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EDITORIAL

As We See It

The term "appeasement" is now playing so large a part in the discussion of the Korean situation, and threatens to have so great an influence upon the decisions of political leaders throughout the world, particularly in this country, that it would be well at this point for the thoughtful man to review the history of the term and the circumstances which gave rise to its widespread use. When such a study is made, it is quickly found that no small part of the arguments of the day are a sort of "reasoning by analogy" where the correspondence is severely limited.

In the popular mind, "appeasement" is linked chiefly with Munich. Munich, however, was but one of a long series of occurrences which together constituted the "build-up" for World War II. Through them all it was folly to suppose that "peace in our time" was promoted by yielding and yielding to an individual and a "movement" which really was insatiable in its appetite for expansion and domination. It would be equal folly to suppose at this time that the ambitions of the Communist world (or better said, perhaps, the Kremlin) are likely to be sated or even tempered by concessions here and concessions there. In the light that history throws on such matters —including the history of the Czars as well as that of Lenin and Stalin—there leaves little room for much argument on this point.

What Is Appeasement?

This foolish notion, and not the act of yielding here or there, was and is the head and front of the "appeasement" blunder. It was in March, 1935, that Adolph Hitler, in defiance of the Ver-

Continued on page 30

How to Retard Further Dollar Depreciation

By WALTER E. SPAHR*

Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr proposes as measures to retard further depreciation of dollar: (1) abolition of irredeemable currency; (2) repeal of authority of Federal Reserve to issue notes against government securities; (3) limitation on monetization of Federal debt through creation of deposit currency; (4) independence of Federal Reserve from government fiscal and debt management policies; (5) funding of large part of Federal debt in new consols bearing high enough interest rate to induce non-bank investment; and (6) curtailment of direct government lending.

If we are to attack in any fundamental way the reckless spending by our government, rising prices, and the reciprocal fall in the purchasing power of the dollar, it follows as a matter of logic that we should remove or obstruct their fundamental causes. The following proposals are offered as proper correctives:


Walter E. Spahr

(1) Since an irredeemable currency is one of the most basic causal factors in the profligate spending by our government and in the decline of the purchasing power of our dollar, such a currency should be abolished.

The institution of a redeemable currency would have the benefits of bringing our money managers under the desirable restrictions imposed by a redeemable currency. It would restore to the people the power to exercise direct control over the government's use of the public purse. It would force Congress, the United States Treasury, and the Federal Reserve banks to respect the possibility that

Continued on page 28

*An address by Dr. Spahr at Luncheon Meeting of the Economists' National Committee on Monetary Policy, N. Y. City, Dec. 4, 1950.

Price Stability—An Urgent And Difficult Task

By ROY BLOUGH*

Member, Council of Economic Advisers

Dr. Blough, in stressing major economic problem, as maintaining a balance between civilian supply and civilian demand, holds (1) incomes should be prevented from rising; (2) there should be imposition of credit controls, so that past savings and newly created credit should not be permitted to be spent; and (3) taxes should be increased.

The Korean attack of last June presented an uncertain future in international relations, with three possible lines of development; (1) that international tension would erupt into full-scale open war, calling for a maximum military effort accompanied by extremely large government expenditures; (2) that international tension would subside and a general settlement be achieved, which would permit major reduction in the level of military spending; and (3) that the international tension would remain high for a long period of time without major war but with a high level of defense expenditures. Official policy was based—and I think necessarily based—on the last assumption.


Roy Blough

The economic effects of a rearmament program depend on its size, the speed of its growth, and the measures taken to meet the problems raised by it. Size is important because it determines what proportion of the economic power of the nation must be devoted to the defense effort. The speed at which the program is executed is important, because speed affects the rigor of the economic adjustments which must be made. A slow rate of growth in the rearmament program might be matched

Continued on page 34

*Excerpts from an address by Dr. Blough before the Finance Conference of the American Management Association, New York City, Nov. 30, 1950.

IBA CONVENTION ISSUE NEXT WEEK--The "Chronicle" of Dec. 14 will feature the recent Annual Convention of the Investment Bankers Ass'n of America at Hollywood, Fla.

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

HERBERT E. GREENE
Resident Manager, Coburn & Middlebrook, Inc., New York City

Commonwealth Gas Corporation

I have good reason to characterize the capital stock of Commonwealth Gas Corporation as the security I like best for it has been very kind to me over the past 15 years. It has made many friends for me during this period.

H. E. Greene

One of the outstanding major developments of the postwar period has been the expansion of the natural gas business in all its phases, notably the development of huge gas reserves (over 180 trillion cubic feet) and the construction of a vast network of transmission lines extending to practically every large city in the country.

The industry today has over 50 million customers, over 20,000 users, a quarter of a million miles of pipe lines, far in excess of our railroad mileage. Production of natural gas has been quadrupled during the last 20-year period, 1925-1945. The next decade from 1945 will probably see it double again. Truly this is a growth industry, sound and well-seasoned from an investment viewpoint. It will no doubt continue to grow in stature among the major industries of the nation.

Commonwealth Gas Corporation is engaged directly, and through subsidiaries, in the production and wholesale distribution of natural gas to industrial companies in West Virginia and to utility companies in Louisiana. Two wholly owned subsidiaries distribute liquefied petroleum (propane) and necessary appliances to a growing number of some 25,000 customers in various communities in eastern Pennsylvania and southern New York where artificial or natural gas is not available.

The corporation is a growing enterprise of much promise, from the viewpoints both of assets and earnings. The management is thrify, dynamic and capable.

The capitalization is simple, consisting solely of 966,326 common shares, with no bonds or preferred stock.

Affiliated and controlled companies are as follows:

The West Virginia Gas Corporation directly and through its subsidiary, Monickel Gas Company, is engaged in the production and sale of natural gas in the Appalachian area to industrial users such as International Nickel Company and Union Carbide and Carbon Company.

Although production in this area has been steadily declining in recent years a new development is now taking place. West Virginia Gas has recently acquired an interest in approximately 5,000 acres in the Cottageville area in which it is drilling two exploratory wells. One of these has been completed as a good producer. These wells are relatively shallow and inexpensive to complete. It is too early to estimate the final outcome of a thorough drilling program in this field.

If successfully carried out it could become a substantial income producer, as industrial gas in this area sells at approximately 30 cents per thousand cubic feet.

West Virginia's investment in the propane gas distributing business has developed into quite a sizeable operation. Through its two subsidiaries, Atlantic States Gas Company of Pennsylvania and Atlantic States Gas Company of New York, liquefied petroleum (propane) and necessary appliances are supplied to over 25,000 retail consumers in the vicinities of Cortland, Rome and Horseheads, N. Y.; and Lancaster, Lewiston, Burnham, Telford, Chambersburg and McKee, Pa. These two companies have a sound value in excess of $5,000,000.

The ownership of Monla (100%) while of no great immediate importance as an income contributor might have important long-range prospects. From a modest start in 1947 with four gas well completions, the company had increased the number of productive wells in the Monroe Field to 24 by the end of 1949. Sales of 1949 were double those of 1948 as a result of new sales contracts made with Southern Carbon Company and Thermatomic Carbon Company. The company is carrying out an active exploratory program in Northern Louisiana and might develop sizable earnings as time goes on.

Carbons Consolidated has turned over most of its gas acreage to Monla but still produces and sells gas at wholesale in the Monroe Field and also carries on a small but profitable oil operation in the Ora oil field in Northern Louisiana.

By far the most important subsidiary of Commonwealth Gas is the Southwest Gas Producing Company which at present provides over half of Commonwealth's earnings. Southwest is engaged in the production and sale of natural gas in four important producing fields in Northern Louisiana:

Monroe
Lisbon
Hico-Knowles-Dubach
North Ruston-Unionville

The gas from Monroe and Lisbon fields is sold under long-term contracts to Texas Gas Transmission Company. Production from Hico-Knowles-Dubach area is dedicated under a joint contract with Southwest and W. C. Feazel until 1967 to Texas Eastern Transmission Company on the basis of 50 million cubic feet per day minimum and 75 million cubic feet maximum daily delivery. About two-thirds of the deliveries are made by Southwest and one-third by Feazel. Texas Eastern agrees to take a minimum of 50 million cubic feet daily commencing at 7 1/2 cents per thousand cubic feet and increasing 1 cent per thousand cubic feet in each subsequent five-year period. In addition a minimum of 25 million cubic feet daily must be paid for even if not taken. The contract also contains provisions protecting the sellers against future higher prices. Texas Eastern is to pay comparable field prices within a 100 mile radius.

The gas from the North Ruston-Unionville area is dedicated to Mississippi River Fuel Co. under a contract starting at 11 1/4 cents per thousand cubic feet with increases every two years over a 20-year period.

In order to process the wet gas from the Hico-Knowles Field Southwest and Feazel jointly constructed a gasoline extraction plant at a cost of $4,200,000 designed for the processing of 100 to 125 million cubic feet daily. Commonwealth Gas has the management contract for the plant operation.

Mississippi River Fuel is now taking close to 70 million cubic feet daily from operations in the North Ruston-Unionville area all of which is being processed through Southwest's extraction plant. This, together with the gas from 45 wells in the Hico-Knowles-Dubach area, has resulted in a capacity rate of operation exceeding 125,000,000 cubic feet daily with recovery of liquid hydrocarbons running as high as 7,000 barrels per day.

As respects reserves, many estimates have been made by competent geologists varying from 200 to 500 billion cubic feet, but the management is thinking in terms of the higher figure.

Earnings for 1950 will very likely exceed $1 per share which is a substantial increase over the 62¢ and 68¢ reported for 1949 and 1948, respectively, which reflected the beginning of operations outside the Monroe-Lisbon areas. A reasonable expectancy for 1951 would be at least $1.50 per share.

The common stock of Commonwealth Gas Corporation can be purchased at a price below what seems to be its sound liquidating value and at only a little more per share than the market value of its holdings in the Southwest Gas Producing Company. I feel that this stock is a satisfactory, attractive, cheap and safe medium through which to participate in the future growth of the natural gas industry. These shares at present prices, near the all-time high, represent sound value and give promise of real capital appreciation in the course of time.

	Amount of Stock Owned
(1) West Virginia Gas Corporation	98.33%
(a) Atlantic States Gas Co. of Pa. (100%)	
(b) Atlantic States Gas Co. of N Y. (100%)	
(c) Monickel Gas Co. (95.28%)	
(2) Carbons Consolidated, Inc.	76.20%
(3) Monla Gas Co., Inc.	100.00%
(4) Southwest Gas Producing Co., Inc.	56.85%

Capitalization includes $1,900,000 loan at 3.4% to Chase National Bank, due April 1, 1951, and 918,680 shares of capital stock of $1.00 par value of which Commonwealth owns 522,300 shares.

Continued on page 27

Economic Implications Of Korean Crisis

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

After giving reasons why it is vitally important to increase productive capacity, Dr. Slichter estimates about $33 billion of output a year will be needed for replacing and expanding this production. Says this outlay and military spending means some reduction in current consumption and requires more output per manhour and more people to work. Sees rising incomes offsetting trend for reduced personal consumption and suggests excise taxation along with greater savings to close gap. Concludes neither indirect or direct controls can prevent inflation, and holds investing in homes, best prospect for small investor.

I

Ever since the outbreak of war in Asia, the gravity and magnitude of the military and economic problems confronting the nation have been greatly underestimated. I think that one may go a step further and say that the nature of economic problems confronting the community has not been clearly seen. This failure to see clearly the nature and magnitude of the problems has not been confined to any one part of the community. It is true of businessmen, trade union leaders, and government officials alike. It has been evidenced by too little discussion of the need of increasing the productive capacity of the economy, by proposals to control prices by means that would limit the capacity of the economy to finance increases in productive capacity, by the outcry of some business and labor groups against measures designed to limit the demand for consumer goods.

Prof. S. H. Slichter

II

The primary economic problem confronting the country is, of course, to produce enough for current defense and war needs. Next to that the primary economic problem is the one of increasing the productive capacity of the economy at a fairly rapid rate. This means spending substantial amounts on replacing and expanding plant and equipment.

Why is maintaining at least a moderately rapid increase in the productive capacity of the economy of such vital importance? There are several principal reasons for this conclusion. One is that the chances of avoiding a general war will be improved if the United States is strong. If outlay on plant and equipment here is low for the next several years while the industrial strength of other countries grows, the United States will become vulnerable to attack. A second reason is that the duration of the contest with Russia is unknown. It may last for years. Some temporary drop in the standard of living of the people will be necessary in order to release productive capacity for defense goods. The United States, however, cannot permit the standard of living of its people to suffer indefinitely because of the necessity of maintaining a large military establishment and giving help to other countries. That would be bound to arouse much discontent with our institutions. The way to keep the drop in the standard of living short and to start it rising to new levels is to keep up a high rate of outlay on plant and equipment. A third reason why an increase in productive capacity is vital is that the strategy of Russia seems to be to weaken this country by forcing us to expend our resources on a lavish scale. The way to defeat that strategy is partly by avoiding unnecessary expenditures (primarily a matter of wise diplomacy) and partly by building up our productive capacity.

What would be a satisfactory rate of expenditures on plant and equipment? I think that a satisfactory target for the time being would be to keep expenditures on plant and equipment about as high as they were during the second quarter of 1950. During the second quarter they were running at an annual rate of 30 billion in dollars of that quarter, or nearly 33 billion in dollars of the third quarter of 1950. That would be lower than the present rate, because one effect of the Korean War has been to step up expenditures on industrial plant and equipment. For example, after allowance is made for the change in prices, purchases of industrial equipment in the third quarter of 1950 were over 14% higher than in the second quarter and purchases of industrial construction were slightly more than 1% higher.[1] Nevertheless, the second quarter rate of expenditures were high by historical standards. They were about 12.6% of the net national product, in comparison with 11.0% in 1947, 11.6% in 1948, 11.5% in 1949, and 10.4% in 1929. When the country is engaged in a conflict with another country that is endeavoring to undermine our institutions and that is attempting to weaken us by inducing us to overextend ourselves, it is merely

Continued on page 33

*An address by Dr. Slichter before the United States Savings and Loan League, Washington, D. C., Dec. 1, 1950.

1 These figures are based on seasonally adjusted annual rates.

INDEX

Articles and News — Page

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Excess Profits Tax—Evil Brew of Inequity, Exemption and Privilege

By BEARDSLEY RUML*
Business Committee on Emergency Corporate Taxation

Mr. Ruml points out fundamental defects of excess profits tax, which he says "poisons the spirit of tax-paying system as well as leading to inequity, exceptions, exemptions and privileges." Calls proposed tax veritable engine of concentration under which "the big will grow bigger and the small and weak will merge with them or die." Holds needed revenue can be obtained by a defense emergency tax on corporate earnings. Concludes excess profits is a subsidy, since it provides "cheap dollars."

The deep seriousness of our national situation causes consideration of emergency taxation at this time. The very gravity of the situation demands that the amount of revenue raised should be adequate and that the method of raising it should be sound.

Beardsley Ruml

We know that any defense emergency tax will be high. We also know that we must be prepared to live with high defense taxation for many years to come. Accordingly, it is imperative that the form of defense taxation be right, as right as wisdom and experience can make it.

This Business Committee does not argue with the number of dollars. Whatever amount the Congress decides should come from taxes on corporate profits, that amount we do not dispute. Our recommendation here concerns method alone. We are concerned not with how much—but only with how.

We are certain that greater revenue can be obtained from a sound defense emergency tax on corporate earnings than will result from any excess profits tax. We are equally certain that through effective procedures for negotiation and renegotiation any undue profits arising from direct defense expenditures can be recovered. We deal here with the taxation of profits arising as a result of the increased general level of business activity which large defense expenditures produce.

It is only necessary for me to mention the semantics which pervade the whole consideration of the excess profits tax, and the hysteria which accompanies it. We have all been exposed to the catch phrases, and if there were merit and substance behind them, this Business Committee would not be opposing an excess profits tax today.

What Is a "Normal" Profit?

But if a profit is to be taxed if it is in "excess" of "normal," what is normal? There is no such thing as a national "normalcy" for corporate business, any more than there is a national "normalcy" for the salaries and wages of individuals. The concept of "normalcy" negates the concept of growth and expansion and progress. And taxation based upon such a concept will, as I shall show, obstruct the development of efficient production throughout the American economy.

There are those who honestly believe that we need an excess profits tax for psychological or for political reasons. But are the people so swayed by the lure of words, that we may be forced to put a bad law on the statute books? If so, we must find different and better words that will show people that there are different and better ways of attaining the objectives which they properly desire.

Must we let hysteria sweep us along to a wrong result? There can be no real or lasting advantage in haste for the sake of empty haste, or in rushing to the adoption of hurtful and mischievous legislation just because of its possible psychological appeal.

In this frame of reference, our Business Committee recommends that the excess profits tax proposal and principle be rejected, and that in its place there be levied an across-the-board corporate profit levy that will produce as much revenue as would be proposed excess profits tax and as much as it is deemed necessary and desirable to withdraw from the earnings of business corporations.

Let me set forth briefly the considerations that have led to this recommendation.

The question must come to the mind of every thoughtful person, "Why is it so difficult to write an excess profits tax?"

After all, the excess profits tax is not a new and untried experiment.

In both the Joint Committee and the Treasury, experts with years of training and experience with tax legislation have worked diligently on the problem of an excess profits tax. These experts have gladly sought and have abundantly received advice, suggestions and cooperation from all segments of the national community.

Why then is the writing of an excess profits tax so difficult?

Analysis shows that basic defects exist, and that they are inherent in the tax.

Basic Defects

These basic defects are two:

(1) It is impossible to select a basis level of earnings above which additional profits will be defined as "excess" without wholesale inequities, damaging restraint on new and growing business, and on new and growing processes of production.

(2) It is impossible to impose a high marginal rate on a portion of the earnings of a single company, or of many companies, or of all companies, without violent distortion of managerial judgment. What should be a disciplined effort to meet with efficiency the public's needs for products and services is transmuted into skill in the avoidance of taxation and shrewdness and even carelessness in the manipulation of business expense. As I shall show later, the high marginal rate forces even the most prudent management to tax-begotten judgments which are individually sound, but which in the aggregate will destroy the free competitive enterprise system of production and distribution which has served this country so well and for so long.

These two basic defects have caused search to be made for methods of relief, sometimes by administrative relief provisions, sometimes by exclusions under the law itself. The record as it stands declares the failure of the relief provisions palliative.

These two basic defects already have forced liberalization of basis levels and the percentage marginal tax; but with this liberalization the revenue disappears, and all that is left is a tax structure still grossly inequitable and still perverse in its impact on managerial judgment.

Because of these defects, which are inherent in any excess profits tax, we must conclude that the problem of devising an acceptable excess profits tax is insoluble. Accordingly, any excess profits tax which involves a basis level of earnings and high marginal rates should be wholly rejected. Alternative methods of raising revenue from taxes on corporate earnings are readily at hand.

But first, I wish to show briefly the serious dangers,

(1) in creating a tax-oriented business management,

(2) in imposing limitations on growth of investment, and

(3) in legislating gross and conspicuous inequities in a tax system of any kind.

Tax orientation is the consequence of high marginal excess profits tax rates. Under such rates, to the extent a business is subject to excess profits taxes, management has two kinds of dollars to work with. It has cheap earned dollars and expensive earned dollars; cheap earned dollars are those which, if not spent, will be taxed at high marginal rates; expensive dollars are those which are taxed at ordinary rates.

Under the bill proposed by the Ways and Means Committee, the marginal rate is 75%, so the cheap earned dollar is worth 25c. The ordinary rate is 45%, so the expensive earned dollar is worth 55c, more than twice as much as the cheap dollar.

The creation by tax law of cheap dollars has resulted, and will result again, in carelessness, waste and extravagance. The cheap dollar is demoralizing and breeds waste at every level of management.

Proposals to correct this weakness by a system of Federal inspection are entirely unrealistic. Such proposals would set up a post-audit of all business expense and a government agent would be required to judge after the fact whether an expenditure is to be allowed or disallowed for tax purposes. Since a business manager could only know the tax consequences of routine actions, risk and enterprise would be stopped before it began.

The inflationary consequences of government-induced private spending have been fully discussed by others and are matters of common knowledge. What is less well understood is the fact that the existence of cheap dollars makes prudent many business activities that would not be prudent except for the fact that the dollars expended are cheap.

"Not a Burden, But a Subsidy"

The excess profits tax is therefore not a burden, but a subsidy. It provides cheap dollars to the profitable and established company, dollars which can and must be used by a responsible management to safeguard and to extend the position of such a company against competition. If a competitor is not in excess profits, if it is weak in earnings, or young, or with inadequate capital — in other words, if it has only expensive dollars in its arsenal—it is at a double disadvantage as against its entrenched rival with tax-created cheap dollars at its disposal.

The battle for markets, through better service, better coverage, better inventory stocks—yes, and through better advertising and promotion, too—will be a battle between cheap expense dollars and expensive expense dollars, and the cheap dollars will win because they can extend further and can take more risks.

Thus, by reason of the excess profits tax, the government will have created a double standard of dollars with favors going to those who are already strong. The excess profits tax is a veritable engine of concentration, compelling prudent and aggressive business management to use wisely its cheap dollars to entrench and to expand. With government-excess-profits-tax-cheap dollars, the big will grow bigger and the small and weak will merge with them, or die.

If this is true, why then does even big business oppose the excess profits tax? The reason is that all business wants to avoid putting tax considerations before market considerations; because when this happens, competitive enterprise based on efficiency and ingenuity in serving the public's demands will have been distorted by artificial and irrelevant factors which have nothing to do with skill in making and distributing the things and services that people want.

Imposes Limitations on Investment Growth

The second danger in an excess profits tax is that of imposing limitations on the growth of investment. We must have constantly expanding productivity to serve the requirements of defense preparations, the needs of a growing population, and an increasing standard of living. Expanding production requires expanding investment — more machines, more buildings, more inventory and all the rest.

The new investment required for expanding production must come from either (1) increasing business debt by borrowing the necessary money, or (2) reinvestment of undistributed profits, or (3) new investment by the people of their savings.

The excess profits tax puts serious obstacles in the way of getting new investment from any of these sources. Additional debt money is more risky, and more difficult to pay off. Undistributed profits fade away. New investment of savings becomes unattractive since the dangers of loss are not offset by commensurate opportunity for gain.

The excess profits tax will hold back dangerously the expansion of American productivity, so needed both for the general welfare and the common defense.

The third danger, and the last that I shall mention, is that of legislating gross and conspicuous inequities into the tax system.

No tax system will work unless it is largely self-enforcing. The average taxpayer, individual or corporate, must feel that he is fairly treated He must compute and pay his tax as a matter of conscience and duty, and must believe that by and large other taxpayers are not privileged as compared to himself.

"An Evil Brew of Inequity"

The excess profits tax is an evil brew of inequity, exception, exemption and privilege. It will poison the spirit of the tax-paying public. It will undermine the moral compulsions that make the tax system of the United States so successful as compared to that of many other countries. Even if an excess profits tax with all its other defects were needed, which clearly it is not, it should be rejected in principle on this ground alone: that a tax that is conspicuously inequitable will destroy the moral compulsions that are needed to make any tax system acceptable and efficient.

I have already given the recommendation of our Committee, that an across-the-board rate increase should be substituted for the proposed excess profits tax.

The reasons for such an across-the-board tax may be summarized as follows:

(1) It will be equitable.

(2) It will not involve discriminatory exceptions and exemptions.

(3) It will not produce a double standard of dollars, thereby corrupting managerial judgment.

(4) It can be made to produce as much revenue now as an excess profits tax, and, at the same rates, will produce more revenue as times goes by. The excess profits tax will produce less revenue over the years because of increased

Continued on page 23

*Statement by Mr. Ruml before the Senate Finance Committee, Washington, D. C., Dec. 5, 1950.

The State of Trade and Industry

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

A marked decrease in total industrial production for the country as a whole resulted last week following the occurrence of crippling snow and damaging wind storms throughout many industrial areas of the nation.

Some estimate of the damage anticipated by underwriters, the New York "Journal of Commerce" reports, can be gained by a comparison of Saturday's (Nov. 25, 1950) big blow with the Atlantic Coast hurricanes of Sept. 17, 1938, and Sept. 14, 1944, when destruction was estimated respectively at $400,000,000 and $100,000,000. The insurance men agree that the week-end storm was more devastating and widespread than the hurricanes; therefore, property damage will be higher.

Aggregate output showed no material change from the level for the similar 1949 week. It was also noted that while initial claims for unemployment insurance dipped slightly, continued claims rose somewhat from the low level of recent weeks.

The extent of price increases just effected in the steel industry falls short of expectations by a wide margin, says "Steel," the magazine of metalworking the current week. Up to $10 per ton on the average had been predicted recently. United States Steel's advance, however, averages only $5.50 per ton, less than 3/10ths of 1 cent per pound, and just about covers the wage increase averaging 16 cents per hour. Since United States Steel's action in a general way served as a pattern for other producers, the markup in prices means the industry will absorb raw material cost increases, which Benjamin Fairless, President of the corporation, several weeks ago said averaged $4 per ton for his company alone. The increase in prices by United States Steel is confined to base prices, extras not being affected.

General consumers are finding themselves in an increasingly tight position with respect to steel supplies, the magazine adds. With the mills accepting only DO and other rated tonnage beyond January, for which latter month they are booked solidly, more consumers are turning in desperation to the premium markets for supplies. They are not having much success, however, and the prospects are not encouraging.

The faint hope held in some consuming circles of an improvement in steel supply conditions after January has been dashed by recent events. Loss of steel production due to the snowstorm of the past 10 days will intensify current shortages. Delayed shipments will likely force more metalworking shops to a hand-to-mouth supply basis and jeopardize maintenance of manufacturing schedules. More serious, however, is the alarming turn of events in Korea, this trade paper concludes.

It is possible that a renewal of adverse weather conditions in Pittsburgh and West Virginia may actually force steel output this week to a level lower than was estimated on the basis of telegraphed reports from steel plants. Flood conditions are reported to have caused plant shutdowns in these two important steel-producing areas.

Automotive output last week managed to advance above that of the previous week which included Thanksgiving Day. Normally an increase would be looked for, but the week-end snowstorm proved a deterrent to production and, as a consequence, assemblies of General Motors divisions were affected and other producers to a slighter degree.

As the Korean news grew darker according to "Ward's Automotive Reports," complaints about credit regulation W faded away in automotive circles the past week.

The industry, facing aluminum and copper curtailments plus the continuing steel shortage, was concentrating on the increasingly difficult task of maintaining production, this agency added.

Sometime this week the industry's 7,500,000th vehicle of the year will be produced in a United States plant, it noted. A year ago the six million milestone was passed on about the same date.

Steel Output Rebounds to an Estimated 100.5% of Capacity Following Severe Storm of a Week Ago

Steel consumers are reacting mildly to last week's steel price increase, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. To most of them availability of steel is the primary consideration. Cost is of secondary importance.

Another reason for their mild reaction is that most of them had anticipated the price boost. When it came it was smaller than they had expected. Pre-settlement estimates of the increase had ranged from $6 to $10 a ton. The weighted average increase for the industry so far is actually only $5.88 per ton of finished steel. This figure will vary slightly among companies, but this is the average increase for the industry. The price increase covers only the cost of the wage settlement; most steel firms are absorbing increased materials costs which now average more than $4 a ton, this trade paper assets.

The settlement with the steelworkers union, and the resultant steel price boost almost complete the fifth wage-price round. With latest cost-of-living figures at an all-time high, price-wage controls are much nearer this week. John L. Lewis is the only big voice in labor still to be heard in the fifth round. He is expected to move at top speed to get in under the control barrier.

As predicted, the National Production Authority has found it necessary to revise its rules on steel priorities (DO ratings). Lead time on orders, which had been uniformly 45 days, now varies from 45 to 120 days depending on the product. Also, some of the limits on DO orders which mills must accept have been raised. Significantly, limits on hot and cold-rolled sheets were raised

Continued on page 29

NY Curb Appoints John J. Sheehan

The appointment of John J. Sheehan as public relations director of the New York Curb Exchange was announced last night by Francis Adams Truslow, President of the Exchange. The appointment was confirmed by the board of governors at its regular meeting held yesterday.

Mr. Sheehan, who has been with the Curb Exchange since 1946 and has been assistant public relations director, succeeds H. Vernon Lee, Jr., recently named director of the Curb department of admissions and outside supervision.

Prior to joining the public relations staff of the Exchange, Mr. Sheehan was associated with Western Electric Company. A graduate of Pace College in New York, Mr. Sheehan is a veteran of World War II, having served with the armored force where, in addition to an assignment in the artillery, he wrote, produced and directed radio shows based on the War Department "Why We Fight" theme. Before the war he was a newspaper man in New Jersey.

Cruttenden Co. Adds

(Special to The Financial Chronicle)

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

Slayton & Co. Adds

(Special to The Financial Chronicle)

QUINCY, Ill.—Robert H. Rosenthal has become associated with Slayton & Co., Illinois National Bank Building.

Joins S. A. Sandeen

ROCKFORD, Ill.—Eugene B. Whitsell has joined the staff of S. A. Sandeen & Co., Talcott Building.

With Chas. A. Day Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph W. Price has been added to the staff of Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

F. L. Putnam Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Daniel H. Levan is with F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange.

With Schirmer, Atherton

(Special to The Financial Chronicle)

BOSTON, Mass.—James A. Hodder Jr. has been added to the staff of Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was previously with Burgess & Leith.

With Merrill Lynch

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Chester P. Guziel has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 454 North Camden Drive.

Fairman Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William D. Street, Jr. has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Joins E. F. Hutton Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Gerald M. Burrill has joined the staff of E. F. Hutton & Company, 623 South Spring Street. He was formerly with Blyth & Co., Inc.

Observations . . .

By A. WILFRED MAY

World Crisis and Long-Term Capital Conservation

The new international crisis, adding to the long continuing threats to the future of private capital and to the likelihood of monetary depreciation, makes appropriate re-examination of estate planning and attitudes toward inheritance. Irrespective of one's forecast of the details, surely confiscatory taxation, inflation and declining bond yields prompt us to relinquish the lawyer's habit of judging the future in the light of the past.

A. Wilfred May

The last decade's misfortunes of the bondholder vis-a-vis the stockholder here as well as abroad, have been widely publicized with arresting statistics. But there remains for estate planners the $64 question—how far to assume the future from the past.

Even on the basis of the past, we must recall the many evidences of non-correlation between monetary depreciation and stock price action during long intervals. In this country we have since 1929 witnessed a 40% drop in the stock market averages (even after this year's recovery) in the face of a concurrent rise of 82% in commodities.

Between the successive 1935-'39 and 1940-'44 periods taken as averages, common stocks fell 18% in the face of a 12% rise in the cost-of-living index.

The evidence from abroad also indicate the worldwide importance of the time chosen for initiating the hedge.

In Germany an investment in stocks if made in 1918 would by 1925 have lost 64% of its value in terms of the gold value of the mark; if invested in 1919, would have lost 24%; but if the investment was made in January, 1920, there would have been a gain of 240%, which far exceeded the accompanying net rise in commodities.*

The factor of timing has similarly been important in the French inflations, reflected, for example, in a 50% rally in the gold value of the franc between 1920 and 1922.

In support of doubt about a fillip to stock prices from credit inflation here the argument has been advanced that the public and private debt of $500 billion being double the taxable value of the nation's property means that there is no real "equity" existent.

Our conclusion to this inflation-equity share question would be offering the guiding principle to the estate planner, for himself and for his heirs, that over the very long term there will be secular monetary depreciation with short-term interruptions; against which threat common stock investment offers partial and convenient protection.

Inflation and Trust Funds

Becoming ever more important is the problem of preserving the capital value of trust funds, which now aggregate the huge total of $50 billion in national banks and trust companies alone. Confiscatory taxation (entailing the making of $7 billion of gifts over the past decade) as well as inflation threats constitute nettlesome difficulties.

Considerable leeway in the anti-inflation sphere has been furnished by the introduction of "Prudent Man-ism," adopted by 12 States since 1943, with New York joining up last July. The question arises, however, whether the "Prudent Man" relaxation as embodied in the New York statute permitting a 35% placement in otherwise ineligible bonds and stocks, goes far enough to satisfy the investor's inflation concern. In any event, for those particu-

Continued on page 16

* From "Inflation and the Investor," Axe Houghton Economic Studies, Series C, No. 4.

Business Probabilities in The Rearmament Economy

By HAROLD B. DORSEY*

President, Argus Research Corporation

Economist asserts that Gross National Product may increase from the $284 billion annual rate of the third 1950 quarter to about $344 billion by the end of next year. Trends in that direction should minimize the significance of an "interim dip" in the immediate future. Looking beyond the next few months, he predcts the inflation potentials will be stronger than they have been at any time in the recent history of the country.

I am sure all are aware of the fact that a decline in the activity of the consumers' durable goods and residential construction industries is expected to result from the large amount of anticipatory buying that took place during the third quarter, from credit restrictions and because of raw material shortages. In normal cycles, whenever we anticipate a recession for these dynamic industries, we look forward to a generally lower level of employment and purchasing power and a deflationary trend in commodity and stock prices.

Harold B. Dorsey

However, it seems to me that the picture this time is quite different, and that difference shows up more clearly when we take a look at the conditions that seem likely to prevail 12 or 18 months from now. I have in mind, of course, the conditions that are likely to prevail in a near-war economy. There are many people who think of a near-war economy as one in which an increase in government demand for goods and services is just about offset by a corersponding decline in civilian demand. Influenced somewhat by my recent trips to Washington, I am concluding that we should make some revision in that pattern.

As I understand it, the line of reasoning in official Washington goes somewhat as follows. An appraisal of the international situation strongly suggests that we may have to have an armed camp economy for four years and perhaps longer. If, over this indefinite period of time, the American public is seriously inconvenienced by shortages of consumers' goods, they might force a revision of our foreign policy, reverting to isolationism. Hence, there should be a serious effort to achieve a "guns and butter" economy.

Frankly, I was quite startled when I observed the unanimity with which operating officials in Washington seemed to have this objective in mind. Executives in unrelated departments were emphasizing the importance of expanding the nation's productive capacity and these ideas for expansion were not confined to capacity for producing military equipment alone—although, naturally, the military requirements come first.

I was equally startled by the absence of any thought that this expansion should be achieved by socialistic methods. Officials who, a few years ago, were strongly advocating that the government should go into the steel business were now talking about increasing the incentives to stimulate expansion by private industry. I think you will agree that this attitude is surprising when you recall that the socialists usually take advantage of every emergency such as the present situation, to promote the further encroachment of government into the fields of private enterprise.

Some of these people who, a few years ago, were advocating anything that would take money out of the pockets of business and deposit it in the pockets of labor, are now quietly advising that we should not have a stiff excess profits tax because it would discourage efficient production and private industrial expansion. How completely orthodox!

I understand that there will be a liberal approval of the "certificates of necessity" that will permit accelerated depreciation of new capital expenditures for tax purposes. The object is to give business an incentive for enlarging productive facilities.

Being a skeptic, I am not going to accept hook, line and sinker, these indications that the Fair Deal is returning to orthodox economic principles. On the other hand, I don't want to be a cynic looking a "gift horse in the mouth." I am impressed with the fact that a great many of these people seem to realize that one way to combat inflation is to increase the supply side of the commodity supply and demand equation; that is, to expand productive facilities. Furthermore, I am somewhat impressed with an indicated desire to achieve that objective by supporting the incentive principles of the private enterprise system that have been responsible for the outstanding industrial expansion of this country.

It is with all of this in mind that I have been giving considerable thought to the business probabilities in the rearmament economy. To get the subject down into statistical form, I have prepared a table in which I have made certain projections for the various items that go to make up Gross National Product. There is no illusion in my mind that the projections shown under the heading "End of 19551" are precise. I merely wanted to see what the picture would look like after applying certain presumptions that do not seem to me to be illogical.

Personal Income and Expenditures

As you know, the largest item in the National Income series and the largest single determinant of consumer expenditures is "Compensation of Employees". In the third quarter of 1950, this item was running at the annual rate of about $148 billion. If this figure were adjusted to allow for an 8% increase in wage rates, a 5% increase in the number of hours worked per week, and an increase of 6% in the total number of productively employed workers, we would come up with an indicated annual rate for this item of $178 million. The cumulative effect of these three different types of adjustment seems difficult to understand until you actually work out the arithmetic.

The percentage increases that I have allowed for hours worked, wage rate increases, and number of employees, are subject to debate. Later studies may suggest different percentages. However, I think it will be agreed that we are going to have some increase in the number of people employed and in the number of hours worked and in the wage rate.

The next item in the first category is the income of proprietors, farmers, professional people, self-employed, etc. Over a period of time, this figure usually runs at about 26-27% of Compensation of Employees and the figure used in my projection is merely 26% of the $178 billion that I derived for salaries and wages.

Without further discussion of the two other smaller items in this category, I can see the possibility of raising Total Personal Income from about $225 billion to $261 billion, a net gain of $36 billion.

I'm sure you are aware of the relationships that exist between Personal Income and Personal Consumption Expenditures for durable goods, non-durable goods and services. By making projections of these items that seem reasonable to me, the total of Personal Consumption Expenditures may be increased by about $21 billion; but this would be partially offset by a $6 billion reduction in Personal Expenditures for residential construction. Nevertheless, the net of these two items would tend to increase Gross National Product by some $15 billion.

Corporate Earnings Before Taxes

It is most difficult to make projections of corporate earnings in this series of figures under present circumstances. The Depart-

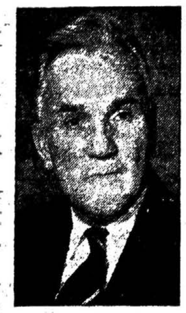
Continued on page 31

*A talk by Mr. Dorsey before the Fall Forum Meeting of the Business Economic Division, New York Metropolitan Chapter, American Statistical Association, New York City, Nov. 30, 1950.

From Washington Ahead of the News

By CARLISLE BARGERON

The Republicans in Congress seem to have an uncanny knack of always putting themselves in the light of politicians and letting the Democrats pose as patriots. This is particularly true of crises which for the past 17 years have been more or less our weekly fare.



Carlisle Bargeron

A shining example is the beginning of the disaster in Korea, when Senator Wherry of Nebraska, asked for comment by newspapermen who move about the Capitol in droves during such times, exclaimed, in effect, that this was no time for partisan politics; we've all got to stick together. It is such as this that justifies editors with unusual pontification to counsel the Republicans that they must abandon politics for the duration of the emergency; it is just such as this that breeds the nonsense about a bipartisan foreign policy. It is all right, this argument goes, to play politics with domestic matters but politics should stop at the water's edge. And how does a government such as ours have a bipartisan foreign policy? Why, inasmuch as our Secretary of State is one from a well-known international law firm which has greatly increased its staff since he attained that office, the thing to do is to have another well-known international lawyer from another well-known international law firm, a Republican, to work with Mr. Acheson. This constitutes a bipartisan foreign policy and Republicans in the lawmaking branch, charged with a responsibility to their constituents, should thenceforth keep their mouths shut.

In the first place, the so-called foreign policy and domestic matters are so closely interwoven as to be inseparable. It is certainly a domestic matter when you conscript boys and send them abroad to carry out a foreign policy; when you levy taxes to do this, when you throw the domestic economy into a straitjacket, when you force hundreds of businesses or industries to close down because their essential materials are being allocated to the military, when you apply price and wage controls which now seem to be inevitable. All these things are surely domestic matters and apparently about all that is left in which the gentlemen are to be permitted to play politics, as the expression goes, is the field of traffic regulations.

The plain fact is that "playing politics" is a very loosely used and often a propaganda term.

Senator Wherry did not mean to admit, I am sure, that in recent months whenever he said Acheson should be dismissed or when he lambasted our foreign policy, he was insincere, he was only "playing politics." Yet this is the impression to be gained from his statement that now was not the time for politics.

Understandably, he could have felt it was a time when nothing sould be said, that we were stuck with a situation in which he was powerless to help. This would not have meant in the slightest that he thought Acheson should not go; it would have meant simply that this was not the time to talk about it, that boosting Acheson out overnight would not have helped.

It strikes me that this is what he should have done, instead of giving support to the propaganda that the Republicans are always motivated by politics while the Administration is just as guileless as a new born babe.

I should be very much amazed to learn that Senators Taft, Bridges, Milliken and Knowland who, along with Wherry, have been the most active in criticism of the State Department—and I should like to add Senator Ferguson—have been motivated by partisan politics. Rightly or wrongly and I think rightly, they have been literally burning up inside over what has been going on. Their attitude is shared by many Democrats who, however, can not be expected to take the lead in fouling their own party nests.

For example, the British and French have been insisting that regardless of what humilitation we undergo in Asia, we must take it and redouble our assistance in arms and men to save them. The question is how on earth we can save the French, as desirable as that might be. How on earth can we prevent, in the event Stalin moves, the French Commies who exercise a balance of power in the government, from throwing the country to him along with our arms and men?

Now when Republicans or anybody else oppose such a policy are they being merely politicians, are they just playing politics?

Taking the Republicans one by one I am quite sure they are just as sincere in their feeling as are the Administration supporters, just as good patriots, just as good citizens. Manifestly there are some with not as great a depth as others, some who do not exercise as much restraint as others. This is just as true among the Democrats. But the Republicans—maybe it is because I have become unusually sensitive about them—certainly seem to lack that pose of sincerity of the Democrats even when the latter are spouting their worst demagoguery.

In the recent campaign I traveled through several Ohio cities and towns with Senator Taft's party and heard him make his six to seven speeches a day. I could never tell when he was making a "political" or a "campaign" speech. He always seemed to me to be laying down the facts of life to a classroom; pure logic all the time.

Joins Thomson-McKinnon

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — William C. Fain has become affiliated with Thomson & McKinnon, 105 West Forsyth Street.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Joseph A. Oritt is now connected with A. M. Kidder & Co., 209-11 Southeast First Street.

The Outlook for Whiskey Distilling Shares

By LOUIS STONE

Hornblower & Weeks

Members, New York Stock Exchange

Reviewing effects of Korean crisis on whiskey producing companies, Mr. Stone points out that threatened excessive supply of their inventories has ben largely abated, since it now seems clear, because of war needs for alcohol, immediate dangers of over-production and a deteriorating price structure has been averted. Gives analysis of financial standings of leading whiskey distilling stocks.

On June 26, 1950 it looked as if the distilling industry was building itself up for an awful let-down—whiskey in storage had reached the record total of 643,300,000 gallons, enough for more than eight years to come at the 1949 consumption rate, and aged whiskies that had been laid down in 1945 and 1946 were just beginning to come to the market in volume, with a resultant threat to the industry's price structure. The Korean outbreak, and the subsequent developments to date, have completely changed the picture—Instead of being regarded as a threat to the price structure, the accumulated stocks of ageing whiskey are now looked on as so much liquid gold, assuring the industry's ability to make profits for the next eight years regardless of the degree of production control which may be forced by war requirements. As so frequently happens in the affairs of the market place, be it whiskey or anything else, the superficially obvious course of events has again been confounded by the unpredictable realities; it may be of interest to review some of the basic figures, in an attempt to gain some perspective on the present value of the leading distilling stocks.

Louis Stone

When repeal came in 1933, the distillers immediately started to lay down large stocks, and production rapidly reached an all-time high of 245,477,000 gallons in 1936—a production level far in excess of annual consumption. The rapid build-up of ageing stocks had its normal effect in 1940 and 1941, when large supplies of bonded whiskies first started to come to market in a volume sufficient to break the retail price structure. The advent of the war period again changed the picture—with productive facilities completely converted to war uses, whiskey stocks in storage fell to a 1945 level of around 300,000,000 gallons, and consumption requirements were satisfied only by a shift from straight whiskies to blends, which contain 25% to 40% straight whiskey and 75% to 60% neutral spirits. Beginning in 1945, production again started on a large and increasing scale, reaching a high of 170,686,000 gallons in 1948, and stocks in storage have more than doubled since the 1945 low. The price structure did not weaken seriously in the postwar period, partly as a result of the greatly strengthened position of the leading distillers who had absorbed a large number of the weaker marginal producers, and partly because of a gradual shift back to a higher percentage of straight whiskies as opposed to blends. In the 12 months through June 30, 1950 straight and bonded whiskies accounted for 23% of total consumption against only 15½% in the previous 12 months and only about 10% during the war period.

Effect of Korean Crisis

Almost immediately upon the outbreak of hostilities in Korea, the distilling industry renewed full scale production of whiskey, in anticipation of a forced conversion of their facilities to the manufacture of industrial alcohol, which is a prime requisite in any war preparation program. Alcohol is required in very large quantities, not only for the manufacture of synthetic rubber, but also for smokeless powder and other munitions, for high octane gas, wartime plastics, dyes, paints, insecticides and numerous other war products. The extent of the country's war-time requirements for alcohol are not generally realized; in the last war, the distillers operated continuously on a three shift basis from October, 1942 through June, 1945 and turned out a total of 793,000,000 gallons of alcohol. About 650,000,000 gallons of this total went into synthetic rubber—it takes about 50 gallons of alcohol for the rubber on one jeep and it takes as much as 7,000 gallons for the rubber on one big bulldozer. It is currently estimated that a full scale reactivation of our synthetic rubber facilities will require about 230,000,000 gallons of alcohol a year, of which about 100,000,000 gallons can come from the regular manufacturers of industrial alcohol; the balance will have to come from the distilling industry—less whatever quantity can be imported. At the present time the Government's Office of Rubber Reserve is requiring the domestic distillers to provide about 5,000,000 gallons a month, which involves only about 20% of estimated total capacity. From here on, the rate of conversion from whiskey production to alcohol production will depend directly on the pace of the rearmament program; in any case, it seems clear that any immediate dangers of an overproduction of whiskey and a deteriorating price structure have been dissipated.

