situation on a tax of this sort? There is much less incentive to increase prices under this plan than under the old plan. First of all, prices will tend to be held down by the desire of each business to increase its volume to avoid a higher tax rate. The increase in production of goods will increase competition to help keep prices in line. Presumably if serious shortages do exist, the government intends to establish price controls.

Looked at in another way, if the basic cost of raw materials and labor increase at such a rate that selling prices must increase, it is even more important to have an incentive taxation set-up. Under the old tax, if costs advanced due to inflation, on the same amount of unit production the percentage of profit to cost would be greatly reduced. The result would be that a part of the capital of a business concern would be lost without possibility of replacement.

The incentive for increased production is not present under the old basis of using a percentage on invested capital. It is true that if extra capital is added the base is raised. But under that system there is no urge to increase production. The urge would be to get the profit on the business in hand and to increase capital. It is desirable to retain that optional basis for some conditions. But the real incentive for increased production will come as the tax base widens with higher production.

Another way to provide an incentive—if the old dollar method of setting excess tax base is used, provide an allowance each year for growth of up to 20% if the growth occurs. This would mean that the tax profit base would be increased up to 20% each year to allow for growth if a concern did increase its volume of production up to that amount.

Incentives are the most effective way to increase production. To supply our own defense needs, to improve the standard of living of our people, to hold our position of leadership in the world, we must increase production. Incentive taxation will help do that job. Incentive taxation can do many other jobs in a much more effective way than penalty taxation. Incentive taxation can mean great progress in the years ahead.

*A statement prepared by Mr. Jarman for the House Ways and Means Committee, Washington, D. C., Nov. 22, 1950.

Mich. IBA Group Elects New Officers

DETROIT, Mich.—At a meeting of the Michigan Group of Investment Bankers Association held at the Detroit Club, on the evening of Nov. 13, the following officers were elected:

William M. Adams, Braun, Bosworth & Co., Chairman.

J. Gordon Hill, Watling, Lerchen & Co., Vice-Chairman.

Harry A. McDonald, Jr., McDonald-Moore & Co., Secretary-Treasurer. Clarence A. Horn, First of Michigan Corp., was re-elected to the Executive Committee.

Wm. M. Adams

Milton S. Bosley, Vice-President, National Bank of Detroit, was elected to the Executive Committee.

Messrs. Horn and Bosley will serve for the ensuing year along with: Alonzo C. Allen, Blyth & Co., Inc.; Dan Byrne, Paine, Webber, Jackson & Curtis; Gilbert S. Currie, Crouse & Co.; Ralph W. Simonds, Baker, Simonds & Co., and Frank E. Voorheis, Goodbody & Co.

NASD District No. 11 Names Lukens, Shriver

The members of District No. 11 of the National Association of Securities Dealers, Inc., embracing the District of Columbia, Maryland, North Carolina and West Virginia, have elected the following to serve on the District Committee for a three-year term commencing next Jan. 16:

Charles P. Lukens, Jr., Robinson & Lukens, Washington, D. C., and George G. Shriver, George G. Shriver & Co., Inc., Baltimore, Maryland.

The above named individuals succeed to the offices held by the following whose terms expire on the same date: Richard P. Dunn, Auchincloss, Parker & Redpath, Washington, D. C., and C. T. Williams, Jr., C. T. Williams & Co., Inc., Baltimore, Maryland.

With J. A. Rayvis Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—A. L. Pennock Smith has become affiliated with J. A. Rayvis Company, Inc., Langford Building. He was formerly with A. M. Kidder & Co.

Not So Simple As This!

"There seems a disposition in United Nations circles to discuss the same kind of concessions that Chamberlain made at Munich. He gave away part of Czechoslovakia. Now, some Lake Success conferees seem just as willing to surrender things that don't belong to them.

"Some want to give away a neutral zone across North Korea. Others would like to give away Formosa. They forget for a moment the fact that we object strenuously to being bartered, and think only in terms of the United Nations future.

"It is our belief that this is the real turning point in its history. Until the end of June, nobody in Asia believed it would really use force to check aggression. If the United Nations now sticks to its guns, it can grow from strength to strength.

"If it retreats, I am afraid it will never be able to inspire confidence again."—Shen Chang-huan, spokesman for the Nationalist Government of China.

If the matter were only as simple as this!

The danger — or one of them — is precisely that many in this country may foolishly suppose that it is.

Puerto Rico Engages Financial Consultants

Detroit firm will advise Treasurer on investment of government reserve fund portfolio and on debt management and fiscal plans.

SAN JUAN, Puerto Rico (Nov. 28, 1950) S. L. Descartes, Treasurer of Puerto Rico, announced today that the Puerto Rico Department of Finance had retained the services of Heber, Fuger, Wendin, Inc., a firm of financial consultants of Detroit, Mich., to advise the Treasurer on the investment of government reserve fund portfolio and on debt management and fiscal plans. Mr. Descartes said, "It is the policy of the Government of Puerto Rico to employ every available means to insure not only the continuation of Puerto Rico's excellent credit reputation, but to improve it. This financial consulting firm has been retained in an effort to have Puerto Rico's credit standards and credit procedures reviewed and improvements recommended by a group of competent and unbiased financial experts."

The firm of Heber, Fuger, Wendin, Inc., is retained on the Continent by a large number of banks, insurance companies and investors in connection with financial policies, money markets and investment problems. This firm has also been retained by the Federal Government mostly on valuation problems. Their experience extends over many years and involves daily work on these problems. "I am certain," said the Treasurer, "that this firm will be of great practical aid to our Department of Finance in the sound and profitable investment of large sums of money now held in Trust and Special Funds."

Mr. Sigurd R. Wendin, President of Heber, Fuger, Wendin, Inc., was in Puerto Rico last June and returned to San Juan on Nov. 6 for an extended stay for the purpose of conferring with Treasury and Bank officials. Mr. Theodoro H. Fuger, Treasurer-Secretary of the firm, arrived on Nov. 13. Both will make a general survey of our credit practice and procedures in order to prepare themselves for the most effective discharge of their responsibility to financial advisors.

Mr. Wendin, commenting upon their work in Puerto Rico, stated: "We accepted this contract only after having carefully checked the general insular situation and because we are convinced that public officials of the present Administration in Puerto Rico are sincerely devoted to the building of the best possible financial procedures for the Island. The present record of no defaults in either principal or interest in any obligations of the Island speaks for itself. But even more impressive after coming from the Continental United States, where deficits and large bond issues are common, are the facts of balanced budgets, the existence of large reserve funds and a very conservative expenditure program, all of which are the best evidence of sound fiscal policies. In Puerto Rico, where the need for public services are greater than in any State of the Mainland, it is truly refreshing to see its government living within its income. Also there is effective coordination between the Department of the Treasury, the Government Development Bank, the Planning Board and the various authorities and municipalities in adhering to the principles of balancing needs against income in a way that fiscal planning results in a basically sound program. We are pleased to work within the framework of governmental policies so well conceived."

Joins Thomson McKinnon

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Paul B. Good is now with Thomson & McKinnon, 340 Central Avenue.

Courts & Co. Add

(Special to THE FINANCIAL CHRONICLE)

LaGRANGE, Ga.—Maurice H. Wells has been added to the staff of Courts & Co., 14 North Court Square.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph Hladik has become affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Faroll Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Joseph P. Shure has become connected with Faroll & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DAVENPORT, Iowa—John L. Kamp is with Waddell & Reed, Inc., of Kansas City, Mo.

Election Reveals No Labor Party Wanted

By JAMES A. FARLEY*
Chairman, Coca-Cola Export Corporation
Former Chairman, Democratic National Committee

Former Democratic Party leader says election results reveal voters do not want an independent labor party. Holds labor has sufficient leeway in two-party system to protect its interests, and warns against splinter party system. Points out election returns indicate nation should go slow with further socialistic experiments.

Once more we have held an election in war time. To do that is an achievement in any country at any time. Even in England, which is well based on principles of freedom, they avoid elections in times of crisis. But here in America we have never failed in our democratic process. We debated the issues, foreign and domestic; we freely criticised our government, and we turned out in some states in numbers never before experienced in a mid-term election.

James A. Farley

As long as that can happen our free institutions are safe.

Somehow, I feel, as a Democrat, that the results generally, while they indicated a Republican trend, were good for the Democratic party. That party still holds the Presidency and it still holds both Houses of Congress. There are some Democrats who were disappointed. And there were some who were never real Democrats who were deeply disappointed. But out of the lessons of this election we can draw some wisdom that may make for a better and more unified Democratic party and a better two party system for the nation as a whole. I shall mention a few of these lessons.

First, it showed in Ohio and in several other places that neither the Republican nor the Democratic parties, nor the workingman himself, nor the voters generally want an independent labor party. I have many times made myself clear on this subject.

Since labor unions became an effective force in our economy it has been suggested by some that labor might conceivably form a political party of its own, with the avowed objective of presenting its aims through the medium of a platform sponsored by an independent labor party.

Firm Believer in Two-Party System

I want to say at the very outset that I am definitely opposed to such and idea because I am a firm believer in the two-party system.

Labor has sufficient leeway, within the scope of this system, to protect and further its interests. There would always be he temptation to hew too closely to the labor line. A political party loses its effectiveness when it lacks a universal viewpoint. Whether it be the Democratic party or the Republican party, the interests of all the people must be considered in framing a philosophy or platform when an appeal is made to the voters.

Let there be no misunderstanding of my attitude toward labor. I believe that in the rapid and evolutionary changes in our country labor has borne its share of the burden and has demonstrated its usefulness in our economic life.

The great danger since the two big labor federations have set up their own political organizations is that in many districts and in some states these organizations might well supplant one or both of the regular parties. The result of this would be the elimination of policies by one issue and by one group in the community. That is quite contrary to the whole theory of government in this republic under a two party system. The fear of that in Ohio I know in this year's election drove many Democrats to vote for Taft. And it is also clear that thousands of union members refused to be told how to vote by the political arms of the unions and voted for Taft in protest.

The principle upon which this nation rests is that individuals vote as individuals, not as members of blocs. They vote their convictions through the party of their choice. And that party represents all interests, business, agriculture, labor and capital.

The election in New York also proved that the voters do not prefer to support third splinter parties. We have had two of that type in the Empire state, the American Labor Party and the Liberal Party.

The American Labor party came to be heavily influenced by Communists. It ran a ticket this year which was thoroughly buried by the regular party vote, Congressman Marcantonio, the leader of the party, was trounced by a candidate approved by both the major parties. I hope that is the last we shall hear of Marcantonio, his Communist supporters and his splinter nuisance party.

The Liberal Party in New York represented a somewhat less radical point of view than Marcantonio. This year the Democratic party, I think most unwisely, permitted the Liberals to move in. They even submitted to dictation in choosing candidates by the Liberal party. In the final show down this alliance was very unhappy. The Liberal vote fell below its previous record. I hope that the leaders of the Liberal party, many of whom are fine, sincere people, will see the folly of splitting the electorate into many rather than two parties. France and other countries have suffered the tortures of too many parties for many years.

And so I am happy to note that the outlook is very dark for third or fourth parties in this country.

Slow Up for Socialistic Experiments

As we turn from parties to issues there is another real lesson in this election. Confronted as we are with a great peril in our foreign relations, with immense deficits and heavy taxation the voters have made it clear that they want the government to go slow with further experiments in domestic affairs for at least the duration. The Brannan Plan, socialized medicine and other unsubstantial experiments won no honors in this election. We want to be a humane, progressive nation, but we cannot be bighearted with money we haven't got.

The Brannan Plan in fact never had the support of the two big farm organizations. They quite properly regarded it as a two pronged threat to the farmer and to the taxpayer. On the one hand it provided for a drastic regimentation of the producers of nonperishable crops like cotton, corn and wheat. The southern cotton producers learned during the past year what crop restrictions meant. They want no more of that. On the other hand the Brannan Plan provided for selling perishable crops for less than cost with the taxpayer making up the difference. This was a subsidy for producers and for consumers alike. And I believe sincerely that the American people do not want to become permanently subsidized citizens. Part of the people cannot long live off of another part of the people in any free country.

I believe, however, that the government can do a great deal for agriculture without taking away anyone's liberty. The best way to help the farmer is to help him find the way to the market at less cost and with more efficiency. Government aid in marketing, in lowering the cost of transportation and in finding new uses for farm products is the way to prosperity with freedom.

A vast outlet for surplus farm products can and will be found in industrial uses, particularly in the production of commercial alcohol.

In this election and in the primaries in the south that preceded showed further that this country has no desire to follow Socialist Britain in adopting socialized medicine. Certainly that was decided in the primary here in Florida.

This country has led the world in the advancement of medical science, in public health and in cooperative medical practice. For that American doctors deserve great credit. There are no more devoted, hard working and public spirited citizens in this nation than the members of the medical profession. Instead of an attempt to make them subject to a federal bureaucracy and to surrender their freedom to the government we should encourage them to cooperate in new endeavors to work out themselves means of serving more people with less cost. That is the American way. It is our way.

And while I am speaking of cooperative ways of solving problems without the use of the heavy hand of law I want to add something about Civil Rights. When we review the history of past years we see clearly that most of the problems raised by the so-called Civil Rights programs are gradually and peacefully being solved right here in the south. The gates of economic opportunity for all races are opening wider and wider, the right to vote is spreading to all and disorders that once resulted in lynchings have been brought under control by the states and communities. To threaten the south with drastic federal legislation is the last way to approach these problems. And we are a long way now from that last way.

The President might well in the interest of national as well as party unity summon the leaders of the south to solve these problems on a regional and a state basis. To pass a law, especially a federal law, is never the best way to correct an injustice. Free men in whose hearts there lives a sense of justice and common sense can generally be trusted to do what is right. I say to those anxious people who are too ready to lift the threat of authority to leave recovery to the spirit of liberty.

The Task Ahead

Now that the election is over let us all lay aside personal and party selfishness and get on with our task. For no greater task ever faced us before. The Soviet government seeking to bleed us white while awaiting the time to strike turned loose a 5% war in June. Then before we had completed that one the Soviet turned loose a 10% war with the Chinese Communists. Presumably we are going to get our aggression in installments.

But even this war is loading an immense burden on our economy. We don't know all the figures yet because that news will come on the installment plan. But we must be prepared for something like $40 to $55 billions during the next twelve months in demands for war and preparation for war.

This demand coupled with the needs for the civil establishment comes on top of an already heavy burden of national lebt. And it comes at a moment when nobody knows what the dollar will be worth in the inevitable inflation that threatens us. The problem of raising this money while we at the same time do what we can to check world inflation is much more serious than it was in the late World War. If we are to solve it we must induce the people to lend more and more to government. For the more the public lends the less there will be to spend and hence less bidding up of prices. It would no doubt be inadvisable as well as unfair to compel workers to buy bonds through what is called "compulsory savings." But every effort should be made by cooperative methods to assure such savings perhaps by payroll deductions agreed upon by both workers and employers. Systematic and general savings can accomplish the task and I feel confident that all Americans will respond to a sound and intelligent appeal.

Meanwhile it becomes more and more evident that the Marshall Plan will in some form be under consideration for continuation beyond 1952. This with the burden of arming Europe is a very serious prospect. To do so we shall have to cut our expenditures for nonmilitary purposes to the very bone. And since we must forego some of the things that we want we can expect our friends in Europe to do likewise. The nations of Europe must meet every dollar with a real will to help themselves. The building of an army to protect Western Europe is a tremendous task. It cannot be done by remote control. It cannot be done by dollars alone. For a well equipped soldier with no will to fight is not only a liability, he is a threat.

I was very happy a few days ago to read of the action taken by the United Nations Organization making possible the resumption of diplomatic relations with Spain which, in my judgment, was too long delayed. I was also pleased to note that action is being taken by the Export Bank in connection with the loan approved by Congress before it recessed. This was all pleasing to me personally because I have been advocating such a course for over two years.

I sincerely hope and trust that aid will soon be given for worthwhile projects for the rehabilitation of Spain's mining, industry, transportation and agriculture.

May I also express the hope that President Truman will not too long delay in the appointment of an Ambassador to Spain, which step has already been taken by several European countries.

In my opinion, Spain can be depended upon at all times to fight Communist inroads in Europe and every effort should be made to see to it that she becomes a partner in the Atlantic Pact and of all the organizations in which we are working for the defense of not only Western Europe but civilization itself.

There is no doubt in my mind that this course is anticipated by the Spanish people generally, and I am of the opinion that the vast majority of the American people are in the same frame of mind.

I cannot believe that if we approach the task before us with courage and intelligent planning we can fail to meet any emergency. And if we are ready the emergency may not come. For the Soviet expects to win this war without fighting. It expects that our economy will crack and crumble under the strain.

If by repressing inflation, by raising production, by maintaining high employment we can show the Comunists that ours is the greatest economic system ever known they may and I believe will not precipitate a war. Our safety is in that hope.

*An address by Mr. Farley at the Annual Meeting of the Florida State Chamber of Commerce, Tampa, Fla., Nov. 21, 1950.

Savings Banks Deposits Continue Upward

A. Livingston Kelley, President of National Association of Mutual Savings Banks, reports gain for nation of $11 million during October.

Continuing the upturn experienced in September, deposits in the nation's 529 mutual savings banks rose by $11,000,000 during October to a total of $19,896,000,000, according to A. Livingston Kelley, President of the National Association of Mutual Savings Banks, and President, Providence Institute for Savings, Providence, R. I. The gain reflects primarily seasonal gains in club accounts, although most states also showed a gain in their regular deposits. As compared with the corresponding month last year, amounts deposited in regular accounts in October were up 17% in contrast to 2% in September, but amounts withdrawn were 23% greater in October and only 12% greater in September than a year ago. The net gain in total savings bank deposits during the last 12 months was $777,000,000.

A. Livingston Kelley

During October, the savings banks again reported a record increase in their holdings of mortgages on real estate—$177,000,000 in contrast to $154,000,000 in September—to reach $7,698,000,000 on Oct. 31. The necessary funds were obtained by reductions of $122,000,000 in holdings of U. S. Governments, of $60,000,000 in cash and of $19,000,000 in corporate and municipal securities. The gain of $1,219,000,000 in mortgage holdings since Jan. 1 is 77% above that for the corresponding period last year.

Bank Stock Co.

Maxwell J. May is engaging in a securities business from offices at 37 Madison Avenue, New York City, under the firm name of The Bank Stock Company.

Mid Coast Realty & Inv.

MYRTLE BEACH, S. C.—G. W. Bryan and W. A. Kimbel have former the Mid-Coast Realty & Investment Co. with offices in the Colonial Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

William J. German, President of **J. E. Brulatour, Inc.**, has been elected to the Advisory Board of the Times Square Office of **Chemical Bank & Trust Company of New York**, according to an announcement by N. Baxter Jackson, Chairman of the bank. Mr. German is also a director of Universal Pictures Company, Inc., Associated Motion Picture Industries, Inc.

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The National City Bank of New York announces the opening of a new branch in Salvador (Bahia), Brazil, the city from which cocoa exports of Brazil are shipped. This is the 52nd overseas branch of the City Bank and the sixth branch to be established in Brazil. H. Lansing Clute has been named manager. The new branch will offer complete banking facilities, serving exporters, importers and other business men requiring banking service in this section of Brazil. In addition to the Salvador unit, National City has branches in Rio de Janeiro, Sao Paulo, Recife (Pernambuco), Santos and Porto Alegre, Brazil.

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New Orleans is the subject of a window display occupying the Rockefeller Center windows of **Colonial Trust Company of New York**, at Avenue of the Americas and 48th Street. It was conceived by V. Gordon Isaacson, New Orleans correspondent of the banking house, as a tribute to the "Crescent City" and to its importance in the nation's economy. A special feature is a scroll from Mayor de Lesseps S. Morrison of New Orleans calling attention to the fact that New Orleans is second only to the port of New York in annual dollar volume of import-export business. Many phases of New Orleans life are portrayed, including the products and commodities of the surrounding area, the transportation, warehousing and Foreign Trade Zone facilities, etc.

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Charles J. Stewart, President of **the New York Trust Company of 100 Broadway, New York**, announced on Nov. 29 the following promotions and appointments: Harvey A. Basham, Jr., Assistant Vice-President, was promoted to Vice-President in charge of the company's 52nd Street Office; Joseph A. O'Connor, was promoted from Trust Officer to Vice-President in the Personal Trust Division; William R. Cross, Jr., was promoted from Assistant Treasurer to Assistant Vice-President, at the 40th Street Office; Walter Sievers, was promoted from Assistant Treasurer to Assistant Vice-President, at the 7th Avenue Office; Robert L. Ireland, III, Richard K. Le Blond, II, Robert F. Loree, Jr., and Halsey Smith, were appointed Assistant Treasurers in the Banking Division.

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The Industrial Bank of Commerce of New York opened on Nov. 27 its newly enlarged Seventh Avenue Office, at 462 7th Avenue, at the corner of 35th Street.

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William H. Deatly, President of **Title Guarantee and Trust Company, of New York**, announces the election of Joseph P. Farley as Assistant Vice-President of the company. Mr. Farley, formerly President of the Security Title & Guaranty Company, was a commander in the United States Navy during World War II.

At the regular meeting of the directors of the **Rockland-Atlas National Bank of Boston**, on Nov. 21, the usual quarterly dividend of 50 cents per share, and an extra dividend of 25 cents per share were declared payable Dec. 20, to shareholders of record as of Dec. 8, 1950.

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The election of two new officers and changes in title for 17 officials at **Girard Trust Company, Philadelphia**, are announced by Geoffrey S. Smith, President. The promotions are all effective Nov. 30, the close of Girard's 114th fiscal year. Twelve officers in 10 different departments of the company are designated Assistant Vice-Presidents. These are: John P. Adams—Personnel; Otto S. Bauer—Credit; John De Venuto—Safe Deposit; Raymond J. Euler—Commercial Loan; F. W. Elliott Farr—Trust Investments; G. Odell Fletcher—Family Business Section; G. Randle Grimes and John W. Woerner—Trust Administration; J. Milton Hoffa—Comptroller's Section; William O. Master and J. Kent Willing, Jr.—Investment Advisory Section; Robert H. Wilson—Public Relations and Business Development. Allen M. Terrell is promoted to Trust Investments Officer. Other changes are in the Trust Administrative Division where Walter C. Baker, Paul B. Branin, S. David Hart and Herschel E. Shortlidge are advanced to Trust Officers. The two new appointments are John T. Chew and Frederic J. Mainwaring as Assistant Trust Officers.

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The election of J. Peter Williams as a Vice-President of **The Western Saving Fund Society of Philadelphia**, has been announced by P. Blair Lee, President of the Society. Mr. Williams, who was elected at a meeting of the Society's Board of Managers on Nov. 13, will take up his duties at the bank Jan. 1. Mr. Williams was educated at Princeton University and Harvard Law School. After receiving his law degree in 1940 he became affiliated with the Philadelphia law firm of Dechert, Smith and Clark, now Barnes, Dechert, Price, Myers and Clark. Entering the Navy as an ensign in 1941 Mr. Williams served throughout the war, and was promoted to the rank of Lieutenant Commander prior to his return to law practice in December, 1945.

* * *

Effective Nov. 10, the **Deposit National Bank of DuBois, Pa.**, with common capital stock of $200,000 and the **DuBois National Bank of DuBois**, with $200,000 common capital stock, were consolidated under the charter of the Deposit National Bank and under the title of **DuBois Deposit National Bank**. The office of the Comptroller of the Currency reports that the initial capital stock of the consolidated bank will be $600,000, divided into 12,000 shares of common stock of the par value of $50 each. The initial surplus will be $650,000 with initial undivided profits and reserves of not less than $276,000.

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The **Peoples National Bank of Norristown, Pa.**, has increased its capital from $250,000 to $500,000 through the sale of $250,000 of new stock. The new capital became effective Nov. 15.

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George C. Brainard, Chairman of the board of directors of the **Federal Reserve Bank of Cleveland**, announced on Nov. 17 the election of Lawrence N. Murray, President of the **Mellon National Bank and Trust Co. of Pittsburgh**, and Charles J. Stilwell, President of The Warner & Swasey Co., Cleveland, as directors of the Federal Reserve Bank of Cleveland. The new directors, chosen by the larger member banks of the Federal Reserve System in the Cleveland Reserve District, were elected for three-year terms commencing Jan. 1. Mr. Murray, a class A director, will succeed John T. Rohr, President of the **Toledo Trust Co., Toledo, Ohio**, who has been a director of the Reserve Bank since Jan. 1, 1948. Mr. Stilwell, a class B director representing commerce and industry in the Cleveland district, will succeed Charles L. Austin, Executive Vice-President of the Jones & Laughlin Steel Corp. of Pittsburgh, Pa., who has been a member of the board of the Reserve Bank since May 13, 1949.

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An increase of $100,000 in the capital of the **Alliance First National Bank of Alliance, Ohio**, increasing it from $400,000 to $500,000 became effective Nov. 8. The addition occurred as a result of a $100,000 stock dividend.

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The **Central National Bank of Enid, Okla.**, has been enlarged from $150,000 to $300,000 through the sale of new stock to the amount of $37,500, and the declaration of a stock dividend of $112,500. The increased capital became effective Nov. 9.

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William A. McDonnell, President of the **First National Bank in St. Louis**, has been elected a class A director of the **Federal Reserve Bank of St. Louis**.

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The enlargement of the capital of the **Farmers National Bank of Somerset, Ky.**, from $100,000 to $150,000 on Oct. 30 was brought about by a stock dividend of $50,000.

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Announcement is made that Thomas M. Hobbs has become associated with the **Commerce Union Bank of Nashville, Tenn.**, as a Vice-President effective Nov. 15.

* * *

Advices to us from the **Citizens and Southern National Bank of Savannah, Ga.**, from C. B. Justice, Auditor, states that "our board at its meeting on Nov. 14 authorized the addition of $1,000,000 to our surplus account, this amount being taken from undivided profits. Our common stock at this time is still $6,000,000 and the surplus is now $9,000,000.

* * *

J. R. Parten, Chairman of the board of the **Federal Reserve Bank of Dallas**, has announced that, as a result of the election just closed, W. L. Peterson, President of the **State National Bank of Denison, at Denison, Texas**, has been reelected a class A director, and W. F. Beall, President and General Manager, 3 Beall Brothers 3, Department Stores, Jacksonville, Texas, has been reelected a class B director of the bank, each for a three-year term beginning Jan. 1. After working in various capacities with the Eagle Lake State Bank of Eagle Lake, Texas, Mr. Peterson served successively as a State Bank Examiner, Departmental Examiner, General Liquidating Agent, and Deputy Banking Examiner of Texas. Since 1924 he has been associated with the management of the State National Bank of Denison.

* * *

An increase in dividends for the **Republic National Bank of Dallas, Texas**, in 1951, and the establishment of a new policy of paying dividends on a monthly plan was announced recently by Fred F. Florence, President, following the regular monthly meeting of the directors. Resolutions were adopted by the board to increase the annual dividend rate from $2 per share, payable quarterly, to $2.28, payable 19 cents per share each month. The first dividend under the new policy will be paid as of Feb. 1, 1951. The regular quarterly dividend of 50 cents per share was also authorized by the board to be paid in December to stockholders of record as of Dec. 15. This dividend amounts to $337,500 and brings the total dividends in 1950 to $1,350,000.

* * *

The **Fidelity National Bank of Twin Falls, Idaho**, has increased its capital from $150,000 to $300,000 by a stock dividend of $150,000. The new capital became effective Nov. 3.

* * *

Ben R. Meyer, Chairman of the board of **Union Bank & Trust Co. of Los Angeles, Calif.**, was elected President of the **Los Angeles Clearing House Association** at its annual meeting Nov. 14 succeeding George M. Wallace, Board Chairman and Chief Executive Officer of Security-First National Bank, who had served as President since 1947. Named Vice-President of the Association was A. J. Gock, Chairman of the board of Bank of America, N. T. & S. A., with Henry N. Thompson reelected to the post of Secretary-Manager. Mr. Meyer recently celebrated his 36th anniversary with Union Bank & Trust Co., of which he was Vice-President and director at its inception in June, 1914. He was elected President of the bank in 1916 and Chairman in 1950. He has served the Los Angeles Clearing House as Vice-President for the past three years and as a member of the Clearing House Committee since 1926.

* * *

Deposits, loans and total assets of **The Dominion Bank (Canada)** on Oct. 31 were at the highest levels in its history, according to the bank's 80th annual statement, covering the fiscal year ended Oct. 31, 1950.

Deposits on Oct. 30 aggregated $425,872,353 compared with $388,605,051 a year earlier; loans were $191,023,599 contrasted with $168,532,445; and total assets amounted to $471,087,483 versus $426,637,985. Capital on Oct. 30 last, was $7,000,000, unchanged from the close of the preceding fiscal year, while the reserve fund increased to $11,000,000 from $10,000,000.

Net profits for the year ended Oct. 31, 1950 were $1,245,678 equal to $1.78 a share on the capital stock. These compared with net profits of $1,001,195, or $1.43 per share, in the preceding fiscal year.

Continued from page 9

Monetary Controls Under Defense Mobilization

taken away from civilians for defense purposes.

The main sources of additional tax revenue may all be employed —taxes on individual incomes, corporate profits, excess profits and excise taxes. These taxes have different effects on spending and investing, and it is important to look at them not only as revenue sources, but also from the point of view of their general effect on the economy. Today's program touched on some of these considerations, and I do not have time to go into them.

