ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 173 Number 4982 | New York, N. Y., Thursday, February 1, 1951 | Price 35 Cents a Copy

EDITORIAL

As We See It

In response to what is said to be widespread and insistent demand, the Administration at Washington has "frozen" prices. In defiance, so it is reported, of union officials, it has likewise "frozen" wages and salaries. Dates and specifications are included in these actions, but it is obvious enough that time and only time will tell what they really mean. Important areas are excluded by law, and the disturbed businessman and the indignant labor leader were promptly assured that "adjustments" were immediately in the offing which would take care of "inequities," "hardships," and the like.

If one may judge by the ordinary signs of the times, the absence of a "roll-back" (as the current jargon goes) of either wages or prices, for a time and in some degree, "relieved the minds" of a number of elements in the population, but this sweeping order will certainly not leave the mind of the thoughtful man free of anxiety. He will feel anxious not only because of what all this may well do to cherished American traditions of free enterprise; not only because our economy and our social organization are taking on more and more of the appearance of an authoritarian regime; but also because he can hardly refrain from worry about what our system will be like when this latest emergency has passed. All this and other kindred aspects of the situation must, of course, weigh heavily on his mind, but there are many immediate and very practical questions which plague him.

One Big Danger

One of the questions which at once arises in thoughtful minds has to do with the danger that,

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For Long-Term Investment: Stocks or Bonds?

By DONALD L. KEMMERER
Professor of Economics, University of Illinois

Pointing out that prices in the long run have a rising tendency, Professor Kemmerer endeavors to show that inflation hurts creditors, but is less likely to hurt property owners. Gives comparison of fluctuations of stock and bond prices in last 50 years, and indicates in 35 years out of 41, an investment in stocks was preferable to investment in bonds. Concludes this will be result in future.

Most of us try to put aside some savings for a "rainy day." What is the best way to invest any amount from several hundred dollars to a few tens of thousands of dollars for a period of years? That question concerns us especially now because we anticipate that the general price level will creep steadily higher in the years ahead. We face a future of costly armaments, cold wars, and perhaps the devastating effects of a hot war. Under these circumstances how can we best safeguard the principal of our savings?

Donald L. Kemmerer

Inflation Hurts Creditors

One of the chief dangers to savings is loss of purchasing power of the principal. Investors should be more aware of this danger than they generally are. It is an elementary economic fact that creditors lose in a period of rising prices. Nearly all of us are creditors in some respect. This is especially true of people who save. Bondholders, lenders on mortgages, people with savings accounts, people with insurance, and even hoarders of paper money or of silver money are all creditors. Creditors lose during an inflation because they loan dollars whose purchasing power is greater than the dollars that they get back. Government saving bonds are a familiar example. In the 1940s our government urged us to invest

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Meeting Russia's Challenge

By PHILIP CORTNEY
President, Coty, Inc.

Mr. Cortney classifies policies with relation to Russia, as based on three differing assumptions, viz: (1) the impossibility of the coexistence of Soviet Russia and non-Communist nations; (2) some kind of satisfactory settlement can be reached with Russia as long as we have large and superior stockpile of atomic bombs; and (3) Soviet rulers can be induced to lay aside their plans of world conquest if a balance of power is created against them. Favors building up U. S. strength in and outside of Europe rapidly, and when ready to engage in war, if necessary, should follow Churchill plan of reaching settlement with Russia.

The great debate on foreign policy, which I read or to which I listened at home and abroad, leaves me rather confused. I would even say that the more I read about it the more I feel the urge to put the famous question *"De quoi s'agit-il?"* which Foch used to inject when the discussions on a problem were getting fuzzy or muddled. This article is merely an attempt to put the Russian problem before us as clearly as possible, convinced as I am that to state a problem clearly provides half the answer.

Philip Cortney

Underlying the great debate on foreign policy there are a few assumptions which have not been explicitly stated and which we ought to have clearly in mind if our reasoning is to be of any help. It seems to me that our military strategy, the extent of our armament, the speed with which we should rearm depend on which of these assumptions we consider valid. Let me first state the three main assumptions which are implicit or explicit in the discussions on Russia

(I) As the magazine "Life" put it recently, "the co-

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

P. R. Mallory & Co., Inc.—Theodore J. Moynahan, Analyst, J. Arthur Warner & Co., New York City. (Page 2)

United States Foil, Inc.—Theodore Prince, Investment Counsel, LL.M., New York City. (Page 2)

THEODORE J. MOYNAHAN

Analyst, J. Arthur Warner & Co., New York City

P. R. Mallory & Co. Inc.

In proposing a candidate for "The Security I Like Best" forum, I have been influenced by the diversified investment needs or purposes of the broad audience to which this forum is directed. I have selected an issue which, in my opinion, best meets all the qualifications composing the yardstick of measurement for security values. In this choice, I have avoided securities having one favorable characteristic which, at the moment, is so much of a market factor that less desirable elements present are currently given little consideration.

T. J. Moynahan

My selection, therefore, is one which meets the requirements of broad security analysis and can be described in the true sense of the old expression, "it is a good company to have stock in," i.e., P. R. Mallory & Co. Inc.

As a manufacturer of literally thousands of items which can be generally classified as electrical, electronic and metallurgic component parts and equipment, Mallory is in a position to enjoy full participation in the dynamic expansion in view for the electronic industry.