Market Record

Table I shows the market record of the leading distillery company stocks at the key turning points since 1937.

It is apparent from the tabulation that the distillery stocks are by no means to be regarded as riskless investments so far as price fluctuations are concerned, despite the solidity of the particular companies and their assured place in a basic industry. And it is also apparent that speculative purchases made at current levels necessarily assume a further substantial advance in a section of the market which is already up 100% from its lows of 1947-49. The basic question confronting the investment buyer is whether present prices represent reasonable values in relation to earnings, dividends and book values. Pertinent per share figures as to book values are presented in Table II.

In relation to the indicated book values, current market prices appear reasonable, particularly when consideration is given to the generally low balance sheet appraisal of fixed assets—replacement costs would, of course, be much higher than stated values. The net current asset figures average about 80% of market price but vary considerably for the individual companies; on the whole, it may be said that current market prices place a ridiculously low valuation on fixed assets. The gross inventory figures, representing the total inventory per common share without deduction for liabilities or preferred stock, are of particular interest to the extent that they show the extreme leverage which can affect per share values. A 10% increase in inventory values, which are generally carried at lower of cost or market, would produce a roughly equivalent increase in book values, and a 10% increase would be very small in relation to average production costs of only about $1 a gallon for raw whiskey. The usual argument runs that the distillery stocks should be prime beneficiaries of any general inflation, because the value of their inventories would rise appreciably. As a matter of fact, bulk whiskey prices have already risen to about $3.50 a gallon for 3 year old stocks, and inventories are generally insured at a much higher value than the stated balance sheet figure—National Distillers' inventory, for example, is insured for $280,000,000 against a 1949 year-end balance sheet figure of $125,000,000. But from a realistic point of view, it must be kept in mind that these inventory profits are going to be realized only as they show up in improved earnings over the next several years, except for companies such as Publicker, which is weak on brand name sales, but in a position to realize big current profits in the bulk whiskey market. For the major companies competing in the brand name market, the rise in inventory values is of importance in maintaining a firm price structure, but in the face of the present record level of whiskey stocks, no appreciable increase in sales prices seems indicated.

Income and Dividend Figures

Table III presents pertinent income and dividend figures for the seven leading companies. Current earnings are believed to be at a higher rate than the full year totals shown in the tabulation due partly to increased volume at satisfactory profit margins, and partly to the Government's alcohol program, which has the effect of reducing overall costs. The high earnings base built up in the 1946-49 period, plus fairly high book values, will provide a relatively high degree of immunity to excess profits taxes—sufficient in any case to allow maintenance of the present dividend rates, plus increases in most cases. Although the rate of earnings improvement will vary considerably between the different companies, with Publicker, Schenley, and Brown Forman appearing to hold the most attractive possibilities, experience indicates that the seven different stocks tend to move as a group; if the basic trend is up, all of these issues have appreciation possibilities.

TABLE I

(Adjusted to present capitalization)

	1937 High	1940-2 Low	1946 High	1947-9 Low	1950 Low	Dec. 2, 1950
Hiram Walker	12⅞	4½	38⅝	17½	31	48½
Schenley	14½	2⅛	80	17⅞	23¾	37
Distillers Seagrams	5¾	2½	30	11¼	17	25⅞
National	11⅝	5⅝	32⅜	17¼	20½	25¼
Publicker	--	--	67	14½	13¾	23⅛
Brown Forman	--	--	20⅞	8⅜	11	19¼
Glenmore	--	--	30½	9½	10¾	17¼
			299⅜	96¼	127¾	196¼

TABLE II

(Figures per share)

	Date	Book Value	Net Current Assets	Gross Inventory
Walker	8-31-50	$48.14	$38.34	$30.61
Schenley	8-31-50	49.07	35.86	49.80
Distillers Seagrams	7-31-50	27.70	21.88	24.77
National Distillers	12-31-49	20.71	14.32	15.60
Publicker	12-31-49	28.26	15.48	30.51
Brown Forman	4-30-50	14.36	2.96	40.81
Glenmore	12-31-49	20.80	17.12	20.27

TABLE III

	Year Ended	Net Per Share	1946-9 Aver. Net	12 Mos. ‡Divd.
Distillers Seagrams	7-31-50	$4.77	$4.45	$1.70
Schenley	8-31-50	8.47	7.19	2.00
National Distillers	*12-31-50	*3.30	4.00	2.00
Hiram Walker	8-31-50	9.68	7.16	4.30
Publicker	†9-30-50	†2.08	4.74	§
Glenmore	12-31-50	3.60	3.63	1.15
Brown Forman	4-30-50	4.64	6.74	0.80

*Estimated. †9 months through September. ‡Through latest declaration. §2½% in stock in March and 2½% in stock in September.

A Stock Market Appraisal

By V. LEWIS BASSIE*
Director, Bureau of Economic and Business Research
University of Illinois

Writing before recent break in market, Mr. Bassie analyzes factors which have caused violent stock market reactions, leading to short reversals of sharp movements. Concludes, "as long as economy keeps growing and liquid capital keeps piling up, there can be no effective ceiling on stock prices."

Stock market action continues subject to brief, violent reversals as fears gain dominance or are relieved by the news reports of the day. This is perhaps characteristic of speculative sentiment in periods of disturbance and uncertainty; but it seems aggravated in recent years by the overexcited overemphasis given minor or even inconsequential events by radio newscasts and commentators. To gain the stable perspective necessary for sound judgment in speculative or investment operations, it is necessary to consider the basic factors that will persist through the transitory ups and downs of market sentiment.

V. Lewis Bassie

War Dominates Business Outlook

The international situation produces reassurance as well as uncertainty, because the increase in military expenditures rules out recession. Even on a conservative appraisal, the military program will be large enough to more than offset any decline in private spending during the next year; and clearly, it is not just a one-year effort, but will carry into the indefinite future.

It is this latter aspect that has provided the extraordinary stimulus to business which brought on the first flush of inflation. Everyone seeks to protect against future shortages and to anticipate future needs. Stockpiling is pursued by private business and individuals as well as by government; and industry is not only putting its facilities in the best of shape for future operation, but is expanding them as rapidly as possible.

In an economy being expanded and organized for war, requirements for new plant and equipment are overwhelming. Illustrative of the drive for quick expansion of capacity is the railroad car building program, which has called forth the first use of controls to allocate steel for nonmilitary purposes. A large program for steel expansion has also been announced, and the industry is under pressure for still further increases. The aluminum industry, too, must expand, and this in turn will require expansion of capacity to generate electric power.

All such expansion will be done under certificates of necessity, which permit the amortization of costs over a five-year period. This adds the incentive of writing off new capacity in a period of large and heavily-taxed corporate profits. It seems almost inevitable that direct military procurment will be overshadowed by indirect military and essential civilian requirements in this period as in World War II.

Nor will these developments be confined to the war industries. Announced expansion plans in the food, chemical, and some other industries are the largest on record. A continuing basis for expansion of civilian industries lies in the increase in income that is now taking place. More workers are being employed, longer hours are being worked, and higher wages are being paid. These and other increases in income will make for the usual stepping-up of consumer purchases. But material shortages and controls will restrict expenditures for durable goods, so that we may again see, as in the war years, both a sharp increase in personal savings and an abnormal expansion of expenditures for nondurable goods. The stimulus of war expansion is bound to be felt in many industries besides those specifically engaged in war production.

Psychological Factors in the Market

The broad advance in the stock market since the middle of last year reflects, in large degree, the removal of "recession" fears. The assurance of future earnings is, in effect, an assurance of future security values. But how high prices should be in relation to earnings is something the market insists on deciding for itself.

At this time it continues to capitalize record earnings at an extremely low rate, in keeping with the pattern of the last four years. Just two years ago, in an article entitled "That Stock Market Barometer—"Exploded," we pointed out some of the influences responsible for this market situation. Out-and-out speculation has still to put in an appearance. Buying to date has been largely for cash, with little increase in brokers' loans. Yet there are definite signs that the freeze on speculative psychology is relaxing its grip. The shift from avoidance of the market to participation has begun, and it will probably continue.

Although the market has made new postwar highs in recent months, price-earnings ratios have been kept low by the sharp upsurge in corporate profits. Preliminary reports show that profits in the third quarter of 1950 were more than 50% higher than in the same quarter of 1949. Perhaps, as taxes cut deeper into profits, the disparity between earning power and prices will not seem so large, but even then higher prices will be justified.

War scares, too, have lost much of their power to depress the market. War is still feared, but there has been a hardening of public attitude that changes reactions to it. What has been developed and may be observed, for example, in the election returns, is a blind desire to strike out at anything and everything communistic. New war incidents, like the Chinese intervention in Korea, aggravate this crusading spirit, and thus tend to produce a state of excitement rather than of depression. Fear may still produce the immediate reactions. It is not so likely to prevent the subsequent advances.

The Bogey of Historical Highs

As the market hesitates near the highs, a new fear gains in effectiveness. It is the fear that the market has become vulnerable because prices are the highest in two decades. This notion that the peaks of the past provide a sound basis for judging the present is a bogey whose influence cannot be entirely discounted. It dwells in imaginations tied down by preoccupation with the lines on a chart. Lacking vision beyond these confines, such imagination fails to perceive the essential differences that justify striking out into new territory.

Stock Market Appraisal

The clear fact is that security prices, like other economic measures, can be considered high or low only in relation to other things. Consider our economic advance since previous years in which present price levels were approached. The gross national product, our broadest measure of aggregate production, is running at an annual rate of more than $280 billion, and will soon exceed $300 billion; this is half again as high as the rate in early 1946 and more than three times as high as in 1937. Our capacity to produce was tremendously expanded during the war and postwar years, and is against being increased at an extremely rapid rate. With real wealth, production, net earnings, and commodity prices so much higher, there is just no sound reason for regarding stock prices as high.

Developments in the money markets lend additional strength to market trends. The flow of investment funds will increase as the public is forced to save more—out of income, as indicated above, and in pension fund reserves. High profits, reserves, and government assistance will make it unnecessary for industry to draw more heavily upon those savings. In addition, some investment outlets, such as mortgage credit, will be curtailed.

At the same time, reluctance to put investment funds into stocks is being undermined by the rise in commodity prices. Fear of long-term inflation creates a desire for securities that can also advance in price. Rising living costs stimulate a desire for the higher incomes available from stocks. Although dividends have risen sharply, they are still low in relation to soaring profits, and are being further increased. At the moment, they average over 6% of market prices while interest on bonds averages less than 3%.

In short, the market seems likely to move ahead into an expanding economic future. As long as the economy keeps growing, and liquid capital keeps piling up, there can be no effective ceiling on stock prices.

*Reprinted from "Illinois Business Review" published by the Bureau of Economic and Business Research, College of Commerce, University of Illinois, November, 1950.

Dealer-Broker Investment Recommendations and Literature

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

Aircraft Manufacturing Company Stocks—Review of 12 companies—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

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

Inflation and I — Analytical brochure—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

Natural Gas—Bulletin of news on 19 producers—Scherck, Richter Company, Landreth Building, St. Louis 1, Mo.

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.

Rails—What Now? — Progress report — Bache & Co., 36 Wall Street, New York 5, N. Y.

* * *

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

American Steel Foundries — Memorandum—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Armour & Co.—Brief review in "Gleanings"—Francis I du Pont & Co., 1 Wall Street, New York 5, N. Y.

Also available in the same issue is a tabulation of "double Purpose" securities and a report on **Cincinnati Milling Machine.**

Bibb Manufacturing Co. — Memorandum — Johnson, Lane, Space & Co., Bay & Drayton, Streets, Savannah, Ga.

Brown-Forman Distillers Corp. —Memorandum — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Canada Dry Ginger Ale—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Electric Bond & Share Co. — Memorandum — Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Also available is a memorandum on **West Pennelectric Co.**

Emery Air Freight Corporation —Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Firemens Insurance Co. of Newark—Memorandum—Geyer & Co., 63 Wall Street, New York 5, N. Y.

Giant Portland Cement Co.—Memorandum—Price, McNeal & Co., 165 Broadway, New York 6, N. Y.

Haile Mines, Inc. — Memorandum—William L. Burton & Co., 25 Broad Street, New York 4, N. Y.

Illinois Power Co.—Memorandum — Kalb, Voorhis & Co, 25 Broad Street, New York 4, N. Y.

Long Bell Lumber Company—Analysis—Pacific Northwest Company, Exchange Building, Seattle 14, Wash.

Also available is an analysis of **Puget Sound Pulp & Timer Co.** and **Weyerhaeuser Timber Co.**

Luscombe Airplane Corp. — Memorandum—Beer & Co., Gulf States Building, Dallas 1, Tex.

Also available is a memorandum on **Texas Engineering & Manufacturing Co.**

National Malleable & Steel Castings Co. — Memorandum — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

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

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

Textron, Inc.—Analysis—Bruns, Nordeman & Co., 321 Broadway, New York 7, N. Y.

Textron, Incorporated—Review —Watson, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available is a progress report on **Newport Steel Corp.**

Transcontinental Gas Pipe Line Corporation — New circular — Lentz, Newton & Co., Alamo National Building, San Antonio 5, Tex.

Ultrasonic Corporation—Analysis—Leason & Co., Inc. 39 South La Salle Street, Chicago, 3, Ill.

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

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

Winters & Crampton Corporation—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Federal Home Loan Bank Offers Notes

A new issue of $89,000,000 Federal Home Loan Banks 1.80% consolidated notes, Series E-1951, non-callable, was offered on Dec. 5 by the Federal Home Loan Banks through Everett Smith, fiscal agent. The notes, dated Dec. 15, 1950 and due June 15, 1951, are priced at par. A countrywide selling group of securities dealers will participate in the offering.

Proceeds from the financing will be used by the Federal Home Loan Banks to provide funds for making credit available to their member institutions.

Upon completion of the financing the Federal Home Loan Banks will have outstanding consolidated obligations in the amount of $561,000,000.

Why Assail The Steel Industry?

By CHARLES M. WHITE*
President, Republic Steel Corporation

Pointing out switch in attacks of governmental planners on steel industry from accusation of being over-expanded to one of being under-expanded, chief executive of large steel producer recites industry's growth through its own optimistic planning. Predicts steel producing capacity of 110 million tons in 1952, and contends, barring shortage of raw materials and manpower, military demands will be met. Cites heavy increase in plant construction costs, but despite this, industry has invested $2 billion in last four years in plant expansion mainly without outside financing. Decries accusation of profiteering in industry.

First, I'm going to talk about steel. Then I'm going to talk about politics. Both steel and politics have a profound effect on the present and future stability of the United States and on the welfare of our people.

C. M. White

For some years it has been a popular political pastime to assail the steel industry. We have been told that the industry has failed to recognize its industrial and social responsibility; that we have not expanded to meet unusual peak demands. I don't agree with the first charge and am unable to see how we could have anticipated the second.

Much of the criticism of the steel industry has come from the Federal Administration and its proponents. We have heard too often the crash of the whip as it descended around the shoulders of the government's favorite whipping boy—the steel industry.

Yet, if we had followed the advice of high governmental officials, the country would have suffered from a steel shortage that would have made the present shortage look like a gnat compared to an elephant.

You all remember that back in the middle 'Thirties the popular doctrine of government planners, professors and sages was: "We now have a mature economy." You remember their story. Since our population growth had ended, industrial expansion had to be halted like an overly spirited horse. "Our horizons," the planners said, "have been reached." From there on we were supposed to be going downhill.

No more expansions, no more developments, no more dreams of a bigger, better country with higher living standards and conditions.

Instead, we were told we should devote ourselves to social work and welfare—financed by the government and under government direction; the leaf-raking, the projects, the painting and dancing and all the things that went along with it.

If we had swallowed this false philosophy, as expounded by the then President of the United States, the steel industry would not have expanded its capacity by 10⅓ million tons between 1929 and 1939. Certainly, the industry's steel production of 15⅓ million tons in 1932, 26 million tons in 1933 and 29 million tons in 1934 did not encourage expansion. During these three years steel capacity was between 78 and 79 million tons.

About 1939, the TNEC was holding its solemn powwows to diagnose and prescribe for the ills of the country. For ten years the government had been trying to cure these ills with frequent and large transfusions of state planning. But the transfusions had not worked and Dr. TNEC was called in. The steel industry was examined with the same cold eye with which a scientist examines a culture of bacteria under the microscope. Out of all this came the amazing conclusion that the steel industry was over-expanded. Not under-expanded, gentlemen, but over-expanded. This was bad for the country, Dr. TNEC implied, and the industry should see what it could do about cutting itself down to size.

Happily for the country, the industry did not take the diagnosis and cure too seriously. Instead, it made its own decisions and went on expanding. World War II soon crashed about us and during the following five years, with some government help, capacity expanded from nearly 81½ million tons to about 95½ million tons.

The war ended in 1945. And what did the Washington planners tell us then? They told us, with horror in their voices, that the nation was right on the brink of a catastrophic depression. Eight million men would soon be searching for jobs. The economic future was as black as a hurricane sky.

Again the steel industry had its doubts. Again it disregarded government pessimism. Instead, the industry followed its own best judgment. First, obsolete steelmaking capacity, which had been held together with baling wire during the war, was scrapped. Then we really pulled up our breeches and started building. We didn't built vast, eye-catching, new steel plants at $300 per annual ton of capacity. Instead, we rounded out facilities and eliminated bottlenecks at $100 per ton of annual capacity.

The 672,000-ton annual steel increase which we recently announced for Cleveland is that kind of a rounding-out job. This expansion will cost in excess of $75 million.

110 Million Tons Capacity by 1952

As a result of expansions of this sort on the part of many steel companies, steel capacity reached 100 million tons this year and by the end of 1952 will reach 110 million tons. By 1960, steel capacity will be whatever a realistic study of demands seems to indicate.

Mistakes of this sort by government officials are anything but new. We had evidence of them more than a century ago.

One hundred and six years ago Henry N. Ellsworth, then Commissioners of Patents under Harrison, said wrongly, "The advance of the arts, from year to year, taxes our credulity and seems to presage the arrival of that period when human improvement must end."

Sixty-six years ago, another government official, Carroll D. Wright, then Commissioner of Labor, made this startlingly bad guess, "It is true that new processes of manufacture will undoubtedly continue, and this will act as an ameliorating influence, but it will not leave room for a marked extension, such as has been witnessed during the last 50 years. . . . There may be room for further intensive, but not extensive, development of industry in the present era of civilization." That was sixty-six years ago. No automobiles, no airplanes, no refrigerators—we could go on and on.

I need not remind you of the vast industrial developments since 1886. In slightly more elegant language Mr. Wright said just what the government's master minds said in the 1930s. They were equally cockeyed.

I cite this history to demonstrate that the steel industry is not static, but a growing, expanding, lusty, aggressive industry. From 1900 to 1950, steel capacity increased from 20 million to 100 million tons—a five-fold increase, while population merely doubled. During the same half-century period steel production rose from 300 pounds per capita to almost 1,300 pounds.

As we have expanded in the past so, gentlemen, we will continue to expand in the future—just as fact and as far as good judgment backed by a wide streak of optimism indicates. There isn't a man in this room who wants or expects us to do more than that. I'll say this: There has never been anything unrealistic in the arguments we have had about what Republic should do, as far as the steel industry is concerned and our ability to do it, as far as the talks we've had with General Motors; and I'll say, with any other of our big customers. The big people in the country see the problem. In the first nine months of this year the industry has shipped enough steel to build 1.1 million dwelling units, 6¼ million cars and trucks, 4.5 million plus refrigerators, nearly 3.5 million gas and electric stoves and nearly 3 million tons of metal cans. That's in the first nine months of this year. These productions constitute all-time records in these industries.

Meeting the Military Demand

Piled on top of this civilian demand for the past few months has come a military demand which will become heavier week by week.

In the face of the industry's production there are—and have been—insistent demands for greater and greater expansions. Some of the demands have recognized the difficulties which steel expansion entails. Others have been, it seems to me, motivated in part at least by political ambitions.

Whenever a steel company plans to expand, it has several problems which must first be solved. If they aren't solved correctly, the expansion had better not be made.

A basic problem is raw materials. Our raw materials are the results of nature's work over the ages. We can't create more iron or coal. Only nature does that. We've got to have the iron and coal and we know by long experience that the richest deposit ends up a hole in the ground. If we don't find ore and coal, there is no use building steel plants.

Up to four or five years ago the source of additional iron ore for our steel industry was a pressing and serious problem. Then we began to reap the results of painstaking searching and liberal spending on the part of steel and ore companies. New deposits, largely in wild and unsettled parts of three continents, have been discovered and proven. Ore will begin to come from Liberia, a Republic operation, sometime next year.

But this is only the beginning. Railroads, towns power facilities, docks and ships must be built before one ton of that ore can be brought to our blast furnaces. Republic alone has taken the responsibility of $100 million to develop new resources. The industry as a whole will spend hundreds of millions more. We are spending further millions to make coal more suitable for metallurgical purposes. The sulphur goes up and we've got to get it down. These expenditures don't give us an additional pound of coal. They merely enable us to keep going.

The Manpower Problem

Another problem, which you and we must face, is manpower. With 60 million employed, there are only abzout 2 million unemployed. This is below the normal unemployment level. Of the 60 million who are working approximately 15 million are employed in manufacturing.

We are told by some that the steel industry should be producing at the rate of 120 million tons annually. If we were, where would we get the men to cut up and fabricate the additional 20 million tons? It doesn't take too many manhours to produce a ton of ingot steel, but it takes a great many manhours to transform that ton of steel into an airplane motor, ammunition, a gun or a car. Manpower is and will increasingly be a problem as steel output is increased. We will probably have to return to the steps taken during World War II to expand manpower.

Then there is a third, very complicated, technical problem. That is the problem of product mix.

A steel ingot means little or nothing to our customers. They want their steel in the form of sheet, or strip, or bars, or pipe, or any one of a hundred forms. So when we decide to expand steel capacity, we must also decide what we are going to do with that steel. Should we make more sheet and strip, more pipe, more bars or more what? A steel company has only begun when it has decided to increase its basic steel capacity. What kind of finishing plants and equipment should be installed to meet steel demands, not for today only, but for the next 20 or 30 years? A strip mill or a pipe mill costs millions of dollars, and you don't scrap them willy-nilly. If we have guessed wrong, we have lost a truckload of our stockholders' money. To guess right means constant studies not only of today's markets but of the possible requirements of tomorrow. It's as though you had to install equipment today based on what you thought the public taste in automobiles would be 20 or 30 years

Continued on page 25

*Transcript of an address by Mr. White before the Economic Club of Detroit, Detroit, Mich., Nov. 27, 1950.

Pennsylvania Brevities

Philadelphia Transp. Co. Gets Fare Increases

After deliberations lasting eight months, the Pennsylvania Public Utility Commission ordered a new fare schedule for Philadelphia Transportation Co., which, it is estimated will add $4,482,000 to the company's annual revenues.

Reactions are typical: "Too little and too late," says the P.T.C.; "Excessive and unnecessary," is the plant of the Citizens Committee Against the Fare Rise, and plain "Ouch!" is the cry of the car-riders.

The new schedule provides for a basic 12-cent cash fare (or four tokens for for 45 cents) for all single trolley, bus or subway-elevated rides. Where transfers are involved, the flat charge will be 15 cents and the transfers interchangeable on any type vehicle with the single exception of "C" bus routes on Broad St.

The present 10-cent school fare on buses will be reduced to 7½ cents, the same as the present school rail fare.

Charles E. Ebert, P.T.C. President, asid that the fare rises "are not sufficient to enable the company to meet its obligations, earn the fair return to which it is entitled and continue the quality of service essential to the community." The company had sought a 13-cent cash fare (or 2 for 25 cents token rate) plus a flat 2-cent transfer charge. Mr. Ebert hinted that an appeal from the P.U.C. order may be taken to the Superior Court.

On behalf of the Citizens Committee against the Fare Rise, Joseph Sharfsin and H. Jerome Jaspan announced that a supersedeas to halt any increase would be sought, pending a court appeal. Mr. Sharfsin also reiterated a former recommendation that the City of Philadelphia acquire the street railway properties by which means a 10-cent fare could be maintained.

The new fares will be placed into effect early in the month after the required 10 days' notice by the company.

Although benefit to the company will come too late in the current year to be reflected in 1950 operations, the fare increase is expected to stiffen the demands of Local 234 of the Transport Workers' Union whose contract renewal comes up in February. According to William J. MacReynolds, P.T.C. Vice-President, the union has already submitted 21 demands which amount to the "equivalent of 57 cents an hour increase per employee and would add a total of $15,000,000 a year to operating expenses."

Andrew J. Kaelin, President of the local, says the company's approach to collective bargaining is unrealistic.

"They tell us every year they don't have the money, but somehow they are always able to meet our demands and give the members the pay increases to which they are entitled."

How high is up?

* * *

The Real McCoy

There is uranium on the Pennsylvania properties of Lehigh Coal & Navigation Co., according to Robert V. White, President, who hastens to add that he doesn't recommend the purchase of the company's stock for that reason.

The uranium, he told a meeting of the New York Society of Security Analysts, occurs in very fine particles in veins ⅛ to ¾ inches thick which probably do not extend very far down. Although the ore is worth $70,000 per ton, no one has figured a way to extract it at a cost less than its value. The company, he said, is willing to spend "a little money" in diamond drilling to determine the depth of the deposits, but is not enthusiastic about possible results.

* * *

Iron Ore Near Reading

MORGANTOWN—According to the Philadelphia "Inquirer," the Bethlehem Steel Co. has proved out a 3,000,000-ton deposit of magnetite iron ore on land recently purchased near here, about 15 miles southwest of Reading.

The ore body, which is concentrated in a 2,000 square-foot area about 1,500 feet beneath the surface and 1,000 feet in depth, is considered sufficiently high in quality to warrant mining operations.

Revelle W. Brown, President of Reading Co., stated that he had been interrogated about available facilities for carrying the ore out by railroad. The Reading's Joanna station, now closed, is three miles from the property.

It was reported that Bethlehem's purchase of acreage embracing the deposit was made in 1949 after an air search of the section, which included use of the magnetometer, indicated the presence and location of ore. It is indicated that a pilot shaft will be sunk next spring to determine the position of an operational shaft to follow. Actual mining cannot begin before heavy machinery is moved in and set up and is probably a year in the future.

* * *

Water Rate Increase Asked

The Philadelphia Suburban Water Co., serving more than 115,000 customers in Montgomery, Chester, Delaware and Bucks counties, adjacent to Philadelphia, last week filed a schedule of increased rates with the Pennsylvania Public Utility Commission.

A communication addressed to users by the company stated that the average increase would amount to about ¾ of one cent per day and was the first sought by the company since the spring of 1948. During the last three years, the letter states, operating expenses have increased 25% and the company has spent more than $7,500,000 for supply and service improvements. If granted, the new rates will become efefctive next January 27.

* * *

West Penn Elec. Co. To Sell Stock

Earle S. Thompson, President of West Penn Electric Co., announced that the company plans to raise approximately $7,000,000 through the sale of additional common stock early in 1951. The stock may come into the market via rights to stockholders, or may be underwritten, depending on market conditions and other factors at the time of sale.

Mr. Thompson disclosed that the company proposes to spend $36,000,000 in 1951 in carrying out its construction program. Two subsidiaries, Potomac Edison and Monongahela Power, will each raise $10,000,000 through the sale of bonds. The balance will come from earnings and reserves.

* * *

Stockholders Objects To Reorganization

George H. McNeely, Jr., a Philadelphia investor owning 2,600 shares of Pennsylvania Gas & Electric Corp. Class "A" common stock, has formed a protective committee and engaged counsel in an effort to force a revision of the company's proposed plan of liquidation. As presently set up, Pennsylvania Gas & Electric Corp. plans to merge or consolidate its subsidiary operating gas companies into a single company and then distribute all the stock of the new company to holders of Pennsylvania Gas & Electric $7 and 7% preferred stocks. Holders of Pennsylvania Gas & Electric would be "frozen out" with cash payments of $2 per share and 10 cents per share, respectively.

Mr. McNeely believes that Class "A" holders have a legitimate investment interest in the future growth, development and expansion of the operating companies and that this should be recognized by an allocation of interest in the merged company.

* * *

Cement Workers Get Raise

EASTON—Victor Thomas, district representative of the United Cement, Lime and Gypsum Workers (AFL) has announced that about 6,000 cement workers in Northhampton and Lehigh counties have been awadred an 8-cent an hour pay increase, although a scheduled 5-cent raise was not due until next April 1.

* * *

Voluntary Pay Raise By S. K. F.

In recognition of higher cost-of-living conditions, SKF Industries, Inc., has voluntarily granted pay increases to more than 2,800 employees, even though the present contract runs to Aug. 1, 1952. The raises, averaging 5½ cents per hour for straight wage earners and slightly higher for workers on an incentive basis, were promptly approved by the United Steel Workers Union (CIO).

A joint statement issued by company and union officials said, "The pay increase, made even though the company had a firm contract with respect to wages, will lead to even better relations between the company and the union."

Philco Corp. Outlook

William Balderston, President of Philco Corp., states that the company has a $60,000,000 backlog of government business and that prospects for 1951 are satisfactory. He believes that the momentum of normal business will carry through the first quarter, that the second quarter will represent a period of conversion and that during the third and fourth quarters the company will benefit from an increased rate of billings on government orders.

Sales for 1950 are estimated at between $335,000,000 and $345,000,000, with earnings of about $9 per share on the present stock, compared with $3.17 per share on sales of $214,884,306 in 1949.

Last week, stockholders authorized an increase from 2,500,000 shares to 5,000,000 shares of common and the issuance of one additional share for each share held.

Mr. Balderston believes that possible shortages of cobalt, copper and aluminum can be met with satisfactory substiuttes.

The company is considering the construction of a large new plant to be built adjacent to its present main factory in Philadelphia.

* * *

Dividend Rate Increased

Formerly paying semi-annual dividends of $1.50, directors of Insurance Company of North America have decided to put the stock on a quarterly basis and have declared a first quarterly dividend of $1.00 payable Jan. 15.

* * *

Warner Company Extra

In declaring a special December dividend of $1.00 per share, directors of Warner Company brought the 1950 disbursement up to $2.45 per share, compared with $1.65 paid in 1949. The regular quarterly dividend of 40 cents has also been declared, payable Jan. 15 to stockholders of record Dec. 29.

* * *

Penna. Pwr. & Lt. "Rights"

Expiring Dec. 13, Pennsylvania Power & Light Co. is offering its stockholders rights to subscribe to 475,409 shares of additional common stock at $23 per share in the ratio of 1 for 7. Proceeds will be added to the company's construction fund.

With W. E. Sibley

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Albert B. Goodhue is now affiliated with W. E. Sibley & Co., 10 Post Office Square. He was formerly with Minot, Kendall & Co., Inc., and Shea & Co., Inc.

Wm. Gumpel With Walston, Hoffman

William Gumpel

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, announce that William H. Gumpel has become associated with their New York office, 35 Wall Street. Mr. Gumpel was formerly with Bendix, Luitweiler & Co.

Phila. Chapter of AIB to Meet

PHILADELPHIA, Pa.—The Philadelphia Chapter of the American Institute of Banking will be host Dec. 11, at the Bellevue-Stratford, to a regional faculty-personnel conference. Over 100 chapter leaders, faculty members and bank personnel officers are expected to meet for the all-day panel discussions.

A Boy for Tyson

PHILADELPHIA, Pa.—Mr. and Mrs. Harold Tyson of Springfield (Del. Co.), announce the arrival of a baby boy Dec. 1.

Mr. Tyson is Executive Vice-President of Tyson & Co., Inc., investment bankers of this city.

Prescott Co. Adds Joseph Lerner to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio. — Joseph William Lerner has become associated with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges. Mr. Lerner was formerly an officer of the Harshaw Chemical Company.

With J. B. Joyce Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Robert C. Fenwick, Jr. has become associated with John B. Joyce & Co., Huntington Bank Building, members of the Midwest Stock Exchange. He was formerly with Prugh, Combest and Land in Kansas City, Mo.

Tax Requirements for A Balanced Budget

By WESLEY LINDOW*
Vice-President, Irving Trust Co., New York

Mr. Lindow, in predicting tax requirements to balance budget in fiscal year 1951-52, makes two assumptions, viz: (1) a military expenditure of $35 billion and total cash outlay of $62 billion, which would require additional taxation of $5 billion, and (2) a military outlay of $45 billion, and total cash outlay of $71 billion, which would require $12 billion more taxes. Foresees little chance of reduced non-military spending.

Now we face a long struggle with a powerful and insidious enemy. No one can tell what the future holds, but we can be certain of one requirement—we must expand and keep on expanding our industrial capacity to re-enforce our industrial strength. In this kind of economic contest we have the best cards. You gentlemen will play a vital role.


Wesley Lindow

My job is to discuss the size of the Federal tax program which should be undertaken in 1951. When I accepted this assignment I realized that there were many uncertainties about the future, but I certainly didn't expect to deliver this paper at a time when the headlines were proclaiming a new crisis every hour. I hope I am not completely out of date before I finish talking.

There are several things which we ought to know in working out a tax program. First, of course, is the size of the budget and, second, is the probable gross national product, which reflects both production and the price level. I am going to make a number of assumptions about these matters in order to provide a broad base for your thinking about tax problems.

Summary

Perhaps a quick summary will be helpful at the outset. I have developed two packages of assumptions—both stated in terms of annual rates as of Jan. 1, 1952.

In Package A, military spending, including military aid to foreign countries, is assumed at an annual rate of $35 billion. Total cash cutlays of the Federal Government would aggregate $62 billion. Receipts from the present tax structure would be accruing at about $57 billion, leaving $5 billion of new taxes required to balance the cash consolidated budget.

In Package B, military spending, including aid programs, is assumed at an annual rate of $45 billion—again as of Jan. 1, 1952. Total Federal cash outlays would aggregate about $71 billion. Receipts from the present tax structure would be accruing at about $59 billion, leaving $12 billion of new taxes to avoid a cash deficit.

I believe that a balanced budget is essential under present conditions. This means that tax requirements would range from $5 to $12 billion, depending on how fast military spending rises. I would suggest a first-step tax program of $6 to $8 billion, including anything which may come out of the present session of Congress. Then a second step should be considered later in the spring when requirements may be more certain.

*An address by Mr. Lindow before the Sixth Conference of Capital Goods Economics, Machinery and Allied Products Institute, Washington, D. C., Dec. 1, 1950.

Military Program

Now as to the details of my thinking, let me start with the military program where we have uncertainty piled upon uncertainty. I have no confidential figures from the Government to guide my thinking but, even if I did, I am sure that uncertainties would still loom large in my mind. In the first place, I don't think the Government has any inside information about the intentions of the Chinese or the probable actions of the whole Communist bloc. Everyone is in the dark. Policy must be developed in the light of events, with all the difficulties that this involves.

Second, the actual expenditures are only going to be determined after a long and tortuous route from the original hatching in the military branches to the final process of writing checks a long period hence. This twisting route has a series of steps which may mean modifications in the figures all along the line. It is like a hazing line in school in which each fellow takes a whack at you as you go by.

In determining a military spending program, there are at least 8 major steps: (1) Development of programs by the military planning groups in the three services. (2) Review and revision by the Secretary of Defense to produce a consolidated program. (3) Alterations by the President in conjunction with the Budget Bureau, the Council of Economic Advisers, the National Security Resources Board, and others. (4) Action on the President's requests by the House Appropriations Committee. (5) Voting on the floor of the House. (6) Action by the Senate Appropriations Committee. (7) Voting on the floor of the Senate. (8) The Conference Committee between the two Houses.

The final product at the end of this long road may be quite different from the original figures—and even then it will still only represent an appropriation. Actual spending will follow and will lag a good bit. Now, I mention all this not to make a confusing picture more confusing, but to emphasize how terribly uncertain an estimate of military spending must be. It must be literally true that no one knows what the final results are going to be a year or two from now. We are all in the dark, including the people who must mold the program and finally administer it.

The new budget of the President will be out in a few weeks giving us a guidepost for the full fiscal year 1952—that is the year beginning July 1, 1951 and ending June 30, 1952. Even when we have the budget estimate of military spending we will not be certain of the ultimate results because the long road through the Congressional process will still be ahead of us. The President's figure will have to be tested by Congressional sentiment and by public opinion, which shifts about a good bit. Anything can happen during the Congressional incubation period.

We can be certain of one thing, however, and that is that the rate of military spending will increase very sharply during the next 12 months. Up to this point expenditures for national defense have shown only a small increase, even though huge new appropriations were passed by Congress after the Korean War began. Before the Korean War, military spending was running under $15 billion a year. By now it has advanced to an annual rate of perhaps $18 billion a year. The President has said that it will be running at a rate of $30 billion next June and will then go considerably higher.

Under these circumstances, it would seem most useful for us to do our thinking today on the basis of annual rates of spending at the end of calendar 1951. This will be superior to working out figures for either the calendar year or the fiscal year. It means that we will set our sights on a goal about 13 months off and proceed to analyze the tax situation required at that time.

This will fit the Congressional time schedule very well. The new Congress ought logically to adopt a tax program to meet requirements up to around January, 1952—leaving it up to the second session of the Congress to re-examine tax requirements at that time when 1952 requirements will be more clear.

Now, we can proceed by making two assumptions regarding military spending, always going on the basis, of course, that World War III is not going to start in this period. Assumption A is that military spending will hit the $30 billion rate sometime this summer and will be at around a $35 billion level as of the beginning of the calendar year 1952.

Assumption B is that military spending will go up faster and will be at a rate of $45 billion at the beginning of calendar 1952. In both cases, military aid programs for other countries are included but not economic assistance programs even though they may have some military motivation. Also, in both A and B, the armed forces are assumed to be somewhere around 3 million. The higher spending in Assumption B would go mainly for development programs.

One qualifying word should be said about these estimates of $35 and $45 billion for military spending. While this is a range of $10 billion, I do not visualize the figures as representing the outside limit in either direction. It is obvious that the $45 billion estimate may turn out to be too low. It is also possible that the $35 billion rate will turn out to be too high. But as things stand today these are working estimates of what may be expected to happen 13 months hence and they give us something to shoot at in tax planning.

So much for military spending. I am now going to develop two complete packages of assumptions to follow up A and B.

Nonmilitary Expenditures

First let us consider nonmilitary expenditures, which have grown very sharply in recent years. I have reviewed the spending trends and have attempted to allow realistically in making some projections.

Back in the fiscal year 1947, total nonmilitary cash outgo aggregated $20 billion. Then it grew rapidly to $25 billion in fiscal 1948, $28 billion in fiscal 1949, and over $30 billion in fiscal 1950—the year that ended last June 30. This was swollen by the cash dividend to veterans. Several reductions have now taken place, notably in farm support expenditures and in mortgage purchases by the Federal National Mortgage Association. Nonmilitary cash outlays are now down to an annual rate of about $27 billion. I would like to say that there will be further reductions of several billions. I am sure that all of us would like to cut these activities to the bone. It is simply unthinkable that there should be any business-as-usual attitude regarding the civilian programs of Government.

Nevertheless, I personally doubt that there will be any sizable reductions from the present levels of nonmilitary spending. I have three reasons for this belief:

(1) Some programs have close connections with defense, particularly atomic energy, the Maritime Commission, and economic aid programs for foreign countries. There is also the probability that a big Civilian Defense Program will come along, but I have not allowed for this.

(2) A large part of our nonmilitary expenditures has a contractual basis by law and not much is going to be done about changing these contracts. Examples are grants to states for public roads and welfare assistance.

(3) Still other programs have political popularity with strong support among certain parts of the population. Some public works fall in this category. We must remember that every cut in such expenditures hurts somebody. It is easy to preach economy but hard to get these programs curtailed much.

Under the circumstances, it seems to me that we should assume that nonmilitary cash expenditures will be running at the rate of about $27 billion for Package A, and $26 billion for Package B. I have developed the $27 billion estimate by working out the following detailed assumptions regarding different programs:

Interest on the public debt about $6 billion.

Veterans' aids and benefits about $5½ billion — down from the pre-Korean level of about $6 billion because high employment levels mean less benefits called for, and some benefit programs are expiring.

International aid programs, other than military, about $3 billions — allowing for further declines in ECA and for possible new programs including aid to Korea and economic aid to some of our military partners.

General domestic programs of about $10½ billion. This assumes that agricultural support programs will cost very little, that housing expenditures will be cut sharply because of mortgage sales by the Federal National Mortgage Association, that public works projects (like rivers and harbors and reclamation projects) will be cut perhaps 10%, that atomic energy expenditures, Maritime Commission outlays and TVA development expenditures will go up, and that the Post Office deficit will run well over a half billion dollars.

Other cash expenditures, net, about $2 billion.

In Package B, non-military cash outlays are cut from $27 billion to $26 billion on the basis of further relatively small cuts in some of these programs stemming largely from the extra economy

Continued on page 13

Not As Dark As It Seems!

By CURTIS ter KUILE

Investment analyst contends, despite foreboding outlook, picture of future is not as dark as it seems, and investors who purchase or hold certain selected stocks may benefit financially from developments which probably will take place in our economic affairs.

On Nov. 22, the Dow-Jones industrial average closed at 233.81, the highest point reached since Sept. 18, 1930, when it stood at 234.18. This state of affairs has caused so many investors to become apprehensive that it might be advisable to reexamine the general overall situation in an effort to determine whether the price of securities are really as high on a comparative basis as they were 20 years ago.

Curtis ter Kuile

In this analysis it might be well to begin with the reminder that our currency has been devalued since that time, and that actually the dollar is now worth only 56% of its value 20 years ago, so theoretically stock prices should be about 44% higher on the same earnings.

Another important point for consideration is the tremendous increase in population in the United States in recent years. If this factor is taken in conjunction with the growth of industrial and agricultural production, it may be easier to comprehend the major economic trends that have been instrumental in causing securities to sell at their present levels. Table I may serve to present a brief picture of certain changes that have taken place in our economy in the past 20 years.

In comparing the year 1929 with 1950, it should be borne in mind that at present we have certain controls over agricultural production which were not in force in 1929. Restrictions for some crops, in an effort to increase farm income, possibly have resulted in causing cotton, for example, to move contrary to the general trend. It would ordinarily stand to reason that with such an increase in population as shown above there would be a corresponding increase in the demand for each of the commodities.

As far as securities are concerned, any attempt to compare present prices with those of 1929 should be done with the realization that certain factors today are totally different than they were at that time. In 1929 we were on the gold standard; we had no artificial control over interest rates tending to keep them very low; we did not have an administration in Washington which used every effort to exercise jurisdiction over the affairs of citizens; we were not in any war and had no major threat supposedly hanging over us of an invasion by some foreign enemy. In fact, everything seemed to be just perfect, except, perhaps, for prohibition. Consequently, it is understandable that stocks should sell up to 40 times their earnings estimates. Purchasers believed that such prosperity, as they thought existed at that time, could just go on forever. Table II will serve to show the abnormally high price-earnings ratios and seemingly ridiculously low yields at which certain stocks were selling in 1929 as compared with those of the same corporations today.

The comparisons in Table II seem to indicate that whereas there was entirely too much optimism in 1929, there is today possibly too little courage and confidence in the future. We are now engaged in a war not only with the North Koreans but with the Chinese Communists as well. A great deal of pressure is being brought to bear to try and convince the United States' citizens that Russia intends to wage war with us in the near future. All of the ordnance that was given away, scrapped or sold for a fraction of its value in the past four years is now being frantically replaced. Although the armed forces of our country were practically all mustered out, every effort is now being made to rebuild our armed strength up to possibly four million men. Controls are being planned, stockpiles created and heavy new taxes imposed. Apparently a tremendous mistake is being rectified.

As against this dark and foreboding picture, it might be well to look at certain possibilities which might change the whole confused state of affairs. Suppose, for example, that India should switch to full support of the Allies; suppose that Mao should separate from Russia, as Tito did, and decide to consolidate Communist China as his own independent State; suppose Russia should have an internal revolution; suppose the 82nd Congress should force the Administration to adopt a strict economy on non-military expenditures; suppose we should decide to withdraw from some of our widespread foreign entanglements and at the same time augment the defenses of our own country so that no foreign nation would dare to attack us. We might even have a new and more capable Secretary of State. If some or all of these possibilities should come to pass and the true strength of our free economy be allowed to develop, it is likely that a tremendous impetus would be given to business and to the security markets in our United States.