A fourth avenue of attack is through encouragement of savings. A successful program of selling government securities to non-bank investors increases savings, reduces private spending, and lets government spend borrowed funds without swelling the money supply. Appropriate debt management policy will lead the government, when it needs to borrow new money, to get all it can from non-bank sources. And when it has to refund maturing issues, the object should be to lodge more securities outside the banking system, because it is borrowing from the banks that increases the money supply.

Restrictive Monetary Policy a Powerful Force

A restrictive monetary policy, the last of the avenues of attack I mentioned, is a powerful force that can be brought to bear on the money supply. It is harder to understand, and I will talk about it most. Teamed with a complementary policy of debt management and strong tax program, restrictive monetary action attacks inflationary forces right at the source. An easy monetary policy may not, at times, be very effective in inducing economic revival, but there isn't much doubt that tight money can check a boom. When money becomes tighter, the spending plans of individuals and of businesses have to be modified downward.

A restrictive monetary policy operates through reducing availability and increasing cost of bank reserves, and is expressed through an increased cost of money; in other words, in higher interest rates. Restraint is used to make it more difficult and more costly for the banks to obtain reserve funds, which under our system are necessary to support a further expansion in their loans and investments.

Of course there are other and more direct restraints. Selective controls, such as are applied to stock market, instalment, and new housing credits, are easily understood. But the function of bank reserves, the way the fractional reserve system works, and the relationship between bank reserves and the interest rate on the government debt are not generally understood, and since there will be wide discussion and controversy over them in the days ahead, I want to spend the rest of my time talking about them.

Every one of the steps to enforce a restrictive money policy is painful and hard to take. Part of the responsibility of these steps belongs to the Federal Reserve system. The agency that tries to meet this responsibility can never be popular, but perhaps its policy can be understood, at least by intelligent groups like this. I'm not too sure of that, either, because the process by which bank credit expands and contracts, and the effect of such changes on the money supply are by no means simple to explain or to understand. It's a whole lot easier just to cuss out the Federal Reserve and let it go at that. The problem of monetary restraint im made more difficult because bankers, with whom you ordinarily will discuss it, while they would like to have higher interest rates, oppose any move to restrict their ready access to lendable reserves or their freedom to expand bank credit wherever there is a demand.

Banks in the United States are required to hold certain percentages of their deposits as reserves, mainly with the Federal Reserve Banks. When the banking system acquires excess reserves it can expand its loans and investments about six times the amount of the new reserves. If that happens, it adds about that much to the country's money supply. Don't ask me to explain how the fractional reserve system works, for there isn't time. Just take my word for it.

If the banks want to continue to expand their loans, they must have new reserve funds. There are two main ways to get them—

from an inflow of gold, and from the central bank, which in this country of course is the Federal Reserve. Disregard the gold movement as relatively unimportant at the moment. The banks can get Federal Reserve funds in two ways—by borrowing from, and by selling government securities to, the Federal Reserve Banks.

The Reserve Banks can exercise restraint in their loans to member banks through the discount rate and in other ways. But restraint through refusing to buy government securities offered in the market is more difficult to accomplish. It is most important to recognize that the Reserve System is not free to reduce the availability of reserves and of bank credit as long as it is required to hold a rigid pattern of rates on government securities. Holding a rigid pattern means, of course, that the System has to buy securities at any time they are offered in surplus on the market to prevent a decline in price and an increase in yields. It is an absolute guarantee of complete availability of reserves at all times; banks have automatic access to Federal Reserve funds and at terms that generally yield them a book profit on the securities they sell.

Action by the Federal Reserve System to make reserves harder for the banks to get reduces the basis for bank credit expansion. Right here I want to make a most important point that is not appreciated very widely. The operations of the Federal Reserve System in tightening reserves of commercial banks result in interest rate changes. In an inflationary situation Federal Reserve action to restrain reserves tends to be expressed in upward rate movements. We recognize fully that these upward movements in rates do not do much to restrain borrowers. The cost of credit, in other words, is not a major factor as far as borrowers are concerned. And the main restraint on lenders does not rest so much on the cost of credit as it does on these factors: Rate changes increase bankers' need for liquidity because of uncertainty as to how much additional reserves will cost and as to their availability; rising rates reduce the market price of assets on hand and thus make their sale less attractive; and, finally, higher rates on government securities make them more attractive, thus dampening enthusiasm for other loans and investments.

You all have heard statements to the effect that the Federal Reserve System thinks it can keep people from borrowing by raising interest rates a fraction of 1%. That is a complete misinterpretation of the System position. The rise in rates may have no effect whatsoever on the demand for credit, but it does reduce the availability of credit, and that is exactly what we are trying to do at the present time.

I want to make one more point as clear as I can. Rising interest rates, which reflect lessened availability of credit, operate both on the private and public sectors of the money market; in other words, rate increases apply to government securities as well as to private securities and private loans. But the question of cost involved in higher rates on government securities should be put in proper perspective. An increase in the interest rate would increase the cost to the government of carrying the public debt. That is part of the price to regain control over the rate of expansion of bank credit. The Federal Reserve believes that this increased cost, which would be counted in millions, should be weighed against the total cost to the government and the public involved in further inflation, which would be counted in billions paid in increased prices for each percentage point the price level goes up. And, finally, any program aimed at restoring confidence in the dollar's purchasing power, even though it would involve higher interest payments on part of the debt, would produce a stronger and more stable demand and market for government securities of all types.

Concern over the cost of servicing the vast public debt is easy to understand and explain. But the issue is by no means one-sided, and should be weighed calmly, openly, and as objectively and good-naturedly as possible.

The Federal Reserve on Aug. 18 said it is prepared to use all the means at its command to restrain further expansion of bank credit consistent with its responsibility to maintain orderly conditions in the government securities market. If it does that, it is in for a lot of criticism and opposition. It isn't a simple, easy problem we face, but then the task of preserving a reasonably stable economy without surrendering all our individual decisions to government control isn't an easy one at any stage and particularly so in times like these.

There is a relationship between the program of general monetary restriction I have been discussing, and the preservation of individual choice and freedom that is in danger of being overlooked. General controls leave freedom of business choice and decision to the individual; direct controls such as price-and-wage fixing, rationing and allocation of supplies do not.

There is an increasing demand for price-and-wage fixing, for a more and more controlled economy. It comes from all segments of the American people—from businessmen individually and in organizations, from labor unions, from the press, from housewives, from all types and kinds of individuals. It is ironic exaggeration, perhaps, to observe that the so-called economic planners at present constitute the main vocal group now speaking out in favor of a general anti-inflation program that will tend to preserve individual freedom.

The important variable between our system and others is the individual's freedom of opportunity and choice. The core of that freedom and choice is the relatively free movement of prices which impersonally and efficiently direct labor, land and capital into economic uses. Our economic system is flexible and dynamic primarily because we use the price mechanism to allocate resources.

A good many people who press for more direct controls believe that these by themselves will cure inflation. Nothing could be further from the truth. True, they tend to suppress inflation and push its effects off into the future. There may come a time for direct controls, and it will be hastened if we fail to act courageously and in harmonious teamwork to carry out general restrictive measures. Total mobilization of the nation's resources, if it comes, will undoubtedly bring government controls straight across the board. Even then, to work, they will have to be backed up by strongly restrictive fiscal and monetary policies.

Now, I'll let you come up for air. What I have talked about is just one of the skirmish lines in a world-wide front. The questions that confront us are many and immensely complicated, and no one has all the answers. No one can now prescribe in full the course we should follow. Yet we must face the future with courage and with understanding. We must rest our faith on the conviction that freedom and the dignity of individual man will survive and we must be willing to fight to make that come true. In that spirit lies the hope that today's pain and struggle may be made only a phase in the evolution of a safer and better world—one in which freedom of thought and the institutions of human freedom have survived.

Build a New Home Now!

By ROGER W. BABSON

Mr. Babson advises those who want new homes to live in to build now and "don't let high prices scare you." Says it is not time to build rental units, owing to likelihood of continuation of rent controls. Advocates home-building in small cities or rural areas.

Although I have written about housing more than once recently, a number of readers are asking me to tell them specifically what I think about building new homes now in view of the recent Federal Reserve cut back of credit privileges.

Roger W. Babson

Readers are writing me that they would like to build a home; but they are not large wage earners and prices are now so high that they are afraid to act. My answer to these people is that it is OK to build now if you want a home to live in (not to rent). Also, if you can pay at least one-quarter down with a 15-year payment plan on the balance even although it does cost a lot to build a new home today with present high prices of building materials and labor.

Prices of labor and most materials, however, are not going to come down very soon. Those who decide to postpone building their new home until prices readjust themselves to something like prewar values, will be obliged to wait a long time. This is a growing country whose population and economy have expanded mightily in the last 10 years. So long as it continues to grow and so long as our living standards advance, we cannot expect a return to the lower price level of years gone by. Let us look ahead rather than backward and not be afraid to invest in the future of America.

This Is No Time to Build Rental Units

Note that I advise building now **only if you want a home to live in.** I do not believe it is wise to build homes to rent at this time. Even if we avert another global war, the change-over to an economy providing for increased defense planning and spending will have a considerable effect upon construction and real estate. Thus, it appears that rent controls are here to stay for awhile longer and may even be tightened in some strategic areas. Certainly, events since June 25 clearly indicate that substantial relaxation of these rent controls is now unlikely, and sharper restrictions may be invoked if the war should spread.

New Homes

There, however, are exceptions to every rule and, while I do not advocate building homes for rent now, a person may be justified in building now a two-family house with the intention of living in one-half and renting the other half. In fact, I have just completed a two-family house here at New Boston with that idea in mind. Be sure there are separate heating systems and that the water and electricity are on separate meters. Have two modern kitchens and two bathrooms.

Be Realistic in Choosing Location

Those who plan to build new homes should select the land as carefully as the materials. If possible, have enough good land for a "kitchen garden." Do not build in or near the big cities mentioned in the new book, "Effects of Atomic Weapons," reviewed in the Aug. 21 issue of "Time" magazine. The book itself can be secured for $1.25 from the Superintendent of Documents, Washington 25, D. C. For three years I have warned of the danger of living in these cities.

As this danger becomes more acute, more and more people will try to move their residences from these bomb-vulnerable cities, thus adversely affecting real estate values in those cities and raising values in rural sections. High taxes, also make it wise to avoid the larger cities as locations for new homes. Best bets for new homes today are cities under 50,000 population with preference to the smaller towns and rural areas. The smaller the community, the better your chance for clean, healthy living in the American tradition.

Build a Practical Home

I advise readers who have never built before to do some careful planning before spending their hard-earned cash. Do not be carried away by impatient contractors, but insist upon a fixed contract price—avoiding "cost plus." Know what you want and make sure you will get it before you commit yourself. Aim for a home that will be structurally sound as well as pleasing in appearance. Think of the future before you build. A four-room cottage with doll-sized rooms may look like a dream house now, but it will turn out to be an awful headache if you try to raise a family in it. Nor will it have anywhere near as high a resale value as a more orthodox unit with adequate living space.

Railroad Securities

Baltimore and Ohio

Baltimore & Ohio directors gave the financial community an agreeable surprise last week. It had been pretty generally expected that a dividend would be declared on the preferred at the November meeting, but few, if any, had looked forward to so generous a distribution. The stock has preference up to $4.00 a share per annum but is non-cumulative. This preference applies only to dividends—so far as assets are concerned the stock ranks equally with the common. As the company had already paid $1.00 a share earlier this year (in January) the best that had been hoped for at the year-end was $3.00.

At their meeting last week the directors declared the full $4.00. Presumably this means that the $1.00 paid last January was considered as applicable to the year 1949. It had been declared late that year. This will mark the first time since 1931 that the full $4.00 distribution has been made in any year. There was a long drought extending from the first quarter of 1932 through 1947 during which period no dividends at all were paid. One dividend of a dollar was paid in 1948, nothing was distributed last year, and, as mentioned above, another dollar was paid early this year. Presumably, from the recent action, preferred stockholders may look for more liberal treatment from here on.

At the time the dividend was announced, Mr. R. B. White, President of the company, stated that net income for the 10 months through October had amounted to $11,907,946 compared with only $5,439,946 a year earlier. Both figures are before sinking and other reserve funds. It was estimated that net on the same basis for the full year would be about $13,500,000. Apparently this estimate did not take into consideration any credit for retroactive mail pay increases. After taxes this should add somewhat more than $2 million to Baltimore & Ohio's 1950 net. Prospective prefunds net of around $15.6 million would compare with $6,869,827 in 1949.

Baltimore & Ohio has gone through two voluntary debt readjustment plans. The first provided for extension of maturities and the placing of a part of interest requirements on a contingent basis for a limited period. The second, finally consummated in 1947, again provided for extension of principal maturities and for putting a portion of interest on a contingent basis permanently. Under the present plan, 60% of the interest on the various series of Refunding & General Mortgage bonds is contingent on earnings. All of the interest on the Debenture 4½s and the unsecured portion of interest on the First 5s and Southwestern Division 1st 5s is contingent on earnings, ranking junior to the contingent portion of the interest on the Refunding & Generals.

In compensation for the sacrifices made by bondholders, the readjustment plan provided for the setting up of an annual capital fund to take care of additions and betterments to the property and for sinking funds, both to be deducted before arriving at income available for dividends. Also, it was provided that so long as total fixed charges and contingent interest remained above $20 million any dividend paid on the company's stocks would have to be matched with a like payment into an additional sinking fund. Obviously, then, when the management estimates earnings of $13.5 million for this year, equivalent to $4.35 a share of common stock, it may not be said that such earnings are available for the common.

Actually, in giving the estimate for this year the management stated that of the $13.5 million net, $9,750,000 would have to go to the capital fund and to sinking funds, leaving only $3,750,000 actually available for the stocks. After preferred dividend requirements this would be equivalent to only about $0.50 a share on the outstanding common stock. Obviously, then, even if the preferred is to go back on a regular $4.00 basis, there appears to be little likelihood of resumption of dividends, except perhaps on a token basis, on the common over the near term. Total fixed charges and contingent interest are still running at the rate of close to $27 million a year.

EDITOR'S NOTE: Extension of comments on the Baltimore & Ohio situation will appear in next week's column.

Continued from page 6

Chamber of Commerce of U. S. Views Excess Profits Tax

years 1946, 1947, 1948, 1949, and 1950.

If an Excess Profits Tax is imposed for a portion of the year 1950, the first six months of 1950 should be doubled.

(2) The credit should be the amount of the net income for any one of the base years adjusted for the "net capital addition" or "net capital reduction."

(3) Discounting the earnings (the 95%) rule of the prior law and the 75% rule suggested by the Secretary of the Treasury) has no justification. Secretary Snyder offered none, except as a device to tax normal profits at the excess profits tax rates; and no one has attempted to justify the 95% rule, except as a compromise in reaching an agreement to accept prior earnings as a yardstick for measuring normal profits.

(4) The adoption of one year out of the five will remove many of the complications of the prior law; the "growth formula" (Sec. 713(f)) will not be necessary; a new "growth formula in reverse" will not be necessary to protect corporations with declining earnings during the postwar period; the "75% rule" (Sec. 713(e) (1))—in fact, all of Sec. 713(e)—can be eliminated; adjustments to base period incomes (Sec. 711(b)) will be simplified; and, of immeasurable importance, most of Sec. 722 (the "general relief" provisions) goes "out the window."

(5) The "net capital addition" (Sec. 713(g)) should include all contributions to capital, all borrowed capital, and all accumulated earnings and profits during the period from the end of World War II to the taxable year, and the base period earnings should be appropriately increased in computing the credit (Sec. 713(a) (1) (B)). A similar adjustment should be made in the case of a "net capital reduction" (Sec. 713 (a) (1) (C)).

(6) In no event should the earnings credit be less than the earnings credit computed under the prior law for 1945 (adjusted for capital changes) increased by 50%, to offset the effects of inflation. Reviews and reaudits should be prohibited.

(7) Normal profits from increased capacity or new products (if "normal profits" are greater than the adjustment for the "net capital addition") should be exempt from the Excess Profits Tax. Thus an adjustment to base period earnings will not be necessary—and more of section 722 goes "out the window."

(8) Adjustments to base period income of the nature prescribed by section 711(b) must be made but should be liberalized. For example, base period earnings should be increased by the full amount of "unusual" losses, costs, and expenses which are allowable as deductions—even though they are not "abnormal." The use of one year out of five will eliminate the necessity of an adjustment to prevent penalizing taxpayers who elected to continue amortization of emergency facilities after Sept. 29, 1945.

The Essentials of a Flexible Base

(1) As we have stated, an excess profits tax will "shackle" and "freeze" industry to the pre-emergency level unless "flexibility" is injected into the definition and determination of normal profits. Otherwise, all profits from increased volume, increased capacity, new ventures, and new products will be considered and taxed as excess profits. In the prior law, the Congress made a sincere effort to provide partial solutions. Unfortunately, the solutions were in large measure inadequate and ineffective—not only because they were but partial, but also because of the administrative application, or misapplication of them.

(2) The statutory concept of "normal profit per unit of production" for the mining industry (Sec. 735) needs revision.

(3) A new concept of "normal profit per unit of production" should be formulated and applied wherever possible. For example, the earnings of the transportation industry are derived from the operation of a known number of cars, busses, trucks, or planes. Suppose an air transport company operated 100 planes during its base period and 150 planes during the taxable year. Certainly, all the profits from the additional 50 planes are not excess profits. And certainly no company could possibly increase its transport capacity if the resulting profits are to be taxed as excess profits. A "normal profit per unit" can readily be computed and applied to the additional planes, with an appropriate adjustment for overhead.

(4) A ratio of net profit to payroll, or perhaps a ratio of net profit to gross sales, should be a proper measure of "normal profits" in cases of increased volume and increased capacity.

Invested Capital—(1) Although exceedingly complicated, we suggest the retention of the computations of invested capital (including the 125% adjustment for new equity capital) prescribed by the prior law (Sec. 714). For example, the invested capital should be based upon the computation for 1945, and then brought down to date. But review and reaudit of that computation under the prior law should be prohibited.

(2) However, 100% of borrowed capital should be included, rather than only 50%.

(3) The credit should be a flat 8% of the invested capital—assuming that the normal tax is first deducted, as we have recommended. A very much larger credit must be prescribed if the "segregation method" of the 1942 Act is followed.

Supplements A and C—Supplements A and C of the prior law must be extended to include taxable "reorganizations" and transactions so that both the earnings credit (Supp. A) and the invested capital credit (Supp. C) of the acquiring corporation will be appropriately increased to reflect normal profits from the newly acquired assets. In our opinion, a corresponding adjustment to the credit of the transferror corporation is not of particular importance, for normally a business enterprise parts with assets only when it expects to derive greater profits from the proceeds. Nevertheless, if an appropriate adjustment can be devised, we would recommend its adoption.

Effective Relief—(1) Experience has established the ineffectiveness of Section 722. We believe the entire section can be discarded and adequate and effective solutions substituted.

(2) Interruptions to production (resulting from fires, floods, lack of raw materials, transportation tie-ups, strikes, etc.) during the base period require adjustments. The period of the interruption should be excluded, and the balance of the year placed upon a 12-month basis. The selection of one year of the base period greatly simplifies the adjustment and in many cases eliminates it entirely. Thus most of Sec. 722(b) (1) can be forgotten.

(3) The balance of Sec. 722(b) (1) and all of Sec. 722(b) (2)—unusual temporary depression—and all of Sec. 722(b) (3)—depression in the taxpayer's industry, as distinguished from business generally; and "feasts and famines"—are eliminated by the selection of one year for the base period and the adoption of the "old base" as a protective "basement."

(4) Section 722(b) (4) was intended to meet the problems of new ventures (together with Sec. 722(c)), new products, increased production, increased capacity, and new management. We recommend that efforts to measure increased normal profits resulting from new management be abandoned. We believe that our recommendations with respect to the determination of normal profits from increased production and increased capacity adequately dispose of those problems. The problem of measuring normal profits for new products and new ventures remains.

(5) Normal profits for new products can be determined. Actual experience over a reasonable period of time (adjusted for volume increases) can be used—if "high profits resulting from the defense program" are not involved. Experience from similar products will frequently "do the job." The few remaining cases will be discussed shortly.

(6) Similarly, normal profits for new ventures can be determined. Again, actual experience can be used—if "high profits resulting from the defense program" are not involved. But many cases will require another solution.

(7) The determination of normal profits for new products and for new ventures requires a business-like consideration of precisely the same factors that businessmen and bankers consider every day. Their decisions are normally reached promptly. Why not let the taxpayer present his facts to an independent committee (designated, for example, by the Governor of the Federal Reserve Bank for his district)? Such a committee can give him its opinion without delay. If he accepts it, it will be controlling. Otherwise, he will face the necessity of proving his own case to the Bureau or the Tax Court. In either case, he knows what to expect.

(8) Section 722(b) (5) is all that remains. It can be forgotten. It already has been. Even the cross-reference to Section 735, in Section 722(f), is not necessary; and, of course, Section 722(g) will not be necessary.

(9) In our opinion, it is not yet too late to remedy retroactively most of the defects of Section 722.

Adjustments to Net Income During the Taxable Year—(1) Under the World War II excess profits tax, certain adjustments of a corporation's net income, defined in Sections 711(a) and 721, were permitted to be made in computing its excess profits net income. All of these should be continued under any new excess profits tax.

(2) Capital gains should be excluded from excess profits net income in their entirety. The old law excluded only long-term capital gains. Short-term capital gains as well as long-term capital gains do not constitute business income and are properly outside the scope of an excess profits tax.

(3) All income from foreign sources should also be excluded from excess profits net income. By its very origin this income cannot be attributable to the defense program. Furthermore, the application to such income of the confiscatory excess profits rates contradicts the program for the encouragement of American enterprise abroad.

(4) More liberal depreciation practices should be allowed under an excess profits tax. The "tax benefit rule" should be applied in order to permit corporations to deduct in computing this tax the full amount of their costs of depreciable property not previously deducted from taxable income.

(5) The adjustments for abnormalities provided in Section 721 should be continued and expanded. The general purpose of the adjustments is to avoid subjecting to the tax income properly attributable to other years if technically realized in the taxable year by reason of the taxpayer's accounting method, the recovery of a judgment or the settlement of a dispute, or the completion of business operations extending over a long-term period. The application of the section should be expanded by eliminating the requirement that the abnormal income be in excess of 125% of a four-year average, and by permitting the accrual of deductions such as liability for vacation pay for which the taxpayer establishes a reserve.

Amortization—We regret that we are compelled to advise your Committee that the amortization provisions adopted in the Revenue Act of 1950 require immediate amendment. The Congress did not intend that the post-emergency or the post-five-year value of the facility should be considered in determining the amount of the costs to be amortized.

Conclusion

There are many other factors and problems which should be considered in framing an excess profits tax, but time does not afford to develop them on this occasion. Finally, all our statements should be considered in the light of the action of the Chamber Board of Directors in recommending against enactment of an Excess Profits Tax applicable to either 1950 or 1951.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Downie D. Muir, is now with First California Company, 647 South Spring Street.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Adele Parnell has been adde to the staff of Dean Witter & Co., 632 South Spring Street.

With First Central Corp.

(Special to THE FINANCIAL CHRONICLE)

RICHMOND, Calif.—Herbert E. Trumbo is with First Central Corporation of California.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edwin S. Dwelly is associated with Waddell & Reed, Inc.

NSTA Notes

CINCINNATI STOCK & BOND CLUB

The Cincinnati Stock and Bond Club will hold its annual election and Winter Dinner, Thursday, Dec. 14, 1950, at the Hotel Gibson Ballroom.

The election polls will be open between 3:30 and 5:30. A cocktail party will be held from 5:30 to 7:00. Dinner will be served at 7 o'clock. The cost of the dinner and cocktail party will be $7.50 for members, $10 for non-members.

FLORIDA SECURITY DEALERS ASSOCIATION

The annual meeting of the Florida Security Dealers Association was held at the MacFadden-Deauville, Miami Beach, and was a huge success, with more than 100 in attendance.

The new officers elected were:

F. Boice Miller

Norman E. Sterling

J. Herbert Evans

President: F. Boice Miller, B. J. Van Ingen & Co., Inc., Miami.

Vice-President: J. Herbert Evans, Florida Securities Co., St. Petersburg.

Secretary & Treasurer: Norman E. Sterling, A. M. Kidder & Co., Jacksonville.

Directors: The officers, and William Courtney, Merrill Lynch, Pierce, Fenner & Beane, Jacksonville; D. Kirk Gunby, A. M. Kidder & Co., DeLand; Cecil B. Pepper, Thomson & McKinnon, Miami; and Howard S. Wheeler, Leedy, Wheeler & Alleman, Inc., Orlando.

The 1951 Convention of the Association will be held at Ponte Vedra, Fla., the date to be set later.

PITTSBURGH SECURITY TRADERS ASSOCIATION

The Pittsburgh Security Traders Association will hold their annual dinner on Dec. 8 at the Pittsburgh Athletic Club.

SEATTLE SECURITY TRADERS ASSOCIATION

The Seattle Security Traders Association will hold their Annual Holiday Party on December 1 at the Olympic Hotel.

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Women Should Not Take Back Seat in Industry!

the primrose path to inflation and economic chaos.

And I ask you, is it not true that the best protection we can possibly have against this tragic threat is a huge broadening of woman's ownership of industry—in other words, a broadening of ownership that will bring home to women the stake that they as women, as citizens, and as consumers—I repeat, as consumers—have in the preservation of our free enterprise system and the American economic way. Naturally, every investor should own insurance, savings, government bonds. But my point is that every citizen should also be *An Owner*.

Every citizen—man and woman—should be a creditor of government and of our industrial system. That goes without saying. But it is not the position of a well secured creditor which will quicken the awareness of the economic dangers this nation faces in the present day world. Only the ownership — and ownership brought home and thoroughly understood, in other words, intelligent ownership will really accomplish that.

That is what I am trying to get at when I say women's ownership of industry should be broadened.

I see no reason why women should be preponderantly bond holders, or owners of the great blue chip corporations.

Women should also be owners in smaller companies, well chosen for their soundness of administration and for the profit potentialities in their several fields. Indeed, it may very well be that, in the present financial situation, these smaller companies may do better than the blue chips, and better than bond investment. The long-trend of the dollar is almost certainly downward—which means that stocks in sound companies are at least a more logical media for investment than bonds at present.

Women Should Not Only Earn, But Participate

It is not only the broadening of woman's investment in industry that is desirable today, it is equally important that woman's ownership be deepened.

I mean by this, of course, that ownership should be deepened from ownership that only owns, to ownership which participates.

I do not know how many women stockholders there are in United States Steel, or how much of that corporation's stock women own. Let us say the company is half owned by women.

But there is not a single woman serving on the company's board of directors! The same thing is true, largely, as we go down the list of all the large corporations—even to an amazing, if not quite the same, degree in those companies which make the consumers' goods which women buy.

I want to see women cast this mental laziness aside and stop *delegating* the rights and powers of management. All we have to do is to assume the responsibility of our ownership—indeed, that is our duty, and our duty not only to ourselves as women and owners of property, but as I have tried to show, to the whole economic system of which we are a part and to which we owe our high standard of living and the essential pattern of our politico-economic life. Men have not held women back in this. Women have accepted the back seat.

The crying need for women to participate, to deepen their ownership, is based on a fact of less general and more immediate import.

And that fact is that the great economic problem of our times is distribution. The difficulties of production have been pretty well solved in this country. Technicians have forged the greatest productive machine the world has ever known, a machine capable of turning out an incomprehensible quantity of goods. Today the problem is to get those goods, cheaply, quickly, and effectively into the consumers' hands.

I wish I had the time to go into this more fully, but here let me quote one of the most profound business thinkers of our age, Dean Donald K. David of the Harvard Business School.

Again and again, in recent months, Dean David has called attention to the pressing problem of distribution, saying once,

"In my opinion the system of distribution in this country will have a greater effect on the sort of society in which we shall be living in the years to come than will most of the scientific research currently underway."

It is not the problem of the assembly line which today presses upon us, it is the problem that starts at the factory door — the problem of merchandising, distributing in its larger sense.

And here certainly women are particularly fitted to make a great contribution to the nation's economy.

Women as Merchandisers

A free economy rests essentially on two factors: the freedom of markets to the producer, and the freedom of choice as between products to the consumer. At long as these two basic freedoms are preserved, we have little to worry about in foreign isms which might otherwise threaten our way of life.

But who understands, at least the latter of these two freedoms, as thoroughly as the well informed, intelligent woman who has its importance demonstrated to her every time she enters a store?

You do not have to explain to that woman the theory of freedom of choice between products. She understands it as fact, not as theory. For years she has been enjoying and utilizing that freedom — in every choice that she makes as between one branded name product and another. For years companies have been competing for the dollar which that woman carries in her purse, and she knows well the benefit that that competition has brought to her as a consumer, in better quality merchandise, more attractively presented, and at lowered price.

I have said before that the American woman is the purchasing agent of the American home.

I say now that as that purchasing agent, she has a firmer and more deeply ingrained grasp of the fundamental benefits of free enterprise than have all the theoreticians in the world, and as such she is the strongest possible anchor against a drift towards the false Edens held out to us by the unconscionable minstrels of the Left.