Some idea of the extent of this expansion can be obtained by citing recent statements by Defense Director Charles Wilson to the effect that the electronics industry will, in 1951, produce $1.5 billion of military devices and will have a military backlog of over $5 billion before the end of the year. These figures can be measured against an estimated production of $2.2 billion by the industry in 1950 for civilian purposes.

Apart from the defense program aspect, Mallory has been well established in supplying component parts to a wide range of industry including the aircraft, electrical and communication, radio and television, and transportation fields. The business has been built on a better product and top engineering basis and Mallory products are regarded as premium quality in the trades served. Customers include General Motors, Westinghouse, Chrysler, Ford, General Electric, Bendix, and leading radio and television manufacturers.

The company also has pioneered in titanium research and has received development contracts from the U. S. Government under which a number of alloys which are superior to pure titanium have been developed.

For 1950 it is estimated that the company's sales volume increased by around 50% and that net earnings after taxes will be reported in the neighborhood of $4.50 a share vs. $2.33 a share shown in 1949—based on the 483,500 shares now outstanding. Examination of the company's previous record reveals a very satisfactory performance of sales and earnings development over a long period of years.

It now seems certain that production of materials for military purposes will take up an increasing proportion of Mallory's output in 1951. This change-over from civilian to military needs can be readily accomplished, inasmuch as facilities may be engaged to capacity without marked changes in the plants or equipment. While an estimate for 1951 profits may be premature, it is a fair assumption that earnings would at least equal indicated results for 1950.

When compared to some current earnings reports, profits of Mallory do not appear unusual. However, it should be noted that Mallory is a growth company and the wide improvement in earnings expected to be reported for 1950 is very impressive when viewed against year-to-year comparisons since 1940.

Moreover, it is logical that earnings of Mallory should be capitalized on a more liberal basis than those profits which are inflation-born, inasmuch as Mallory has always been able to keep a substantial part of volume and earnings gains in good years and thus has consistently raised its earnings and dividend plateau. An added and important reason for a generous capitalization of profits is the fact that Mallory products and engineering enjoy a top rating in a dynamic field.

The balance sheet and working capital position of Mallory are impressive. Debt is modest in relation to earnings and assets, quick assets cover current liabilities by a good margin, and net current assets are far in excess of long-term debt. In addition, the company has paid dividends in 18 of the last 22 years and consecutive payments have been made in the last 15 years. In the 10-year period through 1949, 43.9% of earnings were paid out in dividends.

In sum, the company can be regarded as one of the best quality issues traded in the Over-the-Counter market based on measurements of security values which include dynamic growth prospects within a growth industry, strong finances, consistency of dividend payments, trade position, management quality, stockholder relations and marketability.

On the basis of the $1.30 dividend paid in 1950, the stock provides a yield of 5%, but if the proportion of earnings paid out in dividends in recent years is maintained, a better than 6% return is a reasonable expectation for 1951. Beyond that, a consistently higher return to parallel the growth in the business may be anticipated. At its current price of around 27, Mallory is still selling approximately 15% below its 1946 high when current yield was less than 3% and the price-earnings ratio was over 28 times.

THEODORE PRINCE

Investment Counsel, LL.M., New York City

United States Foil, Inc.

This is another instance of a hidden value situation, somewhat akin to "Nickel Plate." The latter (as I may immodestly state) was analyzed by the author in this column on Dec. 8, 1949, where he pointed out the advantages of the preferred then selling at 137, now selling at 150; then owing $73 back dividends on which $28 since has been paid including current dividends, and still owing $45; the common stock I then recommended at 87, now selling at $212 and having paid no dividends, but to be split 5-for-1.

Theodore Prince

A favorite and attractive form of investment is the purchase of good securities or a good security through the purchase of holding companies, which are selling at a discount. We have numerous instances in the closed Investment Trusts, and holding companies like Mission Oil, Pacific Western Oil and other miscellaneous companies covering a wide range However, there are a few instances where the stock of a good company in extensive amounts is held in another company practically exclusively, so that in effect the company desired can be bought at a substantial discount by the purchase of the stock of such holding company.

This is particularly available in the purchase of Reynolds Metals through the acquisition of United States Foil. I, therefore, recommend the purchase of United States Foil B, now selling at 30¾ (N. Y. Curb), which is a company that transferred its properties and business to Reynolds Metals in 1928. It owns 751,828 shares, or almost 55% of the Reynolds Metals Co., which is more than 1 1/10 shares per class B stock of U. S. Foil, which has 598,092 shares outstanding; outside of $263,671 of funded debt there are 6,771 shares of cumulative preferred and 60,000 shares. The latter stock has sole voting privileges and is held by the Reynolds family. The B stock has equal preference with class A as to dividends and assets.

Reynolds Metals Co., selling at 40½ (N. Y. Stock Exchange), is a manufacturer of metal foil and aluminum and has become since 1939 primarily a manufacturer in the latter field. It has 1,369,759 shares (10% stock dividend given in 1950) of common and some senior capitalization, including a funded debt of $40 million and some $62 million worth of purchase money mortgage, and a $5.50 cumulative convertible pre-

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LETTERS TO THE EDITOR:

"Are We Falling Into History's Greatest Trap?"

More letters given in this issue in connection with Melchior Palyi's article in the "Chronicle" of January 11.