The picture is not as dark as it seems. The future may be a lot brighter than the present seemingly dismal outlook. Timid souls almost never make much money. Investors who hold or purchase such stocks as National Steel at 50, Bethlehem Steel at 45, Standard Oil of New Jersey at 88, Allied Chemical at 58, Union Carbide at 52, General Electric at 49, Cleveland Electric Illuminating at 41, Singer Manufacturing at 265 and Union Pacific Railroad at 96 surely will be demonstrating their confidence in the future of the United States and will be in a position to benefit financially from the developments which should and probably will take place in our economic affairs.

*The writer, who is connected with Hallgarten & Co., New York City, is a graduate mechanical engineer, Cornell University. He has engaged in engineering and the investment business for many years and is a member of the Cornell Engineering Society and the New York Society of Security Analysts.

TABLE I

	1929	1950
Population	122,000,000	150,697,361
Steel production, tons	45,500,000	95,360,000
Automobile production	4,587,900	6,000,000
Cotton production, bales	13,500,000	9,869,000
Corn production, bushels	2,000,000,000	3,117,967,000
Wheat production, bushels	885,000,000	1,010,069,000
Petroleum production, bbls.	890,000,000	1,900,000,000
Electric energy production, kwh.	91,000,000,000	323,660,000,000
Personal inc. (value 1935-39=100)	124	215

TABLE II

	1929					1950				
	Actual 1929 Earn. Per Share	Divid.	Market 8/2/29	Yield %	Sell X Earn.	Estimated 1950 Earn. Per Share	Est. Divid.	Market 11/21/50	Yield %	Sell X Earn.
Atlantic Coast Line	14.48	10	198	5.02	13.7	11	4	60	6.66	5.45
Chesapeake & Ohio	21.69	10	262	3.80	12.2	4.50	1.50	34	4.41	7.55
Union Pacific	20.37	10	270	3.69	13.5	12	6.25	99	6.31	8.25
Allied Chem. & Dye	12.60	6	312	1.92	25.0	4.80	3.00	57	5.22	11.9
duPont	6.99	5.85	188	3.09	27.0	7	5.35	82	6.52	11.7
General Electric	8.97	5.50	375	1.46	41.7	4.50	3.80	49½	7.67	11.0
National Biscuit	8.21	7.50	205	3.62	25.2	3.50	2.30	35	6.57	10.0
Standard Oil N. J.	4.75	1.875	57	3.29	12.0	12	5	88	5.67	7.34
Bethlehem Steel	11.01	5.50	124	4.39	11.4	12	4.10	46	8.91	3.82
General Motors	5.49	3.60	70	5.13	12.7	9	6	47	12.75	5.23
Chrysler	4.94	3	74	4.06	15.0	18	9.75	69	14.10	3.83
American Tel. & Tel.	9.10	8	290	2.75	31.9	12	9	151	5.95	12.6
Detroit Edison	11.16	8	384	2.08	34.5	2.15	1.20	23	5.22	10.7
Internat'l Harvester	7.11	2.50	124	1.99	17.6	4.30	1.95	32	6.10	7.44
Pacific Gas & Elec.	3.52	2	70	2.82	20.2	2.40	2	32	6.24	13.3
Singer Mfg.	27.47	13	548	2.37	19.8	18	12	269	4.46	14.9
Call money			8%					1¾%		

Merrill Freeman to Be Salomon Bros. Partner

Merrill D. Freeman, manager of the municipal bond department, will be admitted to partnership in Salomon Bros. & Hutzler, 60 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1.

Wood, Struthers to Admit Middendorf

Henry S. Middendorf, manager of the local office of Wood, Struthers & Co., 19 Congress Street, members of the New York Stock Exchange, will become a partner in the firm on Jan. 1.

Daniel Reeves to Admit

BEVERLY HILLS, Calif.—Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges, will admit Joseph A. Field, Jr., and Harold Strotz to partnership on Jan. 1. Both are now associated with the firm.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Increased dividend declarations by a wide range of companies continue to attract the attention of investors. Payments this year have been one of the outstanding features of the financial scene and will undoubtedly establish a record.

Most of the major companies have made larger disbursements during 1950 reflecting an extremely favorable period of operations and an improved financial position. Although higher taxes have been one of the major uncertainties in the outlook for future operations, most managements have been more generous with distributions this year than ever before. Nevertheless, current payments represent a conservative proportion of the earnings being realized.

The more spectacular payments have been among the industrial companies where high volume can have a dynamic effect on earnings. However, the larger payments have not been confined to any special group as banks and insurance companies have also shown an awareness of the needs of the stockholder.

A comparison of the major companies in the insurance field shows that most of them are making larger payments this year than in 1949. While underwriting results in 1950 will not duplicate the very favorable record of last year, investment income should show a good improvement over the results of 1949 and be at a record level.

Investment income in the past has been one of the primary determinants of dividend policies. The favorable results being achieved in this end of the business are likely one of the main reasons for a more liberal dividend policy on the part of many insurance companies.

Some of the changes made this year by major companies are discussed below.

The Insurance Company of North America recently made an important change in its dividend policy and also declared a year-end payment of $1.50 a share. Formerly, INA has paid dividends on a semi-annual basis. According to the latest announcement beginning Jan. 15, 1951, dividends will be paid quarterly with a $1.00 payment on that date. The $1.50 year-end payment to be paid Dec. 20, will bring total payments for this year to $5.00 as against $3.50 and 20% in stock in 1949. If an adjustment is made for the stock dividend, the present payment of $5.00 compares with $2.91 last year.

The Continental Insurance Company has also increased its cash payment considerably during the year.

A year-end payment of 50 cents a share recently declared brings payments for this year to $3.00 plus 25% in stock paid in March. Last year a total of $2.20 a share was distributed. If an adjustment is made for the stock dividend and the payments are put on an equivalent basis the amount is equal to $2.30 a share on the present shares for this year as against $1.76 a share in 1949.

Some of the other companies which have increased their payments this year include: Agricultural Insurance $3.50 a share for 1950 as compared with $3.00 last year; American Insurance $0.90 compared with $0.80 in 1949; Fireman's Fund $3.20 for 1950 including a 60 cent extra payable Dec. 15, against $2.60 a share last year.

The Home Insurance this year has paid two semi-annual dividends of 80 cents for a total of $1.60 a share. In 1949 the company paid one dividend of 65 cents and one of 75 cents equal to $1.35 for the year.

Great American Insurance is another of those companies which have increased their payment and paid a stock dividend. Disbursements for 1950 equal $1.50 a share and 25% in stock paid at the beginning of the year. Last year payments of $1.30 a share were made. If adjusted for the stock dividend the payments in 1949 were equivalent to $1.04 on the present stock.

Boston Insurance also paid a stock dividend at the end of last year and has announced that stockholders will be asked to vote Dec. 8 on a proposal to increase the capital from $4,500,000 to $5,000,000 by a 11 1/9% stock dividend. Last year the dividend in stock was 12½%.

The total payment for 1950 is equal to $2.65 a share against $2.40 plus stock in 1949. Adjusting to the present shares, last year's payment is equal to $2.13.

Phoenix Insurance has distributed $3.25 a share this year as against $3.50 in 1949. Earlier this year, however, the company paid 25% in stock, so that payments this year on the basis of the present shares are equal to $2.90 a share as against an amount equal to $2.80 a share in 1949.

This is by no means a complete list, as many other companies have made similar payments and increased their distributions in the current period.

Continued from page 11

Tax Requirements for A Balanced Budget

pressure as military expenditures rise.

Adding together military and non-military outlays, we thus reach a total of $62 billion in Package A and $71 billion in Package B. These are figures for the total cash outgo and should not be confused with the so-called budget figures which exclude the operations of Government trust funds. In considering the economic impact of Government, it is better to deal with the cash consolidated figures.

Federal Receipts

Now let us turn to the matter of receipts. How much will the present tax laws bring in in revenues as of January, 1952? To answer this question I have worked out a series of figures for each of the two Packages, assuming also the probable levels of business conditions under these two assumptions. To a certain extent here, this is like a dog chasing his tail for I have had to assume something about tax increases in making my projections of the business situation.

For this purpose I have assumed that taxes would be increased enough to balance the budget—i.e., that cash receipts of the government would be equal to cash expenditures. Of course, there is a lag between the enactment of taxes and the actual payments to the government, and tax collections also lag behind rising income levels. However, the tax figures have been calculated on the basis of the tax liability which would currently be accruing to taxpayers whether or not they would be making cash payments to the government that quickly. The accrual basis pretty well reflects the economic significance of taxes under our present tax structure.

Under Assumption A, tax liabilities would have to be accruing at a rate of $62 billion. The present tax structure would yield about $57 billion and required new taxes would amount to about $5 billion.

The present tax structure is a very strong one as you can see from the fact that it would be accruing at $57 billion in January, 1952. In making this estimate, I have assumed that gross national product will rise from the $284 billion level in the third quarter this year to an annual rate of $315 billion in January, 1952. This is an increase of about 11%, which would be accounted for partly by an increase in physical production and partly by an increase in prices.

The increase in physical production should account for more than half of the increase in gross product for the following reasons: (1) expansion in the labor force, (2) extension of the work week, and (3) greater output per man-hour. The greater productivity would reflect two things: (a) the tremendous new equipment programs now underway, and (b) the shift of many people to jobs which have a higher productive potential.

Personal income in this pattern would be up to $246 billion compared with the level of $225 billion in the third quarter this year.

The required new taxes of $5 billion have been arbitrarily assigned as follows: $3 billion from corporations and $2 billion from individuals. I would have put it at 50-50 but I assumed that the present effort to increase corporate taxes would be compromised somewhere along the line on some basis to raise $3 billion rather than the $4 billion the administration has requested. Then the other $2 billion probably would come directly from individuals.

In Pattern B, tax requirements would be about $71 billion to meet cash outlays. In this pattern the higher government spending would mean greater inflationary pressures than under Pattern A and it is doubtful that tax increases would be effective enough to keep prices from going up somewhat further. It seems reasonable to use an estimated gross national product of $325 billion annual rate in January, 1952 under Assumption B. This would be an increase of about 14% from the level in the third quarter this year and I believe it would be roughly equally divided as between increased physical production and increased prices. Personal income would be up to an estimated level of $254 billion.

In working out the figures in Package B, I again assumed that the required new taxes would be enacted, and in this case would consist of about $5 billion of individual income taxes (including estate and gift taxes), about $5 billion of corporate taxes, and about $2 billion of excises and miscellaneous taxes. I want to stress that these were purely arbitrary assumptions used to fill in the picture. I am not trying to pre-judge the recommendations coming from the other speakers, but something had to be assumed in the way of new taxes or else an indicated deficit of $12 billion would have driven prices up much more and necessitated a complete reexamination of both sides of the Federal budget on the basis of a greater degree of inflation.

New Taxes Required

All this boils down to the fact that new taxes required to balance the cash consolidated budget run to $5 billion in Assumption A and to $12 billion in Assumption B. These two figures are associated with assumed military expenditures of $35 billion and $45 billion, respectively, representing annual rates as of Jan. 1, 1952.

This is not a particularly happy conclusion. The difference between a $5 billion program and a $12 billion program is enormous. What sort of a goal should we set for new taxes under the circumstances? My answer to this question is as follows:

We know that we need a minimum program of $5 billion to simply balance the budget under the conservative assumption regarding military expenditures. We also know that inflationary pressures are strong and it would be desirable to have a surplus in the budget rather than simply balancing it out evenly. This suggests that as a first step a $6 to $8 billion tax program be undertaken at once. If a tax bill is enacted in the closing days of the present Congress to meet the administration's $4 billion present goal, then a new tax program of $2 to $4 billion would be in order in January.

It is to be hoped that this program will be expedited. Preferably such a program ought to be enacted within the first couple of months in the New Year.

After this first bite of new taxes is underway, a second bite ought to be considered in the spring, with primary consideration, of course, on whether or not the military spending program is heading towards the $45 billion annual rate rather than the $35 billion rate.

The Economic Role of Taxes

In closing, I think it is appropriate to remind you that tax dollars have a double function: (1) they provide the government with spending money, and (2) they take that money away from somebody else and, therefore, have an important anti-inflationary function. From this point of view it matters a great deal where the dollars come from since it is obvious that a dollar taken from one source may have a completely different inflationary potential than a dollar taken from another source. This is why I had to assume what new taxes were going to be levied in making the estimates of what the present tax laws would bring in in the two patterns of assumptions I have developed.

Another point that should be considered is the relation of taxes to the burden of rearmament. For society as a whole, the burden of the military effort is levied when the spending is done and the goods and services are taken by the Government. This sets the limitation on the remaining goods and services which will be available for civilian use. This is, therefore, the step at which the standard of living of civilians is being set.

In other words, the real standard of living is determined by the physical level of goods and services available to civilians after the government takes its bite of the goods and services for government use.

Now where do taxes fit into this? I would say that the purpose of taxes is to support the government in levying its claim on a certain volume of goods and services. If the budget is balanced, then taxes will take away enough from the flow of income to balance off what the government is taking from the physical flow of goods and services. It follows also that in this way the volume of income left to civilians after taxes will correspond with the physical volume of goods and services available to them. There will thus have been a reconciliation of the financial side of the coin with the physical side. Supply and demand are kept pretty well in balance. This, of course, assumes that credit controls are used effectively as an adjunct to taxes.

In the final analysis, the role of taxes is to help apportion the real burden of rearmament among different groups of our citizens. Taxes do not create the restriction in the standard of living which may be imposed by the military program, they simply distribute it among the people. The failure to levy enough taxes does not mean that the burden has been avoided; on the contrary, inflation becomes the distributor of the burden among the people. A continuance of deficits also means that purchasing power is being stored up in the form of pieces of paper represented by the public debt. Present problems are made more severe and future problems are multiplied. Many more government controls over economic activities will be invoked. The way to face the burden of a military effort is to pay for it to the fullest possible extent on a pay-as-you-go basis since in economic terms it must be almost entirely paid for as we go anyway.

What I have just said is particularly appropriate in a period like the present. If the government were going to spend over $100 billion a year in total war, there would be reasons why a balanced budget would be too drastic medicine and a growth in public debt would be the lesser evil. But with a required tax program this next year of the magnitudes I have outlined, I don't think there is any excuse for not raising taxes enough to produce a balanced budget. None of us will like the extra tax burden, but it will help if we keep things in perspective and remember that the extra taxes represent our share of the limitations on the standard of living necessitated by military requirements.

SUMMARY TABLE

Annual Rates January 1, 1952

(In billions of dollars)

	Assumption A	Assumption B
Federal cash outgo:		
Budget Expenditures		
Defense and Military Aid	$35	$45
Other budget	25	24
Other cash outgo—net	2	2
Total cash outgo	62	71
Federal cash income—liability basis*		
Present law	57	59
New taxes assumed to avoid deficit	5	12
Total cash income	62	71
Gross national product	315	325
Personal income	246	254

*Cash income basis plus current acruals of tax liability by taxpayers.

Video Used to Merchandise Securs.

What Walter Tellier, of Tellier & Co., New York City, investment bankers, said he believed to be the first use of television to merchandise a specific security occurred on Tuesday night, Dec. 5, when he appeared on WPIX in the opening of a series of experimental programs.

He told the audience about a manufacturer of television cabinets who is offering stock through his firm. He explained a little of the background of the company and the purpose of the stock issue.

Mr. Tellier stated the present programs "are in the nature of an experiment and results will be a factor in our future plans for continued and more extensive utilization of this new merchandising medium."

A variation of this pioneer program was repeated last night on the same station.

Bain Joins Courts

(Special to The Financial Chronicle)

BURLINGTON, N. C.—Walter E. Bain has become associated with Courts & Co. of Atlanta, members of the New York Stock Exchange. He was previously Burlington representative for McDaniel Lewis & Co.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Ralph J. Waldvogel has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building.

Mutual Funds

By ROBERT R. RICH

Henry Vance Elected Boston Fund President

Succeeds Anderson Who Remains as Director

Directors of Boston Fund, Inc., this afternoon elected Henry T. Vance as President of this $55,000,000 mutual investment fund. He succeeds O. Kelley Anderson, who has resigned to become President of the New England Mutual Life Insurance Company. Mr. Anderson will continue his association with the management of Boston Fund as a director and as a partner of Boston Management and Research Co., investment adviser of the Fund.

Henry T. Vance

Active in the investment field since his graduation from the Wharton School of Finance and Commerce at the University of Pennsylvania in 1927, Mr. Vance, since 1930, has been identified with the development of the mutual fund method of investing. He was actively participated in the management of Boston Fund as partner or principal in the Boston Management and Research Co. and its predecessor since formation of the organization 15 years ago, and as a director of the Fund.

A partner of Vance, Sanders & Co., principal underwriter for the shares of the Fund, Mr. Vance is Chairman of the Executive Committee of Massachusetts Investors Second Fund, Inc., and chairman of the board of The Bond Fund of Boston.

Fully Administered Defensively Invested

43% in Bonds and Cash Because of Foreign Situation

Forty-three percent of the assets of Fully Administered Fund were defensively invested in bonds of the highest rating, Government bonds and cash as of Nov. 30, it was announced today by Group Securities, Inc.

The balance of 57% was invested primarily in common stocks diversified among 17 different industries, with special emphasis upon the stocks of companies owning raw materials, stocks of companies likely to receive sufficient allocation of materials to maintain a high level of operations even during a war economy and stocks of "service" industries of the type that should prosper from the record high income available for spending by consumers.

In a recent message to its shareholders the corporation, commenting on its percentage of defensive reserve, stated that "because of the current uncertainties of the foreign situation it is felt that this increased reserve should prove advantageous to shareholders, who will recall the effective use which was made of it at the outbreak of war in Korea."

Kidder, Peabody Offers Shares' Gift Certificate

The gift certificate method of acquiring mutual fund shares has been made available again by Kidder, Peabody & Co. to those contemplating Christmas gifts of investment securities.

The firm, a member of the New York Stock Exchange, and one of the retail houses offering a mutual funds service, introduced the gift certificate a year ago. It is being made available again because of popular reception it received last year, as evidenced by widespread demand for the certificates from purchasers who decided to give mutual fund shares as Christmas presents to members of their families, particularly to their children.

In offering the gift certificate, Kidder, Peabody & Co. point out that it is a good medium for giving the younger generation a stake in the future of our American economy, and in addition offers important tax benefits to individuals who desire to transfer investments to their children.

Affiliated Breaks Hundred Million

Shareholders Over 50,000; Realized Profits at $7 Million

The annual report of Affiliated Fund for the fiscal year ended Oct. 31, 1950, shows net assets of $107,593,348 on that date compared with $88,914,179 a year earlier.

Shares increased from 22,906,232 to 24,998,709 and shareholders from 49,451 to 57,197. Net asset value per share was $4.30 against $3.88. This was after the payment of a 25-cent distribution of net realized security profits on Oct. 30. Total increase during the year in net asset value per share, including the 25 cents paid out, was 67 cents a share.

During the year the company realized net profits of $7,468,705 from the sale of securities. Unrealized appreciation increased $8,353,379 so that for the year there was an over-all increase, realized and unrealized, of $15,822,084.

Dividend Shares At New High

Records Set for Shares Outstanding and Dividends Paid

Total net assets of Dividend Shares, Inc., on Oct. 31, were the largest for the close of any fiscal year in the history of the mutual investment company, according to Hugh Bullock, President. Dividends per share paid during the year from net investment income were the highest on record, and the number of shares outstanding on Oct. 31 was the largest for any fiscal year-end.

Net assets on Oct. 31 totaled $82,490,705, equal to $1.62 a share on 50,956,652 outstanding shares. These compared with $70,002,974, or $1.45 a share on Oct. 31, 1949, and with $79,715,958, or $1.60 per share on April 30, 1950.

During the 1950 fiscal year dividends amounting to 8½ cents a share were paid from net investment income compared with 7.35 cents per share in the previous year. In addition to the dividends from net investment income, a distribution of 3½ cents a share was made from net securities profits in 1950 compared with 1.65 cents a share in 1949.

Market value of investments on Oct. 31, 1950, was $15,360,608 greater than the prices at which they were purchased by Dividend Shares. A year earlier the market value was $7,308,826 greater than cost.

Mr. Bullock said that the fund "has maintained a substantially fully invested position in carefully selected, broadly diversified, good quality stocks. As of Oct. 31 common stocks amounted to 89% of total net assets as compared with 87.6% on April 30, 1950." During the six-month period to Oct. 31 holdings of oil, railroad and steel stocks were increased materially and principal reductions took place in the utility and building supply common stock groups, he stated.

"The outbreak of war in the Far East brings with it profound changes in the economic environment," Mr. Bullock said. "The prospect now is for an aggregate volume of defense expenditures of at least $125 billion over the next four years, even if the present conflict does not precipitate a third world war.

"It seems probable that higher costs and taxes, materials allocations, price controls, and defense contract renegotiations will result in a decline in over-all corporate profits from current record-breaking levels; but the sustained large volume of production now in prospect suggests that corporate earnings and dividends should be maintained at satisfactory levels in relation to current common stock prices."

Keystone Funds Over Two Hundred Million

Combined net assets of the ten Keystone Funds on Oct. 31, 1950, amounted to $215,950,600, an increase of $29,655,500 from the total of $186,295,100 at the end of October, 1949, it is disclosed by the annual reports of Keystone Funds B 2 and S 3.

Net assets of the Medium Grade Bond Fund B 2 amounted to $17,392,948 on Oct. 31, 1950, equal to $24.90 per share on 698,389 shares outstanding. This compares with net assets of $15,889,863 a year earlier, amounting to $22.58 on 703,634 shares then outstanding.

The report of the Speculative Common Stock Fund S 3 shows net assets of $14,165,478 at the close of October of this year, equal to $14.42 per share on 982,483 shares, which compares with net assets of $12,362,834 on Oct. 31, 1949, equivalent to $10.96 per share on 1,128,207 shares.

Eaton & Howard Funds Make Record Payments

Year-end dividend declarations by the Trustees of 48 cents for Eaton & Howard Balanced Fund and 40 cents for Eaton & Howard Stock Fund set new record payments from investment income for both investment companies. Total payments for the Balanced Fund for this year are $1.23, and 85 cents for the Stock Fund.

Lexington Files 500,000 Shs.

Lexington Trust Fund, sponsored by American Trusteed Funds, Inc., New York, on Dec. 4 filed with the Securities and Exchange Commission a registration statement covering 500,000 Lexington Trust shares, to be sold at net asset value plus a selling fee of approximately 4.7% to 9.3%. The general distributor is Corporate Leaders Sales Company.

Investors Management Files 100,000 Shares

Investors Management Fund, Inc., New York, filed on Nov. 29 a registration statement with the Securities and Exchange Commission covering 100,000 shares of unspecified par value capital stock. No underwriter.

Fidelity Files 20,000 Shares

Fidelity Investment Associates, Inc., Boston, on Nov. 29 filed with the Securities and Exchange Commission a registration statement covering 20,000 shares of $5 par value capital stock. No underwriter.

Prov. Wash. Insurance Stock Underwritten

Providence Washington Insurance Co. on Dec. 5 offered to holders of its common stock rights to subscribe for 80,000 shares of $2 convertible preferred stock, $10 par value, at $52 per share at the rate of one share for each five shares of common stock held at the close of business Dec. 4, 1950. Subscription rights will expire at 3 p.m. Dec. 19, 1950. Proceeds from the sale of the stock will be added to the company's general funds to be invested in securities. The offering has been oversubscribed and the books closed.

The First Boston Corp., Brown, Lisle & Marshall and Wood, Struthers & Co. were joint managers of a group of 23 investment firms which underwrote the offer.

The preferred is convertible into common stock, $10 par value, at the initial price of $35.50 per share of common stock until Jan. 1, 1957, and thereafter at $40 subject to adjustments. Holders of the preferred will be entitled to receive cumulative dividends from Dec. 10, 1950, at the annual rate of $2 payable quarterly on March, June, September and Dec. 10. The stock is redeemable at the option of the company at prices ranging from $55 per share on or before Dec. 31, 1952, to $52 per share after Dec. 31, 1960.

COMING EVENTS

In Investment Field

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.

Feb. 21, 1951 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Winter Banquet.

June 15, 1951 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland, Pa.

Halsey Stuart Group Offers Southwestern Gas & El. 2⅞% Bds.

Offering is being made today (Dec. 7) by Halsey, Stuart & Co. Inc. and associated underwriters of $6,000,000 Southwestern Gas & Electric Co. first mortgage bonds, series D, 2⅞%, due Dec. 1, 1980, at 100.50% and accrued interest. The group was awarded the bonds on Dec. 4 on its bid of 100.111%.

Proceeds from the sale of this issue will be used to pay for extensions and additions made and to be made to the company's electric properties.

Southwestern Gas & Electric Co. is a public utility engaged solely in furnishing electricity to an estimated population of about 435,000 in northeastern Texas, northwestern Louisiana and in western Arkansas, including the cities of Shreveport, Texarkana, Longview and Marshall.

The new bonds may be redeemed by the company at prices ranging from 103.50% to 100%, and for sinking fund purposes only they may be redeemed, beginning in 1952, from 100.49% to 100%.

Fleming to Be Partner

WASHINGTON, D. C.—Robert W. Fleming will become a partner in Folger, Nolan & Co., 730 Fifteenth Street, N.W., members of the New York and Washington Stock Exchanges, on Dec. 21. Mr. Fleming is an associate of the firm and is Vice-President of the corporate affiliate, Folger Nolan, Inc.

LETTER TO THE EDITOR:

Defends Periodic Payment Plans of Mutual Funds

Edward E. Mathews, in letter to William I. Johnston, takes exception to statement made by latter in his address before the Association of Securities Administrators, published in the "Chronicle" of Oct. 26. Denies lapses cause heavy losses to investors under plan.

The "Chronicle" has received from Edward E. Mathews, of Edward E. Mathews Co., Boston, a copy of a letter, dated Nov. 28, 1950, which Mr. Mathews wrote to William I. Johnston, Assistant Chief, Division of Securities, State of Ohio, taking exception to statements made by Mr. Johnston in his address before the Association of Securities Administrators in Detroit, Mich., Oct. 11, 1950. The address of Mr. Johnston was published in the "Chronicle" of Oct. 26 on page 13.

The text of Mr. Mathew's letter to Mr. Johnston follows:

Mr. William I. Johnston,
Assistant Chief
Division of Securities
Toledo, Ohio

Dear Mr. Johnston:

I have carefully read the address you made before the National Association of Securities Administrators, as reproduced in the Oct. 26 issue of "The Commercial and Financial Chronicle." I am a broker-dealer selling only shares of mutual investment companies. A very large percent of my sales are periodic purchase plans for accumulating shares of one of the outstanding mutual funds. I am presently registered in four of the New England states, and do not anticipate registering to do business in any state outside of New England. The reason I am writing is that your published address left me with two very distinct impressions, to wit:

(1) You questioned the intent of the sponsors of the so-called second type of plan which called for approximately 50% deductions to be withheld from the first year's payments which cover a considerable portion of the acquisition costs—

(2) An impression that you felt that there would be a very large loss to planholders in the event of termination prior to the completion of their plans.

The first thing I would like to do, Mr. Johnston, is to convince you that the intent of the sponsor of the plans is certainly honorable and forthright. For this reason I would like to quote certain pertinent parts of the application that the planholders are required to read and sign before their application can be considered. They are as follows:

"I understand that this is a long-term investment program, not designed for the person seeking quick profits or for the person unable to continue his payments for a period of years; furthermore that as time is a very essential element in the success of my plan, an early withdrawal will probably be unprofitable to me. I also understand that since the securities and property comprising the portfolio of ________ Fund, Inc., consists of bonds, preferred and common stocks, or other classes of investments, obligations and property that may be purchased under the provisions of its by-laws, the value of my shares at any time will depend upon the conditions of the market.

"In order to avoid the adoption of plans by persons for whom they are not suitable, the applicant will please answer the following questions:

"(1) Are you presently able to adopt a periodic payment plan and maintain the schedule of payments called for in order to complete the plan?

"(2) Are you presently employed?

"(3) Name of company.

"(4) Title.

"(5) Date of birth.

"(6) Do you carry a bank account?

"(7) Do you carry life insurance?

"(8) Do you hold other investments?

"(9) Are you a United States citizen?

"(10) Are your reserve funds (your money in the bank and the loan value of your insurance, if you carry insurance) sufficient to meet unexpected financial demand without having to terminate your plan?

"I have received a prospectus of ________ Corp., covering your offering of periodic payment plans for the accumulation of shares of ________ Fund, Inc., dated ______ and have relied on no information and representations other than those contained therein. Furthermore, I have read this application before signing it and have answered the questions shown above.

Important

"It is our desire at all times to furnish the best possible service to each planholder. We wish to assure ourselves that you thoroughly understand your periodic payment plan.

"Will you read carefully the statements below and sign your name in the space provided? If any statements are not clear, we would appreciate it if you would give our representative the opportunity to make them clear.

* * *

"Under the terms of my periodic payment plan, I understand the following important points:

"(1) That my periodic payment plan cannot be considered the same as an account in a bank. My periodic payment plan provides for a relatively long-term investment program.

"(2) That my plan does not promise any specific amount to be returned at any future date, the liquidation value at any time being based upon the value of my ____Fund shares; likewise the value of ______ fund shares is based upon the value of the securities and other property comprising the portfolio, which are naturally subject to market fluctuations.

"(3) The amount of distributions paid on ______ Fund shares cannot definitely be known in advance.

"(4) The amount and manner in which deductions for both the company and the custodian are made; furthermore, that a large part of these deductions are made during the first year as explained above on the application and in the prospectus, a copy of which has been delivered to me.

"(5) That the custodian has only those duties to perform which are stated in the plan and the prospectus, and does not solicit applications for plans."

I think, Mr. Johnston, you will agree, after reading the above quotations, that certainly the intent of the sponsor is all that it should be, and, in fact, the sponsor has leaned over backward to make certain that the person who starts such a plan is reasonably well qualified to complete it.

In your address you stated:

"The second type plan would appear to be drawn more particularly in terms of the lower income groups. Minimum initial and monthly payments are lower in all plans of this type which I have examined. Then, too, although withholding a large part of selling expense from early payments is not peculiar to mutual funds, the presence of this feature in this second plan suggests a fairly high expected lapse rate."

Such is not the case, I assure you. As a matter of actual fact, from October of 1940 to Dec. 31, 1948, the company that I am referring to distributed periodic payment plans calling for total payments of $14,024,400. During that period a total of 1,447 units were terminated. (A unit is a plan calling for total payments of $1,200 over a 10-year period.)

The following shows that no great loss was suffered:

	Number of $1,200 Periodic Units	Face Amount
Total sold	11,687	$14,024,400
Total terminations	1,447	1,737,000
Percentage terminations	12.4%	12.4%
Total payments made prior to termination		$243,055.00
Paid to terminating planholders		235,389.56
Total loss resulting from terminations		7,665.44
Percentage of total payments		3.15%
Average loss per $1,200 unit		$5.30

These figures speak for themselves. They certainly indicate an extremely favorable history of cancelations. These figures are taken from the annual report filed with the Securities and Exchange Commission on Form N-30-A-2. They were prepared by independent auditors.

These figures show that a very small lapse rate was experienced. Your attention is called to the fact that during the period covered, the country underwent a very drastic period of dislocation due to the war and its effect upon not only those planholders who had to let their plans lapse because they entered the Armed services, but also many other dislocations even for the ones who stayed at home.

Also, in your address, you asked the question:

"At whom are these plans aimed?"

Following that, you pointed out that ⅔rds of our national income goes to people with incomes of less than $4,000 a year. Following that, you stated, "If periodic purchase plans are drawn to attract dollars from these incomes, with small minimum and monthly payments and the termination penalties, then some serious questions are suggested." To this, I thoroughly agree, and refer you to the questions that the sponsor asks in their application blank.

According to published information, individual incomes, after taxes, in 1948 were as follows:

Less than $3,000	32%
$3,000 to $7,500	51%
$7,500 and over	17%

Don't you feel that the 32% of

Continued on page 24

Presides at Veterans' Essay Contest Awards

Elmer E. Myers of George B. Wallace & Co., New York City, delivered short address in awarding prizes to disabled G.Is.

At a dinner held at the Commodore Hotel in New York City on Nov. 30, in honor of the winning contestants in an essay contest, participated in by non-ambulatory veterans with service connected disability, and held by the Crossroads of the World Post, No. 310, Veterans of Foreign Wars, Elmer E. Myers of the Trading Department of George B. Wallace & Co., security dealers, presided and delivered a short address of welcome. In his address Mr. Myers stated:

Elmer E. Myers

"The topic of this year's Essay Contest, as you know, is 'What strategy should the V.F.W. recommend to our government in combating the Communist threat to America?' This subject matter is, in the light of current world events, a most timely one and, as you will observe by the winning essays printed in our "Journal," has been handled in a most creditable and adult manner by the contestants.

"The Post appreciates the interest shown by our hospitalized buddies and I want to take this opportunity to thank all the contestants for their efforts and to further thank Mrs. Lucille Cusick, Educational therapist at the Kingsbridge Hospital, Chief of Special Services, Frank J. De Scipio of Brooklyn VA Hospital and Chief of Recreation section Joseph V. Mc Loone of Halloran Hospital in Staten Island, who have devoted a great deal of time and effort in assisting the boys in the typing and preparation of their essays.

"The sudden turn of events in Korea brings to us more forcibly the problem of our returning wounded, more particularly those boys who have been rendered non-ambulatory. These Veterans are seriously concerned about their future status in our economy, and it is my conviction, based partly upon letters received from the hospitalized Veterans themselves, that these boys, more than anything else, wish to take their rightful place in the business world. Among those of us who are in a position to either help gain or grant employment to these men—there rests a grave responsibility.

"I should like, at this time, to give you two quotations from the late George Bernard Shaw who said:

" 'Independence? That's middle-class blasphemy. We are all dependent on one another, every soul of us on earth.'

" 'This is the true joy in life, the being used for a purpose recognized by yourself as a mighty one; the being thoroughly worn out before you are thrown on the scrap heap; the being a force of nature instead of a feverish selfish little clod of ailments and grievances complaining that the world will not devote itself to making you happy.' "

"For some time now, I have been thinking about a workable plan and I hope to place it in operation very shortly. Too frequently men are prone to say 'Something should be done about this' but the press of every day affairs and other necessary matters intrude and prevent the execution of an idea.

"I propose to take the initiative in a small way and can tell you briefly that the plan I have in mind is a training program for our non-ambulatory buddies who may be interested in adopting an interesting and depending upon their own efforts — a profitable vocation.

"Without going into extensive details at this time, I can tell you that I am formulating plans to train a group of non-ambulatory veterans as salesmen in my own business, which is the investment securities business. I propose to train these boys through lectures and by correspondence. At the termination of their course they can, if still confined to a hospital or at home, conduct their business from either place.

"I shall of course continue to assist them with their problems and will take a proud and personal interest in seeing that they make a 'go' of it."

Halsey, Stuart Group Offers $25,000,000 of Missouri Utility Bonds

Halsey, Stuart & Co. Inc. and associates are today offering $25,000,000 first mortgage and collateral trust bonds, 2⅞% series due 1980 of Union Electric Co. of Missouri at 102.542% and accrued interest. Award of the bonds was made on Dec. 5 at competitive sale to the group on its bid of 102.07992%.

Proceeds from the sale of these bonds will be applied toward the cost of construction program of the company's system. The company and Union Electric Power Company, a subsidiary, are engaged in an extensive construction program which is expected to require the expenditure of approximately $153,000,000 for the five-year period 1950 to 1954, inclusive, which will be chargeable to property and plant accounts.

Regular redemption prices range from 105.55% to 100%. Special redemptions may be made at prices from 102.49% to 100%.

Union Electric Co. of Missouri is engaged primarily in the transmission, distribution and sale of electric energy, which it generates and purchases from its subsidiary, Union Electric Power Co. Territory served by the company includes principally the city of St. Louis, with an estimated population of 853,000, portions of five counties in Missouri adjacent to St. Louis, and portions of three counties in Missouri near the company's Osage hydroelectric plant. Union Electric Power Co., a subsidiary, sells energy directly in three areas in Illinois, opposite St. Louis, including the cities of East St. Louis and Alton with population of 82,000 and 32,000, respectively, and in small areas in Iowa and Illinois, including the cities of Keokuk and Fort Madison, Iowa, with populations of 16,000 and 15,000, respectively. The company also sells energy to Missouri Power & Light Co., an affiliated company, and to non-affiliated utility companies.

Vincent M. Doherty Joins John L. Ahbe & Co.

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — Vincent M. Doherty has become associated with John L. Ahbe & Company, 268 South County Road. Mr. Doherty was formerly connected with Emerson & Company, and prior thereto was with Frank D. Newman & Co., Leedy, Wheeler & Alleman, Inc. and Ranson-Davidson Co. In the past he conducted his own investment business in Palm Beach.

Los Angeles Exchange Celebrates 51 Years

LOS ANGELES, Cal.—Southern California financial institutions is today celebrating the 51st anniversary of the Los Angeles Stock Exchange, Phelps Witter, Chairman of the Exchange's governing board and Los Angeles partner of the investment firm of Dean Witter & Co., announced.

Announcement of the institution's anniversary date brought with it the disclosure that the local Exchange plans in 1951 to continue a highly accelerated program of public information designed to intensify public understanding of the local investment industry and its place in the Southland's economy, according to Witter.

"Many new projects of a public-interest nature will be carried on in 1951," he said, "among which will be an investment course in San Fernando Valley, numerous Exchange tours of industrial plants and several outstanding special events."

The Los Angeles Stock Exchange was founded Dec. 7, 1899, to provide capital for Southern California's new and rapidly expanding oil industry, according to Witter. One of the Southland's early oil prospectors and prominent producers, Wallace Libby Hardison, was the first Exchange President. He was then the President of Hardison & Stewart Oil Co., the organization which formed the nucleus of the present Union Oil Co. of California.

"While the function of the Los Angeles Stock Exchange is little understood by the general public," Witter said, "the institution has played a vital role in the development of Southern California to the position of the nation's third largest industrial community."

White, Weld Group Offers International Min. & Chem. Shares

White, Weld & Co. heads an investment group which on Dec. 6 publicly offered 200,470 shares of International Minerals & Chemical Corp. $5 par value common stock at $51 per share. Proceeds from the sale of the stock will be added to the cash funds of the corporation and will be available for new plant facilities and for extensions, additions and improvements to existing plants.

International Minerals & Chemical Corp. is the largest producer of phosphate rock in the United States and a principal producer of potash, both main ingredients in the making of fertilizers. The corporation also produces and sells chemical products derived from phosphate rock and potash; complete plant foods and components, and amino products. Of the latter, the most important is pure vegetable glutamate sold under the corporation's trade name "Ac-cent," which is sold to food-processing industries, institutional users and for household use. The corporation maintains plants and properties in 20 States throughout the country.

A stock distribution of one additional share of common stock for each share owned of record Dec. 20 was declared on Dec. 4, 1950, subject to the sale of the 200,470 shares of common stock being offered. On the same date, a cash dividend equivalent to 40 cents per share on the 2,000,000 shares of common stock to be outstanding was also declared payable to stockholders of record Dec. 20. Both the cash and stock dividends will be mailed on or about Dec. 28, 1950.

Continued from page 5

Observations . . .

larly fearful of inflation's corrosion of their capital and who "do not want to give their trustees wider discretion in equity investment, two devices are available.

The "Trial Run"

A parent can give his offspring a "trial run" with a gift of portions of his capital while still living. The money should be transferred in instalments, because this may save gift tax; and in any event this is helpful to the morale and investment education of the recipient. The parent should maintain an attitude of passive continuous availability for the giving of advice in answer to queries from his offspring in his or her investing explorations. There should be no compulsion for permission to make specific issue selection. This "trial run" method offers the advantages of supervised investment training, the opportunity for flexible handling of the inflation problem, and savings on taxes on gifts compared with those levied on inheritance, as well as the psychological advantage to the young recipient in getting early "bites" instead of becoming confronted with an unaccustomed and unearned windfall later on.

Insofar as psychological factors remain, they are likely to apply rather to the parent in deterring him from making living gifts. It does not require esoteric psychoanalysis to recognize the existence of inhibitions arising from the parent's resulting worries over his own security; and over threats to his authority, superiority, and perpetual youth. Too often the parent is the last person to recognize the maturity of his child and the coming of the time when he should make his own decisions, good or bad.

Post-Mortem "Bites"

The "bite" technique can of course also be applied after death in connection with the trust set-up. Such arrangement will afford the living "trial run" advantages except that of parental coaching. The after-death "bites" can be spaced at say five-year intervals starting with the age of 25 or so.

Another device for combatting the inflation threat available to the estate-planning testator is for him to provide for the trust's emergency payments from principal in case of future monetary depreciation causing loss in the buying power of the income. This will cause no tax penalty, assuming the lawyer drawing the will performs his job competently.

Function of Life Insurance

Our net conclusion about the advisability of purchasing life insurance is that it should be bought where the protection is needed, but not for investment purposes. Irrespective of the nature or ramifications of a policy, the diminution by selling and administrative expenses of the income earned on the companies' own securities, makes it unsuitable as an investment holding.

Based on the industry's present portfolio setups, life insurance affords little protection against the long-term inflation threat. The companies' composite holdings of common stocks still comprise less than ¾ of 1% of their composite security holdings; and in only 28 States are life companies permitted to hold common stocks with four of these being confined to bank stocks.

From an investment viewpoint, a portfolio composed of government bonds and common stocks, or of perhaps a mutual fund in lieu of one's own equity holdings, would seem to be preferable.

That this undesirability of insurance for investment is not unrealized seems to be indicated by the fact among retired men's families, only 52% own insurance contrasted with 86% in the case of business and professional folk.

Halsey, Stuart Group Offers $40,000,000 Cleve. Un. Term. Bds.

An underwriting group headed by Halsey, Stuart & Co. Inc. is offering today (Dec. 7) $40,000,000 The Cleveland Union Terminals Co. 3¼% first mortgage serial bonds, series D, due $2,500,000 each Dec. 1, 1951-66, inclusive, at prices to yield from 2.00% to 3.40%. The group won award of the bonds at competitive sale yesterday on a bid of 99.3899%.

Proceeds from the sale of the new bonds will provide the major portion of funds required to redeem $41,614,400 principal amount of 5½%, 5% and 4½% first mortgage sinking fund gold bonds now outstanding.

The Series D-1953 to D-1966 bonds are redeemable at varying call prices.

The Cleveland Union Terminals Co. owns the union passenger station and coach yard and the tract of about 33 acres occupied thereby near the southwest corner of the Public Square in the City of Cleveland. It also owns or has perpetual easements covering two approaches to the station, one of which is known as the West Approach, occupies about 35 acres of land and extends westerly, and the other, known as the East Approach, occupies about 36 acres of land.

The capital stock of the company is owned by three proprietor companies in the following proportions: The New York Central Railroad Company, 71%; The Cleveland, Cincinnati, Chicago and St. Louis Railway Company, 22%; and The New York, Chicago and St. Louis Railroad Company, 7%.

Whitman Haff With Peter P. McDermott

Whitman C. Haff will become associated with Peter P. McDermott & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on Dec. 11. Mr. Haff was formerly with A. W. Benkert & Co. and with Ward & Co.

Delafield & Delafield to Admit New Partner

Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Martin LeBoutillier to partnership.

John C. Kahn Co. Adds Lombard to Staff

WASHINGTON, D. C.—George M. Lombard is now associated with John C. Kahn Company, 1108 Sixteenth Street, N. W. Mr. Lombard was formerly with Robert C. Jones & Co., of Washington, D. C.

NY Security Dealers To Hear Sen. Frear

U. S. Sen. J. Allen Frear, Jr., will be guest speaker at the silver anniversary dinner of the New York Security Dealers Association to be held at the Waldorf - Astoria on Friday, Dec. 8, it is announced by H. R. Amott, Amott, Baker & Co. Inc., Chairman of the Dinner Committee.

Sen. J. A Frear, Jr.

Other members of the Dinner Committee include Richard M. Barnes, A. M. Kidder & Co.; Leslie B. d'Avigdor, d'Avigdor Co.; Charles H. Dowd, Hodson & Co.; Paul Emert, W. L. Canady & Co. Inc.; Paul A. Gammons, Bradley, Gammons & Co. Inc.; Frederick D. Gearhart, Jr., Gearhart, Kinnard & Otis, Inc.; George Geyer, Geyer & Co., Inc.; Robert I. Herzog, Herzog & Co., Inc.; Hanns E. Kuehner, Joyce, Kuehner & Co.; John H. Kugel, Kugel, Stone & Co.; Harry A. Michels, Allen & Co.; John J. O'Kane, Jr., John J. O'Kane, Jr., & Co.; Charles D. Pulis, Pulis, Dowling & Co.; Fred J. Rabe, F. J. Rabe & Co.; Stanley L. Roggenburg, Roggenburg & Co.; George A. Searight, Eiselc & King, Libaire, Stout & Co.; Bertram Seligman, Townsend, Graff & Co.; Herbert Singer, Singer, Bean & Mackie, Inc.; Charles E. Stoltz, C. E. Stoltz Co.; Melville S. Wien, M. S. Wien & Co.