Here then, surely, in women is a mighty stabilizing force to our economy—in fact, to our whole society in an even broader sense, which is not properly used today.

It will only be made proper use of when women stop delegating authority, and assume the responsibility of ownership; for they will bring to that responsibility a live and vital understanding of the essential nature of free enterprise—an understanding arrived at in the buying which is of so great an importance in her everyday life.

But there is still another factor which cries out for women to assume that role in management which their ownership of industry imposes on them, which demands that women both broaden and deepen their ownership of industry in the trying times which we face, and that is that women will bring to industry the enormous boom of a fresh point of view!

Conservatism, I might point out, is not the resistance to all change. That is arteriosclerosis. No economy, no society, can be completely static, and every system must adjust itself to the shifting tides of political and social thought of the age.

In this difficult task of adjustment, where we shall certainly wish to make sure that we keep that which is important from the tested and tried, as well as selecting that which is sound and advantageous in the new, nothing is more of a handicap than minds imprisoned by tradition.

What we want is to appreciate the past, not to be enslaved to it. And conversely, we want to approach the future with an open although a cautious mind, while always refusing to be bemused by it.

On this difficult intellectual tight rope which we must walk, surely it is evident that women can make a great contribution. For her naturally perceptive mind will not be uselessly trammeled by tradition. Nor will she lightly abandon practices and concepts which have benefited her so markedly in the past. Indeed, the mind of the American woman can—and must—be a huge, fresh, new, revitalizing force to American business and industry.

She can point to new roads, and indicate fresh departures.

She can define the areas where useless tradition and habit still restrict us.

She can, above all, bring to the economy the great boom of a new, restless, probing daring imagination—which is surely something of which we are urgently in need today. And that, of course, is where the enormous and significant role of you women in finance comes in.

Some of you work in banks, some of you in insurance companies. Some of you are investment counselors, some of you are brokers, some of you are investment dealers.

But all of you are women, dealing in one way or another—directly or indirectly—with wealth, finance, the ownership of property—industrial property.

Some of you are directly concerned with the management of women's property. Some of you with the management of the property of men as well as women. And some of you are engaged in the more anonymous work of administering, or sharing in the administration, of those financial processes that cause our economy to function.

But the point is that you are all women.

You are women in a field which—or I should say—through which this broadening and deepening of woman's ownership of industry will take place, if it is to take place. As such you are in the front line.

It is you who will awaken other women to the importance of the challenge facing them, if they are to be awakened. It is you, and others like you, inevitably, who will have to show your fellow women the way.

Today I see the American woman the victim of a great gap—the gap between the facts and the implications of her ownership of industry—the gap between the passive and the active role in our economy—the gap between ownership that only owns . . . and ownership that enters fully into the responsibility of ownership, and therefore not only owns but directs.

That gap is a serious deficiency in our economy today.

Your responsibility, my friends, is to supply the spark that will jump the gap.

H. L. Dersch Now With Straus & Blosser

(Special to The Financial Chronicle)

PEORIA, Ill.—Henry J. Dersch, Jr., has become associated with Straus & Blosser, member of the New York and Midwest Stock Exchanges. Mr. Dersch was formerly Peoria representative for H. M. Byllesby and Co. Inc. and prior thereto conducted his own investment business in Peoria.

Joins H. M. Payson Co.

(Special to The Financial Chronicle)

PORTLAND, Maine—Frank R. Fowles has become associated with H. M. Payson & Co., 93 Exchange Street, members of the Boston Stock Exchange.

Vincent M. Doherty With R. W. Spragins

Vincent M. Doherty

(Special to The Financial Chronicle)

MIAMI, Fla.—Vincent M. Doherty has become associated with R. W. Spragins & Co. of Memphis. Mr. Doherty has recently been with Emerson & Co.

Public Utility Securities

By OWEN ELY

The Columbia Gas System

President Stuart M. Crocker, of The Columbia Gas System, recently gave a luncheon for utility analysts of the New York Society of Security Analysts at the Downtown Athletic Club, designed to bring them up-to-date on the company's earnings, sales, construction and financing, etc. While it is against the policy of the company to attempt to forecast or project estimates of net earnings available for the common stock, a large book of statistical data was made available, which included projections of anticipated sales, deliveries of gas, and other operating data, as extensions of historical charts.

The company has been handicapped by two warm winters which reduced the normal amount of house-heating sales. It has also had an extremely heavy construction program under way, which is just now beginning to "pay off." These difficulties have not disturbed the dividend policy, however, since the 75¢ annual rate has been conservative and the stock equity has been maintained around the 50% level. Now the company's operations are increasing rapidly, and despite the vagaries of the weather and the imminence of higher Federal taxes, the outlook over the next year or so seems promising for both operations and earnings.

The company has reported $1.16 a share earned for the 12 months ended Sept. 30, as compared with 88¢ per share for the previous 12 months, an increase of 32%. This reflects in large part the substantial gains in MCF sales in all categories of the business. In the nine months ended Sept. 30, retail sales gained 25%, and "old" wholesale business (served prior to 1950) gained 28%. The company has also acquired important new wholesale customers—Central Hudson Gas & Electric, Consolidated Gas of Baltimore, United Gas Improvement, and the cities of Charlottesville and Roanoke, Va. Including these new customers, wholesale business gained 38% and total sales 28%. Two other important customers—Commonwealth Natural Gas with 120,000 customers, and Acme Natural Gas with three big industrial customers — have begun service since Sept. 30th.

The company plans construction expenditure in 1951 of $54.8 million, plus $6.4 million for gas for storage, making a total of $61.2 million. In addition to growing requirements for gas storage, future expansion programs are centered more upon distribution and less upon transmission facilities than in the past. This is important inasmuch as capital outlays for distribution properties generate earnings earlier than expenditures for transmission. (However, for tax reasons, it may become advisable to step up drilling and gas production activities.)

The company will need about $35 million of new money in 1951. While it is impossible to formulate the 1951 financing program in detail at this time, it is the management's intention, if market conditions permit, to sell some common stock during the next six to nine months. While under its present improved indenture (on the debenture bonds) the company can increase its debt ratio to 60% of total capitalization, it intends to make use of this provision only in case of emergency. Also, although stockholders have waived pre-emptive rights, the company plans, if conditions are favorable, to offer subscription rights to the new stock.

Gas sales in 1949 were 260 billion cubic feet, and for the 12 months ended June 30, 1950, 300 billion cubic feet. By 1954 the company expects to sell 468 billion cubic feet, assuming that defense regulations do not hinder the expansion program. A great part of this expansion is expected to come from increased house-heating business, since house-heating saturation at present is only about 30 to 35%. Because of the unfavorable load factor of the house-heating business, the company is further developing its vast underground storage program, which permits extensive storage of gas in the summer and withdrawals in the winter. Whereas in 1945 gas taken from underground storage covered only 10% of peak day requirements, it is estimated that in 1951 storage gas will account for 42% of total peak day send-outs. By the end of 1950, the company will have 133 billion cubic feet in storage and it is expected that this gas inventory will increase to 160 billion cubic feet by the end of 1951 and to 210 billion cubic feet by the end of 1954. Such storage permits full year-round use of pipe line delivery facilities.

Attacks Low Interest Rate Policy

J. Stewart Baker, Chairman of the Bank of the Manhattan Company, in address at 152nd Annual Meeting, points out what government has saved on interest it has lost many times over because of resulting inflation.

In his annual address to shareholders at the 152nd Annual Meeting of the Bank of the Manhattan Company, J. Stewart Baker, Chairman of its Board of Directors, called attention to the "continuous erosion that has been taking place in the value of the nation's money through the insidious process of inflation" and laid a large part of blame for it on the Administration's low interest rate policy.

J. Stewart Baker

"From time to time," Mr. Baker stated, "our Government has justified its policies of holding interest rates at artificially low levels because of the importance it attributes to keeping the cost of interest on its tremendous debt at a low level. It has, of course, been frequently pointed out—and there is no reason to doubt—that it is only by inflationary credit policies that low interest rates have been maintained. It is difficult, however, to avoid the conclusion that what the Government has saved on interest it has lost many times over, due to inflation. The Government, in fact, is paying a terrific toll in the higher direct costs of its functions. For example, during the years 1947 through 1950, the Federal Government will have spent a total of about $161 billion in cash payments. Of this sum, roughly, $92 billion will have been spent for the purchase of goods and services in which the element of price inflation can be identified clearly. If it had been possible for the Government to buy the goods and services represented by these $92 billion of expenditures at the average prices prevailing in 1946 instead of those prevailing in the years of actual disbursement, the Government would have saved approximately $16.5 billion.

"In emphasizing, at this time, the costs of inflation, one must not be unmindful of the possibility that, due in considerable part to the distortions and excesses which inflation creates, the nation may, in time, be confronted with a period of severe deflation, accompanied by difficult and disrupting readjustments in employment, prices, incomes and profits. If this were to occur, the danger is that instead of teaching our people the futility of past lavishness, it might well tend to pyramid demands upon the Government at the very time its tax revenues are severely curtailed, thus laying the groundwork for a new period of alarmingly large Treasury deficits and a new injection of dangerous credit inflation into the financial structure.

"Looking at the record of the past two decades, one is forced to conclude that our nation has reached a condition where inflation is so great a danger that we are running the risk of being led involuntarily into increasing regimentation and control bordering on socialistic authoritarianism. The relation between inflation and socialism is closer than is generally appreciated. At every step in the inflationary process new distortions arise and new pressures are created for the Government to 'step in' with a new set of controls or actions designed to rectify the difficulties, real or imagined, in which one group or another of the economic body finds itself. Thus the risk of inflation has been used to justify assumption by the Government of responsibilities beyond its capacity to discharge, except by diffusing and obscuring the real cost through still further inflation. Now that our nation has entered upon a program of expanding military preparedness, with the additional cost which it entails, the risk of further regimentation has been greatly increased, as more than one high-placed Government spokesman has pointed out.

"Nearly everyone is against inflation, as such, but too few have recognized the manner in which it has been brought about and the true magnitude of its cost in terms of the nation's future. Taxation has been raised to a level and distributed in a manner which is endangering the incentives of the enterprise system. Pressure groups vie against pressure groups for the munificent favor of largesse from a Government which, even in periods of prolonged prosperity and full employment, in unable or unwilling to set its financial house in order. Even the land of plenty has its limitations and unless we can attain a wider and keener appreciation of this fact among our people we shall run the risk of going farther and farther down the road to socialism.

"Some may contend that perhaps this is what the American people want, but there is no real basis for this belief. If the label of socialism were clearly posted, if it were made abundantly plain that we are in the process of making a choice between our traditional system and a new system—one which precedent elsewhere has shown to fall far short of our own in accomplishments, in freedoms and in material benefits to the people who have embraced it—then we could be confident of the answer of the American people.

"We should not allow ourselves to be led irretrievably into socialism by actions and policies which, taken individually, fail clearly to identify our destination. To help bring about a better understanding of the inevitable consequences while there is still time to choose is a challenge for all of us who believe in the American way of life."

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John B. Hawthorne is with Kidder, Peabody & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Two With C. H. Wagner

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Lloyd C. Boudreaux and Frank A. Carlton are now associated with C. H. Wagner Investment Co. of Tulsa, Okla.

With Patten, Arnold Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Joseph M. Klenk is now with Patten, Arnold & Co., 477 Congress Street.

State Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Edwin Boynton has become associated with The State Investment Company, Bank of Commerce Building. He was formerly with Townsend, Dabney & Tyson.

Continued from first page

A Quick Trip to Europe

plete. Because of population growth, per capita improvement in production is less than the overall figures would indicate. Furthermore, a substantial portion of production is devoted to capital restoration and expansion, much of it "social" capital, such as schools and other public buildings. In areas of major destruction, it will take many years, and perhaps in a few instances some decades, to make up the capital lost through war damage. Thus Europe is poorer than the figures would indicate.

Poverty of the Masses

The European masses are poor, indeed, **as seen through American eyes.** Whether they are as well off as in prewar is widely doubted. In the case of the British, there may be a slight improvement. In the case of the French, there probably is a slight deterioration, and this is certainly true of the Germans. Food, everywhere, is adequate for nutritional purposes.

I stayed in 10 or 12 different hotels and found soap and a telephone book in only one room, even though there was a telephone in each room occupied. Freiburg had some 10,000 telephones prewar. Now, 5½ years after the war's end, there are only 1,600 phones in use. Although Germany is a great coal-producing country, its state-operated train from Frankfurt to the Swiss border lacked heat on a cold day. A German telephone engineer said he had not been able to buy a single pound of coal this autumn. Indications are that there will be much shivering in Europe during the coming winter, partly due to the inflationary industrial boom which requires the coal.

Except in Switzerland generally, and in the better sections of the other countries, people for the most part were rather poorly dressed in colorless, drab poorly styled garments. In Sweden only coffee is rationed, and that for reasons of inadequate exports to dollar countries. In Denmark even dairy products—chief item of production—are rationed. A meal in a public restaurant requires a ration coupon. Since devaluation the Denmark index of import prices is up 24% and the index of its export prices is down 6%—a whipsawing effect that is hard for the people to understand and accept.

Rationing, and price and investment controls are very extensive in Norway—the most regimented country in Western Europe. Dr. Trygve Hoff, editor of "Farmand" (a liberal weekly published in Oslo), said that the government's theory seems to be "keep the citizen war through frustration."

Rationing in England, although somewhat relaxed, is still rather extensive — 2 eggs a week, 4 ounces of bacon, 2 ounces of cheese, 8 ounces of sugar, 5 ounces of candy, 2 ounces of tea, 10 ounces of red meat. Coffee and milk are not rationed. Restaurants may be without eggs or meat. Each family is allowed only 3,400 pounds of coal through an informal local dealer allocation system. England has a cold, damp climate. "The afternoon tea is the only central heating system which they have."

Although there are a considerable number of farm tractors in Europe, I did not see any in a long journey from Frankfurt to Switzerland. There were very, very few horses. Cows and steers appeared to be used almost exclusively as draft power, even on the farm-to-market roads. I saw women spreading manure in the fields. In one case the headlights of our car illuminated a field in a rain-and-snow storm, during pitch darkness, and there we saw several women cutting hay by hand. In Germany and Switzerland the house and barn are generally under a common roof. Farmers live in villages of a half-dozen or more families rather than in isolated houses.

I was advised by a business executive not to draw too drastic a conclusion about the poverty of these farmers. He said they love the soil, labor is scarce due to overfull employment in many sections, and women have worked on the land for centuries and love to do so.

Food, "utility" clothing (which manufacturers in several countries must produce), and rents are generally low in price. Britain and France never abolished rent controls growing out of World War I. Two, three and four families frequently share a single flat, particularly in the damaged cities of Germany. In Scotland average house rents are $1.25 per week! In France it takes the five to ten-year rental of a flat to replace a single destroyed window. The landlords, thoroughly squeezed by the politicians, do not have the ability to make repairs. In Paris a special government division devotes its whole time to condemning uninhabitable flats. There is little incentive (or capital) for new housing construction. To a surprising degree, Europeans live in apartments. This is even true of well-paid business executives. The property ownership base is narrow, too narrow for political stability. In Stockholm over 90% of the people live in flats.

A London stenographer, as a beginner, receives £4 a week—$11 to $12. A pack of cigarettes a day, at 50 cents a pack, would absorb over 30% of her wages. After a year, she might get £5. Semi-skilled workers in London receive about £6, or $17. While skilled workers' wages may, in a few cases, reach £10, in general, skilled workers get only about another pound per week. Average wages for all workers in England today are £6.5, under $18 per week.

Switzerland appeared to have the highest-paid labor in Europe. Highly skilled automobile workers, more skilled than ours because of more hand work, in a Swiss plant would have to work two years to earn enough money to buy the cheapest car which they helped to produce, against six months for Detroit automobile workers. The manager of the Swiss plant stated that he thought none of his 400 employees owned an automobile. Even if cars were free they could not afford to operate them. Copenhagen has nearly a million population and 400,000 bicycles. Wooden shoes were to be seen on the streets and in the shops. A highly skilled pilot on a British overseas line to Oslo earns one-fifth of the American pilot's pay and pays proportionately much higher income taxes. These matters are of some importance as we think of Europe's role in its own rearmament.

Beyond the items mentioned above, most things, especially those which make living more pleasant, are high in price, such as electrical appliances, radios, attractive apparel, etc. Things with a relatively high labor content are generally cheap. Haircuts in Paris are 45 cents. Things which involve importation of raw material, or heavy capital charges, are high priced.

High prices are in part deliberate. In order to produce for export and to cut down domestic consumption (and to raise revenue), the British purchase (sales) tax runs from 15% to 100%. The French purchase tax generally is about 17%, but higher on many items.

Partly because of the high taxes throughout Europe, tax evasion and tax dodging are national pastimes. The French real estate turnover tax is 38%, thereby encouraging uneconomic holding of property. An American residing in Paris told me that recently he purchased a small farm outside of Paris for about 1.4 million francs ($4,000), and when he came to record the deed, the French official warned him of the tax and offered to insert half the above figure in the record "provided you pay me my fee of 2% on the actual purchase price." This same American told me that without legal basis, the tax collector told him not to report his salary earned from a U. S. concern in France to the government at all. The manager of an American plant in France informed me that because the 12 Americans on his staff were assumed to be honest, the revenue collector gives them an automatic extralegal 30% credit on their incomes before applying tax rates, while the 1,400 Frenchmen on the same payroll are assumed to engage in maximum tax avoidance and evasion. This practice in turn induces government further to raise rates to get more revenue. Checks are avoided, payment in currency preferred!

Private vs. Competitive Enterprise

The poverty of Europe is due partly to the lack of business competition. It is illegal to open a new watch or even a watch-parts factory in Switzerland. Prior government licensing and trade association approval are needed to open a new business in many parts of Europe. The Secretary of the American Chamber of Commerce in Paris told me of a new labor-saving and cost-reducing device widely adopted in one industry. Yet a year later there were no price declines, either relative or absolute, at all. The idea of mass markets is not widespread. The British Labor government has put socialization of the sugar beet refining industry on its agenda. In 1936, a Conservative government put together the 15 "competing" companies into the British Sugar Corporation, creating an absolute monopoly with three government directors on the board. At the same time, it provided it with an annual subsidy of about £3 million! Yet the British businessmen cry out against socialization.

At the Paris meetings several representatives of European associations had difficulty in understanding our distinction between private enterprise and private competitive enterprise. At these meetings I attempted on several occasions to direct the discussion to critical self-analysis of business on the theory that business must "clean its own house," must eliminate all basis for legitimate criticism. Such self-criticism was wholly foreign and unpleasant to many of the delegates in attendance.

Germany

While Europeans generally are very appreciative of what we have done in Europe since 1945, they do harbor a very deep-seated and legitimate resentment against us for our decisions at Yalta and Potsdam, agreeing to the division of East-West Germany and Austria, and particularly in Germany our failure even to preserve a corridor to Berlin. They feel that a very large proportion of the burden falling on us is due to our own failure to understand the Russians, not only as of 1945, but from Czarist days on and that irreparable damage was done to Europe for a long time to come, if not for all time.

In Berlin 50% of the buildings were destroyed. While the rubble has been cleared from the streets, there are hundreds of acres of rubble piled high in city blocks. There appeared to be little new construction going on, although there was some reconstruction and renovation. There are 300,000 people unemployed in West Berlin. There is not enough real or working capital available to put these men to work, even if markets for the production could be found. West Berlin, surrounded completely by a Soviet sea, and with East-West trade not developing (perhaps actually contracting) to any great extent, is an economic desert. So long as present conditions persist, it probably must continue to remain so. Every postage stamp in Germany carries a special tax to help feed West Berliners. ECA and the Bonn government appropriate money for the same purpose.

I spent considerable time in Berlin with a businessman manufacturing wooden boxes. He took me into the Soviet sector (illegal) on several occasions. He has relied on the black market in the Soviet sector for a good portion of his raw materials. However, because of the rapid socialization in the Soviet sector, his raw material supply is partially drying up. The same is true of other manufacturers, thus worsening the position of Western Berlin. There was talk of moving 125,000 workers and their families out of Berlin to Western Germany.

The barrier between East-West Germany and East-West Berlin is exaggerated. There are Soviet police at the main thoroughfares, but at some risk we crossed back and forth right in front of them. Many Germans living in the East zone of Berlin work in the West zone, and vice versa. As a result, there is some traffic back and forth and it would be difficult to check everybody. At the Potsdamer Platz, a dividing point between East and West, the newspapers of Western Berlin have erected a huge electric translux news bulletin which operates every night for several hours, much like that on the Hahn Building in Washington or the New York "Times" Building, Times Square, New York. The sign, perhaps a hundred feet high, faces down a heavily traveled Soviet street. People from the East gather in great numbers to read the news from the Western world. The Soviet authorities attempted to extinguish the bulletin by playing a water hose on it. One evening, when I was there, the Soviets played a loud, raucous radio to divert people's attention, singing the more or less popular song, "Americans Go Home," every few minutes.

The German mark is overvalued. In Frankfurt, young men in pairs picked me out on many occasions and offered me up to six Deutschemarks per "greenback." American PX scrip can be bought on the streets. At Frankfurt reconstruction and new building is proceeding at a rapid pace. I heard hammers from my hotel room until midnight. There is an inflationary boom. Production in Western Germany is one-fifth above prewar according to the official indices—a figure which can be misleading in terms of the standard of living because of the heavy emphasis on capital formation and because of the greatly enlarged population. About 40% of Frankfurt buildings were destroyed.

Capital Shortage

Even though most European countries are devoting a large share of income to capital building, capital shortages both real and monetary are almost universal. Danish long-term government bonds pay about 5%—double our rate. In Western Germany there appears to be some kind of maximum on long-term capital of about 6½%, yet there is virtually no capital market. In Germany The short-term interest rate is 8 to 10%—five to six times our rate of under 2%. I found one case of 15%. Because of heavy taxation and subsistence living, saving is very difficult. Several inflations in the past 40 years have dissipated fortunes and greatly weakened confidence in any savings in the form of money or money instruments. This is also true in France. "Suppressed inflation" prevails also in Norway and some other countries.

Prospects of Socialization

A number of businessmen and bank economists in several countries told me that they felt fortunate in having labor or socialist governments in their postwar years. The inevitable privation and lack of progress could have been made palatable only by labor's own leadership being in power.

The socialized industries, by and large, have not lived up to their promises. British coal has greatly risen in price and contains more than the prewar volume of slate and other noncombustibles. Meeting export quotas has been almost impossible.

The workers generally have not experienced the promised "feeling of participation" in the socialized industries. Deficits have been widespread. Nearly everywhere, when the question was asked as to the prospects of more socialization, the answer was much the same: "The charm of socialization has evaporated." This is true of the intellectuals as well as the man on the street. This does not mean, especially in Britain, that some more socialization will not take place. It is of some importance to note, however, that it took actual experience to convince the intellectuals that socialization was not the route to the millenium.

The Europeans distinguish between nationalization of industry and socialization as we did in our pamphlet, "The Welfare State." Socialization of income, subsidies, artificial wage fixing, extensive controls, profit limitations—these and many other weapons are deeply entrenched, hard to eradicate. Whether dynamic, progressive economies can be re-established under these clouds is a moot question.

In Germany legal requirements permitting worker co-determination of business management policies is regarded by many businessmen as a serious threat to dynamic economic progress. In Italy, even when there is no work, employees may not be laid off—hardly conducive to enterprise risk-taking and expansion.

Little Fear of Russians Overrunning Europe

The greatest surprise was the lack of fear on the part of Europeans of the prospect of the Soviet Union overrunning Western Europe. All agreed that the Russians could do this in a matter of weeks, but even in Western Berlin I found no fear of this happening. Out of some 50 intensive interviews, only one European, a Swiss, admitted that he thought that the Russians were coming, but even he said that they missed their most opportune time and that with each passing day he wonders whether his judgment was right.

How does one explain this contrast with our own fears and planning? Europeans think we are hysterical about the matter. Several of them said that our Administration has to have a bogey or "a cause" just as any other government, including the Soviet, has to have a cause. Several said that the conflict was really between the USSR and the USA, and that when the attack came it would bypass Western Europe, coming over the Bering Strait. While I challenged some of this thinking, it must be admitted that the European views as expressed by my informants are not wholly irrational.

They argue that the high point in their fears was during the airlift to Berlin. The success of the airlift demonstrated both to the Europeans and to the Soviet Union that we mean business.

Next, our prompt action in faraway Korea gave them additional confidence, even after Dean Acheson had somewhat ambiguously excluded Korea from our sphere of interest in his National Press Club speech of Jan. 12, 1950. His words: "This defensive perimeter runs along the Aleutians to Japan and then goes to the Ryukyus," gave the Europeans further assurance that the Soviet Union now has "due notice." Korea is on the other side of this line.

Our subsequent determination to rearm ourselves and help to rearm Europe at great sacrifice was a further brick in the wall, dispelling fear of the Soviet Union.

But the most important factor in the lack of fear of Europeans is the recognized Russian knowledge of what they would have to deal with once they had rolled over Western Europe. The underground movement in East Germany and the other satellites is of considerable dimensions, even though all recognize it as largely ineffectual so long as the Soviet authorities have a monopoly of arms and administrative authority. Since the barrier between East and West is not nearly as firm as we have been led to believe, there is a very large back and forth movement and a great deal of reporting in Western Europe of what goes on behind the Iron Curtain. "Trusted" Soviet officials bring with them to the West large volumes of information and viewpoints which indicate that the Soviet hold on Eastern Europe is tenuous indeed from an emotional or loyalty viewpoint. The magnitude of the problems which the Soviet would inherit if it rolled over Western Europe is well understood in Moscow and is regarded as an important deterrent by people in Western Europe. The hatred toward Russia is extensive and potent. In international affairs there are no friendships; there are only interests. But the Russian leaders have succeeded in generating a maximum hosility toward themselves in nearly all parts of the world. This hostility rests on acts, not mere words, and can be expected to play an important role in the protection of the West.

I received enough first-hand information on the underground in Eastern Europe to feel confident that if the Politburo has the "realism" commonly attributed to it, certainly a second and third thought will be given before Western Europe is invaded. In strategic terms, the Soviet Union could not possibly afford to roll over Europe with its southern flank exposed in Turkey and the Near East generally.

These are the reasons commonly given by the Europeans for their lack of fear of invasion from the East. All agree, however, that some further rearmament is a wise preventative. Their conclusion may turn out to be wrong, but it appears to rest sufficiently on calculated judgment to warrant giving it more consideration than we appear to do.

Conclusions

There has been much discussion of European economic problems in economic journals, the New York "Times" and other papers, and government reports. For this reason, there would be little point in my adding to this volume, except for a few final observations.

Considering the conditions of Europe in 1945, the recovery has been marked indeed. Intimations that exchange convertibility and the abolition of import and export controls are close at hand must be subjected to considerable doubt. The improvement in sterling balances is to a large extent due to our boom of 1950 and Korea. The frozen assets in Britain of about $7 billion must be weighed against its rise in dollar balances.

When Europe starts to rearm, if it does, its balances may melt away. Because of the high taxes, the overlord of government and subsistence living, it is not clear how much of an additional rearmament burden Europe can assume without raising considerable political problems, country by country. Suppressed inflation is widely evident.

The long period of foreign trade controls and nonconvertibility of currency have encouraged the rise or expansion of many uneconomic enterprises in Europe. This development becomes an important factor in attempts at tariff reduction and overcoming the smallness of European countries internal markets which make mass production and marketing so difficult. New resistances have been built up. The future of Europe, both in economic and military terms, depends heavily on what happens in Germany. France, understandably, fears German economic competition and German rearmament. This underlies the Schuman Plan for coal and steel as well as the armament of Germany by "battalions," as proposed by France, as against a completely integrated German army. The Germans will not readily accept second-class citizenship in an European rearmament program. Europeans outside of Germany fear German rearmament for another reason which has been ignored by the American press: If the Germans had complete control of a powerful war machine, there would be great danger that they would want to put that machine to work to retrieve Eastern Germany, including the Sudetenland of Czechoslovakia, and thereby pitch the entire Western world into a third world war.

In short, Europe is part of the problem and is not likely to be too much help, if any, in its solution.

But, to repeat: the foregoing comment, somewhat disjointed and episodic, should be judged for what it is, namely, just one person's observations on a quick trip to Europe.

Whitcomb Co. Admits Bost as Partner

William Dale Bost, formerly Chairman of the Board of Orange Crush Co., has been admitted to partnership in Whitcomb & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. Mr. Bost, who was an officer of Orange Crush for more than 20 years, has been associated with Shields & Co. in their Chicago office for the past three years. Mr. Bost was recently elected a director of Argus Cameras, Inc., Ann Arbor, Mich. and was the founder of the Bost Toothpaste Company.

William Dale Bost

Coleman & Fagan

Coleman & Fagan will be formed as of Dec. 1 with offices at 2 Broadway, New York City. Partners will be David Coleman and Albert E. Fagan, member of the New York Stock Exchange. Mr. Fagan has been active as an individual floor broker for some time.