Provision is made in today's issue for publication of some more of the letters received relative to the article by Melchior Palyi, "Are We Falling Into History's Greatest Trap?", which appeared on the cover page of the "Chronicle" of Jan. 11. In his article, Dr. Palyi analyzed Soviet aggression techniques and asserted that the United States must either (1) restrict its defense zone to the Western Hemisphere or (2) promulgate a new Monroe Doctrine specifying the areas which we are prepared to defend against the march of communism. Continuance of our present foreign policy, and a policy of full and permanent mobilization, Dr. Palyi warned, can only lead to national bankruptcy.

In addition to the following letters, reference is made to the fact that others appeared in our issues of Jan. 18 and 25, and still more will be accommodated in subsequent issues.

* * *

Hon. HOWARD BUFFETT
U. S. Congressman from Nebraska

Inasmuch as I predicted almost four years ago that this trap would be set and Truman would take us into it, naturally, I am in very close agreement with Mr. Palyi on this phase of his discussion.

I am not quite ready to accept the solution he proposes, because I am extremely doubtful of our ability — biologically, militarily or economically—to dominate the universe such as our present program involves.

* * *

C. D. CLAWSON
President, Ferro Enamel Corporation, Cleveland, Ohio

Dr. Melchior Palyi's article approached our current international problem from a very sane viewpoint, and I sincerely hope that the executives of our country have an opportunity to sit down and read it carefully, for I think it should be an intelligent guide to future policies of America.

* * *

Hon. JAMES G. DONOVAN
U. S. Congressman from New York

The only comment I can make is based upon the opinion I have had for years — that war with Russia is inevitable.

* * *

Hon. RALPH E. FLANDERS
U. S. Senator from Vermont

I am strongly in sympathy with the position taken by Mr. Melchior Palyi and have more than once stated on the Senate floor that we are performing in accordance with the desires of the Politburo.

I am rereading Mr. Palyi's article for detail suggestions as to another attack on our central problem.

* * *

WALTER S. FRANKLIN
President, The Pennsylvania Railroad Company

Doctor Palyi's comments and suggestions are both interesting and provocative and it seems to me that he has made a substantial contribution to public discussion of this important subject.

* * *

C. KENNETH FULLER
President, The Paterson Savings and Trust Co., Paterson, N. J.

I read Dr. Palyi's article with a good deal of interest. I find myself very much in agreement with his basic thesis. . . . I made similar comments under the section entitled "Outlook" in our annual report.

You asked for specific comments as to the steps I feel the Government should take to preclude a war with Russia. As indicated from the above, I dont happen to believe that we will have direct war with Russia in the near future—unless we start it. It seems to me she has given clear evidence of this fact up to date, because if she had been ready—and wanted war, we would be in it already. Furthermore, as Dr. Palyi suggests, the Marxist Doctrine and the policy which has been pursued by the Politburo indicates that they expect the ultimate collapse of our economic system which will provide the best possible opportunity for Communist control of the country.

It seems to me if I were in Stalin's place I'd do exactly as he is doing, namely, scare the daylights out of us to the extent that we will blow up our economy by defense and armament spending, then withdraw with a few peaceful gestures and see how far the economic dislocation carries us on the way to collapse. If it doesn't go far enough the first time, try it again. And if we don't show more power and intelligent leadership in Washington than we have during the past few years, they'll never need to go to war to win their ultimate objective.

I feel, therefore, that Dr. Palyi is quite right in saying that our basic problem is the maintenance of a sound economy within the framework of a military potential which will be a deterrent to sudden aggression.

* * *

W. W. GASSER
President, Gary National Bank, Gary, Ind.

I think Dr. Palyi's position is well taken and I think he has summed it up very nicely.

Personally, I have always been a great believer in the old Monroe Doctrine. I have felt that we do

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Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

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

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

Thursday, February 1, 1951

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

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

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

Subscription Rates

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

Other Publications

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

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

Glancing at 1951

By MELCHIOR PALYI

Dr. Palyi predicts 1951 will be year of transition from a freely Spending Hand-Out State to doldrums of self-inflated and thoroughly regimented Garrison Economy. Notes disconcerting symptoms of an inflationary psychology, and foresees 1951 disposable income outstripping available consumer goods by $30 to $40 billions. Says voluntary fair price standards are bound to turn into involuntary and unfair regulations. Concludes decisive factor in turn of events is foreign situation.

Forecasting the near-term economic outlook should be an easy job when the government takes over the management of the economy. Major uncertainties and fluctuations should be eliminated. But that holds only if the authorities operate according to a well-defined plan, which so far is not the case in this country, certainly not beyond general and often value outlines of policy. While the ultimate objective is understood to be the mobilization of the national resources, no one seems to have a precise idea about its scope, range and timing, or about the methods by which, and the tempo at which, the civilian sector is to be compressed.

Dr. Melchior Palyi

Put on a common denominator, the government's domestic policies consist of the attempt to get the maximum of armaments under way with the minimum of interference with vested interests, the vocal ones in particular, and to let the country make the most of the "emergency." The extravagant Welfare State still flourishes while the "austere" Garrison State reluctantly goes into motion and the Washington bureau-chiefs wrangle for positions of power.

It has been scarcely noticed that in the first five months after Korea, our military expenditures ran very slightly higher than in the same quarter of last year!