Courts & Co. Is Celebrating 25 Years

ATLANTA, Ga.—Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange, and other exchanges, is celebrating the 25th anniversary of its founding in 1925 by Richard W. Courts, Jr., and his father, the late Richard W. Courts, Sr. W. F. Broadwell, who has since become a partner, was associated with the firm at its beginning.

Richard W. Courts

The firm has expanded from one small office in Atlanta to a home office in Atlanta and offices in New York and 19 southeastern cities, with service facilities in 16 other cities in the South.

Present partners of the firm are: Richard W. Courts, Malon C. Courts, William F. Broadwell, William E. Huger, John F. Glenn, Hugh D. Carter, Jr., James W. Means, McKee Nunnally, and Frank B. Sites

Fulton, Reid & Co. Formed in Cleveland

CLEVELAND, Ohio — Fulton, Reid & Co. has been formed as successor to the business of Maynard H. Murch & Co., Union Commerce Building, members of the Midwest Stock Exchange. Members of the firm are W. Yost Fulton, Frank B. Reid, F. E. Baker, W. C. Handyside, Jack R. Staples, and R. C. Chapman, general partners; and Maynard H. Burch, Daniel J. Wilkinson, and B. D. Murch, limited partners.

British Rearmament and U.S. Aid

By PAUL EINZIG

Pointing out Britain's rearmament program if carried out without extensive U. S. aid, will have a depressing effect on nation's standard of living, Dr. Einzig sees need for continuation of Marshall Plan aid. Says otherwise British large scale rearmament might become politically impossible. Holds Britain's economic improvement is exaggerated.

LONDON, Eng.—Notwithstanding official denials, there can be little doubt about the existence of disagreement within the British Government on the full adoption of the £3,600,000,000 rearmament program in the absence of adequate American aid. Although Mr. Aneurin Bevan was not very diplomatic when he disclosed to some American journalists the existence of such disagreement, he merely stated the obvious. For one thing, disagreements between moderates and Left-wingers within the Cabinet are known to occur very frequently on most controversial subjects. There have been lately such disagreements on nationalization, controls, leasehold reform, the method of financing rearmament, the method of checking the rise in the cost of living, etc. Would it be reasonable to assume that unanimity prevails on rearmament, seeing that it tends to affect the standard of living to a considerable extent?

Dr. Paul Einzig

It is becoming increasingly evident that in the absence of substantial American aid the standard of living in Britain is bound to be affected. The announcement made by the Minister of Fuel and Power that Britain's supply of coal is inadequate and that it would be necessary to import American coal gives one indication of the conditions that are likely to develop as a result of rearmament on a large scale. There are already shortages in base metals, timber, and other essential raw materials, even though the actual extent of rearmament has so far been negligible. There will not be enough materials to go round once rearmament has come into its stride, unless their imports are increased in spite of their present ruinously high prices. Economies will have to be enforced in domestic consumption in order to husband the inadequate stocks and to save foreign exchange.

Economies in consumption could be achieved in one or several of the following ways: (1) Cuts in rations, and rationing of goods which are at present unrationed. (2) Allowing supplies of consumers' goods to run out. (3) Allowing prices to rise in order to discourage demand. (4) Reducing the consumers' purchasing power through taxation. (5) Resisting demands for higher wages in spite of the rising cost of living.

Any of these solutions is bound to be very unpopular. It is bound to antagonize large sections of the electorate. The conflict in the Far East is too remote for the public to realize the need for making sacrifices for the sake of national defense, and Moscow will probably be too clever to make the British public rearmament-conscious at this stage by transferring the storm center to Europe. One's political views are apt to be influenced subconsciously by one's material interests. It is possibly because rearmament on a large scale means less raw materials and less food, higher prices and taxes, and lower real wages, that there has been lately a growing feeling in British opinion that American policy in the Far East is too aggressive and that Britain should take a more independent line. The suggestion that Britain should curtail rearmament in order to be able to do without American aid and thus become more independent in the sphere of foreign policy is putting the cart before the horse. It is because United States assistance is now expected to fall considerably short of requirements and anticipations that there is a growing feeling in favor of less rearmament and more independence in foreign policy.

The negotiations between the United States and British Governments about the termination of Marshall Aid and the form and extent of such rearmament aid as the Washington Administration is prepared to grant are awaited with considerable interest in London. Their outcome is bound to influence profoundly British economic policies, defense policies and foreign policy. Even though Mr. Attlee himself and the majority of the Cabinet are at present in favor of going ahead with rearmament, a marked deterioration of the standard of living resulting from it would tend to increase the relative strength of Mr. Aneurin Bevan and his Left-wing supporters in the country, in Parliament and in the Government. A stage might be reached before very long at which their influence on rearmament policy would prevail.

The question which the United States Government, Congress and public opinion will have to decide in the near future is whether it is worth while from an American point of view to ensure the execution of the British rearmament plan by means of granting financial support on a substantial scale. It will be a matter for the American experts to form a judgment whether the same amount spent on additional American rearmament would increase the combined strength of Democratic countries to a larger or smaller extent than it would if it were spent on support to Britain. What matters is that American opinion should realize that in the absence of substantial American assistance British rearmament on a large scale might become politically impossible. Deplorable as this is, it is a fact that must be faced.

One of the major difficulties in the way of granting Britain large-scale assistance has been created by the British Government itself. It is the result of the official efforts to exaggerate the extent of Britain's economic improvement. The reaction of American opinion to claims that Britain has now succeeded in achieving economic equilibrium has been only too natural. A nation which has a large budgetary deficit, whose balance of payments has turned adverse, and which has been losing gold in consequence, may find it difficult to see reason for supporting a nation with balanced budget and foreign trade and with a rapidly increasing gold reserve. Before long it will be evident, however, that Britain's economic position is not nearly as strong as it was made to appear to be. The announcement of the government's decision to import American coal disclosed one hitherto concealed weak spot. There are many others. They are as yet concealed, but will soon come to the surface, especially if the rearmament drive should be pursued on a reasonably large scale. Of course, it is now very difficult for the British Government, having claimed credit for restoring equilibrium, to admit that its claim is not fully justified. Rearmament is blamed for the difficulties which are becoming evident, and this fact tends to increase further the unpopularity of rearmament. Unless American aid is forthcoming on a liberal scale it seems probable that British rearmament will be on a much smaller scale than that indicated by the figure of £3,600,000,000.

Albert Frank Agency Opens New Branch

Albert Frank-Guenther Law, Inc., advertising agency, established in 1872, announces today the opening of a new branch office in Washington, D. C., under the management of Day Thorpe. The office is located at 1510 Nineteenth Street, N. W. Headquarters of the agency are at 131 Cedar Street, New York City. Other branch offices of the firm are in Boston, Philadelphia, Detroit, Chicago, San Francisco and at 110 East 42nd Street, New York City.

J. M. Hickerson, President, said that the Washington office has been opened to make available to the agency's clients a national service in advertising, marketing, publicity and promotion.

Bankers Securities Adds

PHILADELPHIA, Pa. — Albert M. Greenfield, Chairman of the board of the Bankers Securities Corporation, 1315 Walnut Street, has announced that Irving P. Turman has become associated with them as assistant to the Chairman of the board.

Present Slate to Phila. Bond Club

PHILADELPHIA, Pa.—Norbert W. Markus, Smith, Barney & Co., has been nominated for President of the Bond Club of Philadelphia to succeed Willard S. Boothby, Janney & Co.

Other nominees are: Vice-President, Gordon Crouter, DeHaven & Townsend, Crouter & Bodine; Secretary, Sidney S. Blake, H. M. Byllesby & Co., Inc.; Treasurer, Alfred Rauch, Kidder, Peabody & Co.; Governors, Raymond H. Gage, Jr., Paine, Webber, Jackson & Curtis; James P. Magill, Eastman, Dillon & Co.; John H. Blye, Jr., Wurts, Dulles & Co., and Willard S. Boothby.

A. V. Lewis Opens

WASHINGTON, Pa. — A. V. Lewis has opened offices at 361 East Beau Street to engage in the securities business.

Franklin Lyman Opens

BROOKLYN, N. Y.—Franklin Lyman is engaging in a securities business from offices at 229 Hart Street.

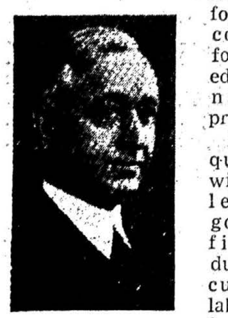
Canada's Opportunity Through Full Development

By CYRUS S. EATON*

Industrialist and Investment Banker, Cleveland, Ohio

Canadian-born American industrialist, commenting on Canada's opportunity for unprecedented era of prosperity, points to that nation's vast untapped resources and urges adoption of bold and progressive policies of development. Says vast export market beckons to Canada, but aggressive attitude is required by Dominion's big institutions if prosperity is to grow. Points out more highways and hydroelectric power is essential, and banks and railroads must play full part in promoting development.

Canada today faces the greatest economic opportunity of her history. Her geography, her climate, and her resources, human and natural, afford the ideal combination for an unprecedented era of nationwide prosperity.



Cyrus S. Eaton

The crucial question is, will Canada's leaders of government, finance, industry, agriculture and labor have the imagination and courage to adopt the bold and progressive policies required to turn Canada's boundless resources to account?

Those of us who were born in this great nation are prone to take her priceless potentialities too much for granted. Let us make a fresh appraisal of them.

Canada's Untapped Resources

Canada's territorial extent of 3,800,000 square miles is as large as Europe's. Canada's 14,000,000 people have plenty of room to breathe, in contrast to Europe's crowded 548,000,000. And the population of Canada is young and optimistic in spirit, while Europe's people are for the most part frustrated and disillusioned.

Fronting on both the Atlantic and the Pacific, with rivers and lakes extending 2,000 miles into the interior, and sharing a 3,000-mile border with a friendly neighbor, Canada is strategically located for trade with the whole world, but particularly for commerce with the 150,000,000 potential customers in the nearby United States.

Canada is blessed with a climate which makes for a vigorous and energetic people. That same climate, coupled with lake, stream, forest, mountain and sea of matchless beauty and variety, constitutes an irresistible year-round vacation land, which attracts millions of American tourists every year.

Canada's most widely heralded resources perhaps are her vast, but largely untapped, mineral treasures: gold, silver, nickel, copper, lead zinc, iron ore, oil and uranium. The richness of her farm land is unrivaled. The extent of her forests has given her world leadership in the pulp and paper industry. Her tremendous water powers offer a limitless source of electricity. Her seas abound with fish enough to feed the entire continent. But the greatest of all of Canada's resources is her people, the honest, intelligent and energetic men and women who. day by day, demonstrate their love of hard work in factory, office, forest, mine, mill, store and home, on farm and at sea.

A Son of Canada

Before I outline the policies which, in my judgment, must be pursued to give every Canadian the full benefit of these priceless assets, I shall endeavor to qualify myself as somewhat of an expert on my subject. My approach necessarily is not that of a professional economist. The opinions expressed here are the outcome of a lifetime spent largely in practical activities, including experience in electric power, railroads, lake shipping, iron ore and steel.

In the early, formative years of my life, national policies were one of my studies. In Nova Scotia, where my family were farmers, lumbermen and merchants, we also kept the post office, which was the sorting and distributing center for a dozen surrounding communities. Here was a golden opportunity to learn to know the newspapers of Canada and to read the detailed accounts that they carried, in those days before the comic pages, of the proceedings and speeches in Parliament.

Joseph Howe, Nova Scotia's great Liberal, was my grandfather's closest friend and, although Dr., later Sir Charles, Tupper, her leading Conservative was the physician who brought my father into the world, he was named Joseph Howe Eaton. From the beginning, I had the good fortune to know statesmen from both sides, and I have been personally acquainted with every Premier of Nova Scotia since Fielding.

When I was 15, I went to Ontario to school and college. During my four years in Toronto, I attended meetings of the Ontario Legislature as often as I could to listen to the debates. I have known personally every Prime Minister of Ontario since Sir Oliver Mowat, and every Prime Minister of the Federal Government from Sir Charles Tupper to Mackenzie King.

To help put myself through college, I had a part time job in the advertising department at Ryrie's now Birks, and it was there that I learned what an important adjunct the newspaper is to successful merchandising. I early made the acquaintance of Sir John Willison, who had left the "Globe" to found the "News." I saw considerable of his successor on the "Globe," Macdonald, and of Joe Atkinson, then a rising star in the newspaper world. I regret that I did not have the privilege of knowing John Ross Robertson. From that time to this, Canadian newspapers have come daily to my desk, and continuous reading of them, and especially their splendid financial pages, has been of great value.

Canada's Problem

During my student days in Toronto, Goldwin Smith was at the height of his career as a provocative analyst of the political and economic problems of Canada and the Empire. His home, the Grange, was a Mecca for those who were deeply concerned with what he termed the economic backwardness of Canada, and who, like him, were constantly searching for remedies. Goldwin Smith was not famous for his tact, but he had a penetrating intellect and brilliant pen. For a former professor and a writer, he was no mean financier, furthermore, as the estate of $1,000,000 that he left testified.

The summers of my college years were spent across the border in Cleveland, where I was lucky enough to find employment with John D. Rockefeller, Sr., in my estimation, the economic titan of all time. From this inspiring relationship came my decision to make my business headquarters in Ohio, reluctant though I was to leave my loved Canada.

But before settling in the United States after graduation, I made a tour of western Canada and spent five months ranching in Saskatchewan. I was present at the ceremonies in 1905 when Prime Minister Laurier and Governor-General Grey inaugurated the governments of the new Provinces of Saskatchewan and Alberta. The next seven years, my vacations all led back to the Canadian west and, ever since, I have maintained social and business relations in the western cities of Victoria, Vancouver, Calgary, Edmonton, Regina and Winnipeg, as well as in the eastern centers of Toronto, Ottawa, Montreal, St. John, Charlottetown and Halifax. In my early days in the electric power business I owned the utilities in Brandon, until I sold them to the Province when John Bracken was Premier of Manitoba.

Business has brought me constantly to Canada over the years. Since 1928, I have had a large farm in my native Nova Scotia, and the summer never passes that my children, my grandchildren and I do not spend at least six weeks there. I have never developed the habit of going south, but any winter holiday when I can get some of my family to accompany me is spent on skis in Canada.

Steep Rock Shows the Way

I have been constantly interested in the welfare of Canada, and one of my life-long preoccupations has been in some small way to give an impetus to the material progress of my native land. The most recent step toward that goal has been my participation in the development of the Steep Rock iron ore range in western Ontario.

Eight years ago when I joined hands with the late General Hogarth, Julian Cross, "Pop" Fotheringham and other Canadian friends in that venturesome and pioneering task, the Steep Rock deposits were a dubious prospect of unknown quantity lying far below the bed of a deep lake. Today, in its sixth full season of production, Steel Rock has set a new record of shipments of 1,215,000 tons of high grade ore. More important still, the Steep Rock reserves of high quality iron ore are now know to exceed those of any other range, old or new, on the continent. In five years, we aim to have at least six mines shipping a minimum of 10,000,000 tons annually.

Every hour of every days since 1942, I have been in direct touch with the manifold aspects of the Steep Rock undertaking. It has brought me face to face with the difficulties of creating and developing a new industry in Canada, and it has given me a first-hand knowledge of the problems of transportation, communication, electric power, finance and markets for a new Canadian enterprise.

Vast Export Market Beckons

No undertaking can flourish, of course, unless there is a ready market for its product. Goldwin Smith 60 years ago foresaw that the logical outlet for Canadian products was the United States. He pointed out that it would not be forever possible to suppress geography and that, despite politi-

Continued on page 26

*An address by Mr. Eaton at a meeting of the Empire Club of Canada, Toronto, Can., Nov. 30, 1950.

Canadian Securities

By WILLIAM J. McKAY

It would appear that U. S. long-range planning notably for expanding the domestic production of aluminum is likely to be reconsidered in the light of recent events. A change of policy is all the more probable in view of the Canadian proposal to supply approximately one-third of U. S. stockpile needs of this strategic metal. Such a development would also serve to dissipate the decidedly unfavorable impression that has been created north of the border as a result of the curt rejection of the Dominion's offer. It had been expected in Canada that following the signing of the U. S.-Canadian Defense Pooling Agreement the Dominion aluminum proposal would have provided a welcome initial operation, especially as the terms could not be matched elsewhere.

Canadian bewilderment was further heightened by the U. S. Government announcement of a drastic cutback in civilian supplies of aluminum immediately following the rejection of the offer. There also appeared to be a decided inconsistency of policy in this particular instance when comparison was made with the action taken with regard to other stockpile items. In the case of rubber, wool, tin, and other strategic materials strong U. S. bidding in competition with others has led to chaotic conditions in world markets. Furthermore it has not always been possible to fill requirements despite willingness to disregard cost.

There has been moreover a growing tendency to look to possible domestic sources of base and alloy metals derived from low-grade ore at uneconomic expense. When it is considered that Canada's fabulous Pre-Cambrian Shield, the world's richest source of metals of all descriptions, is so conveniently situated for development by U. S. interests, the inclination to disregard external opportunities in favor of dubious domestic projects would appear to be short-sighted, especially in the present emergency. Time in which to develop the most urgently needed defense program in history is now running desperately short. Canadian willingness to carry out fully the provisions of the Defense Pooling Agreement therefore is not to be lightly disregarded.

The shocking impact of recent events however strongly suggests that it will not be long before the immense possibilities of the new Defense Agreement are viewed in their proper light. Acceptance of the Canadian aluminum offer would constitute the obvious first step in recognition of the necessity to set in motion the joint defense program. U. S. private enterprise has already blazed the trail in magnificent fashion. Recent epic achievements such as the development of Alberta oil, Steep Rock and Quebec-Labrador iron, and Allard Lake titanium are sufficient testimony of the immense possibilities of U. S.-Canadian economic cooperation. Looking back to World II it is only necessary to recall the construction of the Alaska Highway and the Shipshaw Dam to exemplify the wider scope for achievement when emergency conditions compel record-making effort.

Consequently in addition to accelerated activity in the field of peacetime enterprise, the present crisis is likely to impel urgent consideration of projects that are difficult of accomplishment under normal conditions. Among those that have already been given attention, but have so far not advanced beyond the talking stage, are the St. Lawrence Seaway and the Alaska Railroad. Whether or not ambitious schemes of this kind are put into operation, there is little question that in the period ahead the immense resources of Canada will play an increasingly vital role in the North American defense effort.

During the week there was little movement in the external section of the bond market but the internals were again slightly lower in scattered selling and the influence of the recent dip of the Canadian dollar. The longest term Dominion bond on the Canadian market has now registered a decline since the freeing of the dollar of approximately 3 points. The low level of prices in Canada might offer a partial explanation of the curious absence of Dominion internals; speculative purchasers of bonds had counted not only on revaluation of the Canadian dollar to parity with the U. S. dollar but also on a minimum of change in the Canadian bond market. The Canadian dollar as anticipated is now beginning to display a weaker tendency but at the 5% level in Canadian terms there has been evidence of support operations. Stocks were naturally lower as a result of the international situation with the previous market leaders on the upside, the industrials, base-metals, and Western oils, the principal sufferers. The golds however were inclined to resist the general trend and all groups finally showed a rallying tendency. On the whole the Canadian market displayed greater resiliency than New York.

Edwards & Hanly to Be Formed

HEMPSTEAD, N. Y.—On Jan. 1 Edwards & Hanly will be formed with offices at 100 North Franklin Street. The partners of the new firm which will hold membership in the New York Stock Exchange will be Herbert G. Edwards, Mortimer G. Hanly, Robert N. Snyder and Lester Talbot, the Exchange member. Mr. Edwards and Mr. Hanly have been resident managers of the Hempstead office of Parris & Co. Mr. Talbot is a partner in Bendix, Luitweiler & Co.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At a special meeting of the stockholders of the **United States Trust Company of New York** held on Dec. 5, a 150% stock dividend on the 40,000 shares of stock now outstanding was approved. The stock dividend will be paid on Dec. 27 to stockholders of record on Dec. 11. This action will increase the number of shares from 40,000 to 100,000 and will transfer $6,000,000 from surplus to capital. Par value will be $100 a share as at present. Capital then will stand at $10,000,000 and surplus at $18,000,000. Pursuant to stockholders' approval, it is expected that the trustees will take formal action at their regular meeting on Dec. 7. Benjamin Strong, President, said that it is the intention of the trustees to declare a quarterly cash dividend of $3.50 per share on the new stock, or at the annual rate of $14. This is equivalent to the present dividend of $35 per share on the existing stock. A previous item regarding the plans to increase the capital appeared in our Nov. 9 issue, page 1799.

* * *

Bankers Trust Company of New York will purchase the **Flushing National Bank, of Flushing, N. Y.**, if a proposal approved on Dec. 5, by the directors of both institutions is favorably voted upon by the stockholders of Flushing National at a meeting to be held on Dec. 16, according to an announcement made by S. Sloan Colt, President of Bankers Trust. Following approval by the stockholders of the Flushing institution, Bankers Trust Company will begin operations at 36-63 Main Street, Flushing, on Dec. 18. The consolidation will give Bankers Trust its third office in Queens County, and its 14th in Greater New York. It presently has offices in Jamaica and Long Island City, as well as in Manhattan, Brooklyn and the Bronx. Earlier this year Bankers Trust acquired the banking business of Title Guarantee and Trust Company (Aug. 7) and merged with Lawyers Trust Company (Sept. 18). In addition, it opened a new office at 1002 Madison Avenue (July 7). In announcing the proposed consolidation, Mr. Colt said that M. Lester Mendell, Chairman of the Board of Flushing National Bank, will become Vice-President of Bankers Trust Company in charge of its offices in Queens County. In addition, the entire staff of Flushing National will continue in the employ of Bankers Trust. Mr. Mendell became a Director of Flushing National Bank in 1942, and was elected Chairman in 1943. Bankers Trust Company will gain nearly 25,000 new customers, and approximately $13,000,000 in deposits.

* * *

Albert L. Gettman has been appointed Auditor of the **Guaranty Trust Company of New York**, it was announced on Dec. 1. He succeeds Joseph E. Glass, who retires after 25 years as Auditor. Mr. Gettman has been with the Guaranty Trust Company since 1917, except for a period of military service during World War I. He has been Assistant Auditor since 1931. Mr. Glass, the retiring Auditor, had a wide experience with corporations and with the Federal Trade Commission. He is a former President of the New York Chapter of the Institute of Internal Auditors.

* * *

Manufacturers Trust Company of New York has announced the opening on Dec. 2, of a new branch office at 1705 Crosby Avenue, at Roberts Avenue, in the Bronx section of New York. The opening follows by one week the opening of a new branch office at Northern Boulevard and 82nd Street, Jackson Heights, Queens, on Nov. 25. The new office will be in charge of Malcolm B. Diffenderffer as Manager, and will be known as the "Crosby Avenue Office" of the company.

* * *

The directors of **The Public National Bank and Trust Company of New York**, have declared the regular 50c per share quarterly dividend for the period ending Dec. 31, and an extra dividend of 25c per share, both payable Jan. 2, to shareholders of record Dec. 20, 1950.

* * *

The appointment of Harvey L. Schwamm, President, of the **American Trust Company**, 70 Wall Street, New York to the Monetary Committee of the International Trade Section, **New York Board of Trade**, is announced by Dr. Edward J. W. Proffitt, New York Director of the Traders Company of North America and Chairman of the Committee. Prior to acquiring the American Trust Company, Mr. Schwamm was President of the National Bronx Bank. In addition to his interests in financial circles, Mr. Schwamm is active in civic affairs, being a member of the Bronx Real Estate Board, Bronx Chamber of Commerce, Building Industry League, and a Director in many of New York City's welfare organizations.

* * *

"Austrian Industrial Recovery as a Result of Marshall Plan Aid" is the theme of a window display on view at the Rockefeller Center Office at 48th Street and the Avenue of the Americas, of **Colonial Trust Company of New York**. Sponsored by the Austrian Consulate General and prepared by the United States Austrian Chamber of Commerce, Inc., the exhibit will remain throughout the month of December. A special preview for members of the press was held on Dec. 1. The preview was followed by a reception at Holland House, Rockefeller Plaza, attended by Dr. Franz Matsch, Austrian Consul General in New York, the press, officials of the bank, and members of the host organization, United States Austrian Chamber of Commerce. Arthur S. Kleeman is President of the Colonial Trust.

* * *

Central Hanover Bank and Trust Company of New York, has announced that the following appointments have been approved by the Board of Trustees: William E. Callaghan, James T. Gill, Robert H. Pettit and Ford H. Jones (42nd Street Office), Assistant Secretaries; Charles L. Griffin, Victor L. Humphrey, Frank J. Kaestner, Arthur E. Johnson, John B. Crouch (34th Street Office), and Robert Pape (Rockefeller Center Office), Assistant Treasurers.

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At the regular meeting of the board of directors of **City Bank Farmers Trust Company of New York**, held on Dec. 5, Harold Bottenus was appointed an Assistant Vice-President. He was formerly an Assistant Secretary.

* * *

The directors of the **Marine Midland Corporation of Buffalo, N. Y.**, at their meeting held on Dec. 6, in New York, declared a quarterly dividend of 12½ cents a share on the capital stock of the Corporation, payable Jan. 2, next, to stock of record Dec. 15. This makes total dividends of 50 cents declared in 1950 as compared with 42½ cents declared in 1949.

At the same meeting, Charles M. Kennedy was elected a Director of the Corporation. Mr. Kennedy has been engaged in the grain business for many years in Buffalo, N. Y. He is President of Charles Kennedy & Co., grain merchants and owners and operators of grain elevators. He also serves on the board of directors of the Marine Trust Company of Buffalo and the Union Gas Company of Canada, Ltd.

* * *

F. Raymond Peterson, Chairman of the Board of the **First National Bank and Trust Company, of Paterson, N. J.**, has announced the promotion of two officers of the bank to Vice-Presidencies, and of two senior clerks to officerships. The officers and clerks are: Albert S. Currie, Trust Officer, to Vice-President and Trust Officer; Sullivan S. De Feo, Comptroller, to Vice-President and Comptroller; F. Norman Lillig, to Assistant Vice-President; and Robert W. Siebert, Jr. to Assistant Cashier. All promotions were effective as of Dec. 1. Mr. Currie entered the employ of the former Paterson National Bank on Dec. 11, 1924, and was elected Trust Officer in January, 1948, following his discharge from the army in which he served during World War II. Mr. De Feo was first employed by the former Paterson National Bank in 1923; after serving as Assistant Cashier he was made Comptroller of the bank on June 1, 1946. Mr. Lillig entered the employ of the former Second National Bank during March, 1948, following his release from the Navy, where he served during World War II. Prior to entering the Navy, Mr. Lillig had been associated with Keane, Rawls & Co. of New York City, and Halsey, Stuart & Co. of Chicago, both of which are engaged in the securities business. At the present time Mr. Lillig is attending classes conducted by Dr. Marcus Nadler, at New York University. Mr. Siebert was employed by the former First National Bank during July, 1933, in a clerical capacity. He advanced through various departments of the bank, and for some time has been serving as Manager of the Credit Department.

The present First National Bank and Trust Company of Paterson is the result of consolidations of the former Paterson National Bank, the former Second National Bank, the former First National Bank of Paterson, and the former First National Bank and Clifton Trust Company of Clifton.

* * *

H. W. Farnum, Vice-President of the Insurance Company of North America, was on Dec. 4 elected a director of **Land Title Bank and Trust Company of Philadelphia.**

* * *

The plans of the merger of the **Farmers Deposit National Bank of Pittsburgh** with the **Mellon National Bank and Trust Company of Pittsburgh**, were approved on Dec. 1 by the stockholders of the first named institution, and the change became effective as of that date. The offices of the Farmers Deposit Bank were opened on Dec. 4 as branches of the Mellon National. The Pittsburgh "Post-Dispatch" in its Dec. 2 issue said:

"John S. Smith, President of the Farmers Bank for the past six years, will become Vice-President of the Mellon bank with supervision over the two new Mellon branches. The Mellon bank has owned a majority stock interest in the Farmers for years, and the absorption action resulted because this ownership was no longer permissible under the national banking laws.

"The Farmers had deposits of $150,000,000 on Oct. 4. As of the same date, the Mellon had deposits in excess of $1,280,000,000."

A reference to the proposed merger appeared in our issue of Nov. 2, page 1704.

* * *

The stockholders of the **Second National Bank of Cumberland, Md.**, approved on Nov. 28 the proposal to increase the authorized capital of the bank from 11,000 to 16,000 shares of $25 par value each, or from $275,000 to $400,000. In furtherance of the plans a stock dividend will be paid in the ratio of five new shares for each 11 shares held by stockholders of record Nov. 29. A previous item regarding the plant appeared in these columns Nov. 23, page 2000.

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Stockholders of **The Bank of Virginia, at Richmond, Va.**, approved on Nov. 27 a charter amendment to permit the increase of the bank's capital stock from $1,800,000 to $2,000,000. As indicated in these columns Nov. 23, page 2000, this increase will be effected by the declaration of a stock dividend in the form of 10,000 additional shares to be issued to present stockholders in the ratio of one new share of each nine shares presently held. Declaration of this stock dividend will take place at the board meeting on Dec. 8. The new shares will be issued on Dec. 29, to stockholders of record Dec. 18. This increase of the capital of the bank to $2,000,000 makes it equal to the present surplus of $2,000,000. The surplus was increased to this figure from $1,800,000 in April, 1950. The stock dividend of $200,000 and the addition to surplus of $200,000 both have been made available from the earnings of the bank in the year 1950, in addition to the distribution of the usual cash dividend.

* * *

A stock dividend of $205,000, has served to increase the capital of the **Second National Bank of Warren, Ohio**, effective Nov. 9, from $595,000 to $800,000.

* * *

The **Mercantile National Bank of Hammond, Ind.** has increased its capital from $250,000 to $300,000 by a stock dividend of $50,000. The new capital became effective Nov. 6.

* * *

The **Mercantile National Bank of Chicago**, announces the death of its Chairman William W. Farrell on Nov. 24.

* * *

Earl H. Cress, President of the **Ann Arbor Trust Co. of Ann Arbor, Mich.**, announced on Dec. 1 that the company was 25 years old on that day. From a company which handled only a few trust accounts in its early years, the company now acts as trustee, custodian or agent for many millions of dollars. The Trust Department assets are now valued at approximately $15,000,000, while the company is acting as trustee of bond issues of more than $20,000,000. The company was chartered by the State of Michigan on Dec. 1, 1925, for a syndicate headed by R. T. Dobson. Less than three years later, a group led by Earl H. Cress, present President, purchased its holdings. Mr. Cress was elected President in January, 1941, after serving as Vice-President from 1928, when his group purchased the firm. He also serves on the Board of Directors. Employees will observe their quarter-century of business on Dec. 14, at a staff party.

What Lies Behind Sapping Of Dollar's Strength

By LELAND REX ROBINSON*
Adjunct Professor of Political Economy, New York University
Vice-President, Economists' National Committee on Monetary Policy

Holding irredeemable currency is open-door to inflation, Dr. Robinson says it is a dangerous delusion that business can escape its harmful effects. Points out rising net profits under inflation are unreal and a delusion. Says, as result, risk-bearing is becoming a lost art in U. S., since there is no adequate storm shelter for anyone in a period of inflating prices and costs.

The monetizing of government debt is the modern printing press route to the debauchment of our money. This process can continue indefinitely with a dollar which is irredeemable in gold. It will continue as long as the Federal budget is unbalanced, and as long as Federal Reserve and commercial banks purchase huge volumes of public debt which should be acquired largely by individual and institutional investors as a direct reflection of the people's savings.

Leland Rex Robinson

What lies behind the progressive sapping of the dollar's strength can be illustrated by taking a look at the changing sources of our money supply; that is, all bank deposits and all currencies in tills and pockets, during the last quarter century. In June, 1926, for instance, the money supply of the American people, less than $51 billion, arose largely from the peacetime needs of trade and industry. Over four-fifths of the dollars then exerting their power in the market places came out of loans, discounts and investments in private securities by the nation's banks, mostly evidencing goods and services competing for these dollars.

Just before the Korean War broke upon us more than 50% of the 173½ billion depreciated dollar money supply arose from the purchase of United States Government bonds by Federal Reserve and other banks. These bonds, thus converted into money, put their tremendous push behind demands upon production and trade; but as they represent deficits in Federal spending they add little to the supply of goods and services available in the market. This contemporary process whereby large debts incurred by government are cumulatively converted into purchasing power for the people threatens to step up its pace as we move toward a war economy. No medieval alchemy ever made greater claims of producing something out of nothing.

The struggle for honey money, and for the fiscal and credit policies making it possible, must enlist the militant support of business and labor. The subtle means by which money is robbed of its purchasing power throws up a smoke screen disguising the weakening effects of soaring prices and costs upon private enterprise, the source of our economic strength and the bulwark of our liberties.

One of the most dangerous delusions of our times is that business can somehow escape the consequences of inflation or even benefit from it. Earnings reports reflect accounting fictions often straying far from economic reality. Our financial columns are full of glowing statements which combine fortuitous inventory profits with inadequate replacement allowances. Now what are the facts?

First, the net profits by American business corporations, after allowing for inventory valuation adjustments and the rising replacement costs of capital goods consumed in production have risen little since 1948 and seem to be losing ground currently. Reduced to actual purchasing power, these economic profits in 1949 were less than 45% above 1929, while our country's industrial production topped 1929 by a full 60%. The capacity of the nation's business to command goods and services with its actual earnings has apparently slipped further since last year.

In the *second* place, the net profits of American corporations, after inventory valuation adjustment and adequate replacement costs, make a very modest percentage on sales. Last year the equivalent of 5 cents was earned on an average for each dollar of sales and this was less than in 1940 or 1930. The general rise in breakeven points, with increasing production costs and heavier corporate debt, is adding its toll to mounting taxes in preventing any natural increase in ratios of profits to ascending dollar gross income. This creates for business a condition of basic instability in which a constant scramble for increasing volume is the price of barely holding one's own.

When these corrected corporate profits are expressed as a percentage of net worth, adjusted for replacement value of plan and equipment, the results are surprisingly low. American corporation's real earnings varied between 4% and 6% on their economic net worth during most of the decade just passed, about the same in the 20s, and much less than this in the 30s.

In the *third* place, let's consider payments made by American corporations to their owners. When we turn from these very moderate and often inadequate earnings of corporations to the dividends which they pay to individual stockholders, some startling facts emerge. The total purchasing power of these dividends was almost exactly the same in 1949 as in 1930, 1936 and 1937, despite the great rise in capitalization, the substantial increase in business activity, and the encouraging gains made by labor. As a source of personal income for the people of the United States, dividends fell from about 7% of their total income in 1929-1930 and 6½% in 1936-1937 to little more than half that proportion last year.

One reason for this most disappointing dividend record is the smaller percentage of reported profits which are actually available for stockholders' payments. Much of these padded reported corporate earnings, which are not profits at all because of inadequate replacement charged to expenses, has necessarily been used for maintenance of plant and equipment. Of the remaining earnings a goodly part has had to go toward improvement and extensions because of the dearth of new equity financing.

This brings us to a *fourth* and very sobering conclusion. The truth is that risk-bearing seems in the way of becoming virtually a lost art in the United States. New venture capital is gradually drying up. More and more our business corporations, when seeking funds beyond their own reserves and undistributed profits, have been resorting to borrowing from banks, to issuance of new funded debt and to tapping the funds of life insurance companies and other institutional investors acting as lending intermediaries for great numbers of small-scale savers. In the 1920's, excluding 1929, on the average a little more than 30% of all new stock and funded debt financing for American business corporations was in the form of equity shares. In 1929, this figure reached 72%. Last year the figure was only 15%, one-half the former proportion.

Present and prospective profits are the nervous system of business under our American organization of private enterprise and our closely related institutions of democracy. Upon them in fair measure depend initiative, the nation's employment, wage and salary payments, our nation's economic health and, therefore, its material strength in peace and war. Exacting wage payments based upon mis-reading of business earnings cannot, in the long run, save labor from its due share of necessary sacrifices. Government can easily kill the proverbial "goose that lays the golden egg" by hastily improvised excess profits taxes built upon corporate earnings which actually do not exist in anything like the amounts reported under accounting conventions and fictions.

In short, there is no adequate storm shelter for anyone in a period of inflating prices and costs. The bell rings for the whole business community as well as for the insurance holder, the savings banks and savings and loan depositor, and for workmen fighting for retirement pensions. We face this infection of the entire economic organism, through the poisoning at its source of the dollar, the people's medium of exchange and store of value.

To diagnose this fiscal and monetary malady is to prescribe the treatment, made even more urgent as we pass into the rigors of war economy. We have no sane choice but to keep public and private outlays within prudent bounds; so far as possible to spend within our income on both the governmental and the individual level; to tighten our belts on personal consumption in order directly and indirectly to buy Federal obligations and thus keep them from flooding the banks; and to move resolutely toward a fully convertible gold standard which is both a condition and a by-product of these time-tested policies of national solvency.

*An address by Dr. Robinson at the Luncheon Meeting of the Economists' National Committee on Monetary Policy, New York City, Dec. 4, 1950.

Some Realistic Observations On Recent Corporate Profits

By ARTHUR W. MILLER

Wherein it is alleged that comparisons with the "subnormal" 1930-39 profit period are meaningless; that changes from prewar in plant investment, purchasing power, and sales with prewar, render meaningless comparisons with that period. Terms excess profits taxation futile as well as inequitable.

The entire period between 1930 and 1939 was one of generally subnormal profits and heavy losses. Well over half of our corporations reported aggregate *operating* losses of about $33 billion in 10 years time; and the assets of these corporations were further reduced by the payment of more than $9 billion out of surpluses built up in the preceding decade. Any present-day comparison with such a period of general depression is meaningless.

The investment in the average manufacturing corporation, figured on a 1940 cost basis, is now at least 50% higher than in the immediate prewar period. Hence, for this reason alone, a 50% increase in net profits would be indicated, even though the price level had not more than doubled during the past ten years. With the sharp advance in investment costs, and with the increased capacity, a 3- to 4-fold increase in profits would be indicated.

Recent *apparently* high profits are due largely to continuance of full capacity or actual *over-capacity* production. This is not a permanent condition. The "break-even" point in business, particularly in manufacturing, is much higher than formerly. Wage rates have gone up more than 100%. New construction and replacements cost well over twice the prewar figure. All reserves must be correspondingly higher. A comparatively small drop in activity would in many cases reduce net profits drastically.

The present sales volume of most corporations is around three times the prewar volume, and a proportionately larger investment must be made in inventory, receivables, and cash reserves for tax payments, etc. The *rate* of return per dollar of sales or gross receipts is in many cases lower than in prewar normal years.

Again, if we wish to look at present *net* earnings, after taxes, in the light of their purchasing power, we will find that they must be discounted by fully 50% in order to make allowance for the more than 100% increase in the general price level (from 79 U.S.B.L. index average in 1940 to almost 170 now)! If profits were reasonably "normal" in 1940, they should be more than twice as high now, even though the investment had not been nearly doubled in the interim, just to make up for the great shrinkage in purchasing power of the net income dollar.

Popularly, both politicians and labor leaders, as well as the press, now refer to profits *before* taxes —as if there is any such thing— instead of net profits *after* taxes. Little more than ten years ago, however, the *rate* of Federal income taxes on corporate earnings was around 15% as compared with 45% at present. Thus the whole comparison is distorted, and the *actual* return to the *owners* of business is grossly exaggerated. On the average, net earnings after taxes, as previously stated, should now equitably be around four times as large as in 1940, in manufacturing companies.

Profits, as related to net worth, vary all over the "map," depending on the capital structure, the nature of the business, the risks taken, etc. Profits, expressed as a percentage of "investment" or of sales, vary greatly from industry to industry; they are also vastly different for various companies in the same industry, depending particularly upon the *quality* of "management." In some types of industry the "turnover" of capital "invested" is naturally very high, and the "profit margin" per dollar of sales is relatively low, as in the wholesale business, for example. In many types of manufacturing, however, the "turnover" of investment is low because of the long processing involved, or because of the high degree of mechanization. In such cases the profit margin per dollar of sales tends to be relatively *high*. Wherever risks and uncertainties are greatest, profits should equitably be relatively highest. Similarly, the profit "rate" *must* be high when research expenditures are heavy and initial expenses are great.

Because of the difficulty of raising "venture" capital under our sharply "progressive" personal income tax rates, growing corporations must now retain a large proportion of their earnings as "reserves," both because of the high cost of replacement of existing plant and equipment, and for desirable expansion of present capacity. In recent years the stockholders, or "owners" of business, have tended to receive a progressively lower percentage of earnings in dividends. In the past five years, on the average, rather more than 60% of corporate earnings after taxes have been retained in the business.

Again it should be explained that high profits, or in fact any profits at all, do not, in the long run *result* from high prices. Contrary to public opinion, high profits do not make high prices; but they are, on the contrary, the reward for superior efficiency and better management. Under our competitive system of free economy, profits are *"residual."* They are what is left over after all costs of operation have been paid, including materials, wages, salaries, etc., and after all overhead charges have been met, such as insurance, depreciation, interest, taxes, and the like.

In each industrial group it usually works out that a large proportion of the companies fail to make profits, even though all are selling at virtually the same price, and even though all are paying substantially the same prices for their materials and the same rate of wages for their labor. It is usually true, under the conditions which have long prevailed in the United States, that the more efficient producer tends to sell at the *lowest price;* and thereby such a producer sets the pace which others *must* follow, provided they continue to do business.

* * *

From the foregoing facts and conclusions, the futility, as well as the "in-equity," of a so-called "excess" profits tax can be seen. Over the reasonable period of time, and under our highly competitive economic system, only the *customer* determines whether profits can be made by a manufacturer, and the more efficient operator will make the higher profits. An "excess" profits tax, from its very nature, represses initiative, destroys incentive to greater effort, encourages waste, and so leads to higher costs and higher prices. It is probably the most *inflationary* kind of tax which could be devised. In addition, such a tax discourages or prevents new investment, which would increase capacity, and thus tend to hold prices down.

Alfred M. Seaber With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

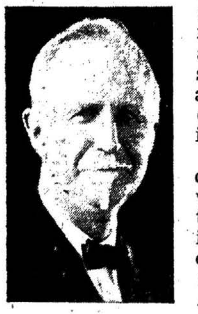
CHICAGO, Ill.—Alfred M. Seaber has become associated with E. F. Hutton & Co., Board of Trade Building. Mr. Seaber has recently been with the Chicago office of Wm. E. Pollock & Co. and prior thereto was for many years with Merrill Lynch, Pierce, Fenner & Beane in Florida and Chicago.

Winter Business Outlook

By ROGER W. BABSON

Mr. Babson contends output of industry during recent months has exceeded consumption, and already a price reaction has set in. Warns present is no time to buy everything in sight, and looks for much stricter credit regulations to have a depressing effect on inflationary spiral.

The prospect of higher taxes and credit restrictions is casting a shadow over the Business Outlook for the coming winter. These apply to automobiles, refrigerators and television sets; but not as to most consumer items.



Roger W. Babson

During recent months we know that the output of industry has exceeded consumption. Automobiles and trucks have been produced at the unprecedented rate of 10 million per year; over 20% of all units now on the road. The recent rate of home construction has exceeded any previously recorded annual output by over 50%. Scare buying lifted the sale of household appliances to unprecedented heights during the summer.

However, we find already that reaction has set in, with lumber prices breaking during the last few weeks. The sales of many consumer items are back to pre-June levels. New construction is currently off sharply. We know that the easy credit policies of the Federal Government Agencies have artificially stimulated home building. With the tightening up of credit controls further cut-backs will continue. Recent increases in bank loans outstanding have been largely siphoned off into consumer credit expansion. This caused a tremendous boom in the purchase of consumer goods during recent months. Much stricter credit regulations will certainly have a depressing effect on the inflationary spiral. **Now, is no time to buy everything in sight.**

Outlook for Defense Spending

Defense orders in 1951 will undoubtedly maintain high employment, at least during the coming winter. Due to the allocation of certain materials in short supply being funneled into defense activities, business profits will not be uniformly good. Dislocations will take place. This will create shortages of materials throughout the nation which can have an adverse effect on the normal flow of business and profits. Government bureaucrats do queer things.

Investors who search for an inflation hedge is common stocks should watch their step. The Dow-Jones Industrial Stock Average is higher than it has been for the last 20 years. More burdensome taxes during 1951 will have an adverse effect on earnings. Many companies fully converted from civilian to military production will have their manufacturing margins cut. War stocks are certainly at their peak. Don't forget what happened during the renegotiation period of 1946-47.

Diversify Your Investments

Government policy makers are now pouring water over the inflationary fire on which they were dumping gasoline only a short time ago. This vacillating policy requires careful diversification of investment funds during the coming winter. Have less than half of the total funds in common stocks. For this half buy only securities of companies that make some money both during good times and bad times; and where the management is of high character. Buy no bonds except Convertible Bonds. Have the other half of your investment funds in Cash, Savings Accounts, Government Bonds, etc. awaiting more favorable buying opportunities later.