Seskis & Wohlstetter

John Y. Seskis and Charles Wohlstetter will form the New York Stock Exchange firm of Seskis & Wohlstetter with offices at 15 Broad Street, New York City, on Dec. 1. Both have been active as individual floor brokers on the Exchange. Mr. Wohlstetter in the past was a partner in F. L. Rossman & Co.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co., Inc. and Associates today (Nov. 30) is publicly offering $4,000,000 Wisconsin Public Service Corp. first mortgage 2⅞% bonds, due Nov. 1, 1980 at 100.50% and accrued interest to yield approximately 2.85%.

Proceeds from the sale of the bonds are to be applied to the payment of $3,300,000 short-term bank loans incurred to finance additions, betterments, and extensions to the properties of the company. The balance, together with the proceeds from the sale of $2,250,000 par value common stock to its parent, will be used to finance the 1950 construction program and a portion of the 1951 program.

The bonds may be redeemed at the option of the company at prices ranging from 103.50% to 100% and for the sinking fund they may be redeemed on or after Nov. 1, 1953 at prices ranging from 100.47% to 100%.

Wisconsin Public Service Corp. furnishes electricity and gas and, to a small extent, bus transportation and steam, in north central and northeastern Wisconsin and an adjacent part of Michigan. Among the principal cities furnished with one or more types of service are Green Bay, Sheboygan, Oshkosh and Wausau in Wisconsin and Menominee in Michigan.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Earl W. Smith and James A. Snook, Jr., are with First California Co., 300 Montgomery Street.

With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Harold W. Spencer has become associated with Hannaford & Talbot, 519 California Street.

Johnson Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Taufek H. Ramsey has been added to the staff of Johnson & Co., Russ Building.

William Staats Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Charles A. Rafter, Allan S. Young and Ed. L. Castleton, Jr., have become connected with William R. Staats Co., 111 Sutter Street.

Joins Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Mrs. Irla H. Hjerpe has joined the staff of Wilson, Johnson & Higgins, 300 Montgomery Street.

Joins Estabrook & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry G. Hart, Jr., has become affiliated with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

J. H. Goddard Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Joseph E. McNichols has been added to the staff of J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

Francis M. Blodget

Francis Malbone Blodget, partner in Spencer Trask & Co., New York City, died at his home at the age of 63. Mr. Blodget's entire business career had been spent with Spencer Trask & Co. of which he became a partner in 1923.

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As We See It

with the regime which now rules China, and which, whether we like it or not, will so far as can now be foreseen, rule China for a long while to come.

Vacillation

Of course, our Asiatic policy has long been vacillating, unrealistic, silly and ineffective. It has been based upon many misconceptions of the actual state of affairs and upon a strange inability to take a long look at our own actions through the spectacles commonly worn in Asia. It has suffered and is today suffering from an incredible persistence of some of the illusions so cherished during the last war. If, as some seem to suppose, the dissatisfaction of the opposition with the course of the Administration as respects Asia is confined to a belief that we should have been more rigorous in the Far East, then the current situation is more disheartening than we hope it is.

For one thing, so far as combating communism is concerned, we have often been about as fatuous and ineffective in Europe as we have ever been in Asia. If there is a threat of violent aggression on the part of the Kremlin in Europe, there has always been some such threat since the end of the fighting in 1945, and we, as soon as the fighting ceased, proceeded to pull out of Europe as well as Asia as fast as ships could bring us home. Moreover, little or nothing was heard about the concomitant disarmament on the part of virtually all the peoples who would suffer in the event of a march of the Russian hordes to the Atlantic. Only relatively recently have we been doing much talking about this situation, and it is far from clear that we have done much about it ever since we became vocal. In short, we have been vacillating and inconsistent in Europe even as we have in Asia.

What the Republican party could very definitely complain of about our Far Eastern policy has been its vacillation, its abrupt change of direction on more than one occasion, and its failure to keep alert to the implications and dangers of the courses it was pursuing. There really is no possible excuse for our surprise at the march of the Communists last June, and no conceivable excuse for us either not knowing in advance precisely what we should do in such circumstances or in being prepared in a military sense for what we should actually do. We were either caught completely by surprise, or else neglected to place ourselves in position to do anything effective with any reasonable margin of safety—assuming that such was our intention. It is even yet far from clear what the outcome of the fighting on the Korean peninsula is to be, but we can say with absolute certainty that we escaped ultimate disaster there by the skin of our teeth and by virtue of great daring and quite exceptional strategic ability on the part of the commanding military authority there whose counsels we have long neglected or ignored.

More Profound Questions

But much more vital, profound and significant problems are involved in all this. Many of these apparently do not even touch the consciousness of many of our leaders, political and other. Is there any good reason why we must make it our duty to shut our eyes to the obvious fact everywhere else fully and frankly recognized that China is today under the control of a group calling themselves Communists, and that there is certainly no observable indication that China will not remain so dominated—so far as the great rank and file of the Chinese people can be said to be dominated at all—by this same element. Whether we like their economic and social beliefs or practices is wholly beside the point; whether we think there is danger to us in the fact that this Chinese regime is under the thumb of the Kremlin is also not particularly pertinent at this point.

The fact is that this regime is in the saddle, and cannot be unseated by anything that we can say or do short of a full scale war which in point of fact we possibly could not win should Russia choose to intervene. Whether years ago we should have undertaken to prop up a weak, corrupt and ineffective regime and thus prevented the rise of the present government—or whether we could have done so without precipitating a third World War—is a debatable question for the historian fond of the "might-have-beens." So far as our present problems are concerned, we should be wise in writing this issue off our books.

The Real Question

This leaves the real question by which we are faced at this moment in Asia. In what degree and how are we to prevent—assuming that it is really our obligation to prevent it—the spread of the intrigue and intervention which is steadily stretching itself eastward and southward from China and Russia? It appears to be generally conceded that we could ill afford to commit ourselves and our energies to Korea to the extent that would be necessary to hold that peninsula against the full strength of Communist China, supported and aided by Russia. What then should we be planning in that area? Certainly an "unconditional surrender" notion is out of place. We may as well tell ourselves the truth about this situation. We have a bear by the tail—and no pun is intended. We have already laid ourselves open to the charge of Asiatic imperialism, and denials, however well intended, are not likely to remove all suspicions. Even many of our friends are feeling a good deal of uncertainty. As apostles of democracy we are not impressing many peoples who do not even understand what we are talking about.

It seems to us that the time has come when both Democrats and Republicans would do well to become "re-examinists."

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Impact of Defense Program On American Economy

sistance to Western Europe are likely to be determined in negotiations that stretch out over a considerably longer period of time.

In the absence of accurate information the field, both in Washington and throughut the country, has been given over to speculation and rumor. And this speculation has tended to center around some distinctly high figure. Military expenditures of $50-$60 billion per annum within the near future have been suggested—and indeed these figures were repeated recently by the legal counsel of one of the defense agencies. These speculations are important regardless of their relation to the facts. Businessmen and consumers act upon anticipations of what is likely to happen and if they have been acting on anticipations of military expenditures substantially larger than those to be made this in itself is a factor of substantial significance. I shall return to a discussion of this influence presently.

My own opinion, for what it is worth, is that the volume of military expenditures assuming no serious worsening of the military situation, will probably be substantially lower—and the rate of buildup slower than has been recently assumed. Concerning the rate of buildup, we already have some facts: military contracts have not as yet been let in sizeable volume and the current rate is low. The Committee for Economic Development, a group of responsible businessmen, in its statement on National Policy "Paying for Defense," released Nov. 16, estimated the volume of military expenditures in calendar year 1951 at $35 billion. Individuals responsible for this statement have since then indicated a belief that this estimate is too high. My own view is that military expenditures will not reach $20 billion during this fiscal year and will hardly exceed $30 billion in calendar 1951.

These figures, it is true, represent a large increase. But my point is that they are substantially lower than those which have probably governed business and consumer anticipations over the last six months.

There are, moreover, certain considerations of a fundamental character that must necessarily govern any program of military expenditures. Such a program takes time to develop and it is highly important, whatever the magnitude of the program, that it be carried through as planned. Frequent substantial variations in the planned level of military expenditures are extremely disruptive not only to the economy but to the effectiveness of military programming itself. It is essential, therefore, that responsible officials assure themselves that a rearmament program stretching of necessity over a period of several years does not break down in the middle for lack of public support. A program of a magnitude requiring the imposition and maintenance of thorough-going price and wage controls, rationing and allocation, in the absence of a convincing demonstration of the imminence of war, might very well break down. This is no more than saying that, in addition to the impact of the defense program on the American economy, there is a reverse impact of the economy and the way the American society is organized on the magnitude and character of the defense program itself.

More might be said in justification of the particular figures I have chosen, but it hardly seems worthwhile. Admittedly a situation could develop in very short order that would lead to a much larger volume of military expenditures. It is well to remember in this connection that on Dec. 7, 1941, a leading American diplomat was speaking in public of favorable developments in Japanese-American relations at the very moment the Japanese struck at Pearl Harbor. All I can says is that in order to discuss the impact of defense expenditures on the American economy *at all* one has to start with *some* estimate of the magnitude of the program and these estimates of about $20 billion of military expenditures in fiscal 1951, and $30 billion in calendar 1951, represent my present best judgment.

Main Impact Already Taken Place

If this is somewhere near the truth, one can probably say, concerning the next few months, that the main impact of the program on aggregate expenditures has already taken place. The impact since June on prices, wages, output, and employment has been very large. Since the actual increase in military expenditures has been slight, this impact has been, then, almost entirely the result of action in anticipation of the event. Furthermore, there is reason to believe, as we have seen, that anticipations loomed much larger than the event is likely to justify. Under these circumstances, some reaction may well occur even though defense expenditures continue to rise at an accelerated rate. Let us take a look at what has already occured since the Communist attack in Korea and then dust off the crystal ball for a look into the near future.

The outbreak of war in Korea initiated an outburst of consumer and business spending of spectacular proportions. During the third quarter of this year, commercial banks increased their total loans by $4 billion. According to the Federal Reserve Bulletin, "The expansion since June in credit to private borrowers and to state and local governments . . . has exceeded that in any peacetime period of similar length." At the same time, consumers were drawing down their savings accounts, liquidating some part of their holding of government bonds, and increasing their borrowing to use the proceeds on purchases principally of durable goods. During the third quarter, time deposits at commercial and savings banks declined by about a half billion dollars, redemptions of savings bonds exceeded purchases by around $300 million and share holdings of building and loan associations also declined. These same three months also saw an expansion of consumer credit of about $1.200 million.[1] All this adds up to a buying spree on the part of both business and consumers of very substantial dimensions.

The impact of this spending on output and employment has been large and on prices even larger. The rate of output in the economy as a whole in early October was the highest since June, 1945, when we were engaged in all-out war. The rate of output for durable goods (both consumers and producers), housing, and industrial raw materials has been spectacularly high. Under the influence of increased output non-agricultural employment increased by over 2 million workers and the average length of the work week also increased. By mid-October serious labor shortages existed in many areas.

The impact on prices was even more remarkable. Not more than a few days after the Communist attack on Korea prices of raw materials began to rise sharply. By the end of August the average price of commodities traded on organized exchanges had increased by 20%. The largest price increases were, of course, for imported raw materials such as rubber and tin and these prices reflected the additional pressure of stockpile purchases. But the rate of increase in the general wholesale price index during the two months following Korea was as rapid as in any period of similar length in recent history. Retail prices have, of course, moved up more slowly, but their rise has been sufficient to constitute a serious difficulty in current wage-price discussions.

Anticipatory Buying

These output, employment, and price effects have been very largely the result of buying in anticipation of procurement and price difficulties supposedly attendant on a large and rapidly developing program of military expenditures. As a consequence of the anticipatory buying of consumers, their requirements for many types of durable goods, which under ordinary circumstances would not have been fulfilled until next year, have already been satisfied. With respect to business buying, the accumulation of inventory holdings is always profitable as long as price are expected to go up. But there is some evidence that the general price increase has come to an end and in certain areas where anticipatory consumer buying has been large the prospects may even include the possibility

1 These figures are from the Federal Reserve Bulletion of October, 1950. "Recent Monetary and Credit Developments."

of some price decline. Under these circumstances aggregate spending is not likely to be swollen as it has been during the last few months by speculative purchases for inventory. The continued prospect of real shortages of certain materials will no doubt lead businessmen in certain areas to get their hands on as much as can be purchased, though government material controls will make this scramble increasingly difficult. In other areas, however, purchases for inventory are likely to be carefully considered during the next few months.

Since buying over the past half year has been heavily influenced by spending in anticipation of future requirements, it follows that some recession could probably be expected in some consumer durable goods lines even in the absence of changes in monetary, credit, and fiscal policies. But there have been in fact some rather drastic changes in public policy in this area. Changes in corporate and individual income tax rates made shortly after Korea are expected to produce an increase of about $4½ billion in government revenue this fiscal year. Even though no further tax increases are made during this short session of Congress, the first six months of 1951 will inevitably produce a sizeable government cash surplus. The tightening on Oct. 16 of Regulation W in the field of consumer credit has already begun to bite deeply into the sales of automobiles and some other durable gods. So far its effects in the automobile industry have been largely on the sales of relatively high-priced cars both new and old but over time the impact will undoubtedly become broader. Regulation X, prescribing minimum down payments and minimum repayment periods for loans on new construction, issued Oct. 10, will necessarily take a longer time to show results, but its influence will be bound to be felt during the first six months of 1951. In addition, the Federal Reserve System has raised rediscount rate and by steps taken to increase the yield of short-term government securities is attempting to increase the volume of private savings.

If expectations of a large and rapidly developing military program were now about to be realized, these steps would probably be insufficient to accomplish these intended purposes. But coming towards what appears to be the end of a wave of anticipatory buying and before heavy military spending is yet underway, these tax and credit measures are likely to cut fairly deep.

The main large element of aggregate expenditure not here taken into account is business investment. There seems little doubt that plans for plant and equipment expenditures are very large. Between these plans and their realization, however, are a number of material shortages of which steel seems by far the most important.

The fact that we may be headed for some recession of aggregate spending does not, however, mean that the end of rising prices is at hand. Beginning towards the end of May with the General Motors wage settlement and accelerating after the outbreak of war in Korea, the "fifth round" of wage rate increases has been proceeding inexorably during the summer and fall and this force is by no means spent. The wage settlement in steel is yet to come and, after steel, many more industries are due to fall in line. During the summer the increase in prices provided a rationalization for the increase in wages and during the fall and winter increases in wages are being, and will be, used to justify increases in prices.

Thus, the familiar wage-price spiral, like time, marches on. Furthermore, the day has long gone by when evidence of increasing unemployment can check a developing pattern of wage-rate increases. The fifth round, once well underway, will carry through inexorably until a new "pattern" of wage rates has been established. I shall return presently to a discussion of the wage-price problem. But here I wish only to emphasize the probability that we shall have increasing prices in certain areas alongside of unemployment that may in other areas become rather sizeable.

Some increase, and perhaps a substantial increase, in unemployment seems to me to be hardly avoidable during the next few months. For this there are several reasons: shortages of certain industrial raw materials, decline of consumer spending, particularly in the field of durable goods, and a cessation in a number of industries of business inventory accumulation in anticipation of further price increases. Price increases there will certainly be, for reasons that I have indicated; but there will also be price decreases. Sporadic unemployment resulting from material shortages has already shown up in a number of cases. These cases are likely to become more frequent. A number of durable goods industries are already beginning to feel the effect of declining consumer purchases and this effect is bound to intensify. Although figures are not available, there is evidence that wholesale and retail orders are being placed with much greater care than was true during the summer.

The picture I am trying to paint is a confused and confusing canvass on which both inflationary and deflationary forces are at work. What will happen to the general level of prices over the next few months I do not pretend to know; I suspect, however, in the absence of a seriously adverse change in the military situation, that if the price level increases during the next few months the increase will be slight. And what I feel sure of is that even a substantial increase in many prices is quite compatible, under existing circumstances, with a considerable degree of unemployment.

If this picture is approximately true to life, let us stop for a moment to shed a tear for the lot of the Director of Economic Stabilization. "Let us tell sad stories of the death of Kings," suggested the Bard in a mood very similar to mine as I contemplate the task facing this poor man. He is bound to be set upon, from one side, by groups demanding that he control inflation and evidence will be presented of rising prices; he will be buffeted by groups on the other side who demand that credit controls be relaxed and who will produce irrefutable proof of increasing unemployment. Labor will point to rising prices in justification of increased wage rates. Business will show him increased wage rates to justify increased prices. Under circumstances in which there may well be no pronounced upward movement of the price level and in which growing unemployment in some sectors is accompanied by increasing employment in others the best thing for a stabilizer to do could conceivably be to do nothing at all.

Situation Different from Pre-War 1940

The situation that confronts us now is essentially different from that we faced in June, 1940, at the beginning of a former defense program. Then there were still 7 or 8 million unemployed and unused or underutilized facilities. Consequently we could and did move into a rather smooth upward movement in the output of both military and civilian goods by absorbing unemployed resources into employment. No serious shortages of materials were encountered for many months and prices did not really begin to move up sharply until March, 1941.

This time, however, the problem is very different in at least two very important respects. In June of this year, we were already operating at close to full employment and although, in the months after Korea, we saw a sizeable expansion of output, the slack in our economy was nowhere near as great as in 1940. In the second place, ten years of living under conditions of high output and employment with recurrent shortages and persistent inflationary pressures tends to produce, in the face of another war scare, a rapid and intense response in the shape of speculative buying. The situation now confronting us is shaped to some extent by these conditions. In a period of full employment, resources cannot move into military production in a smooth stream and without repercussions on civilian employment and output. Dislocations are bound to occur and no public action, no matter how carefully devised and administered, can wholly avoid them. The present situation is likely to be further complicated by the reaction to the spending spree of the last few months and this reaction may well be confused in the public mind with the effects of recently imposed fiscal and credit controls.

We seem, then, to be facing a rather complex period during which both inflationary and deflationary forces will be at work. My crystal ball does not tell me how long this period is likely to be. It seems improbable, however, that it can be very long. If military expenditures of even $30 billion are to be realized in 1951, this means that the *rate* of spending will have to hit $30 billion by midsummer and approach something like $40 billion by the end of the year. Whatever deflationary elements may impinge on the economy during the next few months are likely to be swept aside before very long by the acceleration of military spending.

It is important, if we are to consider the economic prospect over a somewhat larger term, to estimate the absolute and relative importance of this projected rate of defense expenditures. In June, 1950, military expenditures plus economic assistance were at the rate of about $17 billion. We now envisage an increase to say $40 billion by the end of 1951. This is not only a large absolute figure but it is some 2½ times the earlier rate. However—and this is the point I wish to emphasize—it is not particularly large in relation to current and prospective gross national product. Gross national product is now running close to $300 billion per annum and, at present prices, may be expected to increase at the rate of say $10 billion a year, assuming no greater increase in employment than is accounted for by the net contribution to the labor force from population growth. We shall in fact see a greater accession than this. More women will go to work, older people will stay at work longer than expected, and average hours worked will increase. Even when account is taken of the withdrawal from civilian employment of men required by the armed forces, there will still be an unusually large increase in the labor force. And this will lead to a rate of increase in G. N. P. larger than we should otherwise be entitled to expect.

I am not trying to minimize the magnitude of expected military expenditures, but merely to put this magnitude into proper relation. And one of the conclusions I draw from these figures is that with a gross national product of over $300 billion, military expenditures even of $40 billion a year could be managed without thorough-going wage and price controls and consumer rationing and without substantial inflation. Some increase in prices there will have to be as higher cost output and higher cost employment are drawn into production. But this increase *could* be kept to small proportions with proper tax policy and with a proper handling of the wage-price problem.

Tax policy comes first and foremost. Without a proper tax policy there is no possibility of managing the wage-price level and we shall be inevitably driven forward on a wage of inflation into a system of thorough-going direct controls. Time is clearly not available for a discussion of tax questions. I wish merely to say a word about them and then to conclude with a few remarks on wages and prices.

Tax Problem

The tax problem that confronts us is a perfectly manageable one. The increase in military expenditures will be accompanied by a small reduction—say $3 or $4 billion—in governmental civilian expenditures. Payments for unemployment relief and farm price supports will necessarily diminish; public works expenditures for other than military purposes are already being curtailed. The control measures now in effect will change recent increases of consumer and real estate credit into decreases, and some measure of success may be expected from the campaign for individual savings. What we need further is a sharp increase in taxes that bite into consumer expenditures. This means in the main individual income taxes and excise taxes. The political cost of these measures is probably some form of excess profits tax or at least a sharp rise in the corporation income tax.

A failure to adopt a proper tax program would entail a wage-price problem that can only be handled by the imposition of direct controls. This may be the only solution, over the larger-run, even with a proper tax policy.

There are only two things I want to say about the wage-price problem: first, there is no rule or formula of any scientific standing whatsoever that permits us to say, as of a given period, that wages are too high, or profits are too high, or farm incomes are too high; second, in the present organization of the American economy and under current conditions, it is impossible for any one group to increase the price of its services without inducing an increase in the price of the services rendered by other groups.

The conclusion I draw from the first proposition is that it is always possible for any organized group to argue that its own income is too low and the incomes of other groups too high, and there can be no generally acceptable objective demonstration that the argument is unsound. The conclusion I draw from the second proposition is that if any group, say labor, insists on increasing the price of its services, business and agriculture are sufficiently well organized to protect their own share of the "take" by increasing the price of the services they render.

Under these circumstances we may expect, I think, to have our ears assailed by argument and counter-argument concerning the highness and lowness of profits, wages, farm incomes, and prices; we may expect, furthermore, to have to listen to demonstrations that the height of this and the inadequacy of that are economically unsound, politically unwise and unethical. If these arguments are pushed to aggressive action, moreover, we shall be confronted with an inflationary situation that will necessitate direct controls.

* * *

The subject of this address, let me now remind you, has been "The Impact of the Defense Program on the American Economy." In the absence of information concerning the magnitude of this program, the discussion has necessarily been speculative to say the least. I'm told that in journalistic circles the name applied to a piece of writing involving considerable staring at the walls and ceiling is a "thumb-sucker." All I can say in defense is, that if the management doesn't want "thumb-suckers" it shouldn't ask for them.

Bankers Underwrite Utility Stk. Offering

The Pennsylvania Power & Light Co. is offering to holders of its common stock rights to subscribe to 475,409 shares of additional common stock at $23 per share at the rate of one share for each seven shares held of record at the close of business Nov. 28, 1950. The company is also offering to its regular full-time employees, under a payroll deduction plan, the privilege of purchasing at the subscription price and during the subscription period up to 150 shares each from shares not subscribed for by the exercise of rights by the common stockholders.

Under a conditional purchase privilege, holders of the common may also subscribe for any number of shares not subscribed for through exercise of the rights and by employees. Such shares will be allotted on a pro rata basis after the expiration date of the offerings.

The subscription offers expire at 3 p.m., Dec. 13, 1950, and are being underwritten by an investment group of 21 firms jointly headed by The First Boston Corp. and Drexel & Co.

Proceeds from the sale of the additional common stock will be added to the general funds of the company, and with an equivalent amount, together with other funds of the company, will be used for the company's construction program.

With Laidlaw & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward S. Munro is with Laidlaw & Co., 1 State Street.

Lyman Tiffany Dyer

Lyman Tiffany Dyer died at the age of 77 after a brief illness. Until he retired in 1919 he was a member of the investment firm of H. L. Crawford & Co.

Dreyfus & Co. to Admit

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will admit William A. Brindley to partnership on Dec. 1.

Barth Partner Retires

SAN FRANCISCO, Calif.—Arnold Grunigen, Jr. is retiring from partnership in J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges, as of today.

Ernest Gottlieb & Co.

Ernest Gottlieb will acquire the New York Stock Exchange membership of William A. Klubnik and will form Ernest Gottlieb & Co. with offices at 61 Broadway, New York City, in partnership with Ernest E. Ash.

Dominion Bank Elects

The Dominion Bank (Canada) announced the election of Joseph H. Lang, of Kitchener, Canada, as a member of the board of directors. Mr. Lang is Chairman of the Board of John A. Lang & Sons Ltd., tanners, of Kitchener, Ontario, Canada.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Since the previous column was written the market has done two things. It has made a new high; it has tripped and fallen on its face. If you're a Dow theory follower, the establishment of a new high makes for a bullish interpretation. But if you held on, or went out and bought additional stocks, being faced with a theory is poor satisfaction for actual losses sustained in the past few days.

* * *

The current belief is that the turn of events in Korea was responsible for the market break. Be that as it may, the fact remains that a reversal in the up-trend wasn't exactly a secret. As recently as last week I wrote that "I still consider this market a dangerous one."

* * *

Apparently I wasn't alone in this opinion, though I wish I were. I could then take all the credit and boast what an efficient soothsayer I am. There were others who also foresaw the danger.

* * *

The fact now facing us is what will the market do from here on. I call this a "fact" though actually it is nothing of the sort. It's a case of interpretation. If whatever is foreseen actually occurs, it becomes a fact. If it doesn't, it becomes a theory.

* * *

I'm deliberately stalling to avoid answering my own question, "what about the market?"

To answer that we'll have to go back to technical market action on the theory that past action foretells the future.

* * *

A few weeks ago when I started talking about a declining trend, though at the same time allowing for a new high before the reversal, it was the action of the market that pointed to these coming events. The possibility of a change in war news, a spread of the Korean war and other involvements were something I knew nothing about.

* * *

Today we have a break and the war news is attributed as being responsible for the event. The market in its own way isn't interested in reasons. It is concerned with results, actual or probable.

* * *

From a technical viewpoint a continuation of the decline to about 222 in the Dow Industrials is indicated. Broadly speaking, it would mean a backtracking to the lows of early November which would include most stocks. That's one yardstick. Here's another one:

* * *

Though the averages may go down to the early November lows, there'll be certain issues that will give ground only grudgingly. These, I think, will be the war beneficiaries. It is possible, of course, that these stocks may have some frightened selling in the next few days. But fears and hopes are merely temporary factors. In conclusion let me add that an intensification of the Korean war is not bearish per se, though its temporary effect is likely to be damaging.

[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.]

Continental Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Fred T. Roussin is with Continental Securities Co., Inc., Peoples' National Bank Building.

John G. Kinnard Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John B. Freud and Vernie R. Schwantes are with John G. Kinnard & Co., 71 Baker Arcade.

Three With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Odell Lee, John E. Lordin, Jr., and Robert E. Steffen are with Waddell & Reed, Inc., of Kansas City.

Waddell & Reed Adds

(Special to THE FINANCIAL CHRONICLE)

WRAY, Col.—Clark D. Smith is now connected with Waddell & Reed, Inc., of Kansas City.

Continued from page 4

Business and Commodity Outlook For 1951

in power and to prevent the election of conservatives to any office.

Living Costs Will Sag

The cost of living has risen 2.5% during the last 12 months, 2.1% of this advance directly due to the Korean War. During the early part of 1951, it is probable that living expenditures by consumers will continue at relatively high levels, reflecting the upswirl of wages and the advances in commodity prices due to war fears. By midyear, however, the effects of quieter general business will be felt, and living costs should become less intolerable from then on to the end of the year. We predict that the average of the cost of living for the whole of 1951 will be slightly below current levels.

Sharp Drop in Profits

We are now forecasting a slide in profits after taxes for 1951. In this prediction we are making the necessary allowance for four important unfavorable considerations, every one of which will mean a sizable bite out of profits: (1) The disgraceful tax structure, against which we have waged an unceasing battle, faces little, if any, real improvement during the coming year. The trend, unfortunately, will be upward and the impact upon the whole profit system will be extremely powerful. (2) Wages have reached such a high level throughout the country that labor costs have been hoisted to the most exalted level in our history. As any businessman well knows, labor costs comprise an enormous item on the expense side of a corporation ledger. (3) The cost of materials of almost all sorts has gone skyrocketing since the Korean War began. Even with some subsequent readjustment, most businesses will find their profit margins considerably pared down by the expenditures necessary to keep up their inventories. (4) Slackening business means a decline in demand, which leads to a contraction in production volume. Considering the narrow margin on which many of our companies are forced to operate at this time, the dangers of a lower volume are clear.

Heavy Family Debt

An important feature of the outlook is the record inventory which more families now possess than at any previous time. Many people are already heavily in debt, and payments for homes, automobiles, television sets and such like are eating hungrily into pay checks. Taxes are constantly beating down purchasing power. At the same time, additions to liquid savings have sagged critically. National income is now 100% higher than it was a decade ago. At that time, in 1940—and before this country became involved in World War II—the people of America put $4 billion into liquid savings. So far in the year 1950, the accumulation of liquid savings has been practically nil. It will be surprising if an addition of $1½ billion can be shown. If increases in the amount of liquid savings had kept pace with the national income figure since 1940, we would be recording, in 1950, an accumulation of some $8 billion. Here, surely, is one natural economic support which seems to be tottering.

Money Supply

Despite the inflationary hullabaloo of the past three months, we are using every possible source of money supply to conduct our business. For the next six months it is possible that the Federal Government will operate at a surplus, thus contributing no increment to the available supply of money. Credit restrictions will bring contraction, not expansion, in money supplies. The recent tendency for loans to increase more rapidly than deposits means that money will have to turn over more quickly if business needs are to be accommodated.