At snail's pace, orders are being placed for military equipment; synthetic plants and Liberty ships are being demothballed, etc. Control measures are largely of the ineffectual type, like the microscopic increase of short-term interest rates and the raising of member banks' reserve requirements; of such limited scope as the timid restraints on the skyrocketing bank loans; or of the muddled sort, as in rubber. After seven months of incessant talk, a price and wage "stabilization" is imposed, but punctured with loopholes and "flexibility" provisions which make it ineffective even as temporary, psychological restraints.

The confusion in public policy reflects itself in confused public thinking. Expectations of an armament boom with high profits warm the Stock Exchange, notwithstanding dire forebodings of war, virulent taxation and strangulating bureaucratism. Short-run anticipations mix indiscriminately with the long-pull outlook. One example of the confusion is the widespread belief of business spokesmen, who are disappointed because mobilization this time does not follow the abrupt pattern of a decade ago, that a "transitional recession" is in the offing. Between starting defense production and curtailing civilian output, an intermediary period of lay-offs and unemployment is prognosticated.

Of course, every transition is fraught with adjustment problems, but to expect serious repercussions in employment means to misjudge both: the exuberance of American industry and the readiness of the American government to pour out subsidies. Industry will readily absorb the multi-billion flow of military orders, while the government is deliberately slow in applying the brakes on the consumer. The rising demand for manpower of the armed forces and the skyrocketing trend of administrative enrollments should take care of the labor market's backlog, if any. Also, manufacturers can be relied upon to spread work thin so as to preserve intact their working crews for the forthcoming superboom.

It may be safely predicted that the transition, disregarding minor dislocations, will proceed "smoothly"—more smoothly than is desirable. A majority of industrial centers already feels the tinge of acute labor shortage, smaller firms bidding for workers by the offer of wages above contractual levels. Over-employment is the threat, filled with vicious inflationary hazards, rather than the opposite. It will become fully visible in a matter of weeks, as it is expected when war contracts will "hit" industry at a monthly rate of $4 billion.

A Transition Year

Actually, 1951 will be a year of transition—from the easy-going, freely spending Hand-Out State to the doldrums of the self-inflated and thoroughly regimented Garrison Economy. The year's prospective outlays on the Federal level cannot be estimated at any degree of precision. Budget appropriations "jump" every two months or so, as military (and even civilian!) projects keep expanding, though much of the projected amounts may not materialize beyond the blue-print stage for quite some time. Anyhow, Federal expenditures are only a part of the drain to which the real income of the nation is subjected.

The basic financial picture of 1951 may be summarized—tentatively and conservatively—as follows, assuming that prices do not rise fast from here on:

"Defense" outlays, including civilian defense, welfare of the armed forces and veterans, military aid and subsidies abroad, around $50 billion.

"Civilian" Federal budget of $25 billion.

State and municipal spending (at least) $25 billion.

Housing, plant and equipment for defense purposes, to be provided, with or without Federal guarantees, outside of the budget, $10-$15 billion.

Add a presumable volume of investment in new private and corporate (non-defense) housing and equipment of $10 billion.

A total of well over $100 billion —30 to 40% of the national output —will be "mortgaged," and overwhelmingly for non-productive purposes at that. How will it be financed?

Federal accounts may practically balance until May or June. But since the talk about a pay-as-you-go mobilization has died down, a deficit of about $10 billion is a fair prospect for the second half of 1951, even though another boost of the income tax plus a general sales tax, possibly also some form of forced savings, may follow on the heels of the substantial increase of income, corporate and excise levies in 1950. But to a large extent, the deficit will have to be covered through inflammatory bank deposit creation. Appealing to the genuine saver promises scant success in view of the forthcoming savings bond maturities, if "only" to the tune of $1.5 billion in 1951.

The bulk of fresh funds, perhaps as much as $30 billion, may have to come out of the liquid reserves of business, the issue of new corporate and municipal securities, and—bank loans. The latter reached $58 billion by early December, having more than doubled in a decade.

Small wonder that wholesale prices have risen by 18% with the official cost of living index, that is again to be revised, limping along. Disconcerting symptoms of an inflationary psychology are emerging.

The strength of the stock market is one of them, but also a reflex of the Republican victory. The redemption of savings bonds appreciably outruns new sales—a bad omen for the Treasury's plan to embark on a new bond drive. For the first time since the depression, savings deposits in commercial banks are declining through several consecutive months, and those in the savings institutions are at a virtual standstill. While the money volume is rising, and deposit volume is accelerating, personal "liquid" holdings remain practically stationary. In other words, the general public spends all it earns, the additional liquidity accumulating in the corporations. Taking installment and mortgage loans into consideration, this nation consumes at an annual rate of about $10 billion over and above its record high personal (after taxes) income. In 1951, that disposable income may outstrip the volume of available consumer goods by $30 to $40 billions. Which is what *inflation* means: trying to take more out of the collective bin than there is in it.

Small wonder, too, that professors, professionals and amateurs are prognosticating another 5 to 10% rise, in 1951, of wholesale prices. Why just 5 to 10% is their well-guarded secret, with no hint as to whether or not it includes gray and black market quotations. In reality, prices may rise much more; but they need not rise at all if rational policies rather than winning elections were the objectives.