Political Outlook

No one in this world has gotten something for nothing for any great length of time. I should, therefore, like to point out that we are heading for some very serious trouble in this country unless employees improve their output to compensate for increases in wage rates; otherwise, future increases in wages will prove to be an illusion. Subsidies given one section mean taking wealth away from another section. In the long run employers are only cutting their own throats by charging too high prices.

Honest value for goods and services should be the aim of us all. Regimentation is not the answer to our troubles. The planners, whether they be in Washington, London or Moscow, never create wealth — all they do is to redistribute the fruits of other peoples labor. This is not treating one's neighbors fairly. Basically what really counts most of all is how we people treat one another. Only through an economy based on the Teachings of Jesus can we hope to maintain and improve our splendid standard of living.

First Year of Midwest Stock Exch. Successful

Homer P. Hargrave, Chairman of Board, says results have been satisfactory and operations have been profitable.

Homer P. Hargrave, Chairman of the Board of the Midwest Stock Exchange, reporting on the first year's operation of the new Exchange, said:

Homer P. Hargrave

"Today, Nov. 30, 1950, marks the completion of the first full year's operation of the Midwest Stock Exchange. It started business on Dec. 1, 1949. The results have been most satisfactory, as indicated by the following figures:

"Share volume for the 12 months was 18,668,486. This figure compares with a volume of 7,885,644 shares for the period Dec. 1, 1948 to Dec. 1, 1949, by the Cleveland, St. Louis, Minneapolis, St. Paul and Chicago Exchanges, which were the exchanges merged to form the Midwest Stock Exchange.

"The dollar volume for the first year of operations was $502,629,264. This compares with a dollar volume of $197,811,122 for the previous 12 months of these merging exchanges. (In that the Securities Exchange Commission official figures for November, 1950, are not available, the foregoing figures include an estimate for the month of November.)

"Percentagewise, it shows an increase of 137% in share volume, and an increase of 154% in dollar volume over the year previous.

"The security business in general has been much more active in 1950 than for the period in 1949, and naturally the activity on stock exchanges much accelerated, but this increase of 137% and 154% in the Midwest Stock Exchange volume for its first year represents an increase far and beyond the increase in general business, and is an increase that cannot be even closely approximated by any other stock exchange.

"The merging of these four exchanges has increased the liquidity of the markets for all shares listed on the exchange, to the great benefit of all investors. The increase is not only most apparent in a comparison of the business done by Chicago members of this exchange, but for outside members as well, as in the past 12 months the St. Louis and Cleveland branch offices of the Midwest Stock Exchange have poured in a volume of 3,305,470 shares of business to this new exchange. This compares with 832,316 shares these two exchanges did in 1949, or an increase of 297%.

"Possibly of more importance from a long-term standpoint than the mere result of the first year's operations of the exchange is the great growth the exchange has had in member firms and member firm offices. At the present time there are 400 outstanding memberships in the exchange; 287 of these memberships are held by member investment and brokerage firms who maintain all told 914 offices in 44 states.

"In the 11 Midwest state area, which is the territory adjacent to the exchange, our members maintain 505 offices. This compares with 301 offices maintained in the same 11-state area by members of the New York Stock Exchange.

"During the first year the exchange has admitted to listing the stocks of 47 new companies. This brings the total number of issues available for dealings on our exchange to 464. (These 47 new listings, incidentally, are more listings than the four merging stock exchanges have had all told in the last 12 years.)

"With the month of November estimated, the 400 members of the Midwest Stock Exchange received in income from their commission approximately $5,551,732. This figure compares with an estimated income for all members of all the exchanges participating in this merger for a similar period in 1949 of $2,185,067.

"The exchange operated at a profit in their first year. This figure, subject to final audit, will be in excess of $35,000.

"Memberships in the new exchange which were sold originally Dec. 1, 1949, at $2,500 per membership have increased steadily in price through the months. The last sale for a membership was at a figure of $5,000. There is still a demand for membership with a dearth of offerings. The present membership market is $5,000 bid; there is one membership offered for sale at $7,000.

"Great emhasis has been given by the Board of Governors during the year to the elimination of memberships held in inactive hands, and additional emphasis has been given to the placing of these inactive memberships in hands of new and younger members who will make the Midwest Stock Exchange their main line of business. This policy will be continued, thus forming a strong base for future growth.

"The unusual public investor interest in this new fast growing exchange has been most gratifying, and this together with the increasing numbers of applications and inquiries for listing, from suitable companies, and the interest of investment corporations and investment dealers in acquiring memberships, makes continued growth seem a certainty.

"The addition of new transfer offices in Cleveland, St. Louis, Minneapolis, St. Paul and Chicago has enabled members of the exchange to do a much finer job for the investing public. The addition of each transfer agency in our territory adds to the ease with which the public can be served and it creates a broader and more fluid market for the securities which are listed on the exchange. There will be additional transfer offices announced within the near future."

With C. H. Wagner

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Thomas J. Flynn has joined the staff of C. H. Wagner Investment Co. of Tulsa, Okla.

Christensen Joins Andrews & Wells

Andrews & Wells, Inc., 70 Pine Street, New York City, dealers in state and municipal bonds, announce that C. Raymond Christensen has joined their staff as of Dec. 1, 1950. Mr. Christensen was formerly with Chemical Bank & Trust Company where he was an Assistant Vice-President in Charge of the Government Dealer Department. He was associated with the latter organization for 22 years, during which time he built one of the largest dealer organizations in government securities in the country.

Have Tight Labor Situation—But Longer Work Week Not Needed!

By HON. MAURICE J. TOBIN*

Secretary of Labor

Secretary Tobin, though stating we face tight labor situation, holds labor supply can be expanded by more than 2 million workers, and therefore a longer work-week or relaxation of minimum wage standards is not needed now. However, predicts immensely increased apprentice supply will be required, and warns against neglect of health of workers and conditions of employment.

The staggering changes which have taken place in the world since this labor legislation conference first met in 1933 challenge the imagination. Seventeen years ago, all of us were thinking only of domestic problems against a backdrop of four years of depression. In those distant days, we gave scant thought to international affairs. None of us dreamed then that the day would come when far-away places and far-away events would force us to take measures to protect the free world. Now, of necessity, our thoughts and energies must be directed to making our nation strong and invulnerable. For that purpose, we must think in terms of unleashing America's great productive might.

Maurice J. Tobin

Obviously, that great might is dependent upon the men and women who are trained and available to man the machines which turn out materials for defense. You are all familiar with the figures that spell the difference between the manpower available in 1940 when we began to tool-up for World War II, and the situation today. We had a reservoir of more than 8 million unemployed ready and eager to produce the volume of guns, tanks, and planes, that overwhelmed Hitler and Mussolini. What is the situation today? Unemployment in October this year was estimated at only 1.9 million and it is reasonable to expect this level to drop by a good half-million by late next year.

It is obvious that, as our armed forces expand from 1.5 million to 3 million, and as our resources are channelled to the needs of the armed forces, manpower will emerge as one of our major problems. We already have a civilian economy operating at the highest level in our peacetime history. Our labor force has never been so large as it is today. Yet it must be expanded to meet the nation's defense requirements.

Labor Supply Can Be Expanded

That can and will be done. Our labor supply is much more flexible than is commonly believed. It can readily be expanded in the year ahead by roughly 2 million in the context of **partial** mobilization. Normal growth of the labor force will add at least a half million workers. An increased inflow of teenagers, housewives, the handicapped and older persons may be expected to the extent of at least 1½ million. In addition, 100,000 veterans will be out of school and ready to go to work. If necessary, an increase of one hour in the average workweek would be the equivalent of 400,000 workers.

Adding up these and other factors, we should have a substantial increase in the labor supply next year — probably enough to meet our present foreseeable needs. The situation will be tight, but not beyond our capacity.

Now, in a tight situation, prudence in conserving what one has becomes the first law of survival. We are already aware of pressures to relax maximum laws in the interest of defense production. When we get into mass production, these pressures may grow. Surely we cannot so soon have forgotten the experience of World War II. When relaxation came, the hard realities of fatigue, illness, absenteeism, and labor turnover forced a return to sound standards to maintain production.

There is general agreement that current defense production has not reached a point where relaxation of hours laws is justified. Should it become necessary later, we will want to work out cooperative operating procedures, to sustain basic labor laws, and to take care of real emergencies when, for brief periods and under certain conditions, hours standards may be relaxed. I can assure you that if and when all-out production is at hand, we shall have worked out, in advance and in cooperation with all interested Federal agencies, a national policy on hours for optimum production. This, we believe, will further support your standards in the States.

What I have said about hours also applies to all other kinds of working conditions. We must not only maintain our high standards, but move forward. Can anyone argue that a free, untired, healthy, vigorous, and highly skilled working force is not superior to a slave working force? Should we not be more than ever insistent upon high standards? All of the protections and conservation methods that can be thrown about our producing force will pay dividends in the long haul.

Speaking of conservation of our human resources, let me say a word right here about our youngsters . . . our most precious asset for the future. In the last war, many of our boys and girls flocked into jobs of all kinds, hastily deserting school, or attempting the impossible through a combination of work and school attendance. Chlld labor laws were too often ignored by employers. Praiseworthy as the motives of some youngsters may have been, what happened was not good for them in the long run. A better education would have prepared them for better service to the nation. Together, we must strive to put into practice our democratic ideal that all our boys and girls should have freedom from early toil and should have an opportunity to obtain a good education. We must see to it that our children are kept in school where they will be trained for better service in the days to come.

Women will be returning in greater measure to the labor force. They form our greatest unused reservoir. We must remember and recognize their continuing and essential contribution as homemakers and mothers. Our recruitment of women must put emphasis on those who are without important family responsibilities—single and older women. And wherever homemakers are used, we will have to make adjustments which will enable them to carry the double load.

Women, the physically handicapped, and the older workers need special consideration in hiring, in training, and in all other respects, clearing the way to the fine contributions these groups can make. No one is better qualified to bring these considerations forward than State Labor Commissioners.

Have Machinery for Channelling Manpower

We have the machinery now for the orderly channelling of manpower into the necessary jobs. The great public Federal-State employment services are the proper agencies to pool manpower requirements, and release the supply where it is most needed. The Federal-State system of employment offices reaches into virtually every community. They can do the job.

For the moment, at least, our chief difficulty has to do with particular skills and occupations, in areas with a heavy concentration of defense employment. This shortage points up the need for more apprentice training.

I am sure you will want to face up to this need to increase our skilled working force. It is not far-fetched to say that the decision in the struggle of the free world against the slave world may depend upon how well the trained, efficient productive force of this country can out-produce the manpower at the disposal of the aggressors. We certainly cannot win unless every American is trained and equipped to give the utmost service. We rightly boast of our know-how. This is the hour to spread that know-how.

The total number of apprentices in training at the present time meets only about 25% of the need. In fact, we do not have enough apprentices in training now to replace workers who, through death or retirement, leave the labor force. This situation would be serious even in peacetime. The supply of trainees is inadequate for the partial mobilization in which we find ourselves and will be dangerous in the extreme if the climate changes to total mobilization. Without a doubt, this is our most serious shortage at the moment.

Fortunately, most of us are aware of the shortage, and the proper steps are being taken to correct the shortage.

More Apprentices Required

An immensely increased apprentice supply will be needed to train the influx of new workers. Many of you will remember how unsatisfactory the "quickie" training of the last war was. We must not repeat that wasteful experience. Trainers must be developed to serve as instructors for green hands. In this way, we can absorb new workers without undue strain on industries and workers and escape the evil day of broken trade standards and practices.

In the light of this apprentice shortage, I think you will agree that the U. S. Department of Labor should be enabled to provide technical and promotional assistance to industry in situations not now covered in the operational scope of the Bureau of Apprenticeship. Actual training will, of course, remain in the usual capable hands of management, labor or vocational education experts. But, with the advice and assistance of labor and management, and in cooperation with the States, much can be done to promote development and adoption of plans and programs to improve the skills and techniques of those employed in industry, to collect and disseminate information, to give advice on and evaluation of procedures and methods used in industry, and to conduct studies for the full utilization of the workforce.

In considering manpower for defense, you will undoubtedly put great emphasis on industrial safety and health. In the current posture of affairs, safety assumes a new and urgent priority. We simply cannot afford industrial accidents. Every eye that is lost, every arm that is injured, every human body damaged or killed is an asset to those who would destroy us and a calamity for the free countries of the world. We must do our utmost to insure the health and safety of every worker.

This safety job must, of course, be done by the States. The President's Conference on Industrial Safety has drawn up a voluntary blueprint that represents the know-how and skill of over 500 of the nation's leading safety experts. These recommendations are yours to use as you see fit to promote safety. The important point is to get these recommendations down to the work-bench level where accidents occur. In the defense program for either partial or total mobilization, the States will have increased responsibility in the feild of industrial safety. That responsibility calls for immediate action. Manpower may be the decisive factor in the struggle ahead. We need to conserve every single human being.

In each State, consideration should be given at once to basic legislation which will insure adequate and uniform codes and standards; to injury statistics on which sound preventive measures can be based; to continuing Statewide programs that spotlight critical or essential industry safety problems; and to plant service by State safety personnel that will meet the requirements of both large and small operations. No State in the Union will want to overlook this important angle of manpower conservation.

As background for your deliberations, let me point out that our immediate and foreseeable task is to expand our defense production as rapidly as possible, while at the same time maintaining a high level of civilian production. If we are to have total mobilization—a development resting not with us but with the Kremlin—the basic need, of course, is plant capacity and adequate trained manpower What we hope to achieve at this moment is a more gradual expansion of our total plant by adding defense production to civilian production. Thus, we enlarge our total trained manpower sufficiently to permit total mobilization if it becomes necessary. This is more practical and sensible than trying suddenly to expand after a crisis is upon us.

A Series of Orderly Steps Contemplated

What we contemplate is a series of orderly steps proceeding from conditions of today and tomorrow into circumstances of increasing stringency in the nation-wide labor market. It will not be easy to expand mnapower needs for defense production, for the armed forces and for civilian production, and still get the right men into the right places at the right time. That is the reason we must try to plan now for future contingencies. I repeat, we cannot wait for the crisis to be upon us.

We do not know how much time we will have nor how far we may have to go. Perhaps we are a bit like the confused man in the Philadelphia railroad station, who asked the information clerk, "How far is it to New York?" and got the answer that it was 85 miles. He wandered away only to return in a half-hour to inquire: "How far is it from New York back to Philadelphia?"

The tired information clerk testily answered: "Look, a few minutes ago I told you it was 85 miles from Philadelphia to New York. It's the same distance back." The man waggled his finger at the clerk and said: "I've got you there. It doesn't necessarily follow that it is the same distance. It's only a week from Christmas to New Years, but it's a whole year from New Years to Christmas."

The time and the distance may be long, or it may be short. Whatever it is, a free America must and will be ready. No one will coerce us. We will do the job voluntarily and in a spirit of true cooperation.

*An address by Sec. Tobin before the 17th National Conference on Labor Legislation, Washington, D. C., Nov. 29, 1950.

We Must Take These Things Into Account!

"As regards Europe our case will be ruined if we reject outright the deep conviction, notably in Great Britain, that a socialist economy is for Europeans the only alternative to communism—'capitalism' being considered both inadequate to produce greater economic equality and obsolete in relation to the problems facing Europe today. Whether we like it or not, we must recognize that this conception is widely and firmly held; and that we cannot ask Europeans to abandon it and return to the doctrine of free enterprise merely because this doctrine still appeals to influential Americans.

"Nor should we assume that since the unilingual and largely agrarian American colonies managed (not without difficulty) to unite into a single tariffless market in the 18th Century, multilingual and highly industrialized Western Europe ought to be able to do the same thing in fairly short order today. We must get over a tendency to look upon Western Europe as a backward area that needs only a bit of vigorous American pushing and bullying to advance into an economic situation resembling that built upon our continent in totally different times and conditions.

"As regards Asia, we must abandon equally naive attitudes, such as the assumption that the democratic electoral system is applicable there and that former colonies of Western powers can step straight from complete dependence to complete independence if only their rulers transfer the power to native nationalists." — Harold Callender, chief of the New York "Times" Paris Bureau.

Here is some good advice for the "re-examinists."

Public Utility Securities

By OWEN ELY

Columbus and Southern Ohio Electric Company

Columbus and Southern Ohio Electric serves electricity to the City of Columbus and a large surrounding area, which includes portions of 23 counties. Transit revenues contribute about 16% of total revenues, but late in 1949 a separate company—Columbus Transit—was set up to take over this portion of the business. The top management doesn't wish to sink any more parent company money into transit operations, which have been in the red for four years. The company can dispose of its investment in transit operations—in fact, provision for such a transaction is made in the company mortgage, the terms of which require that the proceeds from the sale of transit operations be deposited with the trustee.

The company's earnings record in the past decade has been as follows (000 omitted):

Calendar Year	Gross Revenues	Operating Income Before Income Taxes Electric*	Transit	Amount Per Share
†1949	$25,483	$7,553	‡$642	$2.33
1948	23,355	6,410	‡317	2.01
1947	21,432	6,728	‡158	2.22
1946	19,168	6,293	29	2.17
1945	18,453	6,264	199	2.20
1944	18,263	6,021	547	1.25
1943	17,312	5,811	659	1.46
1942	15,561	5,311	405	2.00
1941	14,058	5,059	43	1.38
1940	12,950	4,832	--	1.38

*Includes negligible heating operations (also gas in 1940-1941).
†Consolidated. ‡Deficit.

Some utilities in the State of Ohio have to contend with unfavorable regulatory conditions despite the very favorable regulatory basis provided by the state law and its application by the State Commission and the courts. The difficulty is that the cities have the initial right to set residential rates and where these rates are unsatisfactory, the matter of an appeal to the commission and courts is cumbersome and slow. Thus in Columbus, Cincinnati and Cleveland residential rates have been involved in varying degree with local politics, and rate regulation has followed a tortuous path.

In the City of Columbus residential rates have admittedly been on the high side, averaging 4.07¢ in 1949 compared with the national average of about 2.95¢. On the other hand the company continued for years to maintain a nickel transit fare, which the city administration was then willing to "trade" for the above-average electric rates.

However, a new city administration proved tougher, and wanted electric rates reduced while transit fares remained low. Surcharges in its electric rate schedules which the company put into effect in 1948-49 under the terms of the 1944 ordinance (reflecting increased labor, fuel and tax costs) were rejected by the city, and the company had to impound or bond these surcharge revenues. Finally in September 1949, in anticipation of the expiration of the old ordinance in November 1949, a new five-year ordinance was passed by the city, and ratified by the voters in the November election. This ordinance, which was not accepted by the company, would have effected reductions from the old rates (including the 6.4% surcharge now in litigation) as follows: residential rates 33%, commercial 11%, and industrial 7%, or an average fo 20% for all business in the City of Columbus. The final agreement, made in September, 1950 and ratified by a 3-to-1 vote in the recent election, will permit the company to recover contingent earnings of approximately 43¢ a share for 1950 and a credit to surplus approximating 33¢ a share. The overall reduction in future electric revenues of the company, due to the rate cut, is estimated at about 5.5%.

The new ordinance also provides that the City will no longer regulate rates for large commercial and industrial customers—only the State Commission will have jurisdiction over these. This will make this portion of the business more flexible. These rates are also protected to some extent by escalator clauses on fuel, wages and taxes.

Earnings for the calendar year 1950, after adjustment of contingent earnings based on final settlement, are estimated at $2.30 on a 42% tax basis, or $2.17 if the transit company's loss is included. The present transit fare of 7 tickets for 50 cents (or 8 cents cash) has been in effect since Nov. 23, 1949, as a result of litigation in the local courts. In May 1950, the City passed a new fare ordinance which is now being contested by the company in a Federal court, where a special master may be appointed to decide whether the city order is confiscatory. This seems obviously the case, as the transit company is currently operating at a loss even with a 7-cent fare, and another increase in wages will be necessary. The Federal court can allow an interim increase in fares, although it cannot make permanent fares. Eventually a "cost of service" franchise may be enacted, since this move has proven quite satisfactory in Toledo and other Ohio cities.

With the company now virtually relieved of its transit burden, and with tax savings absorbing a good part of the electric rate adjustment, the decline in earnings should be less than might be surmised from former press reports of a 22% cut in electric rates. The $1.40 dividend rate would seem reasonably secure in 1951 unless excess profits taxes make very heavy inroads into earnings.

Clark, Dodge to Admit Hobbs and Dayton

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit William A. Hobbs and John W. Dayton, Jr., to partnership. Mr. Dayton is assistant manager of the bond department for the firm.

Stanley Heller to Admit M. A. Prince

Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, will on Dec. 14 admit Milton A. Prince to partnership. Mr. Prince, who will acquire the Exchange membership of Philip Gossler, Jr., was formerly with Dreyfus & Co.

Blair Holdings Corporation Acquires Stock of First California Company

One of the most important developments in the history of the Pacific Coast financial business is revealed in the announcement that

H. T. Birr, Jr.

E. J. Evans

all of the common stockholders of the First California Company have elected to accept the offer of Blair Holdings Corporation to acquire their stock. "First California Company will continue to serve its clientele as an independent subsidiary of the holding company, without change in name or personnel," E. J. Evans, Chairman of the Board, stated in making the announcement.

One of the largest retail distributors of securities on the Pacific Coast, First California Company, distributed securities valued in excess of $60,000,000 during the past year, the greater portion of which represented a capital investment in western industrial enterprises. Among the western companies whose securities were recently distributed by First California Company were the Bank of America N.T. & S.A., Pacific Gas & Electric Company, San Diego Gas & Electric Co., Southern California Edison Co., Sun Ray Oil Co., Portland General Electric Co., Puget Sound Pulp and Timber Co., Harbor Plywood Corporation, California Oregon Power Co., and Lucky Stores, Inc.

More recently the First California Company headed the underwriting groups distributing the stock of Langendorf United Bakeries and California Pacific Utilities and was the second largest Pacific Coast participant of the $40,000,000 Kaiser Steel underwriting last month. First California Company is also one of the nation's leading distributors of trust shares and bank stocks.

Dating its history back to 1919 when its predecessor company had but one office, First California Company has shown a steady growth until today it serves all the important cities of California through its 21 offices and representatives. The company also maintains two offices in Nevada. Its personnel numbers approximately 200, and is fully departmentalized with Northern and Southern California divisions. Private wires connect all offices, including direct communication with its New York correspondent, a member of the New York Stock Exchange. First California Company is also a member of the Los Angeles Stock Exchange. In 1947 the organization was enlarged with the acquisition of Nelson, Douglass & Co., a Southern California investment firm with 12 offices in that territory.

First California Company will continue to be directed by E. J. Evans, Chairman of the Board; H. T. Birr, Jr., President; Richard W. Wild, Vice-President and Secretary-Treasurer, and with the following Vice-Presidents: Dwight Baum, A. M. Bleiler, John F. Egan, R. E. Evans, John Mackey, Joel D. Middleton, M. A. Rogers and F. Stewart Roussel.

Continued from page 4

Excess Profits Tax—Evil Brew of Inequity, Exemption and Privilege

managerial skill in the use of cheap dollars.

(5) It will be less of a handicap to new investment.

(6) And finally, no compelling substantive reason has been presented as to why an excess profits tax should be adopted. Both experience and reason warn clearly against the adoption of this mischievous tax.

What arguments have been made in favor of the excess profits tax? The substantive arguments are few and they do not stand up under examination.

Ignores Place of Costs in Pricing

(1) Advocates of an excess profits tax have denied the inflationary nature of the formula. They insist that surely the incentive for raising prices is lowered if only 15 to 25 cents of the profit dollar can be kept.

Such reasoning, often proceeding from lack of managerial experience, completely ignores the place of costs in pricing. Business managers have kept unit costs down in the face of rising wage rates and other expenses by economical use of materials and services, and by investment in new machine tools and equipment which cut costs.

The excess profits tax puts a premium on aggressive bidding for materials and services to maintain and extend markets. At the same time, since new investment is not an expense but a capital charge, it is better business judgment to spend the cheap dollars to maintain the old and less efficient machinery rather than to risk investment in cost-cutting new machinery.

(2) The Treasury has urged an excess profits tax in preference to a flat increase in the corporate rate, because the additional tax should be "more selective," and because it should be limited to "taxpayers with significant defense profits." To serve the latter purpose, the $25,000 minimum credit was proposed. This exemption of small business just as easily could have been included in a flat tax increase measure.

The Treasury also seemed to feel that something should be done tax-wise to level down the earnings of successful corporations. By introducing differential treatment through exemptions and graduated rates, it thereby proposes to put into effect indirectly the progressive taxation of corporate income—an issue of grave importance which has not been a subject of explicit discussion.

We have contended that the excess profits tax is not equitable. The Treasury's proposals and its supporting tables prove that the formula purposely discriminates in favor of some and against others—and that it is recommended just because it is so "selective." To the taxpayer, such selectivity becomes plain discrimination.

Tax Has Limited Application

(3) The public has been led to believe that the excess profits tax can recover unusual profits arising from the defense effort.

Few people understand that the excess profits tax applies to only a small fraction of profitable enterprise. It does not apply to unincorporated business; it does not apply to rents and royalties, to personal services, nor to farmers.

The excess profits tax applies only to earnings which arise under the corporate form of doing business. Such a tax in World War II was paid by only one out of sixty business concerns.

Since economic activity is generally stimulated by expanded defense preparations, then obviously a tax which excludes individual earnings and reaches perhaps only one out of sixty business enterprises cannot claim to be either equitable or efficient in recovering a proper share of profits arising from defense.

Business principals with whom we have been in contact are overwhelmingly opposed to an excess profits tax in general and in detail. A substantial number of companies represented on our Committee would be favored rather than hurt by an excess profits tax, at least in the few years ahead. But in the interest of the general public welfare, they still oppose the tax as being fundamentally unsound.

Even though the excess profits tax might improve their immediate current earnings as against an across - the - board tax increase, even though their bargaining position might be improved against lower-cost producers, nevertheless they reject this unsound tax measure that, over a period of years, would wreck our economy. They understand full well that the final answer in our conflict with those who would destroy our free institutions will be given in substantial measure by which way of life, which type of economy, makes the greater, the sounder progress in the next decade.

These are the facts. On these facts the excess profits tax should be forever rejected as bad for America.

Dillon, Read Group Offers Pfd. Stock Tex. East. Trans. Co.

Public offering of 200,000 shares of Texas Eastern Transmission Corp. new preferred stock, 4.50% convertible series of $100 par value was made yesterday (Dec. 6) by an investment banking group headed by Dillon, Read & Co. Inc. The stock was priced at $100 per share plus accrued dividends.

Each share of the convertible series is convertible at the option of the holder at any time prior to Dec. 1, 1960, into common stock of the company at $20 per share of common stock, taking the convertible series at $100 per share.

Proceeds of the sale will be used in connection with the company's expansion program. This program includes the Oakford Storage Project, recently authorized by FPC for the development of underground natural gas storage facilities in Westmoreland County, Pa. It also includes the New England Project, the principal part of which will involve construction of a 30-inch pipe line extending from a point near Kosciusko, Miss. to a company station at Connellsville, Pa., a distance of about 790 miles.

Texas Eastern has pending an application for a certificate for the New England Project. Connection is planned between the New England Project line and a proposed pipe line system, to be built by Algonquin Gas Transmission Co., which will serve a part of the New England area.

Texas Eastern's share of the Oakford Storage Project is estimated at $15,100,000 and it is estimated that the New England project will cost approximately $99,200,000.

Daily delivery capacity of the Texas Eastern system will be increased by approximately 475 million cubic feet upon completion of the proposed new facilities.

NSTA Notes

DALLAS BOND CLUB

At the regular monthly luncheon of the Dallas Bond Club Friday, Dec. 1, 1950, the following were elected to serve as officers for the year 1950-1951:


Hugh D. Dunlap


Winton A. Jackson


Joe W. Ellis


Sam Johnson

President—Hugh D. Dunlap, Binford-Dunlap & Company, Dallas.

Vice-President—Winton A. Jackson, First Southwest Company, Dallas.

Secretary—Joe W. Ellis, Rauscher, Pierce & Company, Dallas.

Treasurer—Sam Johnson, Southwestern Securities Company, Dallas.

The following were chosen as directors for the coming year, to complete the seven-man Board of Directors: W. R. Newsom, Jr., Sanders & Newsom, Dallas, (Retiring President); Lewis F. Lyne, Merrill Lynch, Pierce, Fenner & Beane, Dallas; Harry W. Phillips, Dallas Union Trust Company, Fort Worth.

The new officers will take office at the next regular luncheon meeting of the Club, which will be held Thursday, Jan. 11, 1951.

SECURITY TRADERS ASSOCIATION OF NEW YORK

On Dec. 1, at the annual meeting, the Security Traders Association of New York, Incorporated elected Leslie Barbier of G. A. Saxton & Company, Inc. its President for the year 1951.


Leslie Barbier


Harry Arnold


John J. Meyers, Jr.


George V. Hunt


Alfred F. Tisch

First Vice-President—Harry L. Arnold, Paine Webber, Jackson & Curtis.

Second Vice-President—John J. Meyers, Jr., Gordon Graves & Company.

Treasurer—George V. Hunt, Starkweather & Company.

Secretary—Alfred F. Tisch, Fitzgerald & Company.

Directors—John F. McLaughlin, McLaughlin Reuss & Company; John S. French, A. C. Allyn & Company, Inc.; Joseph C. Eagan, Frank C. Masterson & Company; Nathan A. Krumholz, Siegel & Company.

John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane, retiring President will be a carry-over Director together with: Richard H. Goodman, Shields & Company; D. Raymond Kenney, D. Raymond Kenney & Company; John D. Ohlandt, Jr., J. Arthur Warner & Company, Inc.; T. Frank MacKeesy, Abbott, Proctor & Paine; James F. Fitzgerald, W. L. Canady & Company, Inc.

Trustees of the Gratuity Fund—George V. Leone, Leone & Pollock; Lawrence Wren, Allen & Company.

National Committeemen—Samuel F. Colwell, W. E. Hutton & Company; Irving P. Grace, W. C. Pitfield & Company, Inc.; Stanley L. Roggenburg, Roggenburg & Company.

National Committeemen Alternates—John J. O'Kane, Jr., John J. O'Kane, Jr. & Company; Charles M. Zingraf, Laurence M. Marks & Company; Henry Oetjen, McGinnis & Company; Harold B. Smith, Pershing & Company; Edward J. Kelly, Carl M. Loeb, Rhoades & Company.

Nominating Committee — Michael J. Heaney, Michael J. Heaney & Company; L. A. Gibbs, Laird, Bissel & Meeds; Milton Van Riper, John C. Legg & Company; Arnold J. Wechsler, Ogden, Wechsler & Company.

THE SECURITY TRADERS ASSOCIATION OF NEW YORK

Bowling League standings of the Security Traders Association of New York, as of Dec. 1 are as follows:

TEAM	Won	Lost
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	19	8
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	17	10
Krisam (Capt.), Bradley, Montanyne, Weissman, Gannon	15	12
Leone (Capt.), Krasowich, Nieman, Pollock, Gavin	15	12
Mewing (Capt.), Klein, Flanagan, Manney, Ghegan	14	13
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	14	13
H. Meyer (Capt.), Smith, Farrell, A. Frankle, La Pato	13	14
Serlen (Capt.), Gersten, Gold, Krumholz, Young	13	14
Goodman (Capt.), Casper, Valentine, M. Meyer, H. Frankel	12	15
Donadio (Capt.), DeMaye, O'Connor, Whiting, Workmeister	12	15
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	10	17
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	8	19

Arthur Burian (Daniel F. Rice & Co.) is still bowling in his usual flawless manner, keeping his average well over the 170 mark. Since Wilber Krisam (Geyer & Co.) took off all that weight, his bowling improved and is really sparking his team mates, they won three games last Thursday.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The newly elected officers for 1951 for the Security Traders Association of Los Angeles are:


Robert D. Diehl


Richard R. O'Neil


William A. Johnson

President—Robert D. Diehl, Paine Webber, Jackson & Curtis.

Vice-President—Richard R. O'Neil, Edgerton Wykoff & Co.

Secretary—William A. Johnson, Sutro & Co.

Treasurer—Tim D. Spillane, J. A. Hogle & Co.

Board of Governors—Harold C. Frankel, Fairman & Co.; Jack Alexander, Walston, Hoffman & Goodwin; Nicholas P. Kirwan, Dean Witter & Co.

Mr. Diehl, served as President of the Cleveland Security Traders Association in 1941 and since moving to Los Angeles in 1945 has remained active in Traders affairs. The election meeting was held at the University Club with Jack Alexander presiding. William A. Miller, Chairman of the Nominating Committee conducted the election.

Continued from page 15

Defends Periodic Payment Plans of Mutual Funds

the people in lower income brackets, and the 51% in the $3,000 to $7,500 brackets, should have the same opportunity to invest their future as the 17% who are in the much higher bracket of $7,500 and over?

The plans which my organization sells call for payments as little as $10 a month up to and including as much as $750. The size of the average plan sold for the first ten months of this amounted to $40 a month.

These plans are qualified under the Federal Investment Company Act of 1940. I believe that they offer not only the small and medium income bracket an opportunity to help themselves, but as our records definitely show, many people in the higher income brackets who can afford plans of $100, $200, $300 and more per month, are rendered a very outstanding opportunity to put this money to work regularly, thus getting the advantages of dollar-cost average. All of these planholders, both large and small, are better served by a plan that has the penalty of early withdrawal than a plan that does not carry this penalty. The reason for this is that if there is no penalty to terminate a plan, the average individual will do so when security and economic conditions bring about low prices. On the other hand, if there is a penalty for dropping the plan, the chances are, and records prove, that the planholders keep it up during depressed markets which, of course, works to their advantage.

We have many instances of people having kept their plans who otherwise would never have had the sum of money available to them when the plan is complete. I could quote you many cases of where small planholders of only $10, $20 and $30 a month have indicated that without such a plan, which forced them through penalty to continue it during doubtful periods, they would never have had the funds available to them at a time when they were very badly needed.

Believe me, Mr. Johnston, I am not exaggerating when I say that it brings me pleasure to see the good these have done for many people who have availed themselves of these wonderful plans.

Lastly, I think it should be recognized that the early termination of any long-term financial transaction is, as we state so definitely in our application, unprofitable to the investor. This holds true of a person who buys an annual premium annuity contract, and this is shown in the table below. You will notice in that table, that even at the end of the 10th year, the annuitant has a loss in his account. The table below provides for no insurance protection whatever, and is a straight annual premium annuity contract:

Annual Premium Elective Annuity (no insurance coverage)

Year	Payments	Cash Value if Terminated	Loss if Terminated
1	$120.00	$79.20	$40.80
2	240.40	189.96	50.04
3	360.00	303.60	56.40
4	480.00	420.00	60.00
5	600.00	538.80	61.20
10	1,200.00	1.182.00	18.00
15	1,800.00	1,932.00	(132.00)*
20	2,400.00	2,780.40	(380.40)*

* = Profit.

It should be common knowledge that the purchaser of a home, an insurance policy, an annuity, or an automobile, or goods and services of all kinds, who has to forfeit the investment in the early years usually does so at a loss, and, of course, that is certainly no indictment against them for making such purchases, but is to be expected to a certain extent. Where this percentage is so little, as is shown in this letter, I feel that we are rendering a very outstanding service, and I feel that every state should welcome such plans, and make it possible for them to be economically offered to their inhabitants. People do not walk into brokers and dealers and say they want to start one of the so-called periodic purchase plans. It requires a specially trained sales organization who will go out and constantly show people the advantages of having a planned investment program. It is not economically feasible to do this except on a basis which permits the salesman to make a reasonable profit on the transaction, and to secure this profit within a reasonable length of time. How many life insurance salesmen do you believe there would be if they received their commissions equally spread over the life of a policy? I am sure you will realize that practically no person would continue as a life insurance salesman on that basis. They are, however, compensated adequately for having made a sale, and received the greatest part of their commission out of the first year's premium. That is exactly what our salesmen do in selling periodic purchase plans.

The same discount is given to purchases of large plans as is customarily given to purchases of a large block of shares in most investment companies. For example, a person starting a $250 monthly plan, is beginning a $30,000, 10-year program. He is acquiring this $30,000 worth of shares at the rate of $250 a month. If he bought the shares outright and paid the sales load it would cost him 8%, whereas, in buying through our plan we give him the reduced sales charge on a $30,000 purchase. The sales load, custodian fee, Federal issuance tax, in fact all of his charges, total but 7.63% for the entire ten-year period, thus saving him money and giving him the advantages of a plan which will automatically reinvest his dividends for him, thus saving him 8% on such dividends reinvested.

I am sending a copy of this letter to "The Commercial and Financial Chronicle," and trust, that as a service to the millions of people in this country who should have plans such as I specialize in, that they will feel disposed to give it the same publicity that they did your address.

I would appreciate your careful consideration of the points covered, and in the interests of all would be very pleased to hear from you if any part of this letter is not entirely clear.

Very truly years,

EDWARD E. MATHEWS.

Nov. 29, 1950
53 State Street
Boston 9, Mass.

Continued from page 9

Why Assail The Steel Industry?

from now. Few things can wreck a steel company quicker than a

When the answers to all these problems are satisfactorily behind us, we run smack into the financing difficulty. Building any important unit of a steel plant runs into real money and the cost is going up like a jet-propelled plane.

In 1915 or thereabouts, we could build a complete coke over plant with necessary by-product and benzol plants, which would carbonize 2,000 tons of coal a day, for \$2.4 million. In 1939, the same plant would have cost \$4.4 million. Today the cost is \$10.5 million.

A 72-inch finishing mill used to set us back about \$2 million. To day, we dig a lot deeper because the bill is \$5 million. Even a 15-ton heavy-duty crane with a 100-foot span has gone from \$23 thousand to \$54 thousand. And so on and on and on.

But since 1939 the composite finished steel base price has only risen from \$45.34 per ton to \$76.74 per ton, or 69%.

As I have already said, a new steel plant built from the ground up would represent an investment today of \$300 per ingot ton capacity. In this is included the cost of the necessary ore and coal deposits together with auxiliary facilities.

To round out a plant costs about \$100 per annual ton of capacity. Let me explain what I mean by "rounding out" by discussing for a moment the expansion Republic announced last week.

We are building a new 1,400-ton blast furnace. But the new furnace goes next door to one which is already in operation. So ew utilize the existing ore docks, power plant, railroad and other facilities which were built some years ago.

We already have a 15-furnace open hearth plant which we are expanding to a 19-furnace plant. Here, again, we will use facilities already in operation. No new booming mill. No new hot strip mill.

Our capacity for cold-rolled sheet will be increased, but the increase will be around an existing plant.

This kind of expansion, this rounding out, can be done for approximately \$100 a ton, in many cases. We have been looking at another possible program which would cost \$200 and have for the time being at least shelved that because it is too rich for our blood.

But the plants of Republic represent an investment of \$50 per annual ton of capacity.

The Question of Steel Prices

Our price structure is on a \$50 per ton basis—not on a \$100 or \$200 or \$300 per ton basis, the cost of an entire new plant.

So we are always faced with a serious question—serious to you and serious to us.

How much high cost expansion can we undertake and still hope to keep steel prices at a reasonable level For not only have construction prices gone up, but material costs and wages have gone up hand in hand.

But in spite of high construction, equipment and other costs, the industry has invested about \$2 billion in its expansion program during the last four years, and will more than double that expenditure in the near future. By contract, in 1939 the investment in the entire industry was only \$4¼ billion.

No, the steel industry has not stood still, nor does it intend to stand still. As new needs for steel become apparent, those needs will be met.

But we didn't know at the end of the war that there would be 29 million tons of steel lost because of strikes between 1945 and 1949. Spread over a five-year period that would have increased the steel supply by about 6 million tons a year. What a dent that would have made in the steel shortage! To build a new steel plant which would produce 6 million tons a year would cost \$1.8 billion at \$300 per ton, 40% of the total net investment of the steel industry in 1939, just to offset the strike losses in the last five years.

None of us—at least outside official circles—realized early in June that a Korean war was in the offing. Should the steel industry have expanded to meet an unforeseen war demand on top of a record civilian demand? That doesn't sound like good sense to me.

We didn't know early last June that we would be in the midst of a rearmament program of major proportions by the end of the year.

There is another element which would encourage expansion not only on the part of steel, but other industries. Something more is needed beyond the mill to expand and the money to finance expansion. It would be a welcome change to have a little encouragement and understanding on the part of the government instead of continuous harassment.

Instead of encouragement and understanding, we have been threatened with a Spence Bill. We have been investigated and bedeviled. The government seeks to scare us with threats and intimidation. Too often there has been little desire or interest to understand our problems. That may be good politics, but I wonder whether it's good for the country.

One moment we are told we must expand; the next it is recommended that the government build steel plants with the ever-present theat of nationalization as in Great Britain.

Is that an atmosphere in which maximum expansion can be carried out? Is that a climate in which venture capital will be encouraged into the markets?

If we are to expand, then profits must be the major source of our funds.

But when we make enough money to finance expansion and improvements, we are labeled as profiteers. If we increase the price 5% we are summoned to a quick Congressional investigation, complete with Klieg lights and newspaper headlines. Other industries can increase prices by 5% and the only notice given to the increase is a brief announcement in the papers.

And still, in spite of everything we may do in the way of price structure, last year we were unable to hold on to much more than seven cents out of each dollar you customers paid us. And out of that seven cents we paid dividends and footed the bill for a substantial part of these costly expansions I've talked about.

But try to get some of the members of our Congress to understand that a fair profit doesn't mean that you're gouging your customers and robbing the public I know from personal experience it can't be done. Gentlemen, it can't be done. They don't understand English—the way I speak it.

It may be significant that in the face of the great demand for steel and in the face of what the government and the unions describe as vast profits, not a single new privately-financed steel company has been started. If the steel industry really were a gold mine of profits, there would have been no difficulty in interesting investors in new steel enterprises.

Government Encouragement Needed

What the steel industry needs—what all industry needs—is government encouragement and understanding. We don't ask for favors or preference. We hope only for relief from demagogic bedevilment carried on for the purpose of vote-catching.

If the country is to fulfill its potentialities, we must take a new and broad look at our basic political structure.

For the past two decades the dominant political leaders have tried to reduce our people to groups of antagonistic classes. Labor has been pitted against management, the non- or low-income tax payer against the high income tax payer, the farm against the city, the young against the old, the "have nots" against the "haves."

The policy has been to give more and more and more benefits to more and more people—to tax and tax and spend and spend.

To me this economic cleavage, born of the desperate days of the depression, this attempted alignment of class against class, is crazy and un-American. To try to promote it for political ends smacks of Socialistic Britain or Communistic Russia.

What we need and need desperately in this country is an understanding of the differences between sound and false economics. This doesn't sound very romantic, but who would expect a steel man to be romantic?

We need less emphasis on class consciousness and getting something for nothing, and more emphasis on common sense, making it easier for business to survive and grow and so continue to provide more and better jobs at top wages. We need less spending for the sake of spending and greater interest in making the dollar worth one hundred cents.

You know, as a matter of fact, almost everybody agrees on our objectives. The disagreement comes in how we are to reach these objectives. For instance, we all want to pay good wages, but some believe wage increases can come from profits while others know they can only come from increased productivity. On the one hand, we have people who believe in the economic and social fallacy that the government, through our taxes — and by "our" I mean "everybody's"—can be all things to all men; and on the other hand, we have people, and a lot of them, too, who still believe in opportunity, work and the freedom to run their own lives.

There is only one fundamental difference in this country, and I have had little fear as to how our people would decide it if the issues are sharp-cut. Happily, in the recent election, the fundamental good, sound, common sense and realism of all the people—not any one class—again rose to the top. The question is simply this: "Is the United States going down the drain toward a Socialistic Superstate, such as helped reduce the standards of living in Great Bratain and Russia, or is she going to be the land where all citizens still have the opportunity to make themselves what they wish with brains and hands?"

It is just as simple as that.

What did we see in the last election? We saw one group, a radical group, base its campaign on false economics, on increased government handout and privileges and on promises of a Utopia under government supervision.

Free medical care—even though you were able to pay for it—handed out by government doctors. Lower produce prices to the consumers and higher produce prices for the farmers, with the tax payers—the consumers and the farmers — footing the bill. Price control, rent control, crop control—the same old marked cards in the same old deck. All these schemes were based on letting the Federal Government run the whole show and provide more jobs for more bureaucrats at the same time.

"If you will vote as we tell you," the radicals said, with the aid of millions of tax dollars, "you'll have a Utopia. Don't pay any attention to what they tell you has happened in Great Britain and Russia, where they tried our scheme. That's all propaganda. Never mind what it costs, either. Just trust us and vote us in. We'll redistribute the wealth and you'll get yours."

Opposing the radicals was a group of courageous candidates, men of common sense, who believed in sound economics and told the people there was no such thing as pie in the sky. They faced the issues squarely. They opposed the expansion of government control over everything, of meddling in the economic life of the citizen. They told the truth, the hard truth, even when it seemed to oppose their political interest. They emphasized the government's meddling in foreign affairs, its empty promises, its creation of crises to cover failures.