Such a situation lends itself much more easily to slackening business than to further growth. Business has to depend upon the other fellow's payments in order to keep going at a rapid clip. When somebody fails to pay, the effect at a time like the present is much more noticeable than when busines is being conducted at a lower rate of money turnover. When nearly every obtainable dollar is being rapidly used, one important failure can easily lead to a good many others. The possibility of such sharp liquidation should not be ignored in considering the prospects for 1951.

The Family and Business

Another outstanding economic consideration for the coming year is concerned with the potential adverse effects of the rapid decline in the formation of families. During the period ranging from 1946 to 1949, we were in a tremendous marriage boom. At that time there was recorded an average of 59 marriages for each 1,000 females of marriageable age. In those years the age at which couples were united in matrimony moved steadily lower.

In fact, the average bridal couple were so young that a switch to any lower age bracket is not at present probable. But, most important, the number of people of marriageable age will be declining so swiftly over the next two years, in relation to recent years, that we are predicting a 25% decline in marriage totals. The low birth rates in the depression of the early 1930s will be strongly affecting the number of families established from 1950 to 1955.

Fear and Confidence

In concluding this glance ahead into the probabilities for 1951, it should be pointed out that the anti-democratic powers which expect to see an economic and financial collapse in our Western World during the next year are doomed to bitter disappointment. Soviet leaders, regardless of what they may *hope* to see, are going to witness a steady revival of military strength in the United States. Even more alarming to the Russian Communists, the powerful spiritual revival already gaining strength in many parts of the earth will reveal the unwholesome folly of trying to foist an atheistic program upon naturally devout people. Our confidence in the spiritual revival has been greatly strengthened by last week's heartening election results.

It is true that we are faced with a tangled skein of national and international problems. It is true that there is likely to be a marked corrective recession in total United States business in 1951. Actually, we feel that 1951 should turn out to be just about what 1950 would have been if the unexpected Korean War had not broken out. It is only fair, in closing, to point out that our predictions could, of course, be knocked entirely out of line if the Reds should be stupid enough to choose 1951 for starting a new World War or if the Administration were to resort to extremely drastic pump-priming to get re-elected in 1952.

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The State of Trade and Industry

not be advanced the same amount. This company will absorb a substantial part of the wage costs and accumulated material cost increases. The increase on the consumer's bill will be less than 6½% per ton of finished steel. This advance does not include that made for tinplate a week ago. The latter was in a class by itself because of a yearly contract setup and because of skyrocketing tin prices.

Other steel firms, the magazine asserts, are expected to meet the terms agreed to by United States Steel Corp. and the United Steelworkers of America. At the same time some of the smaller steel firms which have been hard hit by rising material costs will still charge a premium over prices announced by the larger units.

This week the fabulous gray market in steel is back in full bloom. It is being nurtured by insatiable demand born of desperation among steel consumers. As in the past, it is characterized by fabulous prices and weird deals. A dependable source of supply is the only thing preventing it from mushrooming to tremendous proportions.

Fortunately, steel producers have clamped such tight control on the sale of their output and where it is going that at least part of the would-be gray market is starving to death for lack of tonnage to feed on. The majority of today's gray market steel is coming from foreign sources.

This week king winter took a healthy bite out of steel production. Hardest hit were the Pittsburgh, Cleveland and Youngstown districts where record snows virtually immobilzed transport. This caused the estimated operating rate for the industry to plummet 18 points from the prestorm level to 85% of rated capacity. The loss of close to half a million ingot tons of steel will be another serious blow to manufacturers who have already had their quotas slashed to the bone, "The Iron Age" concludes.

Electric Output Tapers Off From Recent New High Record

The amount of electrical energy distributed by the electric light and power industry for the week ended Nov. 25, was estimated at 6,507,509,000 kwh., according to the Edison Electric Institute.

It was 220,825,000 kwh. lower than the figure reported for the previous week, 970,387,000 kwh., or 17.5% above the total output for the week ended Nov. 26, 1949, and 1,158,342,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Decline Further in Week

Loadings of revenue freight for the week ended Nov. 18, 1950, totaled 837,065 cars, according to the Association of American

Railroads, representing a decrease of 2,547 cars, or 0.3% below the preceding week.

The week's total represented an increase of 78,093 cars, or 10.3% above the corresponding week in 1949, but a decrease of 21,024 cars, or 2.5% below the comparable period of 1948.

Auto Output Advances Slightly As Model Changeovers Near Completion

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 119,863 units, compared with the previous week's total of 125,970 (revised) units and 111,779 units a year ago.

Ten of the 17 auto manufacturers have completed changeover operations. "Ward's" added, and slightly over 50% of the cars produced last week were 1951 models.

Total output for the current week was made up of 97,383 cars and 16,419 trucks built in the United States and a total of 4,361 cars and 1,700 trucks built in Canada.

For the United States alone, total output was 113,802 units, against last week's revised total of 118,404 units, and in the like week of last year 111,779. Canadian output in the week totaled 6,061 units compared with 7,633 units a week ago.

Business Failures Fall in Holiday Week

Commercial and industrial failures declined to 146 in the holiday-shortened week ended Nov. 23 from 170 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this decrease, casualties remained about the same as a year ago when 148 occurred and exceeded the 1948 total of 101. Continuing below the pre-war level, failures were down 42% from the 252 in the similar week of 1939.

Liabilities of $5,000 or more were involved in 113 of the week's casualties, business failing in this size group declined from 126 last week, but were 1 above their total of a year ago. Small failures, those having liabilities under $5,000, fell to 33 from 44 and compared with 36 in the corresponding week of 1949.

A decline occurred during the holiday week in failures in all industry and trade groups except commercial service which rose moderately. More concerns failed than a year ago in manufacturing, construction, and service, although the increase was marked only among the service establishments. Both trades, wholesaling and retailing, had fewer casualties than in 1949.

Three regions accounted for the week's decline and included the Middle Atlantic, South Atlantic and Pacific States. No change occurred in the Mountain and West North Central States, but mild increases took place in other regions, notably the East North Central and New England States. Casualties were higher than a year ago in four areas, the New England, Middle Atlantic, East South Central and Pacific States. With mortality in the East North Central and Mountain States remaining the same as a year ago, the sharpest decline from the 1949 level appeared in the South Atlantic Region where less than one-fourth as many failures were reported as last year.

Wholesale Food Price Index Shows Further Rise in Week

Strength in foods persisted last week and the Dun & Bradstreet wholesale food price index rose another 5 cents to $6.63 on Nov. 21, from $6.58 the week before. This is the highest level in nine weeks, or since Sept. 19, when it registered $6.67, and it represents a gain of 2.3% over the post-Korea low of $6.48 on Oct. 10. At this time a year ago the index stood at $5.74.

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 Irregularly Lower In Latest Week

The wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly last week. Following a dip at mid-week, it rose to 304.75 on Nov. 20, a new high since the all-time peak of mid-January, 1948, and closed at 303.47 on Nov. 21. This was down slightly from 304.15 a week previous, and compared with 246.11 a year ago at this time.

Grain markets last week on the Chicago Board of Trade were quite active with prices fluctuating irregularly over a fairly wide range. Most grains finished higher with cash corn touching new high ground since Oct., 1948, aided by continued light country offerings and a broad industrial and feed manufacturing demand.

Interest in wheat improved as the result of additional allocations of ECA funds for the purchase of wheat and flour for shipment to various European countries.

Strength in oats reflected small country receipts and a tight cash market. Aggregate sales of grain futures on the Board of Trade amounted to 227,619,000 bushels last week, or a daily average of 45,600,000 bushels. The latter compared with 50,200,000 bushels the previous week, and 40,000,000 in the like week a year ago.

Business in the domestic flour market was slow and cautious at the week-end following fairly good bookings of Spring wheat bakery types earlier in the week. Bakers and jobbers were said to be well covered for several months. Cocoa was irregular and lower at the close. There was considerable liquidation during the week, induced by weakness in other commodities and reports of lower selling prices in foreign primary markets. Coffee prices ruled somewhat firmer in rather light trading, aided by reports of crop damage in Colombia.

Raw sugar prices turned downward on the announcement that the CCC would sell in the world market part of the surplus supply of sugar purchased from Cuba some months ago.

Butter continued to edge higher, supported by broader pre-holiday demand. Lard closed on a firmer tone, aided by strength in vegetable oils and a report that the government was in the market for a substantial quantity of lard for shipment to Yugoslavia.

Domestic cotton prices continued their sharp uptrend of recent weeks. The New York spot quotation at 44.80 cents and the December contract at 44.03 cents broke through their previous peaks of June, 1920, to establish new high levels for all time.

The rise was influenced by active mill and export demand, the recent increase in export quotas, the current high rate of domestic mill consumption, and the prospect of a further tightening in the supply situation.

Sales of the staple in the ten spot markets increased to 347,100 bales last week, from 244,300 the week before, and compared with 389,300 in the corresponding week a year ago. Demand for cotton textiles in both primary and secondary markets showed improvement with prices holding steady to firmer.

Trade Volume Advanced Further As a Result of Colder Weather and Holiday Buying

The approach of the Winter holidays and the prevalence of seasonally cold weather contributed to a moderate rise in consumer buying last week. Aggregate dollar volume of purchases was somewhat above the level of the comparable week a year ago, Dun & Bradstreet, Inc., reports in its current trade summary.

Shoppers bought appreciably more clothing the past week than during the previous week the total sales volume noticeably exceeded last year's level. In some vicinities the consumer demand for overcoats, Winter suits and other cold weather items increased markedly. Accessories and Winter storm-coats were featured in scattered promotions. Dresses of varied quality were increasingly sold. Of men's wear items, shoes, shirts and pajamas were bought in rising amounts.

With Thanksgiving imminent, food-buying rose considerably in the week; much of the purchasing was for fresh fruits, vegetables, condiments, and the usual turkey. While the selling of canned goods was generally above the level of the similar 1949 week, it dipped somewhat from that of a week ago.

With some effects of the credit curbs becoming increasingly apparent last week, there was a general decline in the consumer purchasing of many large appliances, some furniture, and automobiles.

The aggregate dollar volume of housefurnishings and other consumer durables continued high, however, as increasing interest took place in the buying of housewares, small appliances, and draperies. There was also a steadily rising demand for toys and novelties, presaging the approach of the holiday season.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 3 to 7% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and Northwest +5 to +9; East and Pacific Coast +2 to +6; South +1 to +5; Midwest +4 to +8; and Southwest +3 to +7.

There was a slight rise in wholesale ordering during the week ended this Wednesday, reflecting a general lowering of retailers' inventories. The total dollar volume of orders was moderately above the level for the similar period last year. The number of buyers attending various wholesale centers was nearly unchanged from that of the previous year.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 18, 1950, advanced by 7% from the like period of last year. This compared with a revised figure of 7% for the previous week. For the four weeks ended Nov. 18, 1950, sales showed a rise of 5% from the corresponding period a year ago and for the year to date registered an advance of 5%.

Retail trade in New York last week moved from 5 to 10% higher as a result of Thanksgiving buying. Volume attained close to record levels for the holiday week.

According to the Federal Reserve Board's index, department store sales in New York City, for the weekly period to Nov. 18, 1950, advanced 6% from the like period of last year. In the preceding week an increase of 2% was registered from the similar week of 1949. For the four weeks ended Nov. 18, 1950, an increase of 1% was registered over a year ago, and for the year to date, volume advanced 1% from the like period of last year.

Inequities of Excess Profits Tax Exposed

Publication of Guaranty Trust Co. of New York contends tax is not only ineffectual as anti-inflationary device, but discourages economical business operation, and penalizes young and growing businesses. Holds government's fiscal situation does not require immediate need of such a tax.

The proposal for a Federal excess-profits tax at this time was criticized today by "The Guaranty Survey," a monthly publication of the Guaranty Trust Company of New York, for the practical reasons that it is ineffectual as an anti-inflationary device, it discourages corporate managements from holding down costs, it tends to penalize young and growing businesses which should plow back more of their earnings, and because the Government's fiscal situation involves no immediate need for such a tax.

The bank publication concedes the strong emotional appeal of a tax intended to take profits out of war. It admits the Government's need for more tax revenues, yet contends that the Federal Administration could save several billions of dollars a year by slashing non-essential expenditures.

"Does an excess-profits tax really result in, or contribute to, a fair distribution of the cost of rearmament? Is it inflationary or anti-inflationary in its effects? Does it promote or hamper the production of military supplies? Is it helpful or harmful in its long-term consequences to the economy?" asks "The Guaranty Survey."

"No excess-profits tax can be what its name implies, because it is impossible in practice to segregate increases in profits due to war from those due to other causes," declared "The Survey" in its leading editorial of the current issue. "Designation of a prewar or pre-emergency period as a base for the calculation of excess profits rests on the false assumption that any profits in excess of those in a base period are war profits."

An excess-profits tax is discriminatory and generally tends to favor old, established companies as against new, small, growing and progressive enterprises, the publication also declared. It tends to "freeze" the structure of corporate business in a set pattern and penalizes the qualities that make for business growth.

As far as the anti-inflationary effects are concerned, the essential point is not that an excess-profits tax discourages corporations from raising prices, but that it discourages them from holding down costs, declared the editorial.

"Even at its best," the publication concludes, "the excess-profits tax as an anti-inflationary device aims wide of the mark. The overwhelming inflationary pressure generated in wartime arises mainly from the disparity between consumer demand and supply. The excess-profits tax does little or nothing to correct that disparity.

"The inequities and other evils arising from an excess-profits tax are compounded as the levy remains in effect year after year. This consideration makes the tax inappropriate in the present situation, which does not appear to be an immediate and presumably short-lived crisis, like the two World Wars, but seems likely to continue for an indefinite period."

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Mutual Funds

$3.76 on Oct. 31, 1949. Total assets of $35,723,775 compare with $34,026,947 on Oct. 31, 1949. There were 8,773,029 shares outstanding on Oct. 31, 1950, and 9,053,135 shares on Oct. 31, 1949.

Diversified Reports Real Income Index

Real income of the typical American consumer continues high under the impetus of soaring cash incomes derived from wages, salaries, and investments, although there was a slight dip during the last month. According to the monthly index just released by Investors Diversified Services, the typical consumer has had real income of $1.12 compared with $1 a year ago. At the end of October, the figures was $1.14 compared with an even dollar in October, 1949.

One should bear in mind that changes in the monthly index figure result from changes in combinations of relatives. The index, for example, may show an increase in real income during a period of rising retail prices when the consumer was getting less for his money. In such circumstances, what the index reflects is that the total of wages, salaries, investment and other income has advanced by a larger percentage than the increase in the aggregate of food, shelter, clothing and miscellaneous costs.

Guardian Mutual Reports

Guardian Mutual Fund, in its first report to shareholders, had net assets of $337,245 on Oct. 31, 1950, compared with $150,000 on June 1, 1950, the date of incorporation.

Roy R. Neuberger, President of the Fund, in a letter to shareholders stated that, "Within one month after your company was organized, hostilities broke out in Korea. Despite the initial setback [from declines in security values] the net asset value per share increased from $10 on June 1, 1950 to $10.28 on Oct. 31, 1950, after giving effect to the payment of an initial dividend of ten cents per share."

At the close of the Fund's fiscal year, 67% of its assets were invested in common stocks, 9% in preferred stock, 6% in United States Government bonds, with the balance of 18% held in reserve in the form of cash or the equivalent.

E. Vail Stebbins

E. Vail Stebbins died at his home at the age of 76. Prior to his retirement he had been associated with De Coppet & Doremus and the old firm of Logan & Bryan.

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)	Dec. 3	Not avail.	102.7	102.4	87.7
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 3	Not avail.	1,980,800	1,975,000	1,616,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Nov. 18	5,882,400	5,910,700	5,902,200	5,211,050
Crude runs to stills — daily average (bbls.)	Nov. 18	¶6,002,000	6,018,000	6,078,000	5,292,000
Gasoline output (bbls.)	Nov. 18	19,702,000	19,466,000	20,299,000	18,157,000
Kerosene output (bbls.)	Nov. 18	2,319,000	2,220,000	2,276,000	2,227,000
Gas, oil, and distillate fuel oil output (bbls.)	Nov. 18	8,231,000	8,466,000	8,283,000	7,117,000
Residual fuel oil output (bbls.)	Nov. 18	8,737,000	8,636,000	8,690,000	8,214,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 18	105,468,000	105,465,000	105,382,000	103,380,000
Kerosene (bbls.) at	Nov. 18	28,382,000	29,003,000	28,578,000	27,526,000
Gas, oil, and distillate fuel oil (bbls.) at	Nov. 18	87,117,000	86,721,000	83,193,000	92,652,000
Residual fuel oil (bbls.) at	Nov. 18	45,286,000	45,140,000	43,872,000	68,620,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 18	837,065	839,612	890,990	758,972
Revenue freight received from connections (number of cars)	Nov. 18	704,130	703,746	726,423	593,472
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 23	$235,119,000	$214,949,000	$245,105,000	$90,244,000
Private construction	Nov. 23	142,919,000	118,639,000	147,755,000	44,949,000
Public construction	Nov. 23	92,200,000	96,310,000	97,350,000	45,295,000
State and municipal	Nov. 23	79,061,000	72,965,000	80,135,000	35,177,000
Federal	Nov. 23	13,139,000	23,345,000	17,215,000	10,118,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 18	12,000,000	*10,985,000	11,750,000	14,583,000
Pennsylvania anthracite (tons)	Nov. 11	787,000	587,000	1,081,000	1,264,000
Beehive coke (tons)	Nov. 11	155,000	*152,400	142,100	3,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Nov. 18	368	342	304	342
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 25	6,507,509	6,728,334	6,562,518	5,537,122
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Nov. 23	146	170	160	148
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 21	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	Nov. 21	$49.69	$49.69	$49.36	$45.88
Scrap steel (per gross ton)	Nov. 21	$40.75	$40.75	$40.67	$29.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 22	24.200c	24.200c	24.200c	18.200c
Export refinery at	Nov. 22	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Nov. 22	138.500c	136.000c	114.000c	85.000c
Lead (New York) at	Nov. 22	17.000c	17.000c	16.000c	12.000c
Lead (St. Louis) at	Nov. 22	16.800c	16.800c	15.800c	11.800c
Zinc (East St. Louis) at	Nov. 22	17.500c	17.500c	17.500c	9.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 28	101.56	101.68	101.45	104.17
Average corporate	Nov. 28	115.43	115.43	115.24	115.24
Aaa	Nov. 28	119.61	119.61	119.61	121.25
Aa	Nov. 28	118.80	118.80	118.40	119.41
A	Nov. 28	114.85	114.85	114.66	114.46
Baa	Nov. 28	109.24	109.24	109.06	106.74
Railroad Group	Nov. 28	111.81	111.81	111.25	109.24
Public Utilities Group	Nov. 28	115.82	115.82	115.63	117.00
Industrials Group	Nov. 28	119.00	119.20	119.00	119.86
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 28	2.38	2.37	2.39	2.20
Average corporate	Nov. 28	2.88	2.88	2.89	2.89
Aaa	Nov. 28	2.67	2.67	2.67	2.59
Aa	Nov. 28	2.71	2.71	2.73	2.68
A	Nov. 28	2.91	2.91	2.92	2.93
Baa	Nov. 28	3.21	3.21	3.22	3.35
Railroad Group	Nov. 28	3.07	3.07	3.10	3.21
Public Utilities Group	Nov. 28	2.86	2.86	2.87	2.80
Industrials Group	Nov. 28	2.70	2.69	2.70	2.66
MOODY'S COMMODITY INDEX	Nov. 28	481.5	482.1	468.7	347.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 18	228,399	199,278	196,950	179,741
Production (tons)	Nov. 18	237,895	233,487	235,388	205,526
Percentage of activity	Nov. 18	103	101	101	94
Unfilled orders (tons) at	Nov. 18	723,350	739,323	715,451	416,000
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Nov. 24	139.2	139.2	138.2	125.8
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	Nov. 11	28,586	32,430	29,404	18,427
Number of shares—Customers' total sales	Nov. 11	850,965	956,170	892,150	538,982
Dollar value	Nov. 11	$37,324,115	$41,629,903	$38,308,776	$22,562,168
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 11	23,798	28,175	31,155	19,717
Customers' short sales	Nov. 11	377	382	226	123
Customers' other sales	Nov. 11	23,421	27,793	30,929	19,594
Number of shares—Customers' total sales	Nov. 11	700,913	808,505	889,993	520,452
Customers' short sales	Nov. 11	14,279	14,012	8,457	4,184
Customers' other sales	Nov. 11	686,634	794,493	881,536	516,268
Dollar value	Nov. 11	$25,626,727	$32,513,266	$34,568,564	$18,831,219
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 11	199,740	286,510	309,460	172,750
Short sales	Nov. 11	------	------	------	------
Other sales	Nov. 11	199,740	286,510	309,460	172,750
Round-lot purchases by dealers—					
Number of shares	Nov. 11	351,210	358,880	278,440	173,620
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Nov. 21	171.2	*171.0	168.9	151.7
Farm products	Nov. 21	184.9	183.1	178.7	157.4
Grains	Nov. 21	171.5	171.6	163.6	158.3
Livestock	Nov. 21	219.8	223.0	225.6	185.9
Foods	Nov. 21	177.5	176.5	174.0	159.5
Meats	Nov. 21	240.6	240.7	242.4	211.1
All commodities other than farm and foods	Nov. 21	162.4	*162.6	160.8	145.0
Textile products	Nov. 21	166.6	165.4	162.0	138.4
Fuel and lighting materials	Nov. 21	135.4	135.4	135.5	130.0
Metals and metal products	Nov. 21	180.4	180.1	178.1	167.2
Building materials	Nov. 21	218.0	217.8	220.1	189.8
Chemicals and allied products	Nov. 21	135.7	*135.2	132.3	116.2

*Revised figure. ¶Includes 448,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of September:			
Total gas (M therms)	2,757,951	2,768,846	2,585,670
Natural gas sales (M therms)	2,549,485	2,571,717	2,372,183
Manufactured gas sales (M therms)	126,949	119,126	140,149
Mixed gas sales (M therms)	81,517	78,003	73,338
AMERICAN TRUCKING ASSOCIATION— Month of September:			
Number of motor carriers reporting	262	*262	*262
Volume of freight transporter (tons)	4,039,690	*4,455,215	3,353,383
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31:			
Imports	$242,687,000	$264,149,000	$140,223,000
Exports	84,972,000	78,549,000	39,453,000
Domestic shipments	10,013,000	11,497,000	8,796,000
Domestic warehouse credits	18,585,000	17,532,000	13,734,000
Dollar exchange	1,977,000	2,268,000	901,000
Based on goods stored and shipped between foreign countries	25,102,000	23,137,000	11,606,000
Total	$383,336,000	$397,132,000	$214,713,000
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of October	835,155	968,484	725,628
In consuming establishments as of Oct. 28	1,489,660	1,237,815	1,130,340
In public storage as of Oct. 28	6,375,051	4,890,637	8,468,997
Linters—Consumed month of October	128,940	123,985	143,966
In consuming establishments as of Oct. 28	208,963	155,785	242,701
In public storage as of Oct. 28	110,115	109,385	37,567
Cotton spindles active as of Oct. 28	20,758,000	20,609,000	20,210,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) prior to Nov. 14	7,567,972	------	11,746,638
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Oct. 28	23,082,000	23,070,000	23,315,000
Spinning spindles active on Oct. 28	20,758,000	20,609,000	20,215,000
Active spindle hours (000's omitted) October	10,041,000	11,860,000	8,978,000
Active spindle hours per spindle in place Oct.	542.4	515.9	409
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-1939 AVERAGE=100—Month of October:			
Sales (average monthly), unadjusted	264	262	*252
Sales (average daily), unadjusted	259	267	*247
Sales (average daily), seasonally adjusted	238	262	*227
Stocks, unadjusted	291	256	*246
Stocks, seasonally adjusted	258	243	*218
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of October:			
Contracts closed (tonnage)—estimated	233,922	*251,054	158,593
Shipments (tonnage)—estimated	167,693	*157,000	99,812
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of October:			
Earnings—			
All manufacturing	$61.98	*$60.68	$55.26
Durable goods	66.34	*65.09	58.03
Nondurable goods	56.50	*55.52	59.71
Hours—			
All manufacturing	41.4	*41.0	39.7
Durable goods	42.2	*41.7	39.8
Nondurable goods	40.3	*40.2	40.1
Hourly earnings—			
All manufacturing	$1.497	$1.480	$1.392
Durable goods	1.572	*1.561	1.458
Nondurable goods	1.402	*1.381	1.489
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of October:			
Factory sales (number of units)	331,445	327,524	272,520
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of October (1935-39 average=100)	122.4	122.7	103.4
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of October (000's omitted):			
Ordinary	$1,406,000	$1,447,000	$1,189,000
Industrial	475,000	391,000	416,000
Group	689,000	546,000	256,000
Total	$2,570,000	$2,384,000	$1,861,000
PORTLAND CEMENT (BUREAU OF MINES)— Month of September:			
Production (barrels)	20,945,000	21,884,000	19,181,000
Shipment from mills (barrels)	22,910,000	25,144,000	22,763,000
Stocks (at end of month—barrels)	7,643,000	*9,608,000	10,797,000
Capacity used	98%	99%	92%
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of September (000's omitted):			
Savings and loan associations	$457,384	$519,725	$342,601
Insurance companies	158,481	158,327	92,520
Banks and trust companies	319,436	349,014	217,255
Mutual savings banks	102,981	112,357	69,735
Individuals	203,593	212,982	174,005
Miscellaneous lending institutions	255,949	272,508	169,315
Total	$1,497,824	$1,624,913	$1,065,431
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) —Month of August:			
Net railway operating income	$122,064,183	$83,910,336	$65,373,964
Other income	17,891,555	16,702,028	15,686,510
Total income	139,955,738	100,612,364	81,060,474
Miscellaneous deductions from income	4,139,871	3,635,424	2,950,754
Income available for fixed charges	135,815,867	96,976,940	78,109,720
Income after fixed charges	99,117,341	61,698,249	42,052,114
Other deductions	3,287,844	3,076,927	3,351,983
Net income	95,829,497	58,621,322	38,700,131
Depreciation (way & structures & equip.)	36,188,341	35,795,827	34,672,935
Amortization of defense projects	1,375,853	1,354,249	1,321,223
Federal income taxes	74,018,424	44,452,255	25,998,705
Dividend appropriations:			
On common stock	21,812,179	4,710,068	22,789,882
On preferred stock	7,076,227	5,552,444	4,644,588
Ratio of income to fixed charges	3.70	2.75	2.17
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of Sept. (000's omitted):			
Exports	$910,400	$761,400	$909,000
Imports	857,700	815,100	530,444

*Revised.

Continued from page 12

Want No Controls On Food Industry

if labor shortages threaten interference with adequate agricultural supplies.

Four Assistant Administrators and other staff officers assist the Administrator in determining overall policy and in directing coordinated program action.

I hope I have not taken too much time in outlining this organizational setup. It was suggested that I do so, in view of the close working relationship between industry and government which may be required in the defense production effort, and the need for an understanding of the government organizations involved.

Question of Food Controls

Your chief concern at this time is undoubtedly with what lies ahead in the way of defense action or controls which will affect your industry directly or indirectly. No one can now give precise answers to all the questions you may have in mind. We simply do not yet know the extent to which military and economic mobilization will be required by future developments. I can, however, summarize our present thinking on a number of important points.

Our most immediate concern is with materials and facilities. As the defense effort expands, a number of basic materials are certain to become relatively scarce. Demand will exceed available supplies. Priority or allocation steps will be needed to channel these short supplies to the most essential uses.

We are prepared to serve as a "claimant agency" for the agricultural and food industries, appearing before the Commerce Department or other allocation boards to press claims for needed supplies. The first job is to determine the minimum needs—the levels below which it is not possible to maintain production schedules. Without adequate machinery, fertilizer and insecticides, farmers could not continue to produce record crops. Without adequate container materials, replacement equipment, and transportation and other facilities, the food industry could not continue to process and distribute the needed full volume of products. Once these minimum needs are determined — and our men are working on this question constantly—then we present the case for agriculture in the most effective and vigorous way we can.

Our responsibilities with regard to materials and facilities do not stop with the farm producer. We have been assigned broad defense program responsibility for food, clear through to the finished product, and we are ready to assist the food industry to the fullest extent possible. Help our men get the facts about your minimum needs, and we will do everything we can to see that those needs get full and fair consideration when priorities are established.

Prospects for Controls

Ever since the Defense Production Act became law, we have had a lot of questions about the prospects for control orders. Apparently many of you are remembering the more than 100 War Food Orders which were in effect during the last war, and you wonder if set-aside, quota, priority or allocation orders on agricultural commodities will be back again. As we see things now—within the scope of the emergency which is as yet clearly defined—very little will be needed in the way of this type of control. We have abundant supplies of most agricultural commodities—enough to take care of present needs without resorting to drastic measures in order to spread out shortages.

If the world situation got much worse—if full mobilization of our economy were demanded—then of course we would have to reappraise everything. In this sort of emergency, we would be ready to act promptly with any necessary controls.

Developments of this kind would demand the closest working relationships between industry and government. This brings up the question of advisory committees. I have been asked whether or not we plan to establish special advisory groups. As you know, a number of such committees worked closely with the former War Food Administration, and the record shows that they were effective in many ways. They made possible direct teamwork in handling operations under the highly controlled economy of that period.