This is the last country in the world that "must" have inflation. Yet, inflation and the concomitant direct methods of policing the markets are the convenient "emergency" of the politician. For this nation, it should be comparatively easy to avoid both inflation and price-fixing, inasmuch as we are not faced with the necessity of incisive privations—and of improvising ever-new stabilization agencies—at any rate not for a couple of years (short of a world war).

The constant emphasis on the quantitative aspects of money has obscured our understanding of the phenomenon called Inflation. What makes people run out of their currency is not simply the fact that more money is forthcoming, unless the printing press pours it out in a run-away fashion. (Germany's money volume almost doubled in 1949-50, but her *uncontrolled* prices did not go up more than in proportion to ours.) What frightens people out of their monetary wits is the prospect of more money combined with vital shortages. They keep buying "at any price" when they expect no food, no roofs, and no clothing. But when there is enough of those essentials to go around, even of autos and cigarettes, they are very reluctant to revolutionize their household habits and financial practices. Nor will Americans withdraw their fundamental *trust in the Dollar* if a budgetary deficit even of unusual size, an unfavorable balance of trade (for the first year since 1893!), or a further decline of the fantastic gold hoard, on top of last year's $1.7 billion loss, should occur, as they most likely will. They know better than the Europeans, who already expect an early dollar devaluation and smuggle capital to Morocco and Belgian Congo, Mexico, Uruguay and South Africa, rather than to our shores.

However, some "freezing" measures to protect the dollar's gold backing are a possibility.

In short, we refuse to believe that the Soviet threat to the Old World, serious as it may be, must mean bankruptcy to us—unless our own government brings it about. It contributes by its propaganda that the emergency will last forever (as if we could and would have to redouble our mobilization every six months for 60 years); by reckless civilian and unnecessary military spending (against which even Eisenhower warns); and by the promise of a hodge-podge of many mutually offsetting, if not actually inflation-creating, "controls."

Some forms of restraints there must be, of course. Those of the fiscal and monetary types would largely do. The national budget should be shorn by a round $10 billion. Public payrolls should be pruned carefully and then frozen; the right to strike suspended, and working hours lengthened; critical materials withheld from all but strategic uses; farm prices freed from parity supports; the incentive to save restored by a high interest-bearing, non-bankable, long-term issue; governmental purchases and municipal projects thoroughly scrutinized and contracts "renegotiated" to the bone. In contrast, what we can expect in 1951 is something else: food costs boosted by the parity magic; union wages hiked by the automatic cost-of-living formula; raw material output stimulated by unhealthy inflationary subsidies, etc.

Administration and Congress have in mind putting in ceilings instead of taking out floors. Voluntary "fair" price standards are bound to turn into involuntary and unfair regulations.

Washington still experiments with plans "foggily conceived and clumsily executed." It vacillates in two major directions: to foster more production and to clamp down more controls. But partial and "flexible" controls are useless; and all-round price-fixing is a self-defeating monstrosity. Business under unpredictable executive orders by the authorities loses its cost-saving adaptability. Over-employment, material shortages and manpower draft tend to raise the price of labor and to reduce its productivity. Taxes, like the excess profit levy, which provide incentive for evasion by extra-spending, pour oil on the fire of rising costs. Higher output, under such conditions, means higher costs per unit. More production, paradoxically, may help to raise rather than to lower prices.

Foreign Situation a Decisive Factor

However, the foreign situation will remain the decisive factor in the domestic picture.

It is a foregone conclusion that (unless Mr. Truman has a new brain-storm) the Korean "police action" will somehow be liquidated, leaving deep scars on: our international prestige and national honor; our strategic position; our pocketbooks. All of this adds up to a very bad taste in our mouths, the more so since the result will be—more aggression, Tibet, Indo-China, etc. Are we to fight it out against millions of Red Orientals in the morass of

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
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Commodity Price Index
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Auto Production
Business Failures

Aggregate industrial production for the country as a whole last week held virtually steady, but in a comparison with the like period a year ago, it rose sharply.

As was true of previous periods, claims for unemployment insurance continued to climb in many manufacturing sections, reflecting temporary reconversion lay-offs. The defense effort has upset the normal operations of many industries and metal-working companies in particular.

These companies are quickening efforts to get into defense work. With steel and other scarce metals increasingly difficult to obtain for regular operations, fabricators are deluging government procurement agencies with inquiries for bid lists hoping to line up emergency jobs, "Steel" magazine reports. Some manufacturers envision the time as not far distant when they may be forced out of business for the duration of the emergency unless they can find a niche in the defense program. Government contracting is speeding up but it will take time for work to spread out through industry in the form of sub-contracts from prime contractors.

Defense steel requierments will be stepped up in the second quarter. But details of most major programs still remain to be worked out, this trade paper asserts.

As supplies of steel and other metals for normal operations shrink speculation is rising as to when, if at all, something similar to the Controlled Materials Plan of World War II will be put into effect. The opinion prevails generally that such a distribution program could not possibly be made operative until third quarter at earliest. Meanwhile control authorities are going along with the voluntary allocation system.

In line with the request of stabilization authorities to voluntarily hold the price line, steel product quotations have been virtually frozen for the past several weeks at levels established in December. Consequently, projected freeze of schedules by the government has not aroused too much concern in the trade so long as prices are not rolled back beyond Jan. 1, the magazine adds. Only minor changes in lists have been made since that date and then only by a few producers.