The common-sense candidates, the sound economics candidates, won by a surprisingly large majority. The voters were tired of hokum. They tore the Santa Claus false face from the Spence Bill, the Brannan Plan and socialized medicine. A great majority in many states recognized these for what they are—creeping socialism, a plan to get the camel's nose under the tent.

Now we know for sure that most people don't want government handouts linked with incompetence. They want the freedom and opportunity to live their own lives. They are sick of government interference, heckling and pestiforous regulations. Instead, they want freedom to mind their own business within a reasonable framework of governmental supervision and help.

The election showed the people are unwilling to give up their independence and let themselves be pushed around by anyone. They are not willing to follow the orders of self-constituted political leaders or union bosses. Union members will follow their leaders —not always wisely—on questions of wages and hours, but when it comes to politics they think for themselves and vote for themselves.

The so-called labor vote has lost its threat just as the prohibition vote did a few years ago.

We know that Americans vote as Americans—not as employees, not as employers, farmers, city folks, not as shop keepers or bureaucrats, not as class-conscious groups. There is a real job in front of all those who believe that the idea of sound economics must prevail.

The issue must continue to be drawn—the issue of sound against false economics.

At the same time we must promote and fight for ideas that are for the lasting welfare of the nation and all its people. We must sponsor ideas that improve standards of living, increase freedom and broaden opportunity. We must be positive as well as negative. We must have a program as well as an opposition.

Young men and women, and there are thousands of them in the little and big business organizations of the country, on the farms and in the unions, must be encouraged to get into politics and preach the gospel of sound economics on the precinct and ward levels. They must be encouraged to see that their neighbors register and that they vote. We must spread the program business has started—the program of teaching sound economics—and that takes time. You can't do that with campaign contributions alone. You must work and get others to work.

Let me sum up briefly some of the lessons we should have learned from the last election.

There are three conclusions which can be drawn, as I see it.

The first lesson we learned was that the union member votes exactly as he pleases. He listens to his leader and then casts his ballot as his own good judgment indicates.

The bogey of the labor vote, gentlemen, was buried under an avalanche of votes.

Although for the first time the CIO and the American Federation of Labor joined with the Railroad Brotherhoods, the miners and other union organizations, they were unable to elect their candidates. They collected "voluntary assessments" which totaled millions of dollars. Union leaders preached to, threatened and cajoled their members to force them to vote the "right way." Union members were ordered to lay off on election day and not only vote but bring in voters. This, incidentally, I am told cost the members of the building trades unions in Cleveland \$500,000 in lost wages.

Candidates were threatened with a united labor vote. Labor opposition supposedly was the equivalent to defeat.

The second lesson the election taught was that the country is sick of pampering Communists, both at home and abroad. Notice was served on the Federal Administration that a soft attitude toward Communists and Communism brought down the wrath of the voters. Communism in the government was an issue—a real, live issue. People didn't like the idea and said so with ballots.

You can easily count half a dozen candidates who were tarred with Communist sympathies who went down to resounding defeat.

We don't like Communism, in any place or form, and we said so.

The third is really important. We found that where good men were candidates and had the courage to meet issues squarely, they were generally elected. You still can't beat a somebody with a nobody. In my book good candidates had the courage to meet issues squarely and fight them out on their merits. They didn't "me, too." They spoke their minds and were ready to take the consequences. Evidently the voters liked it. They liked men with ideas who weren't afraid of the cars.

It may seem that I have gone a long way from the subject of steel capacity today and in the future. But I haven't. I am right on the beam. If the battle for sound economics is won, steel and all other business will be encouraged to expand — to take an even greater gamble in the future. Business will have a favorable climate in which to grow and provide more and better jobs and surer earnings. Fear of the future will evaporate. Confidence will return. Barriers will be removed and we will march ahead to new horizons.

Warren P. Smith & Co. To Be Formed in N. Y.

On Jan. 1, Warren P. Smith, member of the New York Stock Exchange, will form Warren P. Smith & Co., 14 Wall Street, New York City, in partnership with Thomas W. Bowers, Jr. Mr. Smith has been active as an individual dealer in New York.

Continued from page 18

Canada's Opportunity Through Full Development

cal reasons for trying to trade with the Mother country, in the end Canada would do more business with the millions of customers a few miles away across the border than with Great Britain 4,000 miles across the sea. How right Professor Smith was is clearly shown by the statistics: in 1890, Canada's exports to the United Kingdom totaled $48,000,000, to the United States $38,000,000. In the first ten months of 1950 the United Kingdom took $394,000,000 worth of Canadian products, the United States $1,661,000,000.

In his historic essay on "Canada and the Canadian Question," published in 1890, Goldwin Smith went so far as to doubt that the four blocs of territory constituting Canada could be kept by political agencies united among themselves and separate from the continent of which geographically and economically they were parts.

Nova Scotia Points Up the Problem

The case of my native Nova Scotia was uppermost in Professor Smith's mind. Up to the time of Confederation in 1867, Nova Scotia was a separate entity, sharing only adherence to the Empire with the rest of Canada, and prospering from a lively trade with the United States. Confederation and the ensuing high tariffs impoverished Nova Scotia. The rest of Canada did not need or want her products of farm, forest, mine and sea; the American market was closed to them, and because of the new high tariffs, Nova Scotia was now forced to pay high prices for all manufactured goods. A further serious consequence was the wholesale, though reluctant, exodus of the flower of Nova Scotia's youth to the United States to find a way to make a decent living.

Nova Scotia's plight has been to some extent alleviated in recent years. She has developed a pulp and paper industry whose products can enter the American market duty free. Her tourist trade also brings in worth while revenue. But her agricultural problem is acute, and 5,000 of her once thriving farms have been abandoned. We are trying to develop a purebread livestock industry there, by urging concentration on registered breeding stock that can go duty free into the American market. I sent my first such shipment of Shorthorn cattle from my Nova Scotia farm to the States last spring, to demonstrate what can be done.

I am not one who favors political consolidation of Canada and the United States. As I tell my American friends, the only way that could ever be accomplished would be by repeal of the Declaration of Independence and by the designation of a Canadian city, probably Toronto, as capital of the new nation. But I do believe that the economic destinies of the United States and Canada are interwoven, and I do want to urge the fullest possible interchange of goods between the two countries.

Canada's exports to the United States have caught up with and even overtaken her imports from the United States in recent months. The American market is eager for more and more Canadian products, so that Canada is in an excellent position to launch on a large scale expansion of every segment of her economy if she chooses to follow the bold and optimistic course.

There are those in high places who will sincerely decry such a policy as inflationary. The answer to them is that the only sound road to the reduction of prices is increased production, resulting in a greater abundance of goods. On the other hand, a policy of deliberate deflation, accompanied by drastic artificial measures to contract credit, check speculation and reduce prices, can play sufficient havoc with legitimate business to lead to unemployment and depression.

Canada Bound to Prosper if Big Institutions Participate

My observation is that the individual Canadian is in an optimistic mood, and is ready to move rapidly forward on the economic front. But the big institutions, without whose wholehearted participation there can be major progress, are holding back. The Federal and Provincial Governments and the appropriate privately owned companies owe it to the citizens of Canada to provide railroad facilities, telephone service, electric power and highways on the vast scale required and the strong nationwide banks must extend the credit needed to enable the Canadian economy to make the most of its unprecedented opportunity.

In my long association with the Chesapeake and Ohio Railway on the American side of the border, I have found that, where we built extensions of our line to reach new coal mines in hitherto inaccessible areas, and persuaded the telephone and power companies to build telephone and power lines and the Federal, State and local authorities to construct highways, profitable business developed for everybody concerned and splendid new communities sprang up. The Chesapeake and Ohio has not hesitated to spend millions of dollars to enable a single new mine to ship tonnage to its market. The Chesapeake and Ohio has just lately placed orders for $130,000,000 worth of new freight cars and locomotives.

More Highways and Hydro Essential

There are not finer highways in the world than those that circle Toronto. Go a thousand miles west, however, and you will find communities that have no highways to join them with the outside world. Just across the border in Minnesota are modern roads connecting towns, villages and hamlets no larger than the isolated outposts of neighboring Ontario. It is obvious that the next ten years will see a tremendous increase in motor traffic in Canada. The roads that will inevitably be needed could be built now, with tremendous economic advantage.

The demand for electric power in Canada exceeds the present supply, but the undeveloped waterpowers are a potential source of enough electricity for Canada's own full future requirements, with a substantial surplus to sell for cash to the United States. Once the water has gone unharnessed down Canada's mighty rivers, the power is forever lost. Where hydro is government-owned, there is an especial obligation on the part of the public servants to prevent this conspicuous waste of one of the people's greatest resources.

To encourage the opening up of new industries, the public power commissions ought to make ample power available at low prices. The present practice in some localities of forcing a new industry to pay almost twice as much per horsepower as an established industry is a serious check on economic progress.

Swift telephone communication with the continent is essential to a successfu enterprise. I would like to see Canada's great telephone system join in the risks involved in opening new areas.

Banks and Railroads Must Also Play Their Full Part

One of the strengths of the nationwide Canadian banks and railroads is their size. It is also one of their grave weaknesses. The division superintendent of the railroad who cannot buy a wheelbarrow and the local bank manager who cannot make a loan without head office approval are reduced to the role of minor bureaucrats. There is immense talent going to waste in railroad station agents and branch bank heads. These are men of fine character and personality who ought to have more to do. They have plenty of time to serve as directors of local companies, to own farms and to take a more active part in developing Canada's resources.

If transportation, electric power and credit are provided in adequate amount, there can be tremendously increased activity in the production not only of raw materials and semi-finished goods, but also of manufactured articles, both for domestic consumption and export. With the modern trend toward decentralization, there is no reason why every Canadian community of any size should not have a thriving industry of its own.

Capital's Partnership With Labor

An essential element in Canadian economic progress will be the closest harmony and cooperation between capital and labor. Canadian business leaders would be well advised not to rely on governmental agencies to handle labor matters, but to get to know and understand their employees and the leaders of the labor organizations to which their employees proudly belong. Any executive who bases his claim to office on his powers as a labor baiter is a heavy liability to his company.

Turning to the intellectual and spiritual aspects of the program I am outlining, I think the educators and churchmen of Canada have an important part to play. Socialism and communism are not primarily concerned with encouraging the life of the mind and the spirit; their central aim is to provide for the material well-being of the people. Functioning properly, capitalism can produce more of the good things of this world than any other system. And the life of the mind and the spirit will flourish if there is material progress in nations which combine the capitalistic system of economics with the political system of democracy.

Men of Practical Affairs True Leaders

The educators and churchmen must enunciate the worthiness of striving for the good things of this earth, and they must encourage recognition for those who take the lead in promoting material progress. It is too much the fashion, in the United States as well as Canada, to reserve recognition to the statesman, the military man and the literary man, as opposed to the industrialist, the farmer, the engineer, and the banker who take the leadership in practical pursuits.

For some years I have been an Elector of The Hall of Fame, America's Westminster Abbey. I have tried repeatedly, but without success, to persuade my fellow electors to honor Andrew Carnegie, the Scottish genius who made modern American industrial civilization possible by bringing together the iron ore of the Great Lakes and the coal of Pennsylvania and Ohio to create the steel industry. When he retired, Carnegie gave away his immense fortune to promote the spread of knowledge and to help humanity toward its goals of international justice and universal peace. I could not get the Presidents of our great American universities and others of my fellow Electors to cast a majority vote in favor of Carnegie.

On this St. Andrew's Day, I am happy to report, however, that I was able to help the election to the Hall of Fame of that other Scotchman, Alexander Graham Bell, for an inventor somehow seems to escape the stigma that attaches to other practical men of affairs. Some of you will recall that Bell spent his boyhood in Ontario and, after his retirement, when he could afford to choose from all the world, he selected Nova Scotia as his place of residence for the last and best years of his life.

Viscount Milner, whom our old friend Lord Tweedsmuir described as the British Empire's greatest intellect of his day, earned unpopularity by asserting that while England led the world in the development of gentlemen and scholars. her genius did not include the economic upbuilding of the vast "undeveloped estate" of the Empire. England's charm and cultivation remain something for all of us who are devoted to the Empire to cherish. But each member of the Commonwealth must now look to itself for its own development, and each can make its maximum contribution to the Mother country by increasing and maintaining its own economic strength. Canada especially has everything to gain by strict adherence to the precepts of Viscount Milner and that other Empire builder, Cecil Rhodes, whose vision, ambition and driving power make exemplary models for Canadians to follow.

Canada's Choice: The Bold and Courageous Course or the Penurious and Unprogressive Policy

Canada is held back by the excessive caution of her banks, railroads and utilities and by her Federal and Provincial Governments, especially in their approach to electric power development and highway construction. Canada, like the rest of the world was laid low by the economic depression of the 'Thirties. Now, 20 years later, it is time for her big institutions to abandon the penurious and unprogressive policies of a contracting economy, and to embark on the bold and courageous course of expansion to bring the economic status of every Canadian to the highest in the world.

Securities Salesman's Corner

By JOHN DUTTON

A few days ago I met a salesman for one of the nation's largest novelty jewelry houses and he was telling the usual story which we hear on all sides today. He said he was getting ready to pack up and take it easy for a few years. He expected this to be his last, or his next to the last trip through his territory. He has been selling more merchandise than at any time in many years. People **think** they may not be able to get any more of his product. Metal shortages and the like have made it only necessary for him to go in to see a customer and open up his book. His sales talk is, "You better buy what you can now, while you can get it."

Those of you who remember back a few years will recall that it wasn't so long ago that you could offer customers some very excellent values in securities and they did not appear to be very enthusiastic. But today, almost like the situation referred to above, sales resistance among securities buyers is certainly much less than it was in 1946 and 1947. This brings up a very important consideration which is almost unique in its relationship to the securities business. I happen to know several very conscientious securities salesmen who have been having a difficult time keeping their customers on the sidelines, rather than trying to convince them that they should invest more at this time. These are cases where clients already have ample commitments in common stocks, and it is certainly prudent to maintain substantial reserves, especially where the temporary loss of income can more than be accounted for later on, when and if opportunities arise.

Unlike the jewelry salesman, these securities men are thinking primarily about their clients' welfare—they don't expect to go out of business. There will be no shortages of stocks and bonds, despite priorities, allocations and rationing. But even if their attitude is sound, and they have the most sincere convictions, these men have told me that they have had a difficult task convincing their customers that they should refrain from going "all out" at this time in the stock market.

There is a constant conflict between sound policy and effective salesmanship in the investment business. As a salesman you are confronted with the necessity of doing business, making money and building up your own financial welfare. Putting it straight, if you were a salesman in almost any other line except securities, the time you would gladly work the hardest and put forth the most effort is when people were in a buying mood. This doesn't mean overselling—it would not be necessary for you to go out and overload your customers—but you would do the most business and make the most money when your customers were "ready to buy."

But securities buyers cannot be handled this way. Even if today people are much more eager to buy investments than at other times, they must be curbed in their enthusiasms. Just the opposite of what would be good sales policy in almost any other business is the proper course to follow in the securities business. And you have to be tactful because the average investor **thinks** that he knows quite a bit about the best way to handle his own financial affairs.

These are the people, however, who are your best customers. They are the venturesome ones, the chance-takers, and those who have the self-confidence to make important decisions. Many of them are reasonable, many will listen to your advice when you stress the importance of building up reserves and not following the line of least resistance. The fact that you do suggest such a course speaks for itself—certainly any man who tells his **customers to take it easy** is only building up a substantial backlog of good-will that will repay him many times over in the future.

If your customers know that you are more interested in what happens to their money than you are in your commission check, it will only be a question of time until you won't have to think about your end of it. Sometimes "Why not wait a while" is the only proper thing to say!

Continued from page 2

The Security I Like Best

HARRY P. SCHAUB
President, Harry P. Schaub, Inc., Newark, N. J.

Detroit International Bridge Company

Only once Steve Brodie took a chance on jumping from the Brooklyn Bridge, but many an unsuspecting soul bought the Brooklyn Bridge, or thought he had. But, unbeknown to the average investor, many other bridges of equal importance to the cities they connect have presented actual opportunities for investors to be stockholders in such proven enterprises as these modern toll bridges which operate at very strategic locations throughout the Country.

Harry P. Schaub

Toll bridge securities are still comparatively new in American finance. Securities of the modern steel bridges were first offered after the first World War. Franchises were obtained to build toll crossings such as Bear Mountain Bridge over the Hudson and the American Toll Bridge across upper San Francisco Bay. These toll bridges were so successful that the public from 1925 to 1929 bought any and all types of this new kind of security—mostly bonds bearing a high rate of interest, promiscuously financed, supported by rosy future traffic estimates from well-known consulting engineering firms, and alluring circulars (before SEC). Then the crash of '29-'33 occurred, and most of these newly-built bridges went through the wringer—usually by Federal Court 77B proceedings. Resulting market conditions caused most of these toll bridge securities to sell at bankruptcy prices — even lower than low-grade rails.

Those with the foresight and imagination who purchased into this type of investment have since profited substantially and have obtained a high rate of income. Such a situation still exists today in the common stock of the Detroit International Bridge—operating the big suspension "Ambassador Bridge" across the Detroit River to Windsor, Ontario, in Canada. This bridge, like all others, is not beset with the usual and increasing problems of labor, inventory and credit. Labor represents a small ratio of operating costs; they have no inventory adjustments, and with the usual policy of "pay or swim" there are no accounts receivable problems.

With the American family desiring an automobile even before home ownership, sales of gasoline buggies will continue to expand. This trend plus the new roads being built should assure modern bridges like Detroit International of a continued increase in value of business.

Detroit International has periodically increased its dividend in line with its constant increase in traffic and net earnings. Its current annual rate is 80 cents per share. An unusual feature of this situation is the use of undistributed profits and surplus for the purchase of its own stock, making it particularly attractive to investors in a high income tax bracket who prefer to make investments for future capital gains rather than for a high rate of present taxable income. Investors may buy this type of equity without the fear that usually accompanies the ownership of common stock—that of having senior securities issued in the future. The usual toll bridge, like Detroit International, does not require future financing because there is no means of property expansion. Yearly maintenance of property and replacement of equipment is ordinarily provided out of earnings.

Like most good banquets, the best is served last, and I have purposely withheld this part of my limited discussion until now with the hope that you will not forget the most important part of this article. The original funded debt amounted to $20 million, and after underwriting, engineering, and other promotional fees, at least $14 to $16 million were expended for cost of land approaches, steel, concrete and equipment during construction. Today's replacement value would certainly represent an increase of 50%, yet the outstanding stock in the hands of the public, estimated as of Dec. 1, 1950, to be 317,000 shares and quoted at 14¼-14¾, carries a present-day stock valuation of this bridge at less than $5 million. Most all privately-owned bridges erected during the past 30 years have been sold to or absorbed by some form of public authority or commission, and almost without exception at a substantial profit to those who had not only the foresight to buy, but the patience to hold securities of the toll bridge industry. Detroit International should not be an exception, and it would not surprise the writer to note the sale of this bridge to some International Authority within the next few years. In the meantime, continued acquisition of stock in the open market by the company is building up constantly increasing equity for the remaining shares held by the public. In addition, this policy helps to create an active market for the stock—thus affording some assurance of good liquidity.

Space prevents inclusion of additional important factual information on this attractive common stock—a sleeper if there is still such a security in this market.

Railroad Securities

Missouri Pacific

Last week in this column we discussed Baltimore & Ohio, and stated that an extension of the comments would appear this week. Due to last week's developments in the Missouri Pacific reorganization it appears more pertinent to take that up and postpone further comments on Baltimore & Ohio for a later issue.

Voting on the I.C.C. reorganization plan for the Missouri Pacific System, which has been approved by the District Court, got under way Dec. 1. Holders have until the middle of January to cast their ballots. Coincident with the start of voting Alleghany Corporation and the debtor company started a campaign designed to defeat the plan. Full page advertisements appeared in the press calling for a voluntary Mahaffie plan readjustment which would leave the present common stock undisturbed. The three constituent roads—International-Great Northern, Missouri Pacific and New Orleans, Texas & Mexico—would be treated separately. It was proposed that they could be consolidated later, not in the reorganization as is now contemplated.

Whether this campaign to have security holders reject the court approved plan will be successful is a moot question. However, even if it is defeated in the voting, the feeling is almost unanimous among railroad analysts that no such plan as that outlined as an alternative is feasible. Only the proposal for Missouri Pacific itself was given in detail. New Orleans, Texas & Mexico would be brought out of bankruptcy without reorganization and with its present capitalization intact. That particular phase is considered reasonable. With respect to International-Great Northern, however, it was merely said that a new plan would be forthcoming later. It is, therefore, not possible to judge just what the overall system capitalization would be under the proposal.

The details for Missouri Pacific as an independent unit contemplate a substantial increase over the securities allocated Missouri Pacific holders in the I.C.C. plan. In addition to the equipment obligations, which will certainly remain undisturbed no matter what the final plan may be, the new Alleghany plan would create $294.5 million of fixed interest debt for Missouri Pacific alone. The I.C.C. plan calls for distributing only $161.8 million of fixed interest debt to present Missouri Pacific bondholders. An increase of $132.7 million, or 82%, in the fixed interest debt over that found reasonable by the I.C.C. and the court could hardly be given serious consideration.

The Alleghany plan also provides for the issuance of $149.4 million of new Income bonds. In this manner, all of the present outstanding debt would be compensated for principal and accrued interest in cash and/or new bonds, if the new bonds were to be taken at their face amount. This new proposed Income bond capitalization would compare with $131.2 million of Income bonds allocated by the I.C.C. to holders of old Missouri Pacific bonds, so that the new plan, aside from calling for a wide increase in fixed debt would also increase the amount of contingent interest debt by more than $18 million.

Under this new proposal total nonequipment debt would amount to $443.8 million for the Missouri Pacific alone. This is more than $110 million higher than the company's present debt, and it was the inability to support the present debt that resulted in bankruptcy in the first place. Adding to the difficulties the new plan would call for an increase in preferred stock from the present 718,001 shares to 1,723,202 shares. The I.C.C. plan calls for 921,912 shares. Finally, the Alleghany Corporation plan calls for the distribution to the holders of the present First & Refunding 5s of the company's holding of 237,030 shares of Texas & Pacific preferred stock. This would eliminate an asset of the company bringing in dividend income of $1,185,150 per annum.

Assuming a 4% coupon on the new fixed interest bonds, and allowing for equipment trust interest, etc., fixed charges under the proposed new plan would be around $14 million. It is obvious that any such plan would have to provide for a sinking fund on the new bonds and an Additions and Betterment fund. Taking that latter at 2½% of gross, less charges for depreciation of way and structures, and the sinking fund at 1% of the face value of bonds issued, total charges ahead of the Income bonds would be some $19.8 million based on 1948 operations. 1949 operations cannot be used because of the prolonged strike on the company's lines.

On top of these prior charges there would presumably be $6.7 million of contingent interest (assuming a 4½% interest rate) and a sinking fund of $1.5 on the Income bonds. Thus, total charges coming ahead of the preferred could be $28 million. Moreover, some of these requirements (sinking funds and part of the Additions and Betterment fund) would not be deductible before Federal income taxes. Obviously any such attempt as that now being made to create an equity for the old Missouri Pacific common stock is unrealistic when the long-term and even current, earnings history of the company is considered.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is under the influence of the refunding operation, and this carries with it the usual shifting and switching of positions. Those that are not interested in the 1¾s of 1955 are selling the 1½s and 1⅛s to Federal and are using the proceeds to acquire shorter-term obligations from the Central Banks. There is considerable activity in this operation. The longer sector of the market, with not nearly as much volume, continues to be under moderate pressure, because of selling by non-bank investors and only modest scale buying of the longer eligibles by commercial banks.

The 1956 maturities seem to be settling within a yield range that brings them in line with the new 1¾% obligation. Although further minor price changes will no doubt be witnessed in these bonds, their appears to be considerable interest developing in the 1956s at current quotations. The longest bank 2½% is still in the process of finding a level that will attract more than just token buying. The tap bonds were moderately lower because Federal dropped its buying prices a few thirty-seconds.

Non-Bank Holders Liquidating Called Issues

The government market is in the process of adjusting itself to the new financing, which is resulting in considerable activity in the short and intermediate end of the list. Non-financial owners of the 1½s and the 1⅛s are selling these securities to Federal, while at the same time they are buying issues from the Central Banks that are due within the coming 12 months or slightly less. The desire for and the need for what is believed to be greater liquidity than is afforded by the new five-year 1¾s is behind this liquidation of the called issues. The Central Banks are acquiring the "rights" to buy the new notes and this will give them a good position in the 1¾s of 1955. This will also enable Federal to continue its dominance of the government market, and build up their holdings of intermediate-term maturities, which have been on the light side.

How many of the 1¾s of 1955 will be taken on by the Central Banks will not be known until the books are closed but it is believed in some quarters that quite a sizable amount of the new issue will be taken on by Federal. This will tend to reduce the floating supply and some astute followers of the money market will look upon this as a favorable development as far as the future action of the 1¾s is concerned.

Long Bonds Under Pressure

The offering of a 1¾% note by the Treasury, although in line with the rate pattern which was being developed by the Central Banks, apparently had a disturbing psychological effect upon many operators in Treasury obligations. The weakness in the longest bank issue is due in no small measure to this offering of 1¾s and to the feeling that longer-term eligible obligations will be issued in the future, when the occasion warrants it. There is talk at the present time about 2s and even 2¼s being used, when, as and if there should be need for raising money by the Treasury.

So much for the intangible future and the offering of higher coupon bank bonds, and the probable influence this might have on the outstanding obligations. What appears to be of more immediate concern to some, and which is no doubt having an effect upon the September 1967s, is the narrowing of the yield after taxes between the eligible short and intermediate maturities and the longest taxable obligation. The opinion is held in certain quarters that the net yield after taxes on the 2½s of 1967/72 will have to increase in order to make the longer maturity as attractive as the less distant maturities. Also the fact that substantial amounts of the tap issues become eligible for purchase by the commercial banks in 1952 is detracting somewhat from the most distant bank issue.

Scale Buying Under Way

On the other hand, there are many in the money markets that are of the opinion that the longest bank 2½s are getting more attractive with each decline in price. As this bond gets closer to the 103½ level, it is indicated there will be considerable scale buying appearing, with more to follow if there should be further declines in quotations. It is believed there will be a change in the loan trend in the future and with Regulations X and W being felt more as time goes along, there will be fewer mortgages and corporate obligations available. Commercial banks with savings deposits appeared to be the most likely buyers of the longest bank 2½s on price weakness.

It is indicated there will be a moderate firming in the shorter end of the list, because of the demand for these obligations from institutions that will be seeking near-term liquidity. This firming of rates will be very minor because the Central Banks have the securities to prevent rates from going beyond levels they believe to be desirable for the money market as a whole.

Although the long partially-exempts have shown price declines in sympathy with the rest of the market, volume has been very light. The few bonds which came into the market were readily absorbed.

Continued from first page

How to Retard Further Dollar Depreciation

the American people, as well as foreign holders of dollars, might draw down the gold reserves of the Federal Reserve banks and Treasury when the people's purse is not used carefully, wisely, and in a manner that obtains general approval. It should force Congress to end its profligate waste of the people's national patrimony. It should provide the people of this country with their most potent weapon against a governmentally-managed economy. It should free us of the prospects of the great trouble or disaster inherent in an irredeemable currency although it would not and could not insure our people against sharp ups and downs in productive activity and prices since no monetary system can do that. It would give our people the benefits of an honest currency. It would give us the best type of monetary standard and currency known to man. Multiple quotations for the dollar should disappear. Private enterprise in foreign trade should be revived since a thorough-going gold standard and redeemable currency require that the government abandon its endless interferences and permit private enterprise to go to work. It should make the return by other countries to redeemable currencies much easier. It should revive confidence in individual planning for the future, and it should provide greater incentive for more saving, more investment, more production, more trade—domestic and foreign—, and a safer prosperity.

Repeal Power of Federal Reserve To Issue Notes Against Government Debt

(2) The authority for the Federal Reserve banks to issue Federal Reserve notes against government securities should be repealed. This authority was granted temporarily by the Glass-Steagall Amendment of February, 1932, and made a permanent part of the Federal Reserve Act on June 12, 1945. Federal Reserve notes should be issued, as originally provided in the Federal Reserve Act, against gold as a reserve and against self-liquidating short-term commercial paper as an asset in excess of the gold reserve. For emergency purposes, we could authorize the use of promissory notes of member banks, with a maximum maturity of 15 days, and with government securities as collateral, such 15-day promissory notes to be eligible as collateral against Federal Reserve notes.

As of September 27, the Federal Reserve Agents held $10,665,000,000 of United States government securities as collateral against the $23,698,359,000 of Federal Reserve notes then outstanding. Repeal of the Glass-Steagall Amendment would force a retirement of Federal Reserve notes to the extent, as of that date, of $10,665,000,000, unless the collateral is replaced by gold, discounted commercial, agricultural, and industrial paper, or the 15-day promissory notes of borrowing member banks.

Such a change should be most wholesome. For well over 50 years, the best informed and most experienced students of money and banking principles have pointed out the evils of a bond-secured currency. They have been thoroughly correct in their contentions. The framers of the Federal Reserve Act knew that and provided for the elimination of bond-secured currency.

But the proper principles on which the Federal Reserve System should have operated have since been compromised and mutilated; in high degree we have fallen back into the fallacies embraced by the great currency depreciator John Law in the first part of the eighteenth century. Those who advocate a bond-secured currency—that is, monetization of the Federal debt—either do not understand the lessons of history or do not have the proper respect for them.

(3) Since the Federal Reserve banks can create deposit currency, as well as Federal Reserve notes, against United States government securities, there is need to work out a system of contraction and of limitation on the monetization of the Federal debt through this channel. It would seem that it is quite proper in principle for the Federal Reserve banks to invest their capital, surplus, and other capital accounts in government securities since those items should represent invested funds. But when the Reserve banks begin to create deposits against government securities as collateral, monetization of the government debt begins. Once this procedure is started, there is, apparently, no logical stopping point. The Federal debt either is or is not monetized; or it is done little or much. If a little is good, we are confronted with the question as to why a great amount of monetization is not also good or even better.

A commission of careful students of monetary and banking principles should be appointed to determine as best they can what the lessons on this procedure are and to devise principles that should be applied in our banking system.

It would seem to be largely a waste of time for concerned people to discuss the evils of the monetization of the Federal debt by banks unless they can state in a clear-cut and defensible way the principles that should guide as to what is and is not sound procedure. That principle is not being stated in such discussions for the reason, apparently, that it is not well recognized even in circles where is should be understood. We need that principle so that we may conduct our debates with understanding of the criterion being employed in our approval or disapproval of current practices of monetizing our debt.

Make Federal Reserve Independent

(4) Closely related is a need for Federal Reserve authorities to adhere to the purposes of the Federal Reserve System as stated in the Federal Reserve Act. Fundamentally, the Federal Reserve System is supposed to be a commercial banking system. It is to aid commerce, agriculture, and industry, chiefly through the medium of the member banks. Although non-commercial activities have been added from time to time, as a progressive impairment of the basic purposes of the Federal Reserve banks has taken place, it is most desirable that every effort be made to adhere to the fundamental purposes as provided in the Law.

Section 15 of that Act, which provides that the Federal Reserve banks, upon direction of the Secretary of the Treasury, shall act as fiscal agents of the United States and depositaries of Federal revenues, does not authorize the financing of the Federal government by the Federal Reserve banks. Section 12A of the Act, which states the principles that shall govern in open-market purchases under authority of Section 14, provides that these purchases, including those of government securities, "shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country." Section 14 (b) of the Act unfortunately authorizes the Federal Reserve banks to buy direct or guaranteed obligations of the United States directly from the United States in an amount not to exceed $5,000,000,000 at any one time. Direct purchases should have been restricted to Treasury special one-day certificates or overdrafts, the purpose of such an arrangement being to stabilize the money market during tax-paying and Federal borrowing periods—not to engage in longer-time financing of the United States government.

Instead of endeavoring in every way possible to maintain the independence of the Federal Reserve System from government domination, as should have been done, the Federal Reserve authorities joined forces with the advocates of a governmentally-managed economy and of an irredeemable currency. They made Federal Reserve monetary policy an integral part of Federal fiscal and debt management policy. Members of the Board of Governors fought persistently and long to open up the Federal Reserve banks as a dumping ground for United States securities by seeking authorization of direct purchases without restriction by these banks from the United States Treasury. Although such a proposal would rank next to advocacy of outright issuance of fiat money, it is symptomatic of the general policies and practices of the Federal Reserve authorities which, as a consequence, have been powerful factors contributing to the decline in the purchasing power of the United States dollar.

In an effort to justify their fitting of the Federal Reserve System into the fiscal and debt management mechanism as part of the official machinery of a governmentally-managed economy, high Federal Reserve officials, in recent years, have been stating that the purpose of the Federal Reserve System is to foster monetary and credit conditions "favorable to sustained high employment, stable values, and a rising level of consumption"; that it is to contribute "to the maintenance of a high level of employment, stable values, and a rising standard of living"; that it is to do its share in creating conditions favorable "to sustained high employment, stable values, and a rising level of consumption"; that it is to provide "enough credit and money to keep pace with the needs of economic growth and a steadily rising standard of living for all the people"; that it is to expand money and credit sufficiently "to foster full utilization of expanding physical resources, technical skills, and manpower."

The easily-determined fact of the matter is that the Federal Reserve Act has no such statements as to purposes and never has had them. The purposes of the Act are stated in the long title which reads: "An Act To Provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes." The "other purposes" are set forth specifically in the law and none of them includes any of the purposes quoted above from statements made by various Federal Reserve authorities.

When the Banking Bill of 1935 proposed to impair the desirable independence of the Federal Reserve System and to make it subservient to the political Administration, 69 monetary economists warned that "The lessons of central banking teach us that the farther a central banking system is removed from political domination, the better it is for the country." The repudiation of these lessons by the Federal Reserve authorities has cost the people of the United States a fabulous sum of money since Federal Reserve policy has fostered easy and cheap borrowing and fantastic spending and waste by the Federal authorities.

There are two aspects of the relationship between the Federal Reserve System and the Federal government, under the terms of the Federal Reserve Act, that call for consideration: One is the voluntary, excessive, and unwise cooperation given by the Federal Reserve authorities to the political movement toward a governmentally-managed economy. The other is the cooperation with the United States Treasury which the latter may demand under Section 15, dealing with the fiscal and depositary functions of the Federal Reserve Banks, and under authority of Section 10, paragraph 6, of the Federal Reserve Act. That paragraph 6 reads: "Nothing in this Act contained shall be construed as taking away any powers heretofore vested by law in the Secretary of the Treasury which relate to the supervision, management, and control of the Treasury Department and bureaus under such department, and whenever any power vested by this Act in the Board of Governors of the Federal Reserve System or Federal Reserve agent appears to conflict with the powers of the Secretary of the Treasury, such powers shall be exercised subject to the supervision and control of the Secretary."

A task of the Federal Reserve authorities is to maintain the independence of the Federal Reserve System from Treasury and other political domination. The Federal government should have been compelled, as should all borrowers, to submit to the terms of the open, free, money markets. The Secretary of the Treasury should cooperate with Federal Reserve authorities to maintain the independence and proper functioning of the Federal Reserve System. If the Secretary does not cooperate in this manner, we are confronted with an impairment of the proper functioning of our central banking system and with the possible need to amend Section 10, paragraph 6, of the Federal Reserve Act. Wise amendment of that section would probably be extremely difficult to effect since the Secretary of the Treasury apparently must have the power granted in contemplation of a serious national emergency such as that of a devastating war and a possible or actual invasion.

The impairment of the appropriate independence of the Federal Reserve System apparently has not been so much a consequence of the provisions of Section 15 and Section 10, paragraph 6, as it has of the fact that neither the Secretaries of the Treasury nor the Federal Reserve authorities have seriously attempted since early 1933 to protect the independence of our central banking system from government domination.

The problem now is to extricate the Federal Reserve System as best we can from the far-reaching mass of Federal debt, cheap money policies, and net-work of government management which now hold the people of this country in their grip. This promises to be a slow, mammoth, and discouraging task. But there seems to be no good reason for supposing that the Federal Reserve authorities will use, or will use properly, the dozen or so qualitative and quantitative instruments of credit control placed at their disposal until after these authorities have been made appropriately independent of the Treasury and of the machinery and advocates of a governmentally-managed economy.

(5) As another basic attack on the major problems involved in our huge Federal debt, it seems that our country would be served best if most of that debt were funded into consols bearing an interest rate sufficiently high, say 3%, to induce non-bank investors to absorb them. These consols should have no date of maturity. We should recognize and face the fact, as did England particularly following the Napoleonic Wars, that we now have a Federal debt so huge that it has become permanent in nature. The best we can do now is to devise proper means to shift most of it into the hands of investors other than commercial and Federal Reserve banks. An interest rate higher than that now prevailing on long-term government bonds is needed and desirable from the point of view of such investors, and it would constitute an added and wholesome restriction on the free spending and borrowing by the Federal government.

The government should then strive to maintain a balanced budget by pursuing a course of prudent economy, and, when a surplus unexpectedly occurs, it should be employed to retire a corresponding part of the Federal debt, including some of the consols. In this manner, taxes could be reduced if government expenditures are curtailed; and those who earn the dollars would be given the right once more to decide how their dollars shall be spent. A dollar in the hands of the person who earns it is in general a much more valuable dollar than if it is in the hands of government which is inefficient and wasteful and is not forced to pay the penalties for bad management.

Although it is in our best tradition to urge not only a balanced Federal budget but sufficient revenue to retire some of the Federal debt, taxes are now so high and the debt so great that it seems reasonably clear that the best course for us now lies in the acceptance of this debt as a permanent institution. Lower taxes and a properly-funded perpetual debt would appear to be safer and better for us than a low-interest-bearing debt, so heavily absorbed by our commercial banking structure, with the consequent invitation to heavy Federal expenditures, and with taxation sufficiently high to support a program of progressive retirement of the debt.

A commission of Treasury, banking, and non-government experts in sound principles of public finance and of central banking should be able to devise a workable program for funding the proper portion of our Federal debt into a perpetual debt and for driving it from our Federal Reserve and commercial banks into the hands of other investors.

Curtail Direct Government Lending

(6) Finally, there are the fundamental problems inherent in government lending institutions. Basically, the proper function of a government is to act as umpire for private enterprise. It is not proper nor good for our government to enter into the business of lending. Well-conceived policies of credit control instituted by the Federal Reserve authorities can be partly or largely impaired by government lending institutions. They have contributed much to unwise credit expansion and to a depreciation of our dollar.

Furthermore, although we talk much about the desirability of democratic processes, we substitute the machinery of government dictatorship for such processes when we create government lending agencies. Under such a system the government does not permit the people to decide whether they will or will not invest in such enterprises; it decides for them.

For the good of this country and to obtain the benefits of sounder monetary, credit, and fiscal practices, the business of these institutions should be shifted to private enterprise and the government lending institutions liquidated except in those cases in which such liquidation would endanger our national security.

There are, of course, other fundamental corrections which need to be made and which, is made, should contribute greatly to the restriction of government spending, waste, heavy debt, destructive taxation, and the decline in the purchasing power of our dollar. Perhaps the most outstanding are the following three:

(1) Our Congress and Administration should return to Constitutional government. They should respect and adhere to fact and basic principle that our Federal government is one of delegated and specified powers and that all other powers are reserved by the people to the states and themselves. The tendencies in recent years to convert the Federal government into one of general powers has been costly not only in dollars but otherwise for the people of the United States.

(2) The practice of giving free play to the use of Presidential agreements and of permitting them to bind our Federal government and people, instead of employing treaties that can be made only with the advice and consent of the Senate and provided two-thirds of the Senate present concur, should be ended. It seems reasonable to suppose that Presidential agreements have cost the people of the United States a fabulous sum in dollars and, in addition, in the lives of thousands of our young men.

(3) There is great need for government reorganization in the interests of efficiency and economy. We should take advantage of the recommendations made by the Hoover Commission.

The last three recommendations for reform in government probably could not be put into effect quickly. Prompt and fundamental action against government waste and the decline in the purchasing power of our dollar is urgent. Therefore, let us employ the following six correctives which have the two-fold virtue of being fundamental in nature and available for prompt use:

(1) The institution of a redeemable currency at the present statutory rate of $35 per fine ounce of gold.

(2) The removal of the authority of the Federal Reserve banks to issue Federal Reserve notes against government securities.

(3) The appointment of a commission to establish the principles that should be employed by our banking system in creating deposits against government securities.

(4) The establishment of the independence of the Federal Reserve System from Treasury domination and the return of that System to its proper major function of aiding commerce, agriculture, and industry.

(5) The funding of a major portion of our Federal debt into consols of a permanent nature bearing an interest rate sufficiently high to induce non-bank investors to absorb them.

(6) The shifting to private enterprise and the liquidation of all government lending institutions except those necessary to the maintenance of national security.

Were these six basic proposals put into effect as promptly as possible, we should be able in due course to extricate ourselves from the recent and present unhealthy tendencies in our monetary and fiscal affairs and to place ourselves upon more solid ground.

Continued from page 5

The State of Trade and Industry

from 5% to 10%. The higher limit will also prove inadequate within a few weeks.

Consumers feel that the methods now being used to curb civilian consumption of materials are causing confusion and creating a wild scramble for materials that seems entirely unnecessary, "The Iron Age," points out. Regardless of the reason, steel demand pushed to a new high this week. One very large consumer is extending its conversion through the first quarter of next year; this firm is paying $200 (about double regular mill price) a ton for a substantial amount of its steel.

Freight car builders are scrambling to place as many orders as they can under the allocations system which starts in January. Some have tried to place their total first quarter needs in January. Such practices as over-ordering will prevent a fair distribution of steel under the freight car program and prevent the industry from reaching a 10,000 car a month peak during March or April as would be expected, this trade authority concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steelmaking capacity for the entire industry will be 100.5% of capacity for the week beginning Dec. 4, 1950, compared to an average of 81.7% a week ago.

Output for the current week will represent 24th week of 1950 in which steelmaking furnaces have been operated at an average of more than 100% of capacity.

This week's operating rate is equivalent to 1,938,400 tons of steel ingots and castings for the entire industry, compared to 1,575,800 tons a week ago. A month ago, based on new capacity, the rate was 103.0% and production amounted to 1,986,600 tons; a year ago, it stood at 91.7% and 1,690,500 tons.

Electric Output Rises 16.9% Above Like Week of 1949

The amount of electrical energy distributed by the electric light and power industry for the week ended Dec. 2, was estimated at 6,716,273,000 kwh., according to the Edison Electric Institute.

It was 208,764,000 kwh. higher than the figure reported for the previous week, 973,358,000 kwh., or 16.9% above the toal output for the week ended Dec. 3, 1949, and 1,070,587,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Decline 16.2% Due Mainly to Holiday

Loadings of revenue freight for the week ended Nov. 25, 1950, which included Thanksgiving Day totaled 701,421 cars, according to the Association of American Railroads, representing a decrease of 135,644 cars, or 16.2% below the preceding week, due principally to the holiday.

The week's total represented an increase of 36,866 cars, or 5.5% above the corresponding week in 1949, but a decrease of 21,515 cars, or 3% below the comparable period of 1948.

Auto Output Scheduled This Week to Reach 7,500,000 Vehicles in 1950

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 151,004 units, compared with the previous week's total of 122,683 (revised) units and 72,994 units a year ago.

Total output for the current week was made up of 123,926 cars and 21,938 trucks built in the United States and a total of 3,731 cars and 1,409 trucks built in Canada.

For the United States alone, total output was 145,864 units, against last week's revised total of 116,059 units, and in the like week of last year 68,385. Canadian output in the week totaled 5,140 units compared with 6,624 units a week ago.

Business Failures Turn Slightly Upward

Commercial and industrial failures rose to 160 in the week ended Nov. 30 from 146 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties remained well above the 1948 total of 126 for the comparable week, they were down 28% from the 221 which occurred a year ago, and 39% from the pre-war level of 264 in 1939.

All of the week's increase was centered among failures having liabilities of $5,000 or more but failures were not as numerous as last year.

Trade and construction failures increased during the week; retailing mortality was up to 84 from 75, wholesaling to 24 from 11, and construction to 18 from 13. Declines, on the other hand, appeared in commercial service where casualties fell from 21 to 9 and in manufacturing where they dipped from 26 to 25, the lowest level to date in 1950. All industry and trade groups except wholesaling had fewer failures than last year. The sharpest drop, 62%, took place in manufacturing.

Wholesale Food Price Index Just 2 Cents Under Post-Korea Peak

The steady uptrend in foods this past week carried the Dun & Bradstreet wholesale food price index for November 28 to $6.67, or only 2 cents under the post-Korean peak of $6.69 recorded on August 29. The latest index advanced 4 cents over the previous level of $6.63 and is the highest since September 19 when it likewise registered $6.67. It compares with $5.79 a year ago, or an increase of 15.2%.