With full recognition of the value of advisory committees under certain conditions, I do not think it is necessary or advisable to propose formal committees at this time. The limited economic mobilization which is necessary—to meet the degree of emergency now apparent—would not seem to justify calling busy executives together at frequent intervals. I think continued cooperation with already established committees and officers of industry groups, such as yours, will do a satisfactory job for the present.

If and when the situation changes so that something approaching all-out mobilization of the economy is required, special machinery to insure the closest cooperation in planning would probably be advisable. It would then be our intention to secure the most capable representation possible. We would want to consult with many of you before issuing invitations for committee service, so that we could be sure that the advisory committees were made up of operating executives—the real leaders in the various phases of industry.

No Consideration Now on Price Controls

The general situation with regard to the possibilities for price control measures is about the same as that for food orders. Changing conditions might force reconsideration, but right now we are not thinking in terms of price controls or ceilings. In this connection, it is important to understand the price provisions of the Defense Production Act. This act specifies that no ceilings are to be placed on agricultural commodities which are lower than the higher of two standards: parity, or the highest prices during a May-June period this year. Nearly all food commodities are below parity now. The very few which are above parity are pretty close to the May-June level.

Your group is also undoubtedly very directly interested in the further provision of the act that price ceilings for products manufactured from agricultural commodities are not to be set below levels which will reflect producer prices equal to the specified minimums. And there is further discussion of allowances for fair and equitable margins in processing agricultural commodities.

All in all, talk about price ceilings at this time would not seem to be very realistic. They are apparently not in the cards, for the immediate future at least.

Frankly, we are very glad that it has not been necessary to step in with a lot of restrictive controls. We believe firmly that controls should never be used unless they are absolutely necessary—that they should never be used except as a last resort. We are all better off when things can be handled through the normal flow of adequate supplies without restrictions.

Adequate supplies are the real key to the situation. The one fundamental reason we can face the present emergency without resort to controls is the fact that the American farmer is producing at such high levels. Total food production is 38% above the average of the years just before the last war. Even after providing for the big increase in our population and for all special demands on food stocks, our per capita civilian food consumption is currently running about 11% above the pre-war level.

We think one of our most important objectives in the Department of Agriculture is to help farmers keep their production at these high levels—and even increase it for meat and other commodities which will be in greatest demand. We have already called for another big wheat crop next year. We have announced that corn acreage allotments will be set high enough to encourage increased production of that important feed grain, as the basis for expanded production of livestock products. We have set aside all controls on cotton, and are asking for a 16 million bale crop in 1951.

Adequate supplies are the best insurance against the need for restrictive controls, and they are the best weapon against inflation. We have good reserves of wheat and corn now, and we want to maintain those reserves through adequate current production. Not many months ago, some people were referring to these reserves as "burdensome surpluses" and deploring the fact that the government held part of them under its price support program. Recent developments have resulted in a better understanding that sound reserves of storable commodities can be an asset at any time—and they can be positive factors of our national strength in time of emergency.

The area in which our agricultural supplies are important is much broader than the boundaries of this country. During and since the last war, we have leaned heavily upon United States food stocks as strategic material in winning wars, rehabilitating friendly nations, and keeping those nations friendly and strong in our constant search for durable peace. The United States has been exporting an average of more than three billion dollars worth of food and fiber in recent years. During this same period, we have imported competing agricultural commodities with an annual value of about one and one-half billion dollars. The great bulk of these imports has been made up of things we do not produce in sufficient volume for our needs.

One of our national objectives has been increased volume of trade among the friendly countries of the world. This exchange of goods and services is a necessary basis in building strength and stability. In view of this fact, it is a little hard to understand some of the extravagant criticism which has recently been directed at a few relatively minor imports of food commodities into this country.

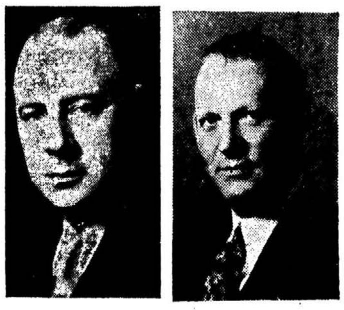
Food is so important today that we cannot afford to be led down by-paths of misunderstanding. Farm producers, you in the food industry, and those of us in government who have a service responsibility are dealing with essentials—not only in the welfare of our own country but in the stabilization of democracies throughout the world.

The need is great for us all to keep things in proper perspective, and then to work together cooperatively in solving whatever problems we may face in an uncertain period ahead.

Teen-Agers Given Awards By Stock Exchange

Wininng "enterprise," manufacturing identification bracelets and necklaces, showed 8-month profit of $69. Selections made on bases of clarity and effectiveness.

First award in the nationwide contest conducted by the New York Stock Exchange for the best annual report by a Junior



Emil Schram   H. W. Steinkraus

Achievement company in 1950 was presented today by Emil Schram, President of the Exchange, to Misses Catherine Buchwalder and Rosemarie Comerford, who prepared the winning report of the junior company of Meta-Plas Co. of Bridgeport, Conn. Award for second place was presented by Mr. Schram to Miss Coleen Baker and Mrs. Alma Baker, of Janco, Inc., Dayton, Ohio. The four contest winners were honored today at a luncheon at the Exchange.

Junior Achievement is a movement through which teen-agers, guided by businessmen advisers, engage in their own small-scale business enterprises. The junior companies sell stock, usually at 50 cents a share, to raise the capital to start in business. Products are manufactured and sold as in a full-fledged business undertaking.

Meta-Plas Co. made identification bracelets and necklaces. It realized a net profit of $69 in the eight months ended last May. The company was sponsored by the Bridgeport Brass Co.

Janco, Inc., made novelty football pins, holders for soda straws and coasters. Profits in the seven months ended last May totaled $54.35. The sponsor was the Egry Register Co. of Dayton.

The junior companies are liquidated at the end of each fiscal year. Both Meta-Plas and Janco returned to stockholders the amount of their original investment, plus a dividend of 25 cents a share.

The Judges

The winning reports were selected on the basis of clarity and effectiveness of presentation. Judges were Carle C. Conway, Chairman of the Executive Committee, Continental Can Co.; Gale F. Johnston, Public Representative on the Board of Governors of the New York Stock Exchange; John L. Carey, Executive Director of the American Institute of Accountants; John W. Spurdle, President of the New York Society of Security Analysts, and Phillip L. West, Vice-President of the Exchange. Mr. Spurdle described the considerations entering into the judging of the 292 reports submitted.

Herman W. Steinkraus, President of the Bridgeport Brass Co. and former President of the U. S. Chamber of Commerce, who was one of the founders of Junior Achievement, outlined the current program. First established on a national basis in 1942, Junior Achievement has seen the number of its companies grow from less than 200 to a current total of more than 1,600 with 200,000 participants, including adult advisers and stockholders.

H. M. Van Husan With Clyde C. Pierce Corp.

JACKSONVILLE, Fla.—Harold M. Van Husan has become associated with Clyde C. Pierce Corp., Barnett National Bank Building, as Manager of the mutual fund department. Mr. Van Husan was formerly with Granbery, Marache & Co. and Blair & Co.

S. & L. Report Service

Robert Laffan, 141 Broadway, New York City, is now doing business under the firm name of S. & L. Report Service.

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Observations . . .

to forebear from the effort to *time* market movements, and instead concentrate on quantitative investment valuation of individual issues which are available for the placement of his capital. To those who are unable to do this—either from lack of knowledge or emotional influences—the investment counsel and investment company offer one of their most useful attributes.

The investment counselor's remuneration through a fixed fee in lieu of being tied to market activity or short-term results is invaluable in preserving the client's attitude free of overemphasis on short-term trading for capital gains. He provides an escape from the subjective emotional difficulties bound up in individuals' forecasting. This is consistent with the custom of the medical doctor disqualifying himself as his own patient, and the lawyer not having his foolish self for a client.

The *counsel* functions as a valuable sounding-board on which the investor can try out his reactions to the market's complex emotional cross-currents which we have cited above. "Counsel" is defined as "Purpose; the result of careful consideration; **design**" (in Funk and Wagnalls' Standard Dictionary). The counselor's aim of guiding the investor's behavior according to purposeful "design," and in backing him up in preserving it, is particularly useful in keeping him from becoming diverted from a predetermined logical long-term program by mass market psychology.

The mutual fund also is helpful in aiding the individual investor in aims to preserve long-term patience, and to keep himself disinvolved from the short-term market elements; although it does not profess to supply individual estate management.

In the case of both counsel and fund manager, it is indispensable that the client or shareholder permit them to function properly. That is, the investor must preserve an attitude of looking for income and capital preservation over the long-term in lieu of restlessness for profits and overemphasis on the "performance record" in registering capital gains. Otherwise he is saddling them with the unfortunate Hobson's choice of either forsaking their professional integrity or else losing their clientele.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Aeronca Mfg. Corp., Middletown, Ohio
Oct. 2 (letter of notification) $50,000 of 4% convertible promissory notes and 50,000 shares of common stock (latter to be reserved for conversion of notes on basis of 1 share for each $1 unit of notes). **Price**—$2.12½ per $1 unit of notes. **Underwriter**—Greene & Ladd, Dayton, O. **Proceeds**—For working capital. **Office**—Municipal Airport, Middletown, O.

Alhambra Gold Mines Corp., Hollywood, Calif.
Nov. 1 filed 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For further development of mine and for working capital.

American Cladmetals Co., Carnegie, Pa.
Oct. 19 (letter of notification) 62,000 shares of common stock (par $1). **Price**—At market (about $1.12½ per share). **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To Charles R. Anthony, Chairman of the Board, who is the selling stockholder.

American Gas & Electric Co.
Nov. 9 filed 116,662 shares of common stock (par $10), to be offered in exchange for common stock of Central Ohio Power & Light Co. on the basis of 72/100ths of a share of American Gas common stock for each Central Ohio common share. **Underwriter**—None.

American Investment Co. of Illinois
Nov. 10 filed 97,121 shares of common stock (par $1), offered common stockholders of record Nov. 29 at the rate of one share for each 20 shares owned; rights expected to expire Dec. 13. **Price**—To be filed by amendment. **Underwriters** — Kidder, Peabody & Co., Alex. Brown & Sons and Glore, Forgan & Co. **Proceeds**—To retire preferred stock and for general corporate purposes.

American Rock Wool Corp. (12/6)
Nov. 15 filed 90,000 shares of common stock (par $5), of which 52,263 shares are to be offered by the company and 37,737 shares by certain stockholders. **Price**—To be filed by amendment (probably about $11.50 per share). **Underwriter**—Bacon, Whipple & Co., Chicago, Ill. **Proceeds**—To company to be used to retire notes and the balance added to general funds. **Business**—Manufactures and sell thermal installation.

Atlantic Oil Corp., Tulsa, Okla.
Nov. 13 (letter of notification) 48,046 shares of capital stock. **Price**—At par ($5 per share). **Underwriter**—Continental Corp., Tulsa, Okla. **Proceeds**—To purchase oil and gas properties.

● **Bettinger Enamel Corp., Waltham, Mass.**
Nov. 15 (amendment—letter of notification) 59,576 shares of common stock (par $1). **Price**—$3.50 per share. **Underwriter**—Jackson & Co., Boston, Mass. **Proceeds**—For working capital.

● **Big Rock Oil Co., Las Vegas, Nev.**
Nov. 20 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For equipment and working capital.

Big West Oil & Gas Co., Dallas, Tex.
Sept 5 filed $1,760,000 of 5% sinking fund debentures due 1965 (convertible into common stock on basis of 200 shares for each $1,000 of debentures). **Price**—To be filed by amendment. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill. **Proceeds** — For drilling and development expenses and for working capital.

Birmingham (Ala.) Fire Insurance Co.
Oct. 17 (letter of notification) 10,000 shares of common stock to be offered to present common stockholders. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To enlarge insurance business. **Office**—221 No. 21st St., Birmingham, Ala.

● **Botany Mills, Inc. (1/24) (1/28)**
Nov. 21 (letter of notification) 7,700 shares of common stock (par $1). **Price**—At market (estimated at $8.75 per share). **Underwriter**—Goodbody & Co. and/or John P. White & Co., New York. **Proceeds**—To Otto E. Kuhn, Vice-President, the selling stockholder. **Offering**—To commence on Jan. 24 with respect to 2,300 shares and on Jan. 28 with respect to 5,400 shares.

Carolina Casualty Insurance Co. (N. C.)
Oct. 2 (letter of notification) 100,000 shares of class B (non-voting) common stock (par $1) offered to stockholders on basis of one share for each 2½ shares held on Nov. 1; rights expire on Dec. 14. **Price**—$2.50 per share. **Underwriter**—None. **Proceeds**—To retire 5,784 shares of preferred stock (cost $121,464) and to increase capital stock and surplus.

Carolina Telephone & Telegraph Co.
Oct. 26 filed 20,825 shares of common stock now offered to stockholders of record Nov. 22 on basis of one new share for each five shares held; rights to expire on Dec. 12. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To repay bank loans the proceeds of which were used for construction program. Statement effective Nov. 17.

Central Illinois Public Service Corp.
Nov. 13 filed 267,600 shares of common stock (par $10) to be offered to common stockholders of record on or about Nov. 17 at rate of one share for each 10 shares held; rights to expire Dec. 12. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc. **Proceeds**—For construction program. Temporarily postponed.

Central Illinois Public Service Corp. (12/5)
Nov. 13 filed $6,000,000 of sinking fund debentures due 1970. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Lehman Brothers; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Blyth & Co., Inc., Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For construction program. **Bids**—To be received prior to 11:30 a.m. (CST) on Dec. 5 in Room 2154, 20 No. Wacker Drive, Chicago, Ill.

● **Chattanooga Gas Co., Chattanooga, Tenn.**
Nov. 24 filed 650,000 shares of common stock (par $1). including 500,000 shares acquired by Equitable Securities Corp. from Southern Natural Gas Co., and 150,000 shares from the utility company pursuant to plan of recapitalization. **Price and Underwriter** — To be supplied by amendment.

● **Circle Wire & Cable Corp. (12/14-15)**
Nov. 27 filed 200,000 shares of common stock (par $5). **Price**—$15 per share. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To four selling stockholders. **Offering**—Expected latter part of week of Dec. 11.

● **Coca-Cola Bottling Co. of St. Louis**
Nov. 22 (letter of notification) 1,633 shares of common stock (par $1) to be offered to employees during the year ended Dec. 1, 1951. **Price**—$24 per share. **Proceeds**—For general corporate purposes. **Office**—2930 N. Market St., St. Louis, Mo.

Colonial Acceptance Corp. (12/18)
Nov. 20 filed $1,500,000 junior subordinated sinking fund debentures due Dec. 1, 1958, and 30,000 shares of common stock (par $1), to be offered in units of $500 of debentures and 10 shares of stock. **Price**—$500 per unit. **Underwriters**—Straus & Blosser; and Sills, Fairman & Harris; both of Chicago, Ill. **Proceeds**—To reduce bank loans.

● **Community Finance Corp., N. Y. City**
Nov. 15 (letter of notification) 20,000 shares of common stock (no par) and 4,000 shares of 7% non-cumulative preferred stock (par $10). **Price**—$12.50 per share. **Underwriter** — None. **Proceeds** — For working capital. Office—2340 Eighth Ave., New York 27, N. Y.

Consumers Cooperative Association, Kansas City, Mo.
Nov. 14 filed $1,000,000 of 5-year 3½% certificates of indebtedness and $2,000,000 of 10-year 4½% certificates of indebtedness to be offered to members of the Association and "to others." **Underwriter**—None. **Proceeds**—To be added to general funds. **Business**—Farmers' cooperative wholesale purchasing association of the federated type. **Price**—At 100 issuable in multiples of 100.

Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.
Sept. 28 filed 500,000 shares of common stock to be sold to cooperative members. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To reduce obligation to Cooperative G.L.F. Holding Corp. **Business**—Farm cooperative. Statement effective Nov. 10.

Cooperative G. L. F. Holding Corp.
Sept. 28 filed 25,000 shares of 4% cumulative preferred stock to be sold to patrons of Grand League Federation Exchange. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To reduce bank debt. **Business**—Property holding and financing instrumentality for G.L.F. Exchange, farm cooperative. Statement effective Nov. 10.

Culver Corp., Chicago, Ill.
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares are to be offered to stockholders and 127,364 shares to public. **Price** — To stockholders at $5 per share and to public at $6.25 per share. **Underwriter**—None. **Proceeds**—For investments.

Dansker Realty & Securities Corp., N. Y. City
Nov. 20 filed 300,000 shares of 6% cumulative convertible preferred stock (par $5) and 300,000 shares of class B common stock (par 35 cents) to be offered in units of one preferred and one class B share "on a best-efforts basis." An additional 25,000 shares of each class of stock are to be issued to underwriters as additional compensation for resale to public. There will be reserved for conversion of the preferred stock 1,300,000 shares of class B common stock. **Price**—$6 per unit. **Underwriter**—Dansker Bros. & Co., Inc., New York. **Proceeds** — For working capital. **Offering**—Expected after Dec. 15.

Davison Chemical Corp.
Nov. 7 filed 128,533 shares of common stock (par $1) being offered to common stockholders of record November 28 at the rate of one share for each four shares held; rights to expire Dec. 12. **Price**—$25 per share. **Underwriters** — Alex. Brown & Sons of Baltimore, Md., and Kidder, Peabody & Co., New York. **Proceeds**—For expansion and improvement program.

Diversey Corp., Chicago, Ill.
Nov. 10 filed 143,000 shares of common stock (par $1). **Price**—To be supplied by amendment (probably around $10 per share). **Underwriter**—F. Eberstadt & Co., Inc., who recently acquired a 75% stock interest in company from Victor Chemical Works. **Business**—Chemical specialties.

Dow Chemical Co. (1/3/51)
Nov. 10 filed 200,000 shares of common stock (par $15), of which a maximum of 125,000 shares will be offered to common stockholders of record Dec. 21, 1950 at rate of 1 share for each 50 shares held, the remaining 75,000 shares to be offered for subscription by employees up to 10% of their annual wages on a payroll deduction plan. Both offerings will terminate on Jan. 29, 1951 and are expected to be made on Jan. 3, 1951. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For working capital.

Drayer-Hanson, Inc., Los Angeles, Calif.
Oct. 3 (letter of notification) 255,033 shares of common stock offered to stockholders on a pro rata basis; rights expire Dec. 15, 1950. **Price**—At par (40 cents per share). **Underwriter**—None. **Proceeds**—To pay creditors' claims and for working capital. **Address**—P. O. Box 2215, Los Angeles, Calif.

Duggan's Distillers Products Corp.
Oct. 27 (letter of notification) 340,000 shares of common stock (par 10c). **Price**—75 cents per share. **Underwriter**—Olds & Co., Jersey City, N. J. **Proceeds**—To pay balance of purchase price for building ($20,000) and for working capital.

● **Duriron Co., Inc., Dayton, Ohio (12/12-13)**
Nov. 22 filed 40,000 shares of cumulative preferred stock (par $25), with common stock purchase warrants attached for 40,000 shares of common stock, exercisable at $16 per share through Dec. 1, 1960. **Price**—To be supplied by amendment. **Underwriter**—Lee Higginson Corp., New York. **Proceeds**—For payment of notes and for general funds.

Ekco Products Co., Chicago, Ill.
Oct. 12 (letter of notification) 8,461 shares of common stock (par $2.50). **Price**—$13 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1949 No. Cicero Ave., Chicago, Ill.

● **Elgin Sweeper Co., Elgin, Ill.**
Nov. 20 (letter of notification) 3,008.8 shares of common stock (no par), which is being offered in exchange for all of the assets of Lawrence Aero-Mist Sprayer Co., Inc. and distributed to stockholders of latter pursuant to plan of reorganization of Lawrence company.

● **Elliott Co., Jeannette, Pa.**
Nov. 20 (letter of notification) 4,440 shares of common stock (par $10). **Price**—At market (approximately $22.50 per share. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—For benefit of Estate of Anna Leyden Elliott, deceased.

Fanner Manufacturing Co., Cleveland, Ohio (12/4-5)
Nov. 15 filed 150,000 shares of common stock (par $1). **Price**—12 per share. **Underwriters**—The First Cleveland Corp., Cleveland, O., and A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—To C. Greif Raible, President, the selling stockholder. **Business**—Manufacturer of metal products for industrial and commercial consumption.

Fedders-Quigan Corp.
June 21 filed 103,402 shares of series A cumulative convertible preferred stock (par $50) to be offered to common stockholders on basis of one preferred share for each 12 shares held. **Price**—To be filed by amendment, along with dividend rate. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To pay promissory note, to complete purchase of a new plant at El Monte, Calif., and for additional working capital. Statement may be withdrawn. It was reported on Oct. 5 that company has completed purchase of El Monte plant.

Felters Co., Boston, Mass.
Nov. 14 (letter of notification) 1,750 shares of common stock (par $10). **Price** — At market (estimated at not more than $10 per share). **Underwriter** — H. C. Wainwright & Co., Boston, Mass. **Proceeds**—To two selling stockholders. **Office**—210 South St., Boston, Mass.

Florida Telephone Co., Ocala, Fla.
Oct. 27 (letter of notification) 27,200 shares of common stock (par $10), being offered first to common stockholders of record as of Nov. 15; rights to expire Dec. 2. **Price**—To stockholders, at par, and to public, at $11 per share. **Underwriters**—Shaver and Cook and Florida Securities Corp., St. Petersburg, Fla. **Proceeds**—For expansion program.

● **Fluor Corp., Ltd., Los Angeles, Calif.**
Nov. 24 filed 100,000 shares of capital stock (par $2.50). **Price** — To be supplied by amendment. Underwriter—William R. Staats Co., Los Angeles, Calif. **Proceeds**—To trustees of two employees' benefit funds established by the company.

● Foote Mineral Co., Philadelphia, Pa.
Nov. 17 (letter of notification) 4,550 shares of common stock (par $2.50) to be offered employees only. **Price**—$65.70 per share. **Proceeds**—For working capital. **Office**—18 West Chelten Ave., Philadelphia 44, Pa.

Great Lakes Oil & Chemical Co.
Oct. 26 (letter of notification) 284,616 shares of capital stock of which 259,616 shares are offered to the stockholders at rate of one share for each seven shares held on Nov. 20 (rights to expire on Dec. 11) and 25,000 shares are to be issued upon exercise of stock option held by Herbert Herff. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To develop certain oil and gas lands. **Office** — Michigan National Bank Bldg., Grand Rapids 2, Mich.

Greenwich Gas Co., Greenwich, Conn.
Sept. 1 (letter of notification) 8,000 shares of $1.50 preferred stock (no par) and 9,777 shares of common stock (no par), to be offered first to stockholders. **Price**—Of preferred, $25 per share, and common $10 per share. **Underwriter**—F. L. Putnam & Co., Boston, Mass. **Proceeds**—To retire bank loan and for working capital.

Hamilton Fire Insurance Co., Philadelphia
Oct. 2 (letter of notification) 64,000 shares of capital stock (par $5). **Price**—$4.50 per share. **Underwriter**—Jenks, Kirkland & Co., Philadelphia, Pa. **Proceeds**—To increase capital and surplus in order to offer additional lines of insurance, including automobile casualty and liability coverage. Financing may be abandoned.

● Hammond Lumber Co., San Francisco, Calif.
Nov. 17 (letter of notification) 7,000 shares of capital stock (par $20). **Price**—$42.50 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office** — 417 Montgomery St., San Francisco, Calif.

Hearn Department Stores, Inc., N. Y. City
Nov. 17 filed 40,000 shares of 5% cumulative convertible preferred stock, to be offered for subscription by common stockholders on the basis of one preferred share for each seven shares of common stock held. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds** — From this offering, plus a $2,000,000 term bank loan, to be used to repay bank loans, for improvements to properties and for working capital.

Hooper Telephone Co., Hooper, Neb.
Aug. 18 (letter of notification) $30,000 of 3¾% bonds due 1970. **Price**—In excess of 102%. **Underwriter**—Wachob Bender Corp., Omaha, Neb. **Proceeds**—To retire temporary loans.

Hub Loan Co., Jersey City, N. J.
Sept. 18 (letter of notification) 100,000 shares of 18 cents cumulative convertible preferred stock (par $2). **Price**—$3 per share. **Proceeds**—For working capital.

Idaho Maryland Mines Corp.
Nov. 3 (letter of notification) 40,000 shares of common stock (par $1). **Price**—At current market (about $1.10 per share). **Underwriter**—E. F. Hutton & Co., San Francisco, Calif. **Proceeds**—To two selling stockholders.

● Idaho Maryland Mines Corp.
Nov. 21 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (approximately $1.10 per share). **Underwriter** — Walston, Hoffman & Goodwin, San Francisco, Calif. **Proceeds**—To Siegfried Bechhold, San Francisco, the selling stockholder.

Infra Roast, Inc., Boston, Mass.
Nov. 3 (letter of notification) 207,000 shares of common stock to be initially offered to stockholders; unsubscribed shares to public. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To finance the purchase of 100 automatic coffee-roasting machines. **Office**—84 State St., Boston, Mass.

International Minerals & Chemical Corp. (12/6)
Nov. 14 filed 200,470 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—White, Weld & Co., New York. **Proceeds**—For plant expansion.

Kaye-Halbert Corp. (12/11-16)
Oct. 6 by amendment filed 120,000 shares of class A convertible common stock (par $1). **Price**—$5 per share. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To pay off promissory notes and for working capital.

● Lam Workshop Inc., Boston, Mass.
Nov. 22 (letter of notification) 1,200 shares of common stock (no par). **Price** — $10 per share. **Underwriter**—None. **Proceeds**—For working capital.

● Lee Oil & Natural Gas Co., Baltimore, Md.
Nov. 8 (letter of notification) 156,611 shares of common stock (par 25 cents). **Price**—50 cents per share. **Underwriter**—Mitchell-Hoffman & Co., Baltimore, Md. **Proceeds**—For expansion and for general corporate purposes.

● Liberty National Life Insurance Co.
Nov. 22 (letter of notification) 5,000 shares of capital stock (par $10), to be offered to 1,407 eligible employees. **Proceeds**—For investment. **Office**—301 S. 20th St., Birmingham, Ala.

● Lit Brothers, Philadelphia, Pa.
Nov. 17 (letter of notification) approximately 7,500 shares of common stock or such number, more or less, which shall not exceed $100,000 at the aggregate sales price. **Price**—Estimated at $13.25 per share. **Underwriter**—None, but one or more of following brokers may be employed: Newburger & Co.; Hallowell & Sulzberger; Reynolds & Co.; and Elkins Morris & Co. **Proceeds**—To Bankers Securities Corp., Philadelphia, Pa.

NEW ISSUE CALENDAR

November 30, 1950
New York, Chicago & St. Louis RR. Noon (CST) — Equip. Trust Ctfs.

December 4, 1950
Fanner Manufacturing Co. — Common
Minnesota Power & Light Co. Noon (EST) — Common
Providence Washington Insurance Co. — Preferred
Southwestern Gas & Electric Co. Noon (EST) — Bonds

December 5, 1950
Central Illinois Public Service Corp. 11:30 a.m. (CST) — Debentures
Union Electric Co. of Missouri, noon (EST) — Bonds

December 6, 1950
American Rock Wool Corp. — Common
Cleveland Union Terminals Co., noon (CST) — Bonds
International Minerals & Chemical Corp. — Common
Lytton's, Henry C. Lytton & Co. — Common
Pennsylvania Salt Mfg. Co. — Common
Texas Eastern Transmission Corp. — Preferred

December 11, 1950
Kaye-Halbert Corp. — Common
Webster-Chicago Corp. — Common
Wilcox-Gay Corp. — Common

December 12, 1950
Duriron Co., Inc. — Preferred
Lucky Stores, Inc. — Common
Metropolitan Edison Co., noon (EST) — Pfd. & Bonds
Schick, Inc. — Common

December 13, 1950
Miles Shoes, Inc. — Common

December 14, 1950
Circle Wire & Cable Corp. — Common

December 15, 1950
St. Louis-San Francisco Ry. — Equip. Trust Ctfs.

December 18, 1950
Colonial Acceptance Corp. — Debs. & Common

January 3, 1951
Dow Chemical Co. — Common

Lockheed Aircraft Corp., Burbank, Calif.
Nov. 6 filed 33,875 shares of capital stock (par $1) to be offered officers and employees who have been issued stock options exercisable on Nov. 26, 1950. **Price**—$22 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Lock Joint Pipe Co., East Orange, N. J.
Nov. 20 (letter of notification) by amendment 25 shares of common stock (no par). **Price**—$500 per share. **Underwriter**—H. G. Bruns & Co., New York. **Proceeds** — To Allan M. Hirsh, Chairman of the board, the selling stockholder.

Lorain Telephone Co.
Oct. 5 (letter of notification) 2,830 shares of common stock (no par) offered to common stockholders of record Oct. 7 on a pro rata basis; rights expire Dec. 15. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—203 9th St., Lorain, Ohio.

Lucky Stores, Inc. (12/12)
Nov. 15 filed 160,000 shares of common stock (par $1.25). **Price** — To be supplied by amendment. **Underwriter**—Blair, Rollins & Co. Inc. **Proceeds**—For working capital.