January production of passenger cars in the United States will total 500,000 units, almost identical with output in December, 1950, and only 5,500 under output last November, "Ward's Automotive Report" discloses. Truck production in January is expected to top 128,000 units compared with 126,000 in December and almost 98,000 in November, it added.

January output is 20% below the adjusted average monthly production in the first six months of 1950.

Stockpiles of steel and other materials not consumed during Chrysler's changeover program in December and January will permit stepped-up schedules in February, it explained. Oldsmobile and Buick, also slowed by change-over in January, will improve February output.

The government on Friday last issued two orders putting a general freeze on prices and wages. Prices on nearly all products are to be fixed at the highest levels prevailing from Dec. 19 through Jan. 25. Eric Johnston, head of the Economic Stabilization Agency, gave out a separate order freezing wages and salaries at Jan. 25 rates.

Work on clarifying the general wage-price freeze was begun on Monday of this week with little progress reported. The price ceiling order has a long list of exempt items but it is understood that many of these exemptions will be wiped out later.

Members of the Wage Stabilization Board are working on adjustments giving recognition to current wage increases such as those granted coal miners.

Effective Feb. 1, the hard coal operators have agreed to give a \$1.60-a-day wage increase to 75,000 hard coal miners. The agreement came 13 hours after the wage freeze became effective at midnight on Thursday of last week.

Reflecting both the lengthening of the average work week and widespread advances in wage rates, the Bureau of Labor Statistics notes that average weekly earnings of production workers in the country's factories rose to \$64.15 at the end of 1950,

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Glancing at 1951

Southeast Asia? Are we accepting the British and French attitude that appeasement ends at the borders of their colonies? Or let it all go down the Bolshevist drain? In any event, few Asiatics will be willing to take seriously again our self-appointed liberator role. Even in Japan and the Philippines, the seed of doubt is beginning to sprout.

The truth of the matter is that the American people themselves would be only too glad to liquidate the Korean enterprise. The Middle West, in particular, is tired of screaming anxieties—of "Allies" who push us into fighting, but are "reluctant" when the going gets rough; a global spending that is to save the world from Bolshevism, but produces the disarmament of those to be saved; a U. N. that claims supreme moral authority, but is ready to compromise its high-sounding principles for a mess of diplomatic pottage; with an Administration that tries to cover up its mistakes by the request of ever-growing sacrifices. Especially is it disgusted with a foreign policy that demands blind obedience to its superior wisdom, but neither knows what it is heading for, nor does it dare to go through with what it sets in motion.

There are good reasons to anticipate that the new Congress may write incisive changes into our international outlook. If so, the domestic scene will not fail to react, too.

W. T. Kitchen With Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William T. Kitchen and Howard Caldwell have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Kitchen was formerly in the trading department of Scherk, Richter Co. of St. Louis and prior thereto was a partner in Kitchen & Murphy and Kitchen & Co. of Chicago.

W. T. Kitchen

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Cal. — Richard A. Harrison is with King Merritt & Co., Inc.

Rejoins Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—John P. Steele has rejoined Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. He has recently been with First California Co.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Cal. — John A. Cleland is now with Merrill Lynch, Pierce, Fenner & Beane, San Diego Trust & Savings Building.

With McNear & Willard

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Howard T. Pike is now associated with McNear & Willard, Russ Building. He was formerly with Calvin E. Duncan & Co.

Observations . . .

By A. WILFRED MAY

"WHEN TO SELL?"

(The Trouble with Wall Street Is the Investor)

We publish the following communication as an intelligent and stimulating contribution to consideration of the VALUE approach in investing. It is particularly apposite in clearly highlighting a basic hindrance to the conscientious adviser's work-a-day conformity with sound value-appraisal principles in lieu of market-timing efforts.

"*Dear Mr. May:*

"For several years I have followed with great interest and pleasure your weekly series in the 'Chronicle' and find in your current study on the foibles of the investment public much that seems excellently conceived. I have not found in your articles (or anyone else's) a constructive criticism of what if any action should be taken by an investor to dispose of a position which he has acquired on what might be called a value approach: that is, a method of analysis essentially suggested by you in your articles whereby individual securities are bought on their own merits at prices which appear to be below their fair values. If this is a proper definition of your basic approach then I consider that our theories of buying are in close agreement.

B. K. Thurlow

A. Wilfred May

"One problem which has troubled me as a broker-adviser probably much more than you as a writer is what to follow as a *selling* policy. I am willing to grant that the true investor who buys on value is willing to sell when an alternative of greater price-value discrepancy is offered him. The overwhelming percentage of investors, however, even the conservative elements of the tribe, are painfully aware of the record that the majority of stocks not only continue to rise in price after they have attained a fair price, but frequently enjoy their largest and fastest price appreciation after they have become too high to buy on an investment basis.

"For these, I feel that there must be some middle ground between pure investment and the absurd numerological gibberish which you have so rightly attacked in your articles. I should like to know from you: (1) whether you concede the necessity of some middle approach to aid the investor in capturing at least some of the speculative profits which ordinarily accrue to a correct investment judgment. (2) Are there any empirical systems whose possible marginal value would aid the investor in improving his results, in uncovering a favorable speculative trend? Of this possibility I have my extreme doubts, but put it to you for purposes of consistency. (3) Do you consider that such general psychological approaches as Neill's Theory of Contrary Opinion have their place in the strategy of what Benjamin Graham would call an 'aggressive investor,' and if so to what extent?