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 Unsettled by Reports of Early Cessation of Hostilities in Korea

The general level of prices receded somewhat from the high level of last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 302.02 on November 28, as compared with 303.47 a week earlier. At this time a year ago the index registered 248.13.

Grains were unsettled and prices turned downward as a result of liquidation influenced by favorable war news early in the week and talk of an early cessation of hostilities in Korea.

Harvesting of the new corn crop was reported well along toward completion, but the cash corn market remained tight due to the failure of farmers to increase their offerings. Substantial export sales were noted during the week. There was little interest shown in wheat and export trade generally was slow. Country offerings of oats remained small but prices worked lower in sympathy with other grains. Trading in grain futures on the Chicago Board of Trade was quite active with sales averaging about 41,600,000 bushels per day, as against 38,000,000 bushels in the preceding week, and 36,400,000 in the like week last year.

Aside from some chain baker buying early in the week, domestic bookings of bakery flours continued at a low level with most users said to be well supplied for the next few months. Export flour business remained small. Cocoa futures declined sharply on heavy selling induced by talk of possible early peace. The spot market was also weaker with trading at a virtual standstill. There was a slight pick-up in demand for raw sugar futures but the spot market was quiet. Prices held steady but the undertone was somewhat easier.

The coffee market was irregular with spot prices up slightly for the week.

Lard prices worked lower largely in sympathy with weakness in vegetable oils. Fresh pork was in better demand, aided by colder weather and comparatively low prices. Hogs developed a firmer trend as a result of curtailed receipts.

Cotton prices were irregular and fluctuated over a wide range last week.

The New York spot quotation showed a loss of 65 points for the week after touching a new all-time high early in the period.

The downturn in prices was attributed to talk of the possibility of an early peace in Korea and the announcement by the Department of Agriculture that prices on next year's crop would be supported at 90% of parity whereas the trade generally had expected a higher loan rate. Early strength in the market was due to active mill and export price-fixing and expectations of a tightening in the supply position. Other supporting factors included buying influenced by the high rate of domestic mill consumption and the previously announced increase in export quotas. The volume of sales in the latest holiday week declined to 253,600 bales, as compared with 347,100 bales in the preceding week, and 302,300 bales in the corresponding week a year ago. Cotton textiles were firm with some constructions edging higher.

Trade Volume Falls Due to Storms and Burdensome Credit Restrictions

There was an appreciable decline in consumer buying in the period ended on Wednesday of last week, following a siege of violent storms over much of the country, as well as the continuing burden of credit restrictions. The aggregate dollar volume of goods purchased was slightly above the level for the similar 1949 period, states Dun & Bradstreet, Inc., in its current summary of trade.

While there was a moderate rise in the sale of small articles of apparel this week, in keeping with the pattern of Christmas shopping, the consumer-interest in suits, coats, and dresses decreased noticeably in many localities. Shoppers generally concentrated upon haberdashery for men and accessories for women. The demand for children's and infants' wear rose very slightly. The total dollar volume spent for apparel was about even with the level of a year ago.

Housewives bought slightly less food last week than in the preceding week; dollar volume was moderately above the level for the comparable period in 1949. The interest in dairy products and eggs rose somewhat, while the demand for fresh fruits and vegetables declined. Inexpensive cuts of pork and beef were increasingly popular with shoppers in scattered communities.

The nation-wide selling of house-furnishings declined moderately during the week; total dollar sales remained moderately above the level of a year ago.

The consumer demand for large appliances and television sets particularly decreased, while the interest in floor-coverings, paints, and hardware dipped fractionally.

There was a slight rise in the buying of some housewares, lamps, and tableware.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 1 to 5% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and Pacific Coast +3 to +7; East 0 to +4; South and Northwest +1 to +5; Midwest — 1 to +3; and Southwest +2 to +6.

Wholesale ordering throughout the nation was largely unchanged in the week, as increased bookings in some lines were offset by the adverse effects of inclement weather. The total dollar volume of orders was moderately above the level for the corresponding week in 1949. While the number of buyers attending wholesale centers dipped somewhat as compared to a year ago, it was slightly above that of the preceding week.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 25, 1950, declined 3% from the like period of last year. This compared with a revised figure of 8% for the previous week. For the four weeks ended Nov. 25, 1950, sales showed a rise of 3% from the corresponding period a year ago and for the year to date registered an advance of 5%.

Despite storm conditions prevalent in the New York area last week, retail trade rose about 5% above the corresponding period in 1949.

According to the Federal Reserve Board's index, department store sales in New York City, for the weekly period to Nov. 25, 1950, dropped 12% from the like period of last year. In the preceding week an increase of 6% was registered from the similar week of 1949. For the four weeks ended Nov. 25, 1950, a decrease of 3% was registered under a year ago, and for the year to date, volume advanced 1% from the like period of last year.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

I tried to indicate in last week's column that the end of the decline was a lot closer than generally believed. There were various signs that pointed to it, among which was the fact that the averages had managed to get down to the 222 figure I mentioned as the resistance level.

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In the column of Nov. 23, in discussing the problems of buying and selling and the optimum of each market participant, I said I liked the oils, heavy glass stocks and some specialties. But so far as buying then was concerned I observed, ". . . the cream's off the market. Holding back would therefor be the prudent path to take." In the column of Nov. 30, I observed, ". . . certain issues . . . will give ground . . . grudgingly . . . the intensification of the Korean war is not bearish. . . ."

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Re-reading the above it looks like I deliberately took quotes out of context to highlight my brilliance as a market forecaster. While I have no objection to having readers regard me as some sort of a genius, the fact is that the above quotes were chopped up to save space. If you've still got the columns I referred to you can easily check this. Incidentally that doesn't mean I want a flock of either congratulatory or denunciatory mail.

* * *

To get back to the market: The worst recent actors were the motors. They pulled away in good style in Tuesday's market, though part of this may have been due to per unit price increases. I refer you to the glass stocks I mentioned a few paragraphs back. When I first said I liked them I had no knowledge of any hurricanes or storms. In the recent Eastern blow, more glass became immediately necessary as a replacement than any building boom has done to date. The glass containing companies, though no recipients of any storms, will make more money because of the shortage of metals for containers. The end result is that such stocks an Anchor Hocking, Libby Owens Glass and Owens Bottling will be in heavier demand in the weeks ahead.

* * *

Some weeks ago I referred flatteringly to the utilities. So far they have done little of importance. There's one, however, that gives signs of making at least one healthy move in the immediate future and that is Western Union; another is Cities Service.

* * *

The war is uppermost in many minds as the leading factor in any potential down or up move. I'm not going into any discussion of its merits or demerits marketwise. In most cases its effect is psychological rather than actual. I prefer to look to the market for clues than to military or political pundits.

[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.]

Continued from first page

As We See It

sailles Treaty, began the organization and training of a conscripted army in Germany. Nothing was done about it by other parties to the treaty although at the time Germany could hardly have been other than a helpless victim of the military might of France and Britain. About a year later, Hitler calmly marched into the Rhineland in violation of the Locarno Pact. Again the interested parties shrugged the matter off although it still could hardly have been a major task to put down the growing forces of the Nazi regime. The reaction of Britain and France, as well as the others more or less directly affected, was the same when two years later Hitler took over Austria—although by that time the Nazi regime had been able to build up considerable military power. It was only about six months later that Mr. Chamberlain made his ill-starred visit to Munich, at which time further acts of aggression were consented to in advance, acts which were to grow into much wider scope than had been agreed upon.

Hitler Was Strong at Munich

What would have been the result of active intervention by Britain and France at that time is a matter of conjecture. The Hitler regime had by that time developed German might to a point which made it formidable—at least in comparison with what later proved to be the weakness of France and Britain. At any rate, it was only about a year later when Germany marched into Poland and "appeasement" in the usual sense came to an end. The fact is, however, that even after World War II was in progress, there was a definite inclination on the part of France and Britain to limit their participation to what might be termed token operations in support of Poland and in defense of their own interests. Whether such a policy rested upon conviction that it would presently be possible to bargain with Hitler is not clear. If so, even the first half-year or a little more of World War II itself was conducted on the part of Britain and France on an appeasement basis. If not, it was simply lethargy or some other ailment of a like sort which kept them asleep and more or less contented during these months. Then the avalanche came, in the spring of 1940, and the horrible blunders of a half decade or more were painfully evident.

But before we begin to apply these experiences to the present situation, let us take careful note of certain basic differences. When in 1935 Hitler began to build up his army, he was in an almost defenseless military position. This aspect of the situation had not very greatly changed when he occupied the Rhineland. The nations considering what should be done were not at either of these moments faced with a question as to whether they should attack or resist a powerful rival—a rival far more ready for war than they. It was more nearly in the nature of a police action that they had to consider. By the time of the ill-starred Munich episode, Britain was apparently facing—although it was not fully understood and realized at the time—a situation somewhat more analagous to that by which the world is confronted today. That is to say, Hitler could not then be stopped short of a large scale war for which he was apparently prepared even then in far greater measure than those who were eager to put an end to his campaigns. Certainly this was true by the time he marched into Poland.

The Real Blunders

Now in the light of hindsight, where were the real mistakes of appeasement made—assuming of course that it would not have been the part of wisdom to maneuver in such a way that Hitler and the Kremlin were left to bleed each other to the death? Certainly a case could be made against the lethargy of 1935 or 1936, possibly even 1937. But there is little similarity between these years and those by which we are confronted today. By Munich, it should have been clear that the blunders had been made during the preceding two or three years—that is in not preparing really to meet such a situation as then arose. Who can say that had Britain and France made good use of the breathing spell from Munich in 1938 until the invasion of Poland 18 months later, really to get ready to oppose Hitler in an effective way the Munich appeasement would not have paid off in dividends? Who can say that had these opponents of Germany made full use of the two years elapsing between Munich and the invasion of the lowlands, Munich might not now be regarded in a wholly different light?

Now turn to the present situation. For fully five years we have been "appeasing" Russia in a rather real sense. True it is that we have been from time to time doing a good deal of scolding. True it is that we went vigorously to work at the time of the Berlin airlift. More recently we have stuck out our chests in Korea—or was it our necks? But until Korea, the Western world had done almost nothing to be in a position to present an effective front against the Kremlin and its satellites, and even since Korea, if current accounts are to be accepted, confusion of counsel and gross inefficiency have tragically reduced the net product of our rearmament effort both at home and abroad. What we now need to do is to face up to the facts.

And if facing up to them requires withdrawals or even the acceptance of defeats in one quarter to gain strength in more important quarters, that is not appeasement.

Eberstadt & Co. Offers Diversey Com. Stock

F. Eberstadt & Co. Inc. on Dec. 1 publicly offered 143,000 common shares, $1 par value, of The Diversey Corp. at $10 per share. This represents the first public offering ever made of securities of the company. F. Eberstadt & Co. Inc. has agreed to purchase the 75% of the stock of the company owned by Victor Chemical Works. Part of the Victor Chemical Works holdings are in turn to be purchased from F. Eberstadt & Co. Inc. by Diversey and retired. The stock remaining outstanding will be reclassified into 220,000 common shares. The rest of the stock owned by F. Eberstadt & Co. Inc. is being reclassified into 143,000 common shares, which are the shares now being offered publicly. As a part of the program, F. Eberstadt & Co. Inc. is also arranging for the company a term loan of $1,000,000 with the Equitable Assurance Society of the United States.

The Diversey Corp., organized in 1923 as a subsidiary of Victor Chemical Works, is engaged in the development and distribution of approximately 100 organic and inorganic chemical specialties, principally bactericides, cleaners and insecticides for industrial sanitation, and oil absorbents, cleaners and other products for industrial manufacturing and maintenance. It also produces and sells "Enoz" products for household moth control. The company sells its products to approximately 24,000 customers, about 80% of sales being made to the food industry, particularly the dairy and dairy products, beverages, baking, brewing and canning industries.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Henry L. Harris to Arthur E. Goetz will be considered by the Exchange Dec. 14.

Transfer of the Exchange membership of Adolph Woolner to Emelie Z. Weinberg will be considered by the Exchange on Dec. 14.

William R. Wister, general partner in Gammack & Co., became a limited partner effective Dec. 6.

Clarance Stanley retired from partnership in Morgan Stanley & Co. Nov. 30.

Washburn M. Chipman withdrew from partnership in Dean Witter & Co. Nov. 30.

Stern Nominated to Head Curb 5 & 20 Club

Lawrence M. Stern, a regular member of the New York Curb Exchange since 1923, has been nominated for the Presidency of the Curb Exchange members' Five and Twenty Club on a slate presented to the membership for action on Jan. 16 of next year.

Announcement of the slate was made by James J. Hopkins of Hopkins & Burgers, President of the club, which was formed in 1946.

Jacob Feinstein, this year's Treasurer, was nominated for Vice-President and George Herrel, currently serving as Secretary was chosen for Treasurer. John S. McDermott was proposed for Secretary.

George Bernhardt headed the Nominating Committee, which also included Clarence Bettman, Moe Edward Herman, Rudolph W. Kerpen and John S. McDermott.

Continued from page 6

Business Probabilities in The Rearmament Economy

ment of Commerce data for the third quarter of this year are not yet available and I have had to estimate some of these figures. There probably will be some question as to why I have projected "Corporation Earnings Before Profits Taxes" at the same level as the figure indicated for the third quarter of this year, namely, $45 billion. It must be remembered that the current figure includes a substantial inventory profit which may or may not be present around the end of 1951. My projection of pretax corporate earnings would not include inventory profits, if any; and furthermore the profits would be stated after making allowance for an additional $5 billion of accelerated depreciation charges, so the net earnings after taxes would not really be as low as it might appear on the surface.

But the figure we really want to get at in this category is the contribution of business to Gross National Product. Operating in an atmosphere of shortages and sellers' markets, stimulated by the privilege of accelerated depreciation, and under government pressure to enlarge productive facilities, it seems quite reasonable that business expenditures for plant and equipment could rise about $11 billion over the $33 billion indicated for the third quarter of this year. Bear in mind: this figure will also be influenced by higher prices.

Government Expenditures

This item, of course, is one about which there is so much argument. What will be the level of defense expenditures, including foreign aid? In military quarters I understand that a budget of $70-$75 billion is talked of for the 1951-52 fiscal year. In other quarters, I have heard the conviction that these expenditures could not possibly run over $40 billion. From two sources that I consider to be as reliable as any, I get an estimate of between $50 and $60 billion, and that is the figure that I have had in mind in my tabulation when I indicated that this item might add another $34 billion to Gross National Product. Let me emphasize again that the projection here is for the annual rate that may prevail around the end of next year.

Total GNP

By this line of reasoning it would seem possible to increase Gross National Product by about $60 billion, or 21% above the rate indicated for the third quarter of this year. In other words, Personal Consumption Expenditures could rise $21 billion, residential construction could drop $6 billion, business expenditures for plant and equipment could rise to $11 billion, and government expenditures might increase $34 billion.

I think it is also interesting to observe that a $6 billion decline in consumer expenditures for durables and another $6 billion decline for residential construction could be nearly offset by an $11 billion increase in business expenditures for new plant and equipment. This observation, however, does not give consideration to the matter of timing; the decline in consumers' durables and in residential construction may be felt in the economy before the business capital expenditures and higher defense expenditures have time to provide a full offset.

Perspective

Now, I want to emphasize once more that I do not consider that there is anything very precise in all of these projections. It is my purpose here to stimulate thinking on this subject so that we may take into our current consideration the **immediate** effects of the **impending trends.** Furthermore, as we proceed through the transition toward a near-war economy, I think that there will be a distinct advantage in having before us this broad blueprint of an economy that might be enlarged to a sufficient extent to permit a certain amount of "butter" in addition to "guns."

We all realize, of course, that constant revisions will have to be made in the projections as additional factual information becomes available. For example, we do not know as yet how the tax laws will be changed. When this uncertainty is crystallized we should be able to make some meaningful adjustments in the projections. Perhaps the time factor will have to be adjusted as we go along. The figure for defense expenditures will become more definite later on.

Then too, there is the matter of raw material bottlenecks. I am impressed with the fact that potential shortages of this type are being recognized and that efforts are being made to remedy them by encouraging marginal producers, and by assisting in the development of natural resources in foreign countries. Insofar as the success of these efforts is less than 100%, adjustments will have to be made in the projections.

Furthermore, the preliminary estimates make no allowance for the possible failure of labor to cooperate. There is no elbowroom for work stoppages. I have not made allowance for any improvement in worker productivity that might be expected to result from the very heavy capital expenditures for plant and equipment in recent years. Nor, have I made allowance for the greater production that might be achieved by longer and continuous runs of fewer types of a given commodity. There is no way yet for judging the extent to which these benefits might be offset by the increased use of unskilled workers or by the posible deterioration in the attitude of workers toward their jobs.

So, it is obvious that the very broad outline of the economy as presented by the Gross National Product figures will have to be adjusted as we go along. But with the broad pattern in mind, we should be in a position to fit each piece of the puzzle into its proper place just as rapidly as that piece is developed by decisions, regulations and laws yet to be determined.

Shorter-Term Indications

Perhaps of more importance to this discussion than the precision of these projections of Gross National Product is the effect that the indicated **trends** will have on business conditions in the immediate future. It should be obvious that an interpretation of an "interim dip" in business at this point involves much more than an appraisal of the effects of lower activity in the consumers' durable goods and residential construction industries.

While we are worrying about a decline in some of the consumers' durable goods lines, we will be hearing about some companies getting very large contracts from the government. The latter sort of news is already beginning to "break" in a semi-confidential fashion and I feel sure that there will be much more of the same in the immediate future.

While we are observing a decline in residential construction contracts, we will be hearing about plans for larger plant and equipment expenditures by business. While we are noticing the piling up of inventories of new cars and the lower prices in the used car market, we will have to recognize an atmosphere of shortages in raw material markets as the recipients of war orders build up their inventories for military production and as the government continues with its stockpiling program. The raw material price deflation that is characteristic of recessions in the normal business cycle is likely to be absent.

From a monetary viewpoint, the deflation—or at least the sharply retarded expansion — of personal debt is likely to be offset partially by some expansion of corporate debt to cover capital expenditures and to carry the expansion of inventories and payrolls that will be caused by higher prices and war business. However, with the government taking more money out of the economic stream than it is putting in during the next few months, it is likely that the money and credit factors will balance out on the moderately deflationary side—but only for the period of the "interim dip."

* * *

Based on the foregoing line of reasoning, I am anticipating that we will have to cope with an unusual number of conflicting forces in the economy for the next few months. This will be the real transition period, when civilian operations will feel the adverse effects of credit restrictions, material shortages and some confusion in converting plants to war work. The result may cause some decline in the FRB index and in Personal Income. In other words, it still seems unlikely to me that the setback in civilian demand will be fully offset by rising defense expenditures until some time next Spring.

However, I am not inclined to place much emphasis on a dip of this character. Its depth and duration are likely to depend rather heavily upon the speed with which the large defense program gets under way, and that factor in itself will probably be influenced somewhat by the degree of tension in the foreign situation.

Looking beyond this transition period, and into the near-war economy pattern that seems to be the prospect right now, it seems to me that we should have a very active economy, especially while we are trying to enlarge the size of over-all productive facilities so that we may have an economy that we can live with for an indefinite period. I have in mind then that the period beyond our "interim dip" is going to witness a dynamic and very active condition with the labor force and productive facilities of the country operating at capacity.

Now for the inevitable hedges that seem to be a necessary part of every economist's opinions. All bets are off if Russia agrees to disarm, to let down the Iron Curtain, and to permit U.N. inspectators to examine her military potentials. As I understand it that is the only condition under which we will abandon our own substantial military program.

Another contingency that might alter the pattern somewhat would be the development of a full-fledged war with Russia. The emotional factors, of course, would be stronger, and although I do not see why there should be any serious change in the fundamental trends, there would be a change in timing. Conversion of productive facilities to war work would have to be more complete. There would be less material and labor available for expanding productive facilities. Defense expenditures would mount more sharply and this, in itself, would cause more disruption in the civilian segments of business.

At the same time, I don't see why there would be anything deflationary involved. Consumption of raw materials and the employment of labor would be at a very high level. Commodity prices should be at least firm if not rising. The strength of inflation potentials would be even greater in a war than they would be in a near-war economy. As a matter of fact, the psychological reactions to the inflationary forces may well be one of the most important variables in the whole outlook. In my opinion, looking beyond the next few months, the inflation potentials will be stronger than they have been at any time in the recent history of the country.

Potter & Gossler, New NYSE Firm to Open

Potter & Gossler, members of the New York Stock Exchange, will be formed Dec. 15 with offices at 61 Broadway, New York City. Partners will be Philip Gossler, Jr., and Eliphalet N. Potter, member of the Exchange. Mr. Potter has been a partner in Stanley Heller & Co. and prior thereto was a partner in Bonner & Gregory. Mr. Gossler has been active as an individual floor broker.

ESTIMATED ANNUAL RATES OF DISPOSABLE INCOME AND SPENDING
(Gross National Product—in Billions)

	—Third Quarter 1950—		——End of 1951——	
	Disposable Income (Receipts)	Gross Nat'l Product (Spending)	Disposable Income (Receipts)	Gross Nat'l Product (Spending)
Individuals & Unincorporated Enterprise				
Compensation of Employees	$148.3		$178	
Proprietors Income (Farm and Unincorp. Business)	38.0		43	
Interest, Rent and Dividend Income	26.6		27	
Transfer Payments	11.9		10	
Personal Income	$224.8		$261	
Less Personal Taxes	20.0		30	
Equals Disposable Income	$204.8		$231	
Deduct: Personal Consumption Expenditures—				
Durable Goods		$33.5		$27
Non-Durable Goods		104.9		126
Services		60.0		66
Total		$198.4		$219
Indicated Personal Saving		$6.4		$12
Residential Construction (Including Farm)		15.4		9
Indicated Net Personal Saving or Dis-saving		—$9.0		$3
Corporations (Argus Estimate)				
Earnings Before Profits Tax	$45.0		$45	
Less: Profits Tax	*$18.9		†$24	
Dividends	10.0		10	
Equals: Retained Disposable Income	$16.1		$11	
Add Back: Extinguishment Charges (Deprec., etc.)	17.0		22	
Equals: Retained Cash Disposable Income	$33.1		$33	
Deduct: Investments in—				
Plant		$7.4		$10
Equipment		27.1		34
Inventory		—1.5		--
Total		$33.0		$44
Equals: Retained Cash Earnings Over Investment		0.1		—11
NET FOREIGN INVESTMENT		—3.3		—3
Government Purchase of Goods & Services				
Federal		$21.2		$55
State and Local		19.6		20
Total		$40.8		$75
TOTAL GROSS NATIONAL PRODUCT		$284.3		$344 +21%
Theoretical Assumptions				
Production of Manufactured Goods (FRB Index)	214		250 +17%	
Price of Manufactured Goods (Index)	199		220 +10%	
Productively Employed Workers	61.3 Mil.		65.0 + 6%	
Average Hours Worked Per Week			+ 5%	
Average Hourly Pay			+ 8%	
Man-Hour Productivity			No Gain	

*42% rate. †53% rate.

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. 10	100.5	81.7	103.0	91.7
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 10	1,938,400	1,575,800	1,986,600	1,690,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Nov. 25	5,887,870	5,882,400	5,895,250	5,191,850
Crude runs to stills — daily average (bbls.)	Nov. 25	†6,238,000	6,002,000	6,051,000	5,331,000
Gasoline output (bbls.)	Nov. 25	19,847,000	19,702,000	19,878,000	18,204,000
Kerosene output (bbls.)	Nov. 25	2,386,000	2,319,000	2,288,000	2,033,000
Gas, oil, and distillate fuel oil output (bbls.)	Nov. 25	8,591,000	8,231,000	8,259,000	6,971,000
Residual fuel oil output (bbls.)	Nov. 25	8,470,000	*8,783,000	8,449,000	8,104,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 25	106,424,000	105,468,000	105,062,000	104,917,000
Kerosene (bbls.) at	Nov. 25	28,291,000	28,382,000	28,634,000	26,069,000
Gas, oil, and distillate fuel oil (bbls.) at	Nov. 25	86,768,000	87,117,000	84,057,000	91,795,000
Residual fuel oil (bbls.) at	Nov. 25	45,566,000	*45,600,000	44,310,000	67,087,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 25	701,421	837,065	887,607	664,555
Revenue freight received from connections (number of cars)	Nov. 25	642,159	704,130	729,422	611,719
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 30	$260,346,000	$235,119,000	$199,716,000	$219,647,000
Private construction	Nov. 30	127,681,000	142,919,000	89,874,000	115,496,000
Public construction	Nov. 30	132,665,000	92,200,000	109,842,000	104,151,000
State and municipal	Nov. 30	101,250,000	79,061,000	86,392,000	53,684,000
Federal	Nov. 30	31,415,000	13,139,000	23,450,000	50,467,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 25	9,050,000	*11,845,000	11,650,000	13,030,000
Pennsylvania anthracite (tons)	Nov. 25	692,000	854,000	1,056,000	781,000
Beehive coke (tons)	Nov. 25	133,600	*149,100	157,400	11,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Nov. 25	319	368	313	330
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 2	6,716,273	6,507,509	6,550,615	5,742,915
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Nov. 30	160	146	181	221
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 28	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	Nov. 28	$49.69	$49.69	$49.36	$45.88
Scrap steel (per gross ton)	Nov. 28	$40.75	$40.75	$40.67	$28.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 29	24.200c	24.200c	24.200c	18.200c
Export refinery at	Nov. 29	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Nov. 29	146.000c	138.500c	121.000c	85.000c
Lead (New York) at	Nov. 29	17.000c	17.000c	16.000c	12.000c
Lead (St. Louis) at	Nov. 29	16.800c	16.800c	15.800c	11.800c
Zinc (East St. Louis) at	Nov. 29	17.500c	17.500c	17.500c	9.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 5	101.34	101.56	101.40	104.23
Average corporate	Dec. 5	115.24	115.43	115.24	115.43
Aaa	Dec. 5	119.41	119.61	119.61	121.04
Aa	Dec. 5	118.60	118.80	118.60	119.61
A	Dec. 5	114.66	114.85	114.66	114.85
Baa	Dec. 5	109.06	109.24	108.88	106.92
Railroad Group	Dec. 5	111.44	111.81	111.44	109.60
Public Utilities Group	Dec. 5	115.63	115.82	115.63	117.00
Industrials Group	Dec. 5	119.00	119.00	119.00	119.61
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 5	2.40	2.38	2.39	2.19
Average corporate	Dec. 5	2.89	2.88	2.89	2.88
Aaa	Dec. 5	2.68	2.67	2.67	2.60
Aa	Dec. 5	2.72	2.71	2.72	2.67
A	Dec. 5	2.92	2.91	2.92	2.91
Baa	Dec. 5	3.22	3.21	3.23	3.34
Railroad Group	Dec. 5	3.09	3.07	3.09	3.19
Public Utilities Group	Dec. 5	2.87	2.86	2.87	2.80
Industrials Group	Dec. 5	2.70	2.70	2.70	2.67
MOODY'S COMMODITY INDEX	Dec. 5	480.4	481.5	471.0	339.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 25	181,234	228,399	221,590	164,709
Production (tons)	Nov. 25	228,706	237,895	240,123	199,368
Percentage of activity	Nov. 25	100	103	104	90
Unfilled orders (tons) at	Nov. 25	671,985	723,350	694,741	374,086
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Dec. 1	140.6	139.2	138.4	124.5
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. 18	31,998	28,586	32,848	25,417
Number of shares—Customers' total sales	Nov. 18	935,447	850,965	1,001,253	755,910
Dollar value	Nov. 18	$41,324,077	$37,324,115	$43,015,819	$30,614,497
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 18	31,053	23,798	36,075	28,507
Customers' short sales	Nov. 18	348	377	186	269
Customers' other sales	Nov. 18	30,705	23,421	35,889	28,238
Number of shares—Customers' total sales	Nov. 18	914,278	700,913	1,034,529	782,893
Customers' short sales	Nov. 18	13,046	14,279	6,711	9,615
Customers' other sales	Nov. 18	901,232	686,634	1,027,818	773,278
Dollar value	Nov. 18	$36,312,668	$25,626,727	$38,463,216	$28,598,905
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 18	279,210	199,740	340,410	278,910
Short sales	Nov. 18	------	------	------	------
Other sales	Nov. 18	279,210	199,740	340,410	278,910
Round-lot purchases by dealers—					
Number of shares	Nov. 18	366,980	351,210	324,180	284,410
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Nov. 28	171.7	171.2	169.6	151.5
Farm products	Nov. 28	185.7	184.9	179.7	156.0
Grains	Nov. 28	172.6	171.5	167.0	162.3
Livestock	Nov. 28	222.1	219.8	223.9	187.8
Foods	Nov. 28	178.2	177.5	174.0	157.9
Meats	Nov. 28	243.1	240.6	239.8	211.2
All commodities other than farm and foods	Nov. 28	162.7	162.4	161.9	145.2
Textile products	Nov. 28	166.2	166.6	163.6	138.7
Fuel and lighting materials	Nov. 28	135.4	135.4	135.5	130.0
Metals and metal products	Nov. 28	180.6	180.4	179.7	167.3
Building Materials	Nov. 28	218.4	*218.1	219.3	189.6
Chemical and allied products	Nov. 28	136.6	*135.8	133.2	116.5

*Revised figure. †Includes 461,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of August	63,006	63,518	52,001
Stock of aluminum (short tons) end of Aug.	10,516	15,529	48,411
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. —U. S. DEPT. OF LABOR — Month of September (000's omitted):			
All building construction	$827,563	$1,088,854	$726,433
New residential	473,129	649,376	424,219
New nonresidential	256,222	324,827	217,972
Additions, alterations, etc.	98,212	114,651	84,242
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of October (in millions):			
Total new construction	$2,695	$2,806	$2,177
Private construction	1,982	*2,071	1,506
Residential building (nonfarm)	1,214	*1,306	832
New dwelling units	1,110	*1,195	740
Additions and alterations	86	*94	76
Nonhousekeeping	18	17	16
Nonresidential building (nonfarm)	378	351	264
Industrial	111	*100	68
Commercial	135	*121	84
Warehouses, office and loft buildings	43	39	24
Stores, restaurants and garages	92	*82	60
Other nonresidential building	132	130	112
Religious	39	38	33
Educational	29	28	24
Social and recreational	23	23	22
Hospital and institutional	29	29	22
Miscellaneous	12	12	11
Farm construction	88	106	104
Public utilities	295	301	299
Railroad	29	30	29
Telephone and telegraph	40	43	40
Other public utilities	226	228	230
All other private	7	7	7
Public construction	713	735	671
Residential building	29	*28	41
Nonresidential building	217	*213	215
Industrial	25	*22	11
Educational	112	*108	85
Hospital and institutional	37	*39	48
Other nonresidential building	43	44	71
Military and naval facilities	18	*17	16
Highways	290	310	233
Sewer and water	62	60	56
Miscellaneous public-service enterprises	15	17	22
Conservation and development	74	*82	80
All other public	8	8	8
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of October	6,782	*6,277	6,877
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of Oct. 31 (000's omitted)	$312,000	$286,000	$278,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of October:			
Cotton Seed—			
Received at mills (tons)	1,118,717	*599,914	1,382,294
Crushed (tons)	619,435	*403,932	748,269
Stocks (tons) Oct. 31	971,201	*471,919	1,574,820
Crude Oil—			
Stocks (pounds) Oct. 31	89,468,000	*63,370,000	123,462,000
Produced (pounds)	194,584,000	*121,808,000	242,687,000
Shipped (pounds)	156,588,000	*93,241,000	191,572,000
Refined Oil—			
Stocks (pounds) Oct. 31	107,144,000	*73,621,000	125,176,000
Produced (pounds)	143,075,000	*85,825,000	178,666,000
Consumption (pounds)	112,573,000	*116,937,000	129,424,000
Cake and Meal—			
Stocks (tons) Oct. 31	213,959	*153,478	116,912
Produced (tons)	275,861	*180,934	334,030
Shipped (tons)	215,380	*148,635	315,194
Hulls—			
Stocks (tons) Oct. 31	96,794	*62,470	124,264
Produced (tons)	141,176	*93,436	174,448
Shipped (tons)	126,852	*83,931	161,578
Linters (running bales)—			
Stocks Oct. 31	89,772	*72,009	186,970
Produced	206,353	*132,329	226,922
Shipped	188,590	*111,885	180,123
Hull Fiber (1,000-lb. bales)—			
Stocks Oct. 31	981	969	1,842
Produced	2,549	1,451	1,781
Shipped	2,537	639	1,367
Motes, grabbots, etc. (1,000 pounds)—			
Stocks Oct. 31	4,091	*2,645	5,869
Produced	3,369	*2,264	3,611
Shipped	1,923	*1,195	2,603
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of Sept. (000's omitted)	24,156,684	23,646,106	20,877,864
Revenue from ultimate customers—month of September	430,679,900	421,089,900	387,522,000
Number of ultimate customers at Sept. 30	44,497,408	44,283,690	42,342,680
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of September:			
All manufacturing (production workers)	13,021,000	*12,794,000	11,770,000
Durable goods	7,024,000	*6,891,000	6,062,000
Nondurable goods	5,997,000	*5,903,000	5,708,000
Employment indexes—			
All manufacturing	158.9	*156.2	143.7
Payroll indexes—			
All manufacturing	403.6	*393.9	335.1
Estimated number of employees in manufacturing industries—			
All manufacturing	15,687,000	15,442,000	14,312,000
Durable goods	8,435,000	*8,287,000	7,409,000
Nondurable goods	7,252,000	*7,155,000	6,903,000
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of October:			
Factory sales of washers (units)	439,924	424,043	333,728
Factory sales of ironers (units)	47,500	41,400	36,045
Factory sales of dryers (units)	28,882	31,399	15,760
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.) — Month of Oct.:			
Total number of vehicles	760,529	722,812	573,699
Number of passenger cars	651,169	616,827	488,176
Number of motor trucks	108,815	105,562	85,201
Number of motor coaches	545	423	322

*Revised.

Continued from page 3

Economic Implications Of Korean Crisis

prudent to devote a little more than the usual part of our output toward increasing the productive capacity of the economy.

III

Putting about $33 billion of output a year into replacing and expanding the productive capacity of the country while spending huge amounts on defense will require some reduction in current consumption. The extent to which consumption will have to be reduced will depend (1) upon the size of defense expenditures and (2) upon the success of the country in increasing the total output of the economy. No one knows how much must be spent on defense. Let us take an oft-mentioned figure — namely that, for the fiscal year 1951-52 expenditures on defense will have to be at the rate of more than $40 billion in present dollars. In the following fiscal year defense expenditures will probably be larger. Let us assume that the $40 billion rate of expenditure is reached in the third quarter of 1951.

The increase in the national product that can be achieved in the next year will depend upon the change in output per manhour and the growth in the number of people at work. The normal increase in output per manhour seems to be about 2.5%. During a year when there are abnormally large shifts of inexperienced workers into the labor force, of experienced workers into the armed services, and of workers from one plant to another, when there are important changes in the kind of production turned out by industry, and when there are bound to be many shortages of raw materials, the normal rise in output per manhour will probably not be achieved. Perhaps there will be no increase at all, and a small drop would not be surprising.

A considerable rise in the number of people at work is probable. In the third quarter of 1950, unemployment averaged nearly 2.7 million — considerably above both 1947 and 1948 when it was 2.1 million. It is unlikely that unemployment will be reduced to the low levels of the war period, but a further reduction of at least a million is probable. The normal increase in the labor force between July, 1950 and July, 1951 would be about 600,000. This assumes that the same proportion of population of working age will be in the labor force next year as this. It ought to be possible, however, to raise the labor force, including the men in the armed services, by about 1.1 million during the next year. This assumes no change in the proportion of males under 65 years of age in the labor force, but a rise in the proportion of those 65 years of age or more. It assumes no change in the proportion of women between 14 and 44 years of age in the labor force, but it assumes that the proportion of women of 44 to 64 years of age in the labor force continues to increase at about the same rate as it did last year. By increasing the proportion of young men and young women in the labor force, an increase of more than 1.1 million could be achieved in the next year.

If there is an expansion of employment (including the armed services) of 2.1 million during the next year (1 million as the result of a drop in unemployment and 1.1 million as the result of the growth of the labor force), no increase in output per manhour and no significant change in the length of the work week, the net national product would rise between the third quarter of 1950 and the third quarter of 1951 by a little more than 3.3%, or nearly $9 billion in terms of dollars of present purchasing power. If output per manhour were to rise by 2.5%, the increase in the net national product would be nearly $16 billion. If expenditures on defense reached annual rate of $40 billion by the third quarter of 1951 and expenditures on industrial plant and equipment were kept at the second quarter rate of 1950, the physical volume of consumption would need to drop about 2.5% to 6% or by $5 billion to $12 billion in terms of present prices—$5 billion in case the larger rate of national output were achieved and $12 billion in case the smaller rate were achieved. I think that the needed drop in consumption by the third quarter of 1951 will be closer to 6% than to 2.5%. In any event, it is plain that the maintenance of a high rate of investment on plant and equipment, together with substantial expenditures on defense, can be achieved only by some reductions in consumption. In 1952, when defense expenditures will undoubtedly be running at well above $40 billion a year, the drop in consumption will need to be greater than in 1951.

IV

How can the needed cut in consumption be brought about? The needed reduction may not seem large in view of the fact that personal consumption expenditures are now running at the rate of about $200 billion a year. Indeed, the smaller decrease in consumption would not reduce personal consumption quite to the level of the second quarter of 1950. But needed reduction in consumer expenditures will not be easily accomplished because personal incomes are rising. The advance in consumer incomes is partly a result of the increase in employment, partly a result of the rise in wages, partly a result of the rise in charges by the self-employed, and partly a result of dividend increases. By the third quarter of 1951, the annual rate of personal incomes is likely to be at least $25 billion above the third quarter of 1950 and personal incomes after taxes (assuming tax rates in effect after Oct. 1, 1950) about $17 billion above. If the output of consumer goods is down by $5 billion to $12 billion (at present prices), personal incomes after taxes (at present rates) and savings (at present rates) will exceed the output of consumer goods at present prices by about $22 billion to $29 billion a year. The task of limiting expenditures on consumer goods will be made more difficult by the drop in the opportunity to spend money on new housing.

Some increase in the present prices of consumer goods will be needed in order to offset the higher wages that are being granted by the consumer goods industries and the higher taxes on corporate income. The needed percentage increase in consumer prices will depend upon the change in output per man-hour, but it will need to yield additional revenues of about $15 billion a year. If prices of consumer goods advance sufficiently to yield this amount and if the physical output of consumer goods is down about 6% below the third quarter of 1950, personal incomes after present taxes will exceed the supply of consumer goods by about $20.6 billion as an annual rate. If the physical output of consumer goods is down by only 2.5% below the third quarter of 1950 and the prices of consumer goods yield $15 billion more revenue, personal incomes after present taxes will exceed the output of consumer goods by about $13.6 billion. Since personal savings in the third quarter of 1950 were at the annual rate of $6.4 billion, additional taxes on savings of $14.2 billion to $17.2 billion will be needed.

The following table shows the size of the inflationary gap computed on the basis of the assumptions indicated:

SEASONALLY ADJUSTED ANNUAL RATES
(in billions)

	—Third Quarter— 1950	1951
Personal income	$224.8	$250
Disposable income	204.7	222
Output of consumer goods at third quarter 1950 prices	198.4	186.4 to 193.4
Output of consumer goods yielding $15 billion above the third quarter of 1950	----	201.4 to 208.4
Inflationary gap	----	20.3 to 13.6
Personal saving	6.4	----
Inflationary gap over and above 1950 volume of saving	----	14.2 to 7.2

This is a larger inflationary gap than can be offset by higher taxes —particularly by some of the taxes that are being levied. Some of these taxes have no effect in reducing consumer expenditures. The corporate income tax, which yields around $15 billion a year, is an example. Insofar as it reduces expenditures at all, it reduces outlays on plant, equipment, and inventories. Expenditures on plant and equipment are the very kind that must not be cut very much if the country is to continue to expand its capacity at a good rate. As a matter of fact, I do not believe that the corporate income tax does reduce corporate profits or corporate expenditures appreciably in a sellers' market—it encourages an increase in prices.

If the inflationary gap were to be absorbed entirely by increases in the personal income tax, the yield of that tax would have to be considerably more than doubled. In fact, the yield of the tax would have to be raised considerably higher in relation to personal incomes than it was in 1943, 1944, or 1945, the peak war years, when the yield of the tax was about 11% of all personal incomes. You will agree, I believe, that this would be impracticable.

One possible way of dealing with the problem of excessive consumer demand is through more and higher excise taxes on consumer goods. Unless excise taxes are broadly imposed, however, they will probably have little effect in discouraging spending—they may simply divert spending from some articles to others. Excise taxes, of course, raise prices, but they give the income from the raise to the Treasury.

Another way of dealing with the problem is through a combination of increases in the income tax and inducements to individuals to save. Increases in income tax rate yielding an additional $10 billion might be imposed. This would raise the total yield of the Federal personal income tax (at personal incomes of $250 billion) to an annual rate of around $30 billion, or 12% of personal incomes. This would make the yield of the personal income tax from 50% to 60% above the wartime yield and would raise the ratio of income tax payments to income before taxes above the wartime amounts. The ratio in 1943 was 11.8%; in 1944, 11.4%; in 1945, 12.2%.

Since even personal income tax rates yielding $30 billion a year when personal incomes are $250 billion a year would not close the inflationary gap, it is plain that increase in personal savings is necessary—particularly if the output of consumer goods is down as much as 6%. This means that individuals need to be offered investment opportunities that have a strong attraction, that make them eager to invest in securities rather than to buy goods. If output per man-hour can be raised sufficiently so that only a 2.5% drop in the physical volume of consumption occurs by the third quarter of next year, the need for a **large** increase in savings will not be developed until after the third quarter of 1951. As expenditures on defense rise above $40 billion a year, however, the need for more personal savings will rapidly grow. Furthermore, in order to keep prices from rising above the levels needed to compensate for recent and current wage and tax increases, some immediate increase in savings is needed. In view of these facts, it is startling that no arrangements exist for making saving attractive to individuals, and for inducing them to save on a large scale. The new capital security issues brought out by corporations in the third quarter of 1950 consisted of $647 million of bonds and $170 million of stocks—nearly four-fifths bonds. The bond issues are undoubtedly attractive to institutions with fixed-dollar liabilities, but they are not suited to the needs of individuals in a period of rising prices. The stock issues may not be suitable for direct purchase by individuals, but they do give investment trusts, which may give the small investor the diversification he needs, an opportunity to expand. The striking thing about the stock issues is the smallness of their size.

Nor does the government have any security suitable for most individual investors in a period of rising prices. Money put into E bonds is likely to lose purchasing power during the next year faster than the redemption value of the bond rises. During the last several months, when the annual rate of personal consumption expenditures suddenly jumped over $13 billion, the Treasury should have been helping to hold down prices by selling individuals bonds in substantial quantities. It has not been able to do this because it does not have a bond that satisfactorily fits the needs of individuals under present conditions. At a time when the Treasury should have been selling E bonds in considerable volume, sales slumped and redemptions rose, so that the total excess of redemptions over purchases in the three-month period August to October was over $300 million. This experience illustrates the inflationary dangers in the present type of Federal debt, at least when held by individuals rather than by institutions with fixed-dollar liabilities. When the individual fears that prices are likely to rise, he is naturally inclined to sell or redeem his bonds and to shift into goods, real estate, or stocks, thus aggravating inflationary pressures.

V

Next in importance to the problem of increasing the productive capacity of industry is the problem of preventing or controlling inflation. Here one encounters the controversy between two schools of thought—the proponents of indirect controls (cuts in government spending, higher taxes, stricter terms of credit, and the encouragement of saving) and the advocates of direct controls—ceilings on prices and wages. I do not believe indirect controls alone or direct controls alone can completely prevent a fall in the purchasing power of money. The best that can be expected of them is that they will keep the fall in the purchasing power of money moderate. By "moderate" I mean a drop in the purchasing power of the dollar during the year beginning with the Korean War of no more than 10 per cent and a smaller drop (perhaps around 5 per cent) in the years following.

One trouble with indirect controls is that some of them, such as the corporate income tax, actually tend to bring about a rise in prices. An even more important trouble is that indirect controls attack only the demand side of the problem of inflation. They fail to reach the cost side which is just as important as the demand side. The principal element in the cost of production is wages. Everyday, however, large new wage increases are announced. Many of the contracts provide for wage advances next year as well as now. With unemployment down to 1.9 million and destined to go lower next spring, unions are likely to raise wages faster than they did in 1947 and 1948, when about 2.1 million men were out of work. In 1947 hourly earnings in manufacturing increased by 11.9 per cent; in 1948, by 8.1 per cent.