Lytton's, Henry C. Lytton & Co. (12/6)
Nov. 17 filed 83,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Underwriter**—Blunt Ellis & Simmons, Chicago, Ill. **Proceeds**—To the executors of the estate of Henry C. Lytton. **Offering**—Expected in early December.

Mascot Mines, Inc., Kellogg, Ida.
Oct. 27 (letter of notification) 400,000 shares of capital stock. **Price**—37½ cents per share. **Underwriter**—Standard Securities Corp., Spokane, Wash. **Proceeds**—To purchase controlling interest in Pine Creek Lead-Zinc Mining Co., for development costs and working capital.

McCoy-Couch Furniture Mfg. Co., Benton, Ark.
Oct. 16 (letter of notification) 12,000 shares of common stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds** — To repay RFC loan and to increase working capital. **Address**—P. O. Box 312, Benton, Ark.

Mercantile Acceptance Corp. of California
Oct. 5 (letter of notification) 1,395 shares of first preferred stock, 5% series. **Price**—At par ($20 per share). **Underwriter**—Guardian Securities Corp. of San Francisco. **Proceeds**—For corporate purposes. **Office**—333 Montgomery Street, San Francisco, Calif.

Metropolitan Edison Co. (12/12)
Nov. 7 filed $5,250,000 of first mortgage bonds due Dec. 1, 1980, and 20,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; First Boston Corp.; Carl M. Loeb, Rhoades & Co.; Drexel & Co.; Kidder, Peabody & Co.; White, Weld & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. and Union Securities Corp. (jointly). (2) For preferred: Drexel & Co.; Smith Barney & Co. and Goldman, Sachs & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); First Boston Corp.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly). **Proceeds**—From the sale of the aforementioned securities and from the sale to General Public Utilities Corp. of 24,220 common shares will be used as follows: $1,247,500 to retire York Haven Water & Power Co. 50-year 5% gold bonds due June 1, 1951, and for construction program. **Bids**—To be received by the company at 67 Broad Street, New York, N. Y., up to noon (EST) on Dec. 12.

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Indefinitely postponed.

Miles Shoes, Inc., New York City (12/13)
Nov. 20 filed 77,400 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Wertheim & Co. and Lehman Brothers. **Proceeds**—To two selling stockholders.

Minnesota Power & Light Co. (12/4)
Oct. 30 filed 150,000 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders: First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co.; Lehman Brothers. Proceeds for construction program. **Bids**—To be received by the company at Room 2033, Two Rector Street, New York 6, N. Y., up to noon (EST) on Dec. 4. Statement effective Nov. 21.

Mission Appliance Corp., Hawthorne, Calif.
July 24 filed 50,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($20 per share). **Underwriter**—Lester & Co., Los Angeles, Calif. **Proceeds**—To retire bank loans and install machinery and equipment in a proposed new plant to be located east of the Rocky Mountains. **Business**—Manufacturer of gas and electric water and space heaters.

Montana Power Co.
Sept. 25 filed $10,000,000 of 25-year sinking fund debentures due Oct. 1, 1975. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and Smith, Barney & Co. (jointly); White, Weld & Co.; Lehman Brothers. **Proceeds**—To repay bank loans and for expansion and extension of gas and electric properties. **Withdrawal**—A request to withdraw registration statement was filed Nov. 24.

Nachman Corp., Chicago, Ill.
Oct. 25 (letter of notification) 6,000 shares of common stock (par $10). **Price**—$15 per share. **Underwriter**—Bacon, Whipple & Co., Chicago, Ill. **Proceeds**—To Mitchell, Hutchins & Co., Inc., the selling stockholder.

Niagara Duplicator Co.
Oct. 31 (letter of notification) 3,000 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — To operate manufacturing business. **Office**—2000 Russ Bldg., San Francisco, Calif.

Peerless Casualty Co., Keene, N. H.
Nov. 10 (letter of notification) 19,500 shares of common stock (par $5) to be offered to common stockholders of record Nov. 27 on basis of one share for each 11 shares held; rights to expire at 12 noon (EST) on Dec. 11. Unsubscribed shares may be later subscribed for by individual stockholders. **Price**—$15 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—19 Federal Street, Keene, N. H.

Pennsylvania Power & Light Co.
Nov. 9 filed 475,409 shares of common stock (no par), being offered to common stockholders of record Nov. 28 on a one-for-seven basis, with an oversubscription privilege; rights to expire on Dec. 13. Unsubscribed shares also to be offered to employees. **Price**—$23 per share. **Underwriters**—The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa. **Proceeds**—For construction program.

Pennsylvania Salt Manufacturing Co. (12/6)
Nov. 15 filed 124,879 shares of common stock (par $10) to be offered to common stockholders of record Dec. 6 on basis of one share for each seven shares held; rights will expire on Dec. 22. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For improvement and expansion of plant facilities.

Pig'n Whistle Corp., Los Angeles, Calif.
Nov. 10 (letter of notification) 4,000 shares of $2 cumulative convertible prior preferred stock (par $7.50). **Price**—$8 per share. **Underwriter**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To Steven Kormondy, the selling stockholder. **Office**—945 Venice Boulevard, Los Angeles, Calif.

Providence Washington Insurance Co. (12/4)
Nov. 10 filed 80,000 shares of cumulative convertible preferred stock (par $10), to be offered to common stockholders of record Dec. 4 on basis of one preferred share for each five common shares held; rights will expire

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Dec. 19. **Price**—To be supplied by amendment (expected to be between $48 and $55 per share). **Underwriters**—The First Boston Corp. and Wood, Struthers & Co., both of New York, and Brown, Lisle & Marshall of Providence, R. I. **Proceeds**—To be added to general funds.

Quaker City Fire & Marine Insurance Co.
Aug. 2 (letter of notification) 10,000 shares of capital stock (par $20) to be offered on a one-for-four basis to stockholders of record Oct. 20, 1950, with the rights expiring Dec. 4, 1950. **Price**—$25 per share. **Underwriter** — Unsubscribed shares to be offered publicly through Burton, Cluett and Dana, 120 Broadway, New York, N. Y. **Proceeds**—For working capital. **Office**—226 Walnut Street, Philadelphia 6, Pa.

Ramie Products Corp.
Sept. 21 (letter of notification) 25,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Smith, Talbott & Sharpe, Pittsburgh, Pa. **Proceeds**—For purchase of additional machinery and equipment and working capital. **Office**—307 Liberty Avenue, Pittsburgh 22, Pa.

● **Rome Cable Corp., Rome, N. Y.**
Nov. 24 (letter of notification) 5,000 shares of common stock (par $5), to be offered to certain officers and key employees under a stock purchase plan. **Price**—$10.25 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—421 Ridge St., Rome, N. Y.

● **Saul (B. F.) Co., Washington, D. C.**
Nov. 20 (letter of notification) $55,000 of promissory notes of Roy U. and Mary H. Plummer. The notes will be sold by the B. F. Saul Co. for its own account and the proceeds used to reimburse it for money advanced to the issuers. **Office**—925-15th St., N. W., Washington, D. C.

Schick Inc., Stamford, Conn. (12/12)
Nov. 20 filed 243,000 shares of common stock (par $1). **Price**—To be supplied by amendment (probably about $11.50 per share). **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—To certain members of the Schick family.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50c). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

● **Southeastern Telephone Co., Tallahassee, Fla.**
Nov. 20 (letter of notification) 10,000 shares of common stock (par $10). **Price**—$11.25 per share. **Underwriter**—Wagner, Reid & Ebinger, Louisville, Ky. **Proceeds**—For construction and improvement.

Southern Discount Co., Atlanta, Ga.
Sept. 18 (letter of notification) $191,500 of 5% subordinated debentures, series E. **Price**—At par. **Underwriter**—For $100,000 of debentures, Allen & Co., Lakeland, Fla. **Proceeds**—To reduce bank loans and for working capital. **Office**—220 Healey Bldg., Atlanta, Ga.

Southern Insurance, Inc., Atlanta, Ga.
Nov. 2 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase stock in Southern Fire & Marine Insurance Co. and to reduce debt. **Office**—79 Ponce De Leon Ave., N. E., Atlanta, Ga.

Southwestern Gas & Electric Co. (12/4)
Nov. 2 filed $6,000,000 of first mortgage bonds, series D, due Dec. 1, 1980. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers; Equitable Securities Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Otis & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); The First Boston Corp. **Proceeds** — For construction program. **Bids**—Expected to be received up to noon (EST) on Dec. 4. Public offering tentatively set for Dec. 6. Statement effective Nov. 22.

Texas Eastern Transmission Corp. (12/6)
Nov. 14 filed 200,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—For expansion and to retire $10,000,000 outstanding 2¾% serial notes.

● **Texas Engineering & Manufacturing Co., Inc.**
Nov. 21 (letter of notification) unspecified number of shares of common stock (par $1) to amount to $100,000 at current market value. **Price**—Estimated at $5 to $6 per share. **Underwriter** — None. **Proceeds** — To H. L. Howard and Robert McCulloch, officials of the company.

Texas Illinois Natural Gas Pipeline Co., Chicago
Nov. 20 filed 300,000 shares of common stock (par $1), to be offered to common stockholders of record Dec. 8 on the basis of one new share for each 7½ shares held. (Peoples Gas Light & Coke Co. owner of more than 50% of outstanding common stock will subscribe for its proportionate share of new stock, plus any other unsubscribed shares. Rights will expire on Dec. 28. **Price**—$10 per share. **Underwriters**—Probably White, Weld & Co.; A. C. Allyn & Co., Inc.; Bacon, Whipple & Co., et al. **Proceeds**—To finance proposed pipeline from Texas to Chicago.

● **Trailmobile Co., Cincinnati, Ohio**
Nov. 21 (letter of notification) 5,125 shares of common stock (par $5). **Price**—At market. **Underwriter**—Stifel, Nicolaus & Co., St. Louis, Mo. **Proceeds**—To Mercantile-Commerce Bank & Trust Co. and Fielding T. Childress, co-executors of the estate of L. Wade Childress, deceased. **Co.'s Office**—31st and Robertson Ave., Cincinnati 9, Ohio.

Union Electric Co. of Missouri (12/5)
Nov. 2 filed $25,000,000 of first mortgage and collateral trust bonds, due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc. (jointly); The First Boston Corp.; Lehman Bros.; Dillon, Read & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—To finance construction program and pay bank loans. **Bids**—To be received by company at 60 Broadway, Room 1901, New York 4, N. Y., up to noon (EST) on Dec. 5. **Offering Date**—Tentatively fixed as Dec. 7.

● **Walker Vitamin Products, Inc.**
Nov. 17 (letter of notification) 11,000 shares of class B common stock (par 25¢) to be offered to employees. **Price**—$2.50 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—17 South Columbus Ave., Mount Vernon, N. Y.

● **Watson Standard Co., Pittsburgh, Pa.**
Nov. 20 (letter of notification) 1,500 shares of 5% cumulative preferred stock, of which 500 shares will be publicly offered and 1,000 shares are to be used for the purpose of acquiring from five or six individuals substantially all of the shares of the common stock of an Ohio corporation. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—225 Galveston Ave., Pittsburgh, Pa.

● **Webster-Chicago Corp. (12/11-16)**
Nov. 24 filed 103,158 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—F. Eberstadt & Co., Inc., New York, and Shillinglaw, Bolger & Co., Chicago. **Proceeds**—To finance acquisition of plant site and for construction. **Offering**—Expected week of Dec. 11.

Western Light & Telephone Co., Inc.
Nov. 6 (letter of notification) 14,870 shares of common stock (par $10), to be offered to common stockholders on a 1-for-20 basis. **Price**—To be filed by amendment. **Underwriter**—None, but Harris, Hall & Co. (Inc.) and First Trust Co. of Lincoln, Neb., will act as dealer-managers. **Proceeds**—For construction program.

Wilcox-Gay Corp., Charlotte, Mich. (12/11-18)
Oct. 25 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriters**—Gearhart, Kinnard & Otis, Inc., New York, N. Y., and White & Co., St. Louis, Mo. **Proceeds**—To pay obligations to all unsecured creditors. Expected early next month.

Prospective Offerings

Algonquin Gas Transmission Co.
Nov. 8 the FPC said it was of the opinion that certain of the New England markets should be served by this company, upon showing that it has an adequate amount of gas. Necessary financing, probably about $40,000,000, likely to be 75% bonds and 25% stock, with common stock to be offered first to stockholders. Probable underwriter: Dillon, Read & Co. Inc.

Atlantic City Electric Co.
Oct. 18 company estimated that about financing to the extent of $2,000,000 will be required in connection with its construction expenditures from Sept. 1, 1950 through Dec. 31, 1951 which will amount to $6,898,000.

Carolina Power & Light Co.
Nov. 20 it was reported that this company will be in the market, probably in February, with an offering of $15,000,000 of new bonds. Previous debt financing placed privately. If competitive, probable bidders are: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Equitable Securities Corp. Proceeds will be used for expansion program.

Carpenter Steel Co.
Oct. 30 stockholders voted to increase the authorized common stock, par $5, from 500,000 shares to 1,000,000 shares (there are presently 396,000 shares outstanding). The management has no present plans to issue any additional common stock. Traditional underwriters: F. S. Moseley & Co.; White, Weld & Co.; Hemphill, Noyes, Graham, Parsons & Co., and H. M. Byllesby & Co., Inc.

Central Hudson Gas & Electric Corp.
Oct. 25 company announced it has asked New York P. S. Commission authority to issue $12,000,000 of new 30-year first mortgage bonds, of which it plans to sell early in December at least $7,000,000 and the remainder in instalments during the following six months. Previous bond financing was done privately. **Proceeds**—For construction program.

Cleveland Union Terminals Co. (12/6)
Nov. 20 company asked ICC authority to issue $40,000,000 of 1- to 16-year serial first mortgage bonds, due $2,500,000 annually. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. and The First Boston Corp. **Proceeds**—To provide a major portion of the funds required to redeem $41,614,400 series A, B and C first mortgage sinking fund bonds April 1, 1951. **Bids**—Will be received up to 12 o'clock noon on Dec. 6.

Colorado Fuel & Iron Corp.
Nov. 3, the directors approved a $26,200,000 modernization and improvement program for the company's Minnequa Works at Pueblo, Colo., which is expected to be completed by 1952. Traditional underwriter: Allen & Co., New York.

Columbus & Southern Ohio Electric Co.
March 9 reported planning new equity financing before the end of the year in the form of common stock. Proceeds will finance a portion of the company's construction program, which calls for total expenditures of $45,900,000 in the years 1950-1952. **Traditional Underwriter**—Dillon, Read & Co. Inc., New York.

● **Consolidated Gas Electric Light & Power Co. of Baltimore**
Nov. 24 it was announced company plans to register with the SEC by the end of next month a proposed offering of $25,000,000 new bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders may include The First Boston Corp. **Bids**—Expected to be invited during the latter part of January.

Emerson Electric Manufacturing Co.
Nov. 20 it was reported that the company was said to be considering the issuance of an issue of convertible preferred stock first to stockholders on about a 1-for-8 basis. Probable underwriters: Smith, Barney & Co.; Van Alstyne, Noel & Co.; Newhard, Cook & Co.

Eureka Williams Corp.
Oct. 31 stockholders voted to increase authorized common stock (par $5) from 600,000 shares to 1,000,000 shares so that company may be in a position "to act promptly by broadening the scope of business and operations." Traditional underwriters: Hornblower & Weeks and Kebbon, McCormick & Co.

Facsimile & Electronics, Inc.
Oct. 2 stockholders of this company (formerly Finch Telecommunications, Inc.) voted to create an authorized issue of 400,000 shares of class A convertible stock (par $1), all or part of which are to be publicly offered in the near future. **Price**—$2.50 per share. **Underwriter**—Graham, Ross & Co., Inc., New York. **Proceeds**—To repay indebtedness to RFC and for working capital.

● **Foote Mineral Co.**
Nov. 20 company said it may sell during 1951 some additional common stock following proposed 200% stock distribution on March 1, 1951. Traditional underwriter: Estabrook & Co., New York.

Gatineau Power Co.
Oct. 27, the preferred stockholders of International Hydro-Electric System asked SEC to order B. A. Brickley, trustee, to sell sufficient Gatineau common stock to pay off a $9,000,000 bank loan. Probable underwriters: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and Harriman Ripley & Co. SEC dismissed application on Nov. 13.

Kaiser Aluminum & Chemical Corp.
Oct. 27 it was reported company plans new financing (may be placed privately). Probable underwriter: The First Boston Corp.

Kansas Gas & Electric Co.
Oct. 10 it was announced that proposed sale of $5,000,000 first mortgage bonds, which had tentatively been scheduled for Nov. 27, has now been deferred, probably until 1951. **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). **Proceeds**—For construction program.
Oct. 31 it was reported company is considering refunding early next year of $16,000,000 first mortgage 3⅜% bonds due 1970 (held privately by a group of insurance companies) and $5,000,000 of first mortgage 3⅛% bonds due 1978. (See also accompanying item).

Lone Star Steel Corp.
Nov. 12, it was reported that company may issue and sell additional securities should it receive government consent to the building of a new plant. Probable underwriters: Straus & Blosser; Estabrook & Co., and Dallas Rupee & Son.

Michigan-Wisconsin Pipe Line Co.
July 25 company received SEC authority to borrow not more than $20,000,000 from banks. A permanent financing program provides for the elimination of these bank loans prior to their maturity, July 1, 1951, and such program will include the issuance and sale of $12,000,000 additional bonds and $3,000,000 of additional common stock (latter to American Natural Gas Co., the parent). Previous debt financing was placed privately. If competitive probable bidders may include The First Boston Corp.; Harriman Ripley & Co., Inc.; Glore, Forgan & Co.

Mississippi River Fuel Corp., St. Louis, Mo.
Oct. 4 it was announced that plans to finance the installation of additional compressor units on the company's pipeline system in Arkansas and Missouri will be supplied later. The estimated cost of the new facilities is $5,500,000. Previous bond financing was arranged for privately through Union Securities Corp., who also acted as underwriter for a common stock issue in April of this year.

Missouri Central Natural Gas Co., Macon, Mo.
Nov. 1 company asked FPC authority to build approximately 60 miles of pipeline in Missouri at an estimated cost of $1,200,000. The project would be financed from the proposed issuance of $1,000,000 of first mortgage bonds and 2,000 shares of $100 par 5% preferred stock.

Monarch Machine Tool Co.
Nov. 9, it was announced that stockholders will vote Dec. 20 on a plan to increase the authorized common stock from 250,000 shares to 750,000 shares and splitting up the present 210,000 outstanding shares on a two-for-one basis. If any new financing, probable underwriters will include F. Eberstadt & Co., Inc., of New York, and Prescott, Hawley, Shepard & Co., Inc., of Cleveland, Ohio.

Montana-Dakota Utilities Co.
Oct. 11 company asked FPC for authority to issue $2,800,000 of 2½% promissory notes to banks to provide funds for its expansion program. These notes, together with $3,000,000 of notes authorized by FPC last May, are to be refunded by permanent financing before April 1, 1951. Traditional underwriters are Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane. Stockholders on Nov. 27 will vote on increasing authorized preferred

stock from 100,000 to 150,000 shares and common stock from 1,500,000 to 2,500,000 shares. R. M. Heskett, President, stated that about $10,000,000 will be raised within the next six months.

National Video Corp., Chicago, Ill.
Oct. 23 it was reported this company contemplates the offering of additional capital stock, the proceeds of which are to be used to finance, in part, the cost of erection of a new $1,200,000 building and an additional $1,000,000 for new equipment. Most of the funds necessary for this expansion are expected to come from earnings.

Nevada Natural Gas Pipe Line Co.
Nov. 15 company asked FPC to authorize construction and operation of a 114-mile pipeline for the transportation of natural gas, which, it is estimated, will cost $2,331,350.

New England Electric System
Oct. 30 SEC authorized 12 subsidiaries of this System to increase their bank borrowings in the aggregate amount of $14,455,000 through the issuance of bank notes from time to time prior to the end of 1950. These 12 companies now have outstanding a total of $22,510,000 of bank notes; and prior to Dec. 31, 1950, certain of the companies contemplate the retirement of part or all of the notes with proceeds from permanent financing. (See accompanying items on New England Power Co. and Worcester County Electric Co.) Construction expenditures of all NEES subsidiaries are estimated at $12,340,000 for the last quarter of 1950, $34,912,000 in the year 1951 and $25,524,000 in the year 1952. Sept. 30 bank debts aggregated $26,340,000. It is anticipated that about $25,000,000 of the needed funds will be derived from internal sources, leaving about $75,000,000 to be obtained either from the sale of assets or security issues of NEES or its subsidiaries of which the major portion will be obtained from the sale of senior securities of subsidiaries to the public. NEES also intends to dispose of its investment in gas and transportation properties and the proceeds of such sales should be substantial although the timing for the receipts arising from such disposition cannot be definitely stated at this time even though negotiations for some of such sales are actually under way.

NEES intends to maintain a reasonable equity base for the required senior financing and if it then appears that the sales of gas and transportation properties are to be materially delayed, NEES proposes to maintain such equity base through the issue and sale of additional common shares (probably first to stockholders) as soon as practicable and feasible provided market conditions are favorable. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly).

New England Power Co.
April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue $10,000,000 of new bonds and 70,000 to 80,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc. (2) for bonds and preferred: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; (3) for preferred: W. C. Langley & Co.

New York, Chicago & St. Louis RR. (11/30)
Bids will be received by the company at its office in Cleveland up to noon (CST) on Nov. 30 for the purchase from it $3,120,000 of equipment trust certificates to be dated Dec. 15, 1950 and to mature $104,000 semi-annually June 15, 1951 to Dec. 15, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Lee Higginson Corp.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Niagara Gas Transmission Ltd. (Canada)
Oct. 20, it was announced that this company, a subsidiary of Consumers' Gas Co., plans to build a pipe line in Canada to export from Tennessee Gas Transmission Co. Texas natural gas by way of the Niagara border. The total cost of the project is estimated at $6,000,000, of which $2,000,000 will be represented by 400,000 shares of capital stock, par $5, and $4,000,000 to be raised by the issue of bonds.

Niagara Mohawk Power Corp.
Oct. 24 the company estimated that, through 1951, it will require not more than $35,000,000 of additional debt or equity financing in connection with its 1951 construction which is expected to cost $52,328,000. This amount is in addition to the sale on Oct. 31 of $40,000,000 general mortgage bonds due Oct. 1, 1980. Probable bidders for new bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.

North Penn Gas Co.
Sept. 25 it was announced company plans permanent financing following merger of the Pennsylvania subsidiaries of Pennsylvania Gas & Electric Corp., the parent. **Proceeds**—To retire, in part, proposed bank loans of $3,000,000.

Northeastern Gas Transmission Co.
Nov. 8 FPC authorized company to supply part of New England with natural gas, and authorized Tennessee Gas Transmission Co., parent, to carry out a $118,645,545 expansion program, part of which will supply some of Northeastern's gas needs. Traditional underwriters for Tennessee: White, Weld & Co.; Stone & Webster Securities Corp.

Oklahoma Gas & Electric Co.
Sept. 28 a plan was filed with the SEC, which provides, in part, for the refunding of the outstanding $6,500,000 5¼% cumulative preferred stock (par $100) with an equal par amount of preferred stock having a lower dividend rate "as soon as the transaction becomes economically sound," and to finance part of the company's construction program by the issuance and sale of additional common stock. Stockholders will vote on Dec. 4 on changing each of the 1,076,900 shares of $20 common stock now outstanding to two shares of common stock, $10 par each; and on changing the 825,000 shares of authorized but unallotted shares, $20 par, of 4% cumulative preferred stock to 165,000 shares of $100 par cumulative preferred stock. Probable underwriters: Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Lehman Brothers.

Pacific Lighting Corp.
Nov. 13 corporation estimated that approximately $24,000,000 will have to be raised through the sale of securities next year to finance its 1951 construction program. Traditional underwriter: Blyth & Co., Inc.

Pacific Northwest Pipeline Corp.
June 30 company sought FPC authority to build a 2,175 mile pipeline system—from southern Texas to Washington—at a cost of $174,186,602. Negotiations for major financing requirements are now in process of being completed. Probable underwriters: White, Weld & Co. and Kidder, Peabody & Co. R. R. Herring, President, on Oct. 12 stated permission to build the line is expected within six months.

Pennsylvania Electric Co.
Oct. 4 company was reported to be planning the issuance early next year of about $10,000,000 new bonds. 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.; The First Boston Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc. Proceeds are to be used to finance construction program.

Pennsylvania Power & Light Co.
Nov. 9 Chas. E. Oakes, President, stated the company will require about $34,900,000 of new capital over the next four years through the sale of securities. It is reported that not over 75,000 shares of series preferred stock may be sold late this year or early 1951. **Traditional Underwriters**—The First Boston Corp. and Drexel & Co. **Proceeds**—To finance, in part, the company's construction program.

Public Service Co. of Colorado
Nov. 1, J. E. Loiseau, President, announced that "it will be necessary to raise additional funds for construction purposes in the second quarter of 1951. The amount needed is estimated at about $7,000,000." Probable bidders for $7,000,000 of debentures which company had planned to issue earlier this year were: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.). This latter plan was abandoned last August.

Public Service Co. of Indiana, Inc.
Oct. 31, company estimated that, in addition to the $40,000,000 bank credit arranged with eight banks, it may be required, during the period prior to Dec. 31, 1953, to obtain additional funds of approximately $40,000,000 in order to take care of its construction program.

● **Reliance Electric & Engineering Co.**
Nov. 22 directors voted to call a special meeting of stockholders for Jan. 18, 1951, for purpose of increasing authorized common stock from 350,000 shares (209,221 shares outstanding) to 1,000,000 shares and to effect a 2-for-1 stock split-up. The stockholders would then have preemptive rights in 531,558 of the unissued new shares while 50,000 shares would be reserved for future sale to employees and for other corporate purposes.

St. Louis-San Francisco Ry. (12/15)
Nov. 20, it was reported the company expects to sell about $5,500,000 of equipment trust certificates, series H, to mature 1951 to 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Haris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

South Jersey Gas Co
Nov. 20 an advisory report submitted to SEC provides for sale of entire holdings of United Corp. in the stock of South Jersey Gas Co. (154,231.8 shares, par $5 each.) Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly).

Southeastern Michigan Gas Co., Chicago, Ill.
June 12 it was announced company plans issuance and sale of first mortgage bonds, debentures, preferred stock and common stock in connection with its proposed new pipe line in Michigan to cost approximately $1,400,000. Application is before FPC.

Southern California Edison Co.
Sept. 27, W. C. Mullendore, President, announced that company will have to raise $50,000,000 in new capital within the next 18 months to finance its 1951 construction program. Total financing may involve $55,000,000 in new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Shields & Co.

Southern Indiana Gas & Electric Co.
Nov. 6, the company applied to the Indiana P. S. Commission for authority to issue and sell $3,000,000 of 30-year first mortgage bonds. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; First Boston Corp.; Equitable Securities Corp.; Otis & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler. Proceeds—For expansion program.

Southern Natural Gas Co.
Nov. 1, Chirstopher T. Chenery, Chairman, announced company will soon file with SEC a financing program which is expected to comprise $17,500,000 of 20-year first mortgage pipeline bonds and 155,546 shares of additional common stock (latter to be offered for subscription by stockholders in ratio of one share for each 10 shares held). **Price**—For stock to be announced later. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Proceeds**—To repay a $20,000,000 2% bank loan due July 1, 1951, and the balance (expected to exceed $1,500,000) to provide some additional working capital. **Bids**—Tentatively scheduled for bonds in first week of January.

Southern Union Gas Co.
Oct. 20 it was reported company plans to raise between $7,000,000 and $8,000,000 through the sale of new securities next Spring. **Underwriter** — Blair, Rollins & Co., Inc., handled the financing early this year of $18,000,000 of first mortgage 2⅞% bonds and $3,000,000 of 4¾% preferred stock (par $100). **Proceeds**—To repay $3,000,000 of bank loans and for construction expenditures.

Tennessee Gas Transmission Co.
See accompanying item on Northeastern Gas Transmission Co.

Texas Gas Transmission Corp.
Nov. 9, it was reported that this company is understood to be studying further expansion plans, although no financing is considered imminent. Probable underwriter: Dillon, Read & Co. Inc. New York.

United Gas Corp.
Nov. 16, the Division of Public Utilities of the SEC has recommended that SEC order Electric Bond & Share Co. to dispose of its holdings of 2,870,653 shares (26.95%) of United Gas Corp. common stock. In event of competitive bidding, probable bidders may include Lehman Brothers.

United States Pipe Line Co. (Del.)
Sept. 25, it was announced that this company had been formed to build, own and operate a petroleum products pipeline from the Texas Gulf Coast to St. Louis, Chicago and other midwest markets to operate as a "common carrier." The initial financing has been arranged for privately, with no public offering expected for at least two years. E. Holley Poe and Paul Ryan, of 70 Pine St., New York, N. Y., are the principal officers of the corporation.