"This, I admit, is a long barrage of what may well be foolish questions, but I think their answers would go a long way toward satisfying the demand of a number of intelligent investors who are not satisfied to follow a purely value approach and who therefore torment their advisers whenever the marts of trade begin to show signs of life.

"I do not presume that the average investor is sensible enough to follow your principles in his actual practice in the market, any more than your readers would abandon their pet systems for beating the market in favor of a rational investment approach to

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Role of Federal Reserve System in Wartime

By THOMAS B. McCABE*
Chairman, Board of Governors
Federal Reserve System

Asserting "you can't maintain a defense program without a sound dollar," Chairman of Federal Reserve says it is statutory responsibility of his organization to guard integrity of dollar. Warns too heavy taxation may impair our economy, but stresses need of a balanced budget. Sees more taxes required immediately and decries deficit borrowing from banks. Makes savings a "final essential in fighting inflation," and concludes, inflation is not inevitable.

Today, well over $100 billion of savings of our people are set aside in government and private programs for retirement, pensions, and insurance protection. Additional billions reside in savings accounts in our banks, in mutual savings banks, and in savings and loan associations. Still other billions are invested in government bonds.

Thomas B. McCabe

Everyone of us counts heavily on these thrift reservoirs to guarantee our future security. Tonight I want to tell you of the great concern of the Federal Reserve over the steady decline in the purchasing power of these savings and its efforts to arrest any further decline.

I wish there were time for me to tell you the full story of the Federal Reserve System. If I could, I think all of you would have a better understanding of why I have devoted so much of my life to it. Perhaps then you could realize the depth of my conviction that it represents the last bulwark of the private enterprise system.

I would like to analyze the Federal Reserve Act so that you could see why it is such a monumental piece of legislation; how it adheres so closely to the historical concept of the proper role of a central bank; how it has profited by previous experiences, and has blended the best of the philosophies of Hamilton and Jefferson into a unique democratic institution devoted to the public interest in the broadest sense.

The Federal Reserve System was created by Congress. There is not the slightest doubt that it could likewise be destroyed by Congress, or that it would be destroyed or radically altered if it pursued policies against the public interest, as interpreted by the people's elected representatives. But the point I wish particularly to emphasize is that the Congress deliberately sought to insulate the Federal Reserve from predatory and political pressures.

I would like to tell you from my own experiences that I have never seen men take their responsibilities more conscientiously or display greater loyalty than those on the staffs of the Federal Reserve Banks and of the board.

Their proficiency and farsightedness are recognized the world over if we may judge from the innumerable requests from the central banks of other countries who seek the advice and counsel of our staff on problems of organization and operation. I think you would be interested, too, in the instances where men, coming to Washington in many different capacities, have asked the board for help and consultation. They appreciate the competence and objectivity of our staff.

I wish I could tell you about the directors of the Federal Reserve Banks and branches. You would be impressed by the extremely high caliber of the men from industry, agriculture, education and finance who give so generously of their time to serve their country in this fashion.

Tonight there is not time even to touch the highlights of this thrilling story. Events are taking place with breath-taking rapidity. Tomorrow's problems are arriving ahead of schedule.

On the one hand, we have the problem of mobilizing our manpower and our resources for defense. At the same time, we have the problem of maintaining a sound economy and a sound dollar to back up our military efforts. I am convinced that these are not two separate problems and that we will be making a terrible mistake if we consider them so. I am convinced that you can't solve the one without an attempt to solve the other. You can't maintain a defense program without a sound dollar.

In the past six months we have given top priority—and rightly so—to a reassessment of our international position, and to the development of a comprehensive military program. We have given urgent consideration to procurement problems and production problems. Now that these programs are launched, the next order of business must be to work out a comprehensive program for maintaining the integrity of the dollar—a comprehensive program for mobilizing our financial resources.

That directly involves the Federal Reserve. As the nation's monetary authority, it is our statutory responsibility to be a special guardian of the integrity of the dollar. Our function is to press for a comprehensive credit and monetary program to prevent a "built-in" inflation that would plague us in the years to come. It is the duty of a central banking organization, because of its unique position in the government, to bring these questions to the foreground of public attention.

The Overriding Problem

The overriding problem which any government faces in a period of war or of large-scale defense preparations is how to raise the staggering amounts of money that are required without permanent injury to the economy. I cannot overstate the importance of the methods by which these funds are raised, whether it be by taxation or by borrowing. If the job is done properly, the whole effort to stabilize the economy and preserve the soundness of the dollar is made immeasurably easier, both now and in the future. If done badly, it is no exaggeration to say that it is possible to destroy the very society we are struggling to preserve.

History is replete with examples of the distrous consequences of reckless reliance on central banks to finance war expenditures. Even in our own country, the present complications in debt management and monetary policies are in no small measure related to recognized deficiencies in the financing of World War II. As the President so clearly and correctly pointed out last Fall, "We borrowed too much and did not tax ourselves enough. Me must not run our present defense effort on that kind of financial basis."

Now, what does this mean for our present problem?