Advancing labor costs are bound to mean higher prices because the price level is not independent of the cost of producing goods. Many people, it is true, believe that higher wages could be absorbed out of profits. In a few cases this is true. The rise in the cost of replacing inventories, however, leaves most corporations with fewer dollars than last year available for wage increases, for expanding plant and equipment, and for dividends. Consequently, unless rising wages are subjected to some kind of control, prices are bound to increase appreciably during the next year or two.

In theory it would be possible to apply indirect controls so drastically that unions would be unable to push up wages faster than the managers and engineers can raise output per manhour. This, however, would require that demand be limited sufficiently to create 3 million or 4 million unemployed. This would be a waste of labor that the country could not tolerate, especially in a period when it is engaged in a production race with Russia.

Direct controls are likewise unable to prevent entirely a drop in the purchasing power of the dollar. Under direct controls the purchasing power of the dollar drops because there is a drop in quality, because transactions shift to black markets, and because industry fails to make the kind and quality of goods that consumers most desire. Thus consumers are compelled to spend their dollars on goods that do not quite fit their needs. Direct controls on wages are likewise difficult to enforce in a sellers' market. Employers have a strong temptation to evade them by a fictitious upgrading of workers, and by joining with unions in asking removals of "inequities" for various groups of worker or by consenting to changes in working rules that increase earnings and, of course, labor costs.

VI

If neither indirect controls nor direct controls alone will prevent some rise in prices, what are we going to do? Perhaps the frankest answer is to say that we shall do "the best we can", using that expression in the colloquial rather than the literal sense. There will be a mixture of direct and indirect controls. This will keep the

Continued on page 34

Continued from page 33

Economic Implications Of Korean Crisis

rise in prices moderate, but will not prevent it.

In what areas are there likely to be direct controls? Certainly rents are likely to be controlled in many communities. Let us hope, however, that controls in this field will be operated more fairly than they were during the Second World War and the postwar years. Landlords are entitled to have their prices rise by about the average of all prices.

There are some areas, such as textiles, apparel, and meat where direct controls do not work—indeed, they do not come close to working. Let us hope that they will not again be attempted. The way to keep down prices in these fields is to make it highly attractive for people to save. The members of the community will then get just as much clothing and meat as they would otherwise have obtained. The clothing will be a better quality, the meat will be more evenly distributed, and the real prices will be less (quality of goods considered) than would be the real prices paid under price ceilings. Up to the present, however, as I have emphasized, no real effort has been made to persuade people to save.

Some kind of direct control of wages will be necessary if the rise in prices is to be kept moderate—unions are too strong and the labor market is too tight to leave wages to uncontrolled collective bargaining. It will be very difficult to work out satisfactory wage controls. The best arrangement would be a wage restraint agreement between the unions and the government. It would not need to be a wage freeze—and, in view of the absence of price controls, it should not be a wage freeze. For example, it should permit wages to be adjusted upward as the cost of living advances. Union members would come out better under such an arrangement than they would under a general price freeze because under a general price freeze they would not get wage increases to compensate them for the gradual drop in the quality of goods.

VII

The prospect that prices will rise at a moderate rate extends beyond the next two or three years immediately ahead. Even if worsening relations with Russia had not forced the United States to increase greatly its expenditures on armaments, the outlook would have been for slowly rising prices. The country is committed to a policy of high-level employment, and it has strong unions. When employment is high, unions will be able to raise wages a little faster than managers are able to increase output per manhour. If this happens, high employment cannot be maintained without a rise in prices. The strong demand for goods and the tight labor market that will exist in the defense economy make it more likely than ever that the long-run movement of the price level will be upward. Individual prices will go counter to the general trend; there will be short periods when the general movement of prices is downward. Most of the time, however, the price level will be rising.

The prospect of even a slowly rising price level compels us to reconsider accepted thinking about investments and, in particular, to reconsider thinking about the investment problems of small savers. It has always been thought that the small saver, to whom security of principal was of first importance, had best put his money into a savings bank, building or loan shares, or high-grade bonds. In this way, he avoided much risk to his principal. All of this traditional thinking about investments, however, rests upon the implied assumption that the price level would remain more or less stable. In a rising price level, however, the type of investments that formerly gave the maximum protection to principal assures loss of principal—because, though the saver can get his dollars back, he is really interested in conserving the purchasing power of his principal.

But what is the small investor going to do? The economy is not too well prepared to meet the problems that confront him in an era of slowly rising prices. One possible outlet for his savings is home ownership. During the last decade there has been an increase of about 8 million in the number of owner-occupied dwelling units. More than half of American families, now "own" their own homes —though many of these homes have not been paid for. Since the beginning of 1940, about $50 billion has been invested in nonfarm residential construction — a very large part of it by families of modest means. In view of the prospect that prices will continue to rise, this investment in houses will probably prove to be the best investment that these savers could have made—distinctly better than investment in savings bank deposits or bonds. Fortunately, for the home buyer a large part of the investment has been made with borrowed money — individual non-farm mortgages increased about $25 billion between the beginning of 1940 and the end of 1949.

Another possible outlet for individual savings are the stocks of corporations. Earning of corporations have, on the whole, made good records in the period of rising prices. Unfortunately, individual corporate issues are not likely to be a suitable investment for most small savers. Perhaps the investment trust can meet the need of the small saver. If it does, it will need to be the type of investment trust that specializes in securities that are not sensitive to the cyclical ups and down of business. The small saver is likely to need part of his money in times of recession when the prices of stocks, even the stocks of well-diversified investment trusts, are down. Perhaps the government will help meet the needs of the small investor by offering him a non-negotiable savings bond payable in a fixed amount of purchasing power. Into such a secure storehouse of value the small saver might be willing to put his funds in return for a very low rate of interest.

In the days when it was reasonable to assume that prices would remain stable, a single type of investment could meet more or less satisfactorily meet the two basic needs of the small investor—namely his need for a reliable source of liquidity and his need for a safe storehouse of value. Now it looks as if the type of investment which, over the long run, may give the small investor the best storehouse of value will not necessarily best satisfy his need for liquidity. It is still too early to be very precise as to how the small investor can best adapt himself to an economy which has the prospect of a slowly rising price level. It is plain, however, that in such an economy the small investor should make only limited use of the very kind of investments which have heretofore been regarded as most suitable for him, namely savings accounts and bonds.

C. W. Hall Opens

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Charles W. Hall is engaging in the securities business from offices at 419 Southwest Stark.

Wainwright Adds Two

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Gordon Coogan and Peter G. Estin have joined the staff of H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

Joins Gibbs & Coe

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Charles H. LeMaitre has joined the staff of Gibbs & Coe, 507 Main Street.

Charles Lumaghi Joins Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Charles G. Lumaghi has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 511 Locust Street. He was formerly with Central Republic Company.

With Central Republic

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Harold B. Johnson is now associated with Central Republic Company, Farnam Building. Mr. Johnson was previously with Ellis, Holyoks & Co. of Lincoln.

With Kirchofer & Arnold

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Paul Truman and Emma B. Ellis have joined the staff of Kirchofer & Arnold Associates, Inc., Johnston Building.

With Camp & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—George W. Elden has become affiliated with Camp & Co., U. S. National Bank Building.

William Fisher Admits

William Fisher & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Sidney Fisher to partnership on Jan. 1.

Joins Akin-Lambert

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dewey Janney has become associated with Akin-Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

F. C. D'Annunzio

NEWARK, N. J. — Francis C. D'Annunzio is engaging in a securities business from offices at 355 North Thirteenth Street.

Douglas Deringer Opens

RICHMOND, Va.—Douglas M. Deringer is engaging in a securities business from offices at 202 East Cary Street. Mr. Deringer was previously with Pioneer Enterprises, Inc.

Kuhner, Vollebregt & Gerald Formed

Kuhner, Vollebregt and Gerald has opened offices at 37 Wall Street, New York City, to engage in a securities business. Partners are Frederick M. Kuhner, Petrus H. J. Vollebregt, and Lewis G. Gerald.

Frank Williams Opens

PROVIDENCE, R. I.—Frank S. Williams is engaging in a securities business from offices at 89 Elmgrove Avenue.

Continued from first page

Price Stability—An Urgent And Difficult Task

by increases in the total production of the economy, so that no general cuts would be required in supplies to civilians. A very rapid rate of growth in rearmament would necessitate sudden adjustments. Civilian sacrifices would be inevitable, and in some economic areas there would be temporary unemployment and lowered production. The measures taken to facilitate these adjustments and to prevent them from upsetting the economy are important.

The defense program poses for us several major economic problems. The first is to move quickly toward achieving adequate production of material required for the arming and expansion of military, naval, and air forces, and for civilian defense.

The second major economic problem raised by the defense program is to increase the total productive power of the whole economy. Production and the capacity to produce are basic sources of both military power and a strong civilian economy.

Maintaining a stable economy, particularly price stability, is an immediately urgent and immensely difficult task. The problem is essentially one of maintaining a balance between civilian supply and civilian demand. Civilian supply presents a two-fold problem. The non-military use of some commodities will certainly have to be restricted, for example, commodities made of copper, aluminum, steel, rubber and so on. Allocation orders have already been issued with regard to a few materials. Civilian supply of many other goods which do not compete directly with military goods also may have to be reduced if the increased requirements of defense production exceed the rate of growth of the productive power of the economy. Despite substantial increases in total production, which seem well within the power of industry to achieve, civilian supplies cannot be expected to show much increase, and are likely to decrease.

Civilian demand, however, may be expected to increase. We saw that happen last summer. Merely the possibility of war and the prospect of large-scale rearmament brought a big bulge in consumer buying.

In the absence of preventive steps, the result of increased demand would inevitably be price increases. These price increases lead to a price spiral.

Any large or continuing rise of prices would be a major blow, especially coming so soon on the heels of the price increases during and after World War II. Inflationary price rises would increase the money cost of the defense effort. They would change the distribution of wealth and incomes. They would impair the relative and absolute economic positions of those persons and institutions which have relatively fixed incomes or own assets of fixed money value.

It is imperative, therefore, that there be the strongest possible resolve within the executive branch of the Government, in the Congress, and by the public that extensive inflationary price rises shall not happen again. This means a great deal more than resolving that the other fellow's prices, which we pay, shall not rise. That is likely to be quite ineffective as long as we insist on our own incomes rising. If we want to stop inflation, each of us, whether in business, agriculture, labor or government, must become concerned with preventing the prices and incomes which we receive from rising.

Aside from voluntary restraint and expanded production, there are three general ways by which inflationary price rises may be checked. The first is to prevent incomes from rising. This is the principal function performed by price controls, including wage controls.

A second method of forestalling inflationary price rises is to prevent current incomes, past savings, and newly created credit from being spent.

Controls on credit help to achieve this result. Allocations and rationing may also be used in appropriate circumstances. It is very important also to persuade the people that it is in their interest and the public interest to save more and spend less.

The third method of preventing inflationary price rises is by increasing taxes. Higher taxes not only supply revenue, they also withdraw funds from persons and businesses and thus cut down their ability to spend.

Taxation is superior to other methods of preventing inflationary price rises in important respects. It does not interfere with the operation of market forces. It does not present the threat of future inflation. It distributes the financial burden at the same time the economic burden must inevitably be borne. It protects the men and women of the armed forces from the ironic unfairness of fighting a war and coming home to pay for it too.

Taxation is also the necessary foundation for other forms of control. It has sometimes been argued that price controls and wage controls are a substitute for taxation. Quite the contrary is true. If price controls, for example, are to work — and they must work if wage controls are to work — there must be no large gap between demand and supply at prevailing prices.

The problem of what to do in the face of the prospective defense program is largely one of unpleasant alternatives. They are, of course, not altogether alternatives. It will undoubtedly be necessary to use in some degree all or nearly all the methods available to fight inflation. It is important to understand that the higher taxes are raised the less necessary it is to resort to the other, less desirable methods of preventing inflation — up to the point where taxes exceed their economic limits.

Two With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas Merto and William E. Pipal have become connected with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ralph E. Mayer is now associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was formerly with Wagenseller & Durst, Inc., Turner & Poindexter and Nelson Douglass & Co.

Now With Lester Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William B. MacLean is now affiliated with Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

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. 14. **Price**—$17.50 per share. **Underwriters**—Kidder, Peabody & Co., Alex. Brown & Sons and Glore, Forgan & Co. **Proceeds**—To retire preferred stock and for general corporate purposes. Statement effective Nov. 30.

American Rock Wool Corp.
Nov. 29 (by amendment) filed 91,583 shares of common stock (par $5), of which 52,263 shares are offered by the company and 39,320 shares by certain stockholders. **Price**—$11.25 per share. **Underwriter**—Bacon, Whipple & Co., Chicago, Ill. **Proceeds**—To company to retire notes and balance added to general funds. **Business**—Manufactures and sells thermal installation. **Offering** — Being made today.

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.

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.
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.
Nov. 13 filed $6,000,000 of 2⅞% sinking fund debentures due 1970. **Underwriters** — Issue awarded on Dec. 5 to Blyth & Co., Inc., Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly) on their bid of 99.64. **Price**—To be reoffered at 100 and interest. **Proceeds**—For construction program.

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**—To be supplied by amendment. **Underwriter**—Clement A. Evans & Co., Atlanta, Ga.

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.

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.

● **Continental Engineering Co., Carrizozo, N. M.**
Nov. 29 (letter of notification) 490,000 shares of common stock. **Price**—At par (50 cents per share). **Underwriter**—None. **Proceeds**—For working capital. **Address**—P. O. Box 56, Carrizozo, N. M.

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.

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.

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.

● **Daily Reporter, Inc., Tuscon, Ariz.**
Nov. 22 (letter of notification) 1,500 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For equipment and operating expenses.

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. Statement effective Nov. 28.

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 (12/13)
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.

● **Dwinell Co., Inc., Kansas City, Mo.**
Nov. 27 (letter of notification) 56,250 shares of common stock (no par). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—For working capital. **Additional Issue**—165,014 shares for exchange for stock of merged companies. **Office**—119-121 West 8th St., Kansas City, Mo.

● **East Lemhi Mining Co., Spokane, Wash.**
Nov. 15 (letter of notification) 600,000 shares of common stock (par one mill). **Price**—15 cents per share. **Underwriter**—None. **Proceeds**—For working capital.

● **Eureka Telephone Co., Corydon, Ind.**
Nov. 27 (letter of notification) 1,700 shares of common stock to be offered to company's telephone subscribers. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For cash equity to secure loan allocation by Rural Electrification Administration.

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.

● **Fidelity Investment Associates, Inc., Boston, Massachusetts**
Nov. 29 filed 20,000 shares of capital stock (par $5). **Underwriter**—None. **Proceeds**—For investment.

Fluor Corp., Ltd., Los Angeles, Calif. (12/14)
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.

● **Globe-Union, Inc., Milwaukee, Wis.**
Nov. 28 (letter of notification) 30,000 shares of capital stock (par $5) to be sold to company's profit-sharing and employees' savings plan. **Price** — $18.50 per share. **Proceeds**—For general corporate purposes. **Office**—900 E. Keefe Ave., Milwaukee 1, Wis.

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.

Continued on page 36

Continued from page 35

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.

● **Honolulu Oil Corp. (12/20)**
Dec. 1 filed 120,000 shares of capital stock to be offered to present stockholders. **Price**—To be filed by amendment. **Underwriter**—Dean Witter & Co., San Francisco, Calif. **Proceeds**—To selling stockholders.

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.

● **Investors Management Fund, Inc., New York**
Nov. 29 filed 100,000 shares of capital stock (par $1). **Underwriter**—None. **Proceeds**—For investment.

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.

● **Lexington Trust Fund, New York**
Dec. 4 filed 500,000 shares of capital stock (par 25 cents). **Price**—At net asset value, plus a selling fee of approximately 4.7% to 9.3% (depending on size of purchase). **Sponsor** — American Trusteed Funds, Inc., New York. **General Distributor**—Corporate Leaders Sales Co. **Proceeds**—For investment.

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.

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. Statement effective Nov. 29.

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.
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.

● **Macy (R. H.) & Co., Inc (12/20)**
Dec. 1 filed 111,692 shares of common stock (no par). **Price**—To be related to the existing market price at time of offering. **Underwriter**—Lehman Brothers. **Proceeds**—To selling stockholders.

● **Magnolia Lead & Oil Co., Salt Lake City, Utah**
Nov. 29 (letter of notification) 200,000 shares of nonassessable common stock. **Price**—At par (10 cents per share). **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah. **Proceeds** — For acquisition of property and for working capital. **Office**—328 Atlas Bldg., Salt Lake City.

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.

NEW ISSUE CALENDAR

December 10, 1950

Spray, Inc.	Preferred

December 11, 1950

Kaye-Halbert Corp.	Common
Webster-Chicago Corp.	Common
Wilcox-Gay Corp.	Common

December 12, 1950

Lucky Stores, Inc.	Common
Metropolitan Edison Co., noon (EST)	Pfd. & Bonds
Schick, Inc.	Common

December 13, 1950

Duriron Co., Inc.	Preferred & Com.
Miles Shoes, Inc.	Common

December 14, 1950

Circle Wire & Cable Corp.	Common
Fluor Corp., Ltd.	Common
St. Louis-San Francisco Ry. Noon (EST)	Equip. Trust Ctfs.

December 15, 1950

Vitro Manufacturing Co.	Common

December 18, 1950

Colonial Acceptance Corp.	Debs. & Common

December 19, 1950

Western Pacific RR. Co., 1 p.m. (EST)	Bonds

December 20, 1950

Honolulu Oil Corp.	Common
Macy (R. H.) & Co., Inc.	Common

January 3, 1951

Dow Chemical Co.	Common

● **McCormick & Co., Inc., Baltimore, Md.**
Nov. 22 (letter of notification) 1,000 shares of 5% cumulative preferred stock (par $100), 4,500 shares of nonvoting common stock (no par) and 4,590 shares of voting common stock (no par). **Price**—The preferred at par and the common at the market (approximately $22 per share). **Underwriter** — None. **Proceeds**—For working capital. **Office**—414 Light St., Baltimore 2, Md.

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.

● **Mercantile Acceptance Corp. of California**
Dec. 1 (letter of notification) 492 shares of first preferred stock, 5% series (par $20) to be offered as a bonus to employees only. **Office**—333 Montgomery St., 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. Statement effective Nov. 29.

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.

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** — Registration statement withdrawn Nov. 28.

● **Muntz Car Co., Evanston, Ill.**
Nov. 29 (letter of notification) 300,000 shares of common stock (no par) to be sold to a group of 20 individuals. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For operating capital, and to complete purchase of tools, dies and inventory from Kurtis-Kraft, Inc. **Office**—1000 Grey Ave., Evanston, Ill.

● **New Bedford Gas & Edison Light Co.**
Nov. 28 (letter of notification) 17,717 4/5 shares of common stock (par $25), to be offered to stockholders of record Oct. 20 on basis of one share for each 15 shares held; warrants evidence right to subscribe during period Dec. 5 to Dec. 20. New England Gas and Electric Association owning 97.37% of outstanding stock has agreed to purchase 17,254.2 shares and all unsubscribed shares. **Price**—$67.50 per share. **Underwriter**—None. **Proceeds**—To reimburse plant replacement fund for construction expenses.

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. Statement effective Nov. 28.

Pennsylvania Salt Manufacturing Co.
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. It is understood no general public offering is planned.

● **Pillo-Pak Management Corp., Providence, R. I.**
Dec. 1 (letter of notification) $220,000 of 5% 10-year debentures and 3,750 shares of common stock (par $20). **Price**—The debentures in denominations of $100 each and the common stock at par. **Underwriter**—None. **Proceeds**—To purchase certain patents of moulded packaging material.

Providence Washington Insurance Co.
Nov. 10 filed 80,000 shares of cumulative convertible preferred stock (par $10) being offered to common stockholders of record Dec. 4 on basis of one preferred share for each five common shares held; rights will expire Dec. 19. **Price** — $52 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.

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**—507 Liberty Avenue, Pittsburgh 22, Pa.

● **Rohm & Haas Co., Philadelphia, Pa.**
Dec. 5 (letter of notification) 900 shares of 4% preferred stock series A (par $100). **Price** — At market price on New York Stock Exchange. **Underwriter**—None. **Proceeds**—To Otto Haas, Chairman and President, the selling stockholder. **Office** — 222 W. Washington Square, Philadelphia, Pa.

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.

● **Scott Paper Co., Chester, Pa.**
Dec. 5 filed 23,529 shares of common stock (no par) to be offered to employees of the company under its "Employees' Stock Purchase Plan for 1951." The company

anticipates a maximum of 5,000 memberships in the plan under which any eligible employee may subscribe for an amount up to but not exceeding 10% of his weekly earnings.

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.

● **South State Uranium Mines Ltd., Toronto, Canada**
Dec. 1 filed 560,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter-Optionee** — Robert Irwin Martin of Toronto. **Proceeds**—For commissions, exploration and development expenses, and working capital.

● **South West Box Co., Keokuk, Iowa**
Nov. 27 (letter of notification) $200,000 10-year 6% subordinated instalment debenture bonds. **Price**—To be sold in multiples of $100 plus accrued interest. **Underwriter**—None. **Proceeds**—For corrugated machine.

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.

● **Spray, Inc., East Orange, N. J. (12/10)**
Nov. 29 (letter of notification) 2,500 shares of 7% cumulative preferred stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To be used as increased capital for expansion of business. **Office**—519 Main St., East Orange, N. J.

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.
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.

● **Vitro Manufacturing Co. (12/15)**
Dec. 4 (letter of notification) 30,000 shares of common stock (par $1) to be offered to common stockholders of record Dec. 15 on basis of one new share for each 5.64 shares held; rights to expire Jan. 2. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For initial working capital of Vitro Chemicacl Co., Inc., a subsidiary, to be formed in December, 1950, to acquire and operate a plant in Salt Lake City, Utah, for the processing of uranium and manganese ores. **Office**—60 Greenway Drive, Corliss Station, Pittsburgh 4, Pa.

● **Vulcan Extension, Inc., Wallace, Idaho**
Nov. 27 (letter of notification) 250,000 shares of capital stock (par 20 cents). **Price**—31 cents per share. **Underwriter**—J. A. Hogle & Co., Spokane, Wash. **Proceeds**—For initial working capital for ore development. **Address**—c/o H. J. Hull & Sons, Wallace, Idaho.

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.

● **Westerly (R. I.) Automatic Telephone Co.**
Dec. 1 (letter of notification) 7,000 shares of common stock to be offered to stockholders of record Dec. 9, 1950, of which total 4,434 shares will be subscribed for by New England Telephone & Telegraph Co. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—38 Main St., Westerly, Rhode Island.

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. (12/11-16)
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.

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.

● **American Bosch Corp.**
Nov. 22 it was announced stockholders will vote Dec. 18 on creating a new issue of 40,000 shares of 5% cumulative preferred stock (par $100), to be issued in series. Of this issue, it is proposed to place privately with a group of insurance companies 16,500 shares of series A preferred, the proceeds to be used to redeem all of the presently outstanding 16,336 shares of 5% cumulative preferred stock.

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.

● **Brewing Corp. of America**
Nov. 3 stockholders approved creation of $6,000,000 of mortgage indebtedness, consisting of a $3,000,000 first mortgage to mature serially and a $3,000,000 second mortgage to mature on Sept. 30, 1957. **Proceeds**—To refund $6,000,000 bank loans.

● **Capital Plastics, Inc.**
Nov. 28, it was announced that it is planned to offer common stockholders of Rochester Button Co. rights to subscribe for 131,025 shares of capital stock on the basis of one share of capital stock for each present share of Rochester Button stock held as of record Dec. 18, 1950; rights to expire about Jan. 16. **Price**—$1 per share. **Proceeds**—To acquire Techperl and Brodhead Divisions of Rochester Button Co., which are engaged in plastic operations. **Offering**—Rights expected to be mailed early in January, 1951.

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.

● **Chesapeake & Ohio Ry.**
Dec. 4 it was reported company contemplates issuance of $7,500,00 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected in January.

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 December a proposed offering of $25,000,000 new bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. **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 sale 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.

● **Firth Carpet Co.**
Nov. 30 it was announced stockholders will vote Dec. 20 on creating an authorized issue of 30,000 shares of new preferred stock (par $100), of which it is initially planned to issue and sell 10,000 shares to provide additional working capital. Traditional underwriter: Reynolds & Co., New York.

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).

● **LaCrosse Telephone Corp.**
Dec. 4 it was reported that 55,500 additional shares of common stock (par $10) would be publicly offered to residents of Wisconsin only. **Price**—$11 per share, less a discount of 60 cents per share to Wisconsin security dealers. **Underwriters**—Loewi & Co., Milwaukee, and Bell & Farrell, Inc., Madison, Wis. **Proceeds**—To repay advances from Central Telephone Co., the parent. **Offering**—Expected this week.

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.

● **Monongahela Power Co.**
Dec. 1 it was announced company plans issuance and sale of $10,000,000 of new bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler; Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. **Proceeds**—For expansion program. **Offering**—Expected in March, 1951.

Continued on page 38

Continued from page 37

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.

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.

● **Potomac Edison Co.**
Dec. 1 it was announced that company plans to issue $10,000,000 of new bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Alex. Brown & Sons (jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc., and Union Securities Corp. (jointly). **Proceeds** — For expansion program. **Offering**—Expected in April or May, 1951.

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. Traditional underwriter: Hayden, Miller & Co.

● **St. Louis-San Francisco Ry. (12/14)**
Bids will be received by the company at 120 Broadway, New York, N. Y., up to noon (EST) on Dec. 14 for the purchase from it of $5,595,000 equipment trust certificates, series H, mature in 15 equal annual instalments. Probable bidders include: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); and 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., Port Huron, Michigan**
Dec. 1 it was announced that in connection with the financing of the proposed pipeline, the acquisition of distribution facilities and the conversion of the system to natural gas, the company proposes to issue $3,300,000 of first mortgage bonds, $500,000 of 5% prior preferred stock, $200,000 of 6% cumulative preferred stock and $400,000 of common stock, subject to the approval of the Michigan P. S. Commission. The FPC authorized the company to construct natural gas pipeline facilities to serve the southeastern Michigan area.

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.

● **Texas & Pacific Ry.**
Dec. 5 it was announced company plans to issue and sell either $3,800,000 or $4,500,000 equipment trust certificates, series I, to be dated Feb. 1, 1951. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Lee Higginson Corp.; R. W. Pressprich & Co.; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly); Blair, Rollins & Co. Inc.

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 Natural Gas Co.**
Nov. 21, the company applied to the Utah P. S. Commission for permission to extend the proposed natural gas line from northeastern Utah to include additional areas in that State. The estimated cost of the project was increased to $32,000,000 (from $25,000,000 in the original application), according to John A. McGuire, President, and the length of the proposed transmission increased from 325 miles to 469 miles.

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.

● **West Penn Electric Co.**
Dec. 1 it was reported company plans to sell $7,000,000 of new common stock, either to the stockholders or through underwriting. If through underwriters, stock may be sold at straight competitive bidding. Probable bidders: Lehman Brothers and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. **Proceeds**—For expansion program. **Offering**—Expected early in 1951.

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. Co. (12/19)**
Nov. 30 company applied to ICC for authority to issue and sell $22,000,000 of 30-year first and refunding mortgage bonds, dated Jan. 1, 1951. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). **Proceeds**—To redeem $10,000,000 of first mortgage 4% bonds and $6,-113,300 of 4½% general mortgage convertible income bonds due 2014, and the balance used to reimburse the treasury for road improvements. **Bids** — Expected at 1 p.m. (EST) on Dec. 19.

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.

Our Reporter's Report

Bidding has been close for a number of issues in recent months, but it remained for the Union Electric Co., of Missouri's $25,000,000 offering on Tuesday to bring two groups within a hairsbreadth of a "dead-heat."

With six syndicates entering bids for the issue of first mortgage and collateral bonds, the successful group carried it of with a bid of 102.07992 for a 2⅞% interest rate.

But it required the fourth digit after the decimal to decide the winner since the syndicate in the position of "runner-up" had entered a bid of 102.079 for the same coupon.

So here was an instance where the two top bids were separated by a matter of only nine-tenths of a cent on a $1,000 bond. Thereafter the remaining bids backed gradually down to a low of 101.7099.

With the bonds scheduled for reoffering at a price of 102.542 for an indicated yield of 2.75%, it was indicated by preliminary inquiry that the issue would pass out qiuckly to investors.

Presumably the marketability of the issue was helped considerably by the closeness of the bids. The third bid, incidentally, was only 20 cents per $1,000 bond under the winning figure.

Texas Eastern Preferred

Texas Eastern Transmission Corp.'s offering of 200,000 shares of new $4.50 convertible series, preferred stock of $100 par value, reached market yesterday although there had been inklings that it might be held up a spell because of general conditions.

Brought out at par to yield 4.50% to the buyer, the stock attracted considerable buying interest and was reported moving out readily. Doubtless the conversion feature—holders may convert into common stock at their option until Dec. 1, 1960 on the basis of $20 for the common — was a helpful feature.

The financing will put the company in funds to carry out extensive expansion which it has in the works, including creation of huge underground natural gas storage reservoirs, and a pipe line to carry its product north to connect with projected New England distributing lines.

Light Week Ahead

So far as new offerings via the competitive bidding route are concerned, next week promises to be one of the slackest in months.

Metropolitan Edison Co.'s projected sale of 20,000 shares of $100 par value preferred now appears as the only major undertaking scheduled. Bids for this stock are expected to be opened on Tuesday and indications are that the competition will be keen since little underwriting capital is involved.

With this issue out of the way and large institutional investors inclined to put in the final half of December adjusting their positions, a period of relative sluggishness looms ahead for the balance of the year.

With Walston, Hoffman

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Jerome G. Davis has become affiliated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Davis was previously with Johnson & Co.

With Standard Investment

(Special to The Financial Chronicle)

PASADENA, Calif.—Michael C. Niccoli has become associated with Standard Investment Co. of California, 87 South Lake Avenue. He was formerly with Samuel B. Franklin & Co., Fewel & Co. and Gross, Rogers & Co.

Paul Scarborough Opens

Hampton, Va. — Paul Scarborough, Jr. has opened offices in the Citizens National Bank Building to conduct an investment business. Mr. Scarborough was formerly with Pioneer Enterprises, Inc.

Ahbe Co. to Open Branch

FT. LAUDERALE, Fla.—Effective Jan. 2, 1951, John L. Ahbe & Co. of Palm Beach, will open a branch office in the Gateway Theater Building under the direction of John L. Ahbe with Richard H. Landrum as Assistant Manager.

With Waddell & Reed

(Special to The Financial Chronicle)

QUINCY, Ill.—John H. Degitz has been added to the staff of Waddell & Reed, Inc.

MacQueen & Co. Formed

BIRMINGHAM, Ala. — G. E. MacQueen has formed MacQueen and Co. with offices at 2000 First Avenue, North to engage in a securities business. Mr. MacQueen was previously with Carlson & Co. and Courts & Co.

Hooker & Fay Add

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Alfred M. Perlin is now connected with Hooker & Fay, 315 Montgomery Street, members of the San Francisco Stock Exchange.

With First Mutual

(Special to The Financial Chronicle)

DETROIT, Mich. — Joseph P. Wells is with First Mutual Co., 600 Woodward Avenue.

With J. A. Rayvis

(Special to The Financial Chronicle)

MIAMI, Fla.—Philip Johnston has been added to the staff of J. A. Rayvis Company, Inc., Langford Building.

Joins Johnson Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William P. Seeley is with Johnson & Co., Russ Building.

DIVIDEND NOTICES

AMERICAN CAN COMPANY

CANCO

PREFERRED STOCK

On November 28, 1950 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable January 2, 1951 to Stockholders of record at the close of business December 14, 1950. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary.*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., November 28, 1950.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 104 on the Preferred Capital Stock of this Company, payable February 1, 1951, out of undivided net profits for the year ended June 30, 1950, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 29, 1950.

The Board also declared on this day a dividend of Two Dollars ($2.00) per share, being Dividend No. 152 on the Common Capital Stock of this Company, payable March 2, 1951, to holders of said Common Capital Stock registered on the books of the Company at the close of business January 26, 1951.

Dividend checks will be mailed to holders of Preferred and Common Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

Preferred Dividend No. 170
Common Dividend Nos. 102 and 103

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable January 1, 1951. A special year end dividend of forty cents (40¢) per share on the Common Stock has been declared, payable December 27, 1950. These dividends have been declared payable to stockholders of record at the close of business on December 13, 1950. Transfer books will not be closed.

CARL A. SUNDBERG
November 30, 1950 *Secretary*

DIVIDEND NOTICES

THE BYRNDUN CORPORATION

The Directors of the Byrndun Corporation at its meeting held on November 30th, 1950, declared a dividend of $1.50 per share on the Participating Preferred Stock, a dividend of $2.50 per share on the Class "A" Participating Stock, and a dividend of $3.50 per share on the Second Preferred Stock; also a dividend of Twenty-five cents (25¢) per share on Class "A" Participating Stock, Class "A" Common Stock and Common Stock; no dividend on fractional shares, all payable on December 22nd, 1950 to stockholders of record at 3:00 P. M. December 11th, 1950.

H. G. FAHLBUSCH, *President*

November 30th, 1950.

B. T. Babbitt INC.

88th CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 15c per share on the Common Stock of the Company, payable on January 2, 1951 to stockholders of record at the close of business on December 15, 1950.

LEO W. GEISMAR, *Treasurer.*

November 30, 1950

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio

EATON

EXTRA DIVIDEND
(DIVIDEND No. 110)

The Board of Directors of Eaton Manufacturing Company has declared an extra dividend of One Dollar ($1.00) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable December 23, 1950, to shareholders of record at the close of business December 8, 1950.

H. C. STUESSY, *Secretary*

Declared on November 29, 1950

DIVIDEND NOTICES

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh Pennsylvania

December 4, 1950

Board of Directors has declared extra dividend of Fifty Cents per share on the No Par Common Stock, payable December 27, 1950, to stockholders of record December 13, 1950.

G. F. CRONMILLER, Jr.,
Vice President and Secretary

IRVING TRUST COMPANY

One Wall Street, New York

November 30, 1950

The Board of Directors has this day declared a quarterly dividend of 20 cents and an extra dividend of 20 cents (total 40 cents) per share on the capital stock of this Company, par $10., payable January 2, 1951, to stockholders of record at the close of business December 8, 1950.

STEPHEN G. KENT, *Secretary*

CANADA DRY

DIVIDEND NOTICE

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock was declared, payable January 1, 1951 to stockholders of record at the close of business on December 8, 1950.

Common Stock

A quarterly dividend of $0.20 per share on the Common Stock was declared, payable December 20, 1950 to stockholders of record at the close of business on December 8, 1950.

Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS,
Vice-Pres. & Secy.

DIVIDEND NOTICES

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

December 4, 1950

An extra dividend of fifty (50c) cents per share has been declared, payable December 27, 1950, to stockholders of record at the close of business December 14, 1950. The transfer books of the company will not close.

SAM A. LEWISOHN,
President.

DIVIDEND NOTICE

THE MINNEAPOLIS & ST. LOUIS RAILWAY COMPANY

The Board of Directors of this Company on November 28, 1950, authorized the payment of a dividend of Twenty-five (25¢) Cents per share on all shares of common stock outstanding as of the close of business December 11, 1950 and an extra dividend of Twenty-five (25¢) Cents per share on all shares of common stock outstanding as of the close of business December 11, 1950, such dividends to be payable December 15, 1950 to the holders of record of shares of said stock at the close of business on December 11, 1950.

By order of the Board of Directors.

JOHN J. O'BRIEN, Secretary

MIDDLE SOUTH UTILITIES, Inc.

DIVIDEND

The Board of Directors has this day declared a dividend of 30¢ per share on the Common Stock, payable January 2, 1951, to stockholders of record at the close of business December 15, 1950.

New York 6, N. Y. H. F. SANDERS,
December 5, 1950 *Treasurer*

New York, December 6, 1950

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending December 31, 1950, and an extra dividend of Two Dollars ($2.) per share, both payable on January 15, 1951, to stockholders of record at the close of business December 15, 1950.

STUART K. BARNES, Secretary

Guaranty Trust Company of New York

DIVIDEND NOTICES

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held November 29, 1950, declared a dividend of 50 cents per share on the Class A Convertible Preferred Stock payable December 19, 1950, to stockholders of record December 12, 1950.

C. CAMERON, *Treasurer.*

November 29, 1950.

NOMA Electric Corporation

55 W. 13th St., New York 11, N. Y.

The Board of Directors has declared a dividend of Twenty-five cents (25¢) a share on the Capital Stock of this Corporation, payable December 27, 1950 to stockholders of record at the close of business December 15, 1950 and a stock dividend of Twenty-five per cent (25%) payable January 30, 1951, to stockholders of record December 15, 1950.

HENRI SADACCA
President

December 6, 1950.

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND

63rd Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable January 10, 1951 to stockholders of record December 21, 1950.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 65 cents a share on $2.60 Convertible Preferred Stock, 33¾ cents a share on $1.35 Convertible Preferred Stock, and 33¾ cents a share on $1.35 Convertible Preferred Stock, Series B. All preferred dividends are payable January 10, 1951 to stockholders of record December 21, 1950.

A. E. WEIDMAN
November 21, 1950 *Treasurer*

International Minerals Chemicals

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

Dividends were declared by the Board of Directors on December 4, 1950, as follows:

4% Cumulative Preferred Stock
35th Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of Eighty Cents (80¢) per share on 1,000,000 shares outstanding prior to stock dividend.

Both dividends are payable December 29, 1950, to stockholders of record at the close of business December 20, 1950.

Robert P. Resch
Vice President and Treasurer

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices: 20 North Wacker Drive, Chicago 6

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—From now on, everything which had been established during the past several weeks as the pattern of governmental action is obsolete. An entirely new pattern must inevitably develop. It will range anywhere from a greatly accelerated war effort to total mobilization.

What the pattern will be the Administration itself does not know, for difficult as it may seem to believe, the Administration never actually took into account that one day as during the past week, its foreign policy would go smash.

For a month the top military leaders have known that Communist China was massing troops in Korea in preparation for an offensive which would threaten the entire hold of the U. S. and United Nations forces in Korea. The military leaders may have been surprised by the size and speed of the offensive, but they were not surprised at the fact that the time would finally come when it would be doubtful that the U. S. could maintain itself on the Korean peninsula.

It is a reasonable assumption that these military leaders communicated this information to the White House and State Department. For reasons which may never become known until in future years when memoirs are written by those now high in official trust, the Administration had declined to believe that disaster could be threatened in Korea.

The actual position of the Administration was a belief that somehow Communist China could be persuaded to call off her dogs. There was a complete inability to grasp the fact that when U. S. forces were established on the Korean peninsula they constituted a classical military threat to Russia's entire position in Asia, and that Russia would at all costs see to it that those forces were ejected. They constituted a threat to Manchuria which is the geographical funnel through which Red power flows into Asia.

In its pre-occupation with the United Nations as such, the Administration was not prepared for the psychological shock brought from Europe by Prime Minister Attlee. It did not occur to the Administration that as between security and the UN, Europe was willing to let the UN go hang, and advise the U. S. to "make peace" with Communist China.

"Making peace," however, is exceedingly difficult as perhaps the Administration now knows. The Commies want nothing more nor less than the ejection of American forces from the Asiatic continent, which means withdrawal from the protection of Formosa. In the few weeks which have elapsed between the time the well-informed in the military realized Communist China's intentions and the present, the enemy probably has put himself in a position to take care of U. S. forces in Korea, and lessened thereby U. S. bargaining power.

About all that Mr. Truman has to bargain with to save the lives of some 100,000 American troops is the power to surrender Formosa and Chiang Kai-shek completely to the Reds. The latter would not appear to be in a position to force the Seventh Fleet to leave Formosan waters. It may be that something in the nature of a surrender to the Communist China could save the lives of those troops now facing disaster.

Obviously the forced resignation of the United States from any interest in the continent of Asia, especially when assisted by "Allies" in the UN upon whom the Truman Administration has spent billions, would be a bitter pill. It could mean political disaster to the Truman Administration.

So the situation now confronting the economy with respect to governmental action is closely analogous—but infinitely worse—to that which was faced when the government finally woke up in mid-summer to the fact that its former police action was at that time a major undertaking instead of a mere show of force the result of which was expected to be the backing down of the Reds.

An entirely new military objective must be framed. With it is an entirely new outlook on the budget, taxes, expenditures, and controls. It might be that in a desperate state of anxiety, the Administration will impulsively order total mobilization. If war rather than peace is to be made with China, that could well occur.

On the other hand, short of total war, the coolest brains among the military and control authorities decidedly oppose full mobilization. More than that, they do not want mobilization of manpower on a greater scale than material mobilization. Even in total war it would be pointless, they think, to order into uniform men for whom there are no training facilities and war implements, and perhaps, not even uniforms.

* * *

At the very moment when Asiatic war news was so black, responsible representatives of industry were noting that the Services were, in their opinion, exceedingly slow in ordering war materials.

Although Regulation W was designed to cutback civilian production of hard goods to ease the path of conversion to war production, two big industries hit by that order report a serious danger that they will lose their employees before war orders come in. It is reported, for instance, that only about 3% of the Detroit area's industrial capacity is currently obligated to war orders, although car sales were badly hit by Regulation W.

The radio and television industry took a nose dive not only with the restrictions on credit sales, but also with the cutting off of essention raw materials. Something less than $1 billion of war contracts for electronics have yet been passed on to that industry. Another $1 billion is provided for by appropriations. The pending supplemental defense program of $18 billion is supposed to provide an additional $1 billion of electronics orders.

When this $3 billion has been firmly ordered, it should be about equivalent to the entire output of the radio and TV industry. However, many firms in this industry may not be able to participate completely in war production.

* * *

Should the RFC grant the loan to Kaiser-Frazer auto to enable that firm to continue to manufacture automobiles which it reports is cannot sell because of credit regulations, there will be loud voices both within the Administration and Congress who will rise to protest. They will protest, because the specific purpose of the tougher consumer credit regulations of Oct. 12 was to force curtailment of production of consumer durables to ease conversion to war production.

* * *

Tentatively at least Republicans have given up any idea of getting improvements next year in either the Taft-Hartley or Walsh-Healey government contract acts. Why they had to give up the idea affords a case study in the shortcomings of the so-called "coalition" of Southern Democrats and conservative Republicans.

Influential GOP members approached leading conservative Democrats on the idea of amending the acts. Both are said to be in need of amendment, and one consequence of legislation would be to drive something of a wedge between labor union members and the big union chieftains who work 100% for the Truman Administration. Thus the political power of labor could be weakened somewhat at the same time these acts were improved.

Southern Democrats said, "No," they wouldn't go along with Republicans on any enterprise which would have the effect of weakening the hold which the Truman Administration has on the labor unions, or vice versa.

This objection exactly spotlights the character of the "coalition." Southern Democrats will cooperate with Republicans to try to stem the advance of governmentalism. Once a piece of legislation is passed, however, they are reluctant to get it modified or repealed if it affects a voting vested interest.

And if and when Republicans ever regain the White House, Southern Democrats will be in there bucking conservative measures. Many Southern Democrats, for instance, who now oppose public housing, may be expected to support it if it is safely sure of defeat by a Republican Congress.

Southern Democrats are inclined frequently to be Democrats first, and conservatives, second — in cases in which their party is threatened.

(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, I'm sure you gentlemen realize my firm's offering is the soundest in the investment field—er—I say, my firm's offering is the soundest in the investment field—er—my firm's offering is the soundest—er—"

Harold Jennys With Delafield & Delafield

Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange and New York Curb Exchange, announce that Harold W. Jennys has become associated with the firm. In the past Mr. Jennys conducted his own investment business in New York.

H. Hentz to Admit

H. Hentz & Co., 60 Beaver Street, members of the New York Stock Exchange, on Jan. 1 will admit Henry A. Zoeller to partnership.

William Beeken Adds

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—Merlyn L. Clabby is now connected with William S. Beeken Company, Harvey Building.

Business Man's Bookshelf

Accounting Trends and Techniques in Published Corporate Annual Reports—Fourth Annual Cumulative Survey—American Institute of Accountants, 270 Madison Avenue, New York 16, N. Y.—paper—$10.

Economic Life in Russia's Orbit—Stella K. Margold—Reprinted from Harvard Business Review, Gallatin House, Soldiers Field, Boston 63, Mass.

Economics of American Industry—E. B. Alderfer and H. E. Michl—McGraw-Hill Book Co., Inc., 330 West 42nd Street, New York 18, N. Y.—cloth—$5.50.

Elements of Transportation Economics, The—G. Lloyd Wilson—Simmons - Boardman Publishing Company, 30 Church Street, New York 7, N. Y.—cloth—$2.95.

Facts and Figures on Government Finance, 1950-1951 — Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y.—paper—free of charge to editors, columnists, commentators, Congressmen, Governors, and other public officials and to civic and taxpayer organizations — sold at cost to others.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership: Russell Ebinger, Wagner, Reid & Ebinger, Inc., Louisville, Ky., and Thomas S. Koehler, Chicago, Ill.

Mr. Koehler intends to come to the Floor of the Exchange.

Joins Westheimer Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Frederick J. Roth has joined the staff of Westheimer & Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.