Utah Power & Light Co.
Oct. 17 it was announced that present plans call for the company to offer approximately $12,000,000 of new bonds and about 200,000 additional shares of common stock in 1951 to provide funds for its construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds: 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); and (2) for stock: Blyth & Co., Inc.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); Lehman Brothers, and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Valley Gas Pipe Line Co., Inc., Houston, Tex.
June 27 company sought FPC authorization to construct a $144,500,000 pipeline project to carry natural gas from the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

Westcoast Transmission Co., Ltd.
Nov. 10, it was announced that Westcoast Transmission Co., Inc., its American affiliate, has filed an application with the FPC seeking authorization to construct approximately 615 miles of pipeline for the transportation of natural gas in the States of Washington and Oregon (this project is estimated to cost $25,690,000). Both companies are sponsored by Pacific Petroleums, Ltd., of Calgary, Sunray Oil Corp. and other members of the "Pacific Group" engaged in active oil and gas exploration and development in Western Canada. The completed line of both companies, to be about 1,400 miles, will, according to estimates, cost about $175,000,000, to be financed 75% by bonds and the remainder by preferred and common stock. **Underwriters**—Eastman, Dillon & Co. and The First Boston Corp.

Western Pacific RR.
Sept. 5 it was announced company plans issuance and sale of $22,000,000 3% first and refunding mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; Lehman Bros. and Bear, Stearns & Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). **Proceeds**—To retire $10,000,000 first mortgage 4% bonds and $6,133,000 convertible income 4½% bonds due 2014, and over $5,800,000 "new money."

Worcester County Electric Co.
Sept. 25 a plan was filed with the SEC, the FPC and the Massachusetts Department of Public Utilities providing for the merger with this company of seven other subsidiaries of New England Electric System, following which Worcester County proposes to issue and sell $12,000,000 of first mortgage bonds to retire bank loans of the companies participating in the merger. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; First Boston Corp.; Harriman Ripley & Co., Inc.

Continued from page 10

Pension Fund Management

been better known to California pension administrators than those situated more remotely. It should be remembered, however, that the funds coming into your hands for investment are all from California sources and, for that reason alone, an extensive investment outside the state seems to constitute sound policy. Beyond that, a concentration of investments in any locality exposes the fund unduly to the hazards of natural disaster, war damage and political phenomena. Two of these factors have at various times exerted considerable influence upon the value of California securities as well as the securities of any other particular locality, and the third, relating itself to war damage, is an unpleasant possibility. Distribution of risk is a cardinal principle in the investment of all insurance company funds as well as in the funds of investment trusts and, in many different states, there are statutory limitations upon the percentage of banks funds which may be invested in any particular locality. The principle should be observed in the management of pension funds as well and it seems not unreasonable to set a limitation of 15% upon investments in any state. There are many arbitrary methods of segregating investments geographically and the actual method selected is possibly not as important as the recognition of the value of the principle itself.

It is somewhat difficult to set any hard and fast rules regarding diversification in the bond account as to type of security and industry but the following table seems to me to represent a fair distribution for various sizes of retirement funds. To some extent the proportions in the table are governed by the availability of the various types of securities mentioned but, in general, its proportions have been dictated by considerations of quality, marketability and liquidity. Government bonds obviously offer the nearest thing to absolute security which is available but the yields are appreciably lower than those obtainable elsewhere. Conversely, the most liberal yields available to you are in the fields of railroad bonds but changes in the field of transportation have been many and varied over an extensive period and there are only a few railroad systems whose position seems sufficiently sound over the long term to warrant your attention. Such being the case, it would seem reasonable that in small accounts, a sizeable quota of series "G" and long-term Treasury bonds should be accumulated before commitments are contemplated in other fields. As the fund grows larger, the proportion of holdings in governments may be kept at a smaller percentage of the total. The fact that municipal bonds have attained a very low yield level suggests that commitments in this field should be exceedingly small.

	Accounts		
	Under $1 Million	$1-$2 Million	$2-$5 Million
U. S. Governments	45-50%	35%	30%
(Treasury 2½%, 12/72-67)			
(U. S. Savings, "G," 2½%)			
Municipals	0-5	0-5	0-10
Power and Light	30	35	35
Telephone	15	15	15
Railroads	5	10	10
Industrials	--	--	5

In addition to the foregoing, limitations should be set upon t e size of commitments in any individual company. As a general rule, it is better to buy your bonds in round lots and I would suggest that purchases of all securities except government bonds should be limited to blocks of $10,000 until the fund reaches the total of $500,000. From that time forward, blocks of $15,000 to $25,000 seem appropriate with a top limitation of 5% of the total fund in the securities of any single company.

Techniques in Purchasing

This brings us to the most important consideration of all, namely, the development and employment of techniques for extracting the most out of the market in your new purchases, and for keeping watch over the existing commitments in your portfolios. Among other things, this involves a determination of price standards and a close study of market trends. Over all, the principal determinant of bond prices is the going rate for riskless credit. As stated above, the U. S. Treasury long-term borrowing rate sets the pattern. From a study of price movements of long government bonds and long high-grade corporates, one can gain an idea of the normal or average spread in yield between the various gradations of credit. This enables one to discern an exceptional value which may arise out of any number of temporary influences and present a buying opportunity. Among those influences, some of the more important are:

(1) Federal Reserve policy with respect to the flow of credit, implemented by its open-market operations in Treasury bonds.

(2) An unusually large underwriting of new bonds of some company or public body, necessitating an offering at a below scale price in order to assure a successful distribution. A good example is the recent offering of State of California bonds at a price yielding 15 basic points more than comparable issues outstanding, or the large American Tel. & Tel. offerings some two years ago.

(3) Successive large offerings of some new credit with sound background but no seasoning, such as the Metropolitan Water District ten years ago.

(4) Changes in income tax rates.

At the present time, the war in Korea and our decision to rearm has created a condition in the bond market which presents a distinct opportunity for profitable transactions in your portfolios. I am certain that all retirement funds have at one time held sizable investments in municipal bonds, and many still do. They were acquired at times when they afforded an attractive yield and the security which you desired. The fact that the income which they produced was tax-free did not enter into their selection for your funds are not subject to income tax. During World War II, Federal taxes on personal and corporation income were raised sharply an dinvestors sought the greater tax shelter which state and municipal bonds afforded. The result was a very sharp price rise in municipal bonds. At one time, the Standard & Poor's index of yield on high-grade long-term municipals went as low as 1½%. As the war came to a close and there was a prospect of tax reduction and an increasingly supply of new issues, the price turned down and the yield rose as high as 2½%. Subsequently, prices strengthened and, in June of this year, the yield was about 2.12%. The outbreak of hostilities in Korea was quickly followed by plans for greater spending and calls for increased taxation. Immediately the demand for municipals broadened and the price turned sharply upward. At present, the yield average stands at 1.78%. But this is only part of the story. The prospect of rearmament, involving full employment and reduced industrial output for civilian consumption, has increased the danger of inflationary trends. The Federal Reserve Board had been concerned from early 1950 about the expansion in bank and instalment credit and had been selling government bonds from its own portfolio in an effort to dry up excess bank reserves and increase the cost of borrowing. This had resulted in a moderate but steady decline in government bond prices and, sympathetically, a smaller decline in high-grade corporation bonds. The Korean episode made it certain that credit expansion would have to be curbed and, since July, the Federal Reserve Board's activities have been accelerated and intensified. The one-year borrowing rate of the Treasury has been increased from 1¼% to 1½% and the five-year yield has increased moderately. The pressure on the long rate has been even less but the so-called "Victory 2½% loan of 1967/72 has edged lower to a price of about 100¾ where it has been pegged for about 60 days. Thus, the spread in price and yield between municipals and governments and other high-grade credit has widened to a space almost as broad as any prevailing in the war years. The accompanying chart illustrates these yield changes in recent years and points graphically to the opportunity now presented.

The existing high price of municipals and the very lively market will now permit profitable sale of your tax-free securities. The par value of your reserves can be increased, your diversification can be widened, and your investment yield can be improved. You have no need for tax exemption and the increasing demand for tax exemption is the only reason that these bonds have advanced against the basic trend. At the same time, you can buy series "G" bonds in very large amount due to a special offering or you can buy high-grade corporates of long-term to yield 2.7% at a time when the yield differential is much wider than usual. There are some reasons for believing that the Federal Reserve Board's policy may be less vigorous a month or two hence when the arbitrary credit controls will be taking effect, and that long bonds might rally slightly. In any event, there have been very, very few occasions in the past when the rewards of such a switch were so sizable.

As a further consideration, it must be remembered that your task of investment supervision is not completed with the selection of your purchases. The list of holdings should be valued regularly. Redemption lists must be scanned so that no loss of income may result from unsuspected sinking fund redemptions or the retirement of a whole issue. The affairs of each debtor must be followed to make sure that its capacity to discharge its obligations is not being impaired. Finally, the money market as a whole should be followed to the end of capitalizing any unique opportunity to improve the quality and productiveness of your fund.

Bankers Offer Central Pwr. & Lt. Co. Bonds

An underwriting group composed of Kuhn, Loeb & Co., A. C. Allyn & Co., Inc., and Bear, Stearns & Co., is offering today (Nov. 30) $10,000,000 Central Power & Light Co. first mortgage bonds, series C, 3%, due Nov. 1, 1980. The bonds are priced at 102.399%, plus accrued interest. The group was awarded the issue at competitive sale on Tuesday on its bid of 101.918%.

Net proceeds from the sale will be used by Central Power & Light Co. to pay or reimburse the company, in part, for expenditures in connection with its construction program, and to pay short-term notes, not exceeding $750,000, representing temporary bank borrowings for construction purposes.

The bonds are redeemable at the option of the company at prices ranging from 105.40% if redeemed during the 12 months ending Oct. 31, 1951, at 100.24% if redeemed during the 12 months ending Oct. 31, 1979, and at 100% thereafter.

The company is a public utility engaged principally in the generation, transmission and sale of electricity in an area in South Texas which includes the cities of Corpus Christi and Laredo. The region served with electricity has an estimated population of 830,000. On Aug. 31 the company supplied electric service to 166,134 customers in 205 communities and adjacent rural areas. It also is engaged in the manufacture and sale of ice.

With Baker, Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Howard H. Crawford has become affiliated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Our Reporter's Report

Falling into that popular category classed as a "Street-sized" deal, the $10,000,000 Central Power & Light new 30-year bonds brought out a total of nine separate bids, with the successful group paying the issuer a price of 101.918 for a 3% coupon rate.

Other bids, all for the same coupon, ranged gradually down to a low of 101.544. Reoffering is planned at a price of 102.399 to yield an indicated 2.88%. Market observers figured a 2.93 to 2.95% yield would be needed to make for a quick sale. But, contrary as the market sometimes is, inquiry for the bonds was such that ready distribution was indicated.

Niagara Mowhawks On Own

After four weeks of patient waiting for the market to come up to its ideas of price, the group which brought out Niagara Mowhawk Power Corp.'s $40,000,000 of new 2⅞% mortgage bonds finally turned that issue loose.

Brought out originally at 101¼ to yield about 2.81%, the bonds were slow in moving out, and at the time of termination of the syndicate only about one-third of the total had been sold.

Free to find their own market, the bonds settled to around 100⅝ bid, which would make the yield about 2.84%. Good progress appeared being made in distribution of the unsold portion when the Korean reversals slowed everything down at midweek.

Next Week Promising

Provided nothing happens to cause prospective issuers to decide upon postponement, next week promises to be the best in some time from a standjoint of new offerings.

Monday will bring up two offerings, one for competitive bids, namely, $6,000,000 of new series D first mortgage 30-year bonds of the Southwestern Gas & Electric Co. The second, 200,000 shares of convertible preferred stock of Texas Eastern Transmission Corp., is a negotiated deal.

Texas Eastern will use part of the proceeds to liquidate $10,000,000 of serial notes now outstanding.

The following day Union Electric Co. of Missouri will put up $25,000,000 of first mortgage and collateral bonds for bids. At least five banking groups will be in the running for this one.

Cleveland Union Terminals

The biggest operation in prospect next week involves $40,000,000 of 1- to 16-year serial first mortgage bonds, due $2,500,000 annually. This is an unusual operation and naturally has aroused considerable interest.

Three large banking groups have indicated determination to seek the bonds through competitive bidding a week from today. Considering the range of maturities, this one will require no little paper work on the part of those seeking to purchase.

The issuer will use the bulk of the funds to redeem $41,614,000 in series A, B and C first mortgage sinking fund bonds due next April 1.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Legare C. Jennings, Jr. has joined the staff of Courts & Co., 11 Marietta St., N. W., members of the New York Stock Exchange.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn. — Alfred Bolstad is with King Merritt & Co., 1211 First Street, North.

DIVIDEND NOTICES

AMERICAN MACHINE AND METALS, INC.

A dividend of 30¢ per share will be paid on December 21, 1950, to stockholders of record at close of business December 11, 1950. To obtain dividend, holders of Voting Trust Certificates should exchange same for Capital Stock promptly.

H. T. McMeekin, *Treasurer.*

The American Tobacco Company

INCORPORATED

111 Fifth Avenue New York 3, N. Y.

185th PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on January 2, 1951, to stockholders of record at the close of business December 6, 1950. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

November 28, 1950

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 179
Common Dividend No. 169

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1950, and a dividend of 25¢ per share on the Common Stock have been declared. Both dividends are payable January 2, 1951, to holders of record December 4, 1950. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
November 22, 1950 Secretary

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, November 17, 1950, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable December 21, 1950, to Common stockholders of record at the close of business on December 1, 1950. In addition, the Board declared an extra dividend of fifty cents (50c) per share on the Common Stock, also payable December 21, 1950 to Common stockholders of record on December 1, 1950.

The Board also declared a dividend of one dollar twelve and one-half cents ($1.12½) per share on the $4.50 Cumulative Preferred Stock of the Corporation, payable December 15, 1950, to preferred stockholders of record at the close of business on December 1, 1950.

S. A. McCASKEY, Jr.
Secretary

DIVIDEND NOTICES

Borden's

DIVIDEND No. 163

The final dividend for the year 1950 of one dollar ($1.00) per share has been declared on the capital stock of *The Borden Company,* payable December 20, 1950, to stockholders of record at the close of business December 5, 1950.

E. L. NOETZEL
November 28, 1950 *Treasurer*

COMBUSTION ENGINEERING-SUPERHEATER, INC.

Dividend Nos. 186 and 187

The Board of Directors of Combustion Engineering-Superheater, Inc. on November 27, 1950 declared

1. A special dividend of one dollar ($1.00) per share on the outstanding stock of the Company, payable December 22, 1950 to stockholders of record at the close of business December 8, 1950.
2. A quarterly dividend of seventy-five cents (75c) per share on the outstanding stock of the Company, payable January 26, 1951 to stockholders of record at the close of business December 8, 1950.

OTTO W. STRAUSS, Treasurer.

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of $1.00 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION payable January 1, 1951, to stockholders of record at the close of business December 11, 1950. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*
November 22, 1950.

CSC

COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 64

A dividend of twenty-five cents (25c) per share and a year-end dividend of twenty-five cents (25c) per share have today been declared on the outstanding common stock of this Corporation, both payable on December 22, 1950, to stockholders of record at the close of business on December 7, 1950.

A. R. BERGEN,
Secretary
November 27, 1950.

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND No. 878

The Board of Directors has declared dividend No. 878 of seventy-five cents ($.75) per share of $12.50 par value Capital Stock, payable December 15, 1950 to stockholders of record December 5, 1950.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*
November 21, 1950.

E.I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Delaware, November 20, 1950

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable January 25, 1951, to stockholders of record at the close of business on January 10, 1951; also $2.25 a share on the $5.00 par value Common Stock as the year-end dividend for 1950, payable December 14, 1950, to stockholders of record at the close of business on November 27, 1950.

L. DU P. COPELAND, *Secretary*

Eastern Corporation

BANGOR, MAINE

Stock Dividend Notice

The Board of Directors of Eastern Corporation at a meeting held on November 28, 1950 declared a 5% stock dividend payable on December 22, 1950 to Common stockholders of record at the close of business on December 11, 1950.

D. H. Millett, Treasurer

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

590 Madison Ave., New York 22

The 143rd Consecutive
Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of $1.00 per share, payable December 9, 1950, to stockholders of record at the close of business on November 17, 1950. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Vice Pres. & Treasurer
October 25, 1950

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

590 Madison Ave., New York 22

The Board of Directors of this Corporation has this day declared a stock dividend at the rate of five shares for each 100 shares held, to be issued January 26, 1951, or as soon thereafter as practicable, to stockholders of record at the close of business on January 4, 1951. Transfer books will not be closed.

A. L. WILLIAMS, Vice Pres. & Treasurer
October 25, 1950

BENEFICIAL INDUSTRIAL LOAN CORPORATION

DIVIDEND NOTICE

Dividends have been declared by the Board of Directors as follows:

CUMULATIVE PREFERRED STOCK
$3.25 Dividend Series of 1946
$.81¼ per share
(for quarterly period ending December 31, 1950)

COMMON STOCK
Quarterly Dividend of $.37½ per share and in addition an Extra Dividend of $.12½ per share

The dividends are payable December 28, 1950 to stockholders of record at close of business December 15, 1950.

PHILIP KAPINAS
November 27, 1950 *Treasurer*

OVER 600 OFFICES — *Personal Finance Co. Loans* — IN U. S. AND CANADA

DIVIDEND NOTICES

Allied Chemical & Dye Corporation

61 Broadway, New York

November 28, 1950

Allied Chemical & Dye Corporation has declared the following dividends on the Common Stock of the Company:

Quarterly dividend No. 119 of Fifty Cents ($.50) per share.
Special dividend of One Dollar ($1.00) per share.

Both dividends are payable December 20, 1950, to common stockholders of record at the close of business December 8, 1950.

W. C. KING, Secretary

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 214

The Board of Directors has declared a year-end dividend of 62½¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable December 22, 1950, to holders of record at the close of business December 6, 1950.

J. H. MICHAELI,
November 21, 1950 *Treasurer*

TENNESSEE CORPORATION

November 21, 1950.

A dividend of forty (40¢) cents per share has been declared, payable December 20, 1950, to stockholders of record at the close of business December 6, 1950.

An extra dividend of fifty-five (55¢) cents per share also has been declared, payable December 20, 1950, to stockholders of record at the close of business December 6, 1950.

61 Broadway J. B. McGEE
New York 6, N. Y. *Treasurer.*

MERCK & CO., INC.

RAHWAY, N. J.

Dividends of 50¢ a share on the common stock and 87½¢ a share on the $3.50 cumulative preferred stock have been declared, payable on January 2, 1951. An extra dividend of 50¢ a share on the common stock has been declared, payable on December 20, 1950. These dividends have been declared payable to stockholders of record at the close of business December 11, 1950.

JOHN H. GAGE,
Treasurer
November 28, 1950

CHEMICALS — TEXTILES — PLASTICS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable January 1, 1951 to holders of record at the close of business December 8, 1950.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1951 to holders of record at the close of business December 8, 1950.

COMMON STOCK

75 cents per share, payable December 23, 1950 to holders of record at the close of business December 8, 1950.

R. O. GILBERT
Secretary
November 28, 1950.

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., November 21, 1950

Regular quarterly dividend of $1.75 per share on Preferred Stock payable January 1, 1951 to holders of record December 12, 1950. Regular dividend of $.75 per share on $25 par value Common Stock payable December 27, 1950 to holders of record December 12, 1950. Also year-end dividend of $2.00 per share on $25 par value Common Stock payable December 27, 1950 to holders of record December 12, 1950. A stock dividend of 10% on Common Stock to holders of record November 27, 1950 payable December 8, 1950.

WM. B. PETERS, *Secretary.*

UNITED FRUIT COMPANY

DIVIDEND NO. 206

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable January 15, 1951 to holders of record December 8, 1950.

EMERY N. LEONARD
Treasurer

THE **West Penn** *Electric Company*

(INCORPORATED)

QUARTERLY DIVIDEND DECLARED

Common Stock
50¢ per share

Payable on December 27, 1950 to stockholders of record on December 8, 1950.

H. D. McDOWELL,
Secretary
November 28, 1950.

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending January 31, 1951, has been declared payable January 15, 1951 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on December 29, 1950.

A dividend of 50¢ per share has been declared payable January 15, 1951, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on December 29, 1950.

November 29, 1950 D. H. COLLINS
Secretary

ROYAL

FINANCIAL NOTICE

Notice to Security Holders of

THE DAYTON POWER AND LIGHT COMPANY

Earning Statement for Twelve Months Period Ended July 31, 1950

The Dayton Power and Light Company has made generally available to its security holders, in accordance with the provisions of Section 11(a) of the Securities Act of 1933, as amended, an earning statement for the 12 months period ended July 31, 1950, which began after the effective date of the Company's Registration Statement, SEC File No. 2-8025, (effective July 7, 1949), relating to the 283,333 shares of Common Stock, $7 Par Value, of the Company. Copies of such earning statement will be mailed on request to security holders of the Company and other interested parties.

The Dayton Power and Light Company
25 North Main Street
Dayton 1, Ohio
Nov. 27, 1950.

ALLIED ELECTRIC PRODUCTS INC.

IRVINGTON, NEW JERSEY

Spring Action — Sheldon NATURAL IMAGE — FLASH — Tapmaster — SOFT GLOW Picture Tube — SHELDON-MASTER

COMMON DIVIDEND

An initial quarterly dividend of twenty cents (20¢) per share on the common stock has been declared, payable December 28, 1950 to stockholders of record at the close of business December 15, 1950.

PREFERRED DIVIDEND

The regular quarterly dividend of eleven and one-quarter cents (11¼¢) per share on the Cumulative Convertible Preferred Stock has been declared payable December 28, 1950 to stockholders of record at the close of business December 15, 1950.

NATHAN CHIRELSTEIN, *President*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Harry Truman is soon going to learn how irritating it is to be on the receiving end of Congressional investigations of his conduct of the war program.

This will be a new experience for Mr. Truman who made enough of a national reputation and got enough publicity thereby as Chairman of the World War II investigating committee to become eligible for the Vice-Presidential nomination in 1944. It is a fairly safe assumption that if there had been no "Truman committee" the former Senator from Missouri might have been so unknown as to make him unacceptable as the running mate for Mr. Roosevelt.

What spotlights the new investigating committees is the fact that the Truman Administration has appeared to operate almost as though it had forgotten that the Congressional arm of government can frequently check-rein the Administration, expose inconsistencies, criticize its conduct, and demand to know why certain actions are taken. Even since the election, the Administration has almost seemed to be going along blissfully with the idea it had before the elections, that actual armed conflict consolidated Congressional sentiment behind the Administration and gave its officials a mandate to do just what they pleased without reference to the former known sentiments of Congress.

Regulation W's administration is already being given a going over, although it is too early to lations will be overturned by anticipate that the present regu- Congress. As a matter of practical fact they may be left to stand as is, but if so, not before Congress has made it clear to the Administration that:

(1) The power to impose consumer instalment loan restrictions was delegated specifically and exclusively by statute to the Federal Reserve Board. The Board, after extensive consultations with industry set its initial regulations Sept. 18 and gave the world to understand that they would not be changed further until they had been given a chance to prove their effectiveness or ineffectiveness in curbing the expansion of instalment sales on time.

Then on Oct. 12 the Board, suddenly and without any appreciable notice, drastically tightened the regulations, under pressure from W. Stuart Symington, coordinator of defense controls. The Symington approach was to curb buying of consumer durables even before actual war production began to use up the metals which were required to produce implements of war. This would release materials and manpower to smooth the path of conversion to war production.

(2) So the second thing the Senate-House committee on controls will inquire into is whether controls delegated for one purpose; i.e., credit control, are to be employed by the Administration for another purpose, or for materials controls by indirection.

(3) It may not be until 1951 before Congress and particularly the Senate-House committee on controls get into it, but the Congress looks with considerable disfavor upon bureaucratic "empire building." The extent to which Mr. Symington has as coordinator and National Security Resources Board Chairman gotten hold of the reins of government, is something which in all detail has percolated little into public consciousness. Mr. Symington is not unpopular with Congress, but the legislators do not like to have one-man dictators of the defense program unless in their judgment they provide for this and know what they are doing.

(4) When Congress left in September it meant that if the rest of the country must make sacrifices too, so should the well-paid members of the dominant labor unions, and thereby linked wage control to price control. Until Congress came back, if not at the present time, the Administration's attitude was that it could delay wage control until the remote future, certainly until well into 1951. There was not the slightest intention of discouraging by any concrete official action the prairie fire of wage increases. It is now pretty sure that these will go on until the fifth round of wage increases has been achieved.

The Administration, however, intended to wait even longer before controlling wages. While there is no official chapter and verse which can be quoted to bear this out, the attitude of the Administration is that it can apply a substantial amount of selective price control without running into the Defense Production Act's mandate that wages must be controlled when prices are controlled.

* * *

Besides the special House-Senate Banking committee on controls, there are at least two other major investigating committees dealing with the Administration of the war program.

Th better known of the two is the Armed Services Preparedness subcommittee of which Senator Lyndon Johnson of Texas is Chairman. This subcommittee is about the equivalent of the "Truman committee" of World War II.

The Johnson committee goes into major policy, exposing the inconsistency of selling World War II factories while getting ready to spend for or underwrite loans to expand production capacity for the present hostilities. Bureaucrats complain at this "carping" for selling World War II surplus plants goes on in agencies other than those which are administering the production expansion program, and also under different and equally valid statutes. The job of a committee like that headed by Senator Johnson is to catch the Administration up when it doesn't have alertness to see what both the left and right hands are doing, and bring promptly to the attention of Congress the need for legislation—where legislation is necessary—to eliminate these inconsistencies.

* * *

The lesser known of the war investigating committees is the "Government Operations" subcommittee of the House Expenditures committee, headed by Representative Porter Hardy (D., Va.). The approach of this committee is to ascertain that the government gets a dollar's worth of materials and services for every dollar spent. In concentrating on the cost of procurement, this committee complements, rather than duplicates, the work of the Johnson committee.

Among other things, the Hardy subcommittee will investigate the following types of situations:

(1) Where procurement officials unnecessarily write specifications for government materials in such a way as to boost costs.

(2) Where procurement officials do not take steps to obtain the widest possible competition from possible suppliers.

(3) Where procurement "to be on the safe side" is excessive in quantity for a given period, thereby raising costs and burdening unnecessarily the civilian economy.

(4) Where officials hastily and without thought of the production problems of industry render decisions which interfere with the operations of industry and thus also raise costs.

(5) Where officials sponsor increased production capacity for defense when they might have obtained the necessary items of procurement by taking full advantage of present productive facilities.

In particular the committee hopes to spot quickly the situation of where the Pentagon officials make snap decisions which have the widest imaginable repercussions upon the production policies of industry. The subcommittee is said to have a competent staff to look into procurement policies, and hopes, by checkreining some of the practices it considers wasteful, to inject more sensible procurement policies into practice almost from the outset.

* * *

If the meeting comes off according to schedule, some 30 "leading" representatives from labor, 30 from industry, and 30 from agriculture are today getting a briefing behind closed doors about the true military situation in Asia, perhaps also in Europe.

What happens is that the names of the select 30 from each of these three big segments of the American economy is carefully typed in advance upon a piece of paper. As they enter the curtained, guarded room of the Pentagon, an attractive WAVE, WAC, or other military female will ask their names, check them off as present. Any "ringers" who attempted to attend this briefing would, of course, be summarily ousted by the guards, so none try to enter.

Then a resplendent general or admiral steps to the rostrum, complete with pointer, and prepares to lecture. Beautiful colored maps with arrows, showing the movement, location, and flow of troops, are trotted out. If the meeting represents something ultimate in the way of propaganda, nothing less than a chicken colonel will step up and quietly remove each map as the general or admiral, as the case may be, finishes lecturing on that theatre. If the group is not strictly VIP, then perhaps a major is sufficient to act as orderly for the general and/or admiral.

This is all but a part of a mummery show which has become firmly ingrained in the Federal establishment, not only in the Pentagon, which employs dozens of officers to carry this show out constantly for hundreds of the "nation's leaders," but is also used extensively and regularly on an organized basis by the State department.

In the process the "leaders" may, but probably don't get any genuinely secret or confidential information, but the whole show is designed to impress the audience with the idea that they are Very Important People who can be trusted with the nation's secrets, in order that they may go home and impress farmers, laborers, or industrialists not to try to grab too much out of the war effort.

(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

"Now this one should worm a few securities out of the Old Buzzard!"

Business Man's Bookshelf

Individual Federal Income Tax Specimen Returns, completely worked out for filing in 1951—Prentice-Hall, Inc., 70 Fifth Ave., New York 11, N. Y.—paper—$1.00 (lower price in quantity).

Policies and Controls in a War-Burdened Economy—Chamber of Commerce of the United States of America, Washington 6, D. C.—paper—25¢ per copy (lower rates on quantity orders).

Register of Defunct and Other Companies removed from The Stock Exchange (London) Official Year-Book—Thomas Skinner & Co., Gresham House, Old Broad Street, E. C. 2, London, England; Thomas Skinner & Co., 111 Broadway, New York 6, N. Y.

Statistical Study of Regulation V Loans—Susan S. Burr and Elizabeth B. Sette—Board of Governors of the Federal Reserve System, Washington 25, D. C.—paper.

Du Pont de Nemours on the Dangers of Inflation — 1790 — An Address by Pierre Samuel du Pont, Deputy from Nemours, made before the National Assembly of France, Sept. 25, 1790—Translated by Edmond E. Lincoln—Baker Library, Harvard Graduate School of Business Administration, Soldiers Field, Boston, Mass.—Paper.