I am just old-fashioned enough to believe that if we are going into a garrison state, and we may be in that garrison state for years, it is absolutely imperative and essential that we start right. And starting right means that we start with a balanced budget and a sound fiscal program. Otherwise, deficits will accumulate and the inflation cannot be controlled.

I think the primary problem before the American people is just how much security do we need and how much security are we willing to pay for. It is as simple as that. Unquestionably, our military needs are enormous and rightfully so.

Obviously, if all-out war were to come, we would be faced with an entirely different set of circumstances and military requirements. At this stage, however, we must provide for a security program that can be indefinitely sustained. Too often in the past our people have changed raidcally in their thoughts about security

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*An address by Chairman McCabe before the Academy of Political and Social Science, Philadelphia, Pa., Jan. 26, 1951.

Our Defense Program Must Prevent War and Inflation

By MARRINER S. ECCLES*
Member, Board of Governors,
Federal Reserve System

Former Chairman of Federal Reserve, asserting our unrivalled production capacity is our strongest line of defense, attacks Treasury's policy of pegged interest rates as inflationary and contends over-all controls only postpone its disastrous consequences. Urges higher income taxes, but warns, without wage ceilings, such increases will not prevent inflation. Proposes 44-hour week and payroll minimum tax deduction of 25%. Advocates restrictive monetary and credit policies along with limited direct controls as situation requires.

Our defense preparedness program must be designed to prevent war and to prevent inflation, while at the same time preserving the essential freedoms of our democratic institutions. It must also be sustainable for an indefinite period of time. If we fail to make these aims our major goals, the very system which we are trying to maintain will be destroyed. This means we must adopt a realistic foreign policy — one which recognizes the limitations of our resources and manpower, and one which we can pay for currently.

Marriner S. Eccles

How can we best, within this framework, protect ourselves, maintain our essential economic and democratic strength, and at the same time fulfill our commitments to help defend and protect the other free countries of the world? I believe to do this we must limit our aggregate expenditures on our defense and foreign aid program to a maximum of $50 billion annually. This we can pay for currently, given a total national product of some $300 billion, the estimated amount for the next fiscal year. This money must be used in such manner as to assure the maximum military effectiveness of ourselves and our allies, which means a program most likely to prevent war.

We must recognize the fact that Russia occupies or controls the greater part of the tremendous land mass of Europe and Asia. This land mass has a population of nearly a billion people, and great material resources, and is far removed from our own shores. We can never expect to defeat Russia on land. We would be bled white and destroyed, economically as well as militarily, by any attempt to do so. We cannot hope to be prepared to supply or maintain ground forces at every strategic point around the 20,000 mile periphery of the Communist empire. We cannot be prepared on the ground to meet attacks at the time and place selected by Russia.

There are, however, decisive things we can do with our superior technology and scientific know-how, and within the limitations of a budget we can pay for. We can, with the assistance of the British Empire and such cooperation as other free nations are willing and able to give us, rapidly establish overwhelming control of the air and the sea. From strategic air and naval bases throughout the world, protected by adequate ground forces, we can threaten swift retaliation with atomic and our other destructive weapons if Russia undertakes aggressive action.

Out Productive Capacity—Strongest Line of Defense

We should recognize the facts that our unrivaled productive capacity is our strongest line of defense, that our ability to produce is largely determined by our available manpower, and that our country is the arsenal of the free nations of the world and must not be weakened by a military program which we cannot maintain indefinitely without regimentation or inflation or which leads to war. We should keep our ground forces as small as possible so as to maintain our production at full strength to meet our civilian and military needs and help the other free nations to arm their available manpower and build up their defenses. Our manpower can contribute far more to the defense of the free world in our production lines, in our Navy and Air Force than in the front lines of land armies in Asia or Europe.

We should quickly arrange a peace treaty with Japan and Western Germany, bringing them into the United Nations and helping them and other friendly countries, including Spain, to rearm as quickly as possible so as to be able to deter, or resist if necessary, aggression by China, Eastern Germany, or other Russian satellites. Our present military forces should be maintained in Germany and Japan until they have fully rearmed for defense. Neither they nor the other free countries can be expected to resist successfully direct attacks by Russia. The addition of such land forces as we could send, and at the same time maintain our supremacy on the production line, and in the air, and on the sea, cannot be expected to provide the balance of power necessary to deter, contain, or defeat the Russians.

Russia should know that direct attack by her would mean war with the rest of the free world—war in the air, on the sea and on the land, involving atomic and all other weapons of destruction. This threat of worldwide total war will, I believe, deter the Soviet Union, because it would mean her destruction as well as that of her enemies. A world war would be an atomic war or worse, a war that could not be won by any nation or group of nations, a war that might mean the destruction of civilization. For that reason, we should not think or talk of war as being inevitable. We can, I believe, by the plan I have outlined, make it so costly for Russia to start war that she will not dare attempt it.

Under the protection of American and British air and sea power the free nations on the periphery of the Soviet empire can rapidly rearm with the great help we can give them from our production lines.

We should not attempt to rebuild great military strength in either Germany or Japan for possible war with Russia. Russia may not be willing to tolerate the

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*A statement by Mr. Eccles before the Joint Congressional Committee of the Economic Report, Washington, D. C., Jan. 25, 1951.

From Washington Ahead of the News

By CARLISLE BARGERON

Most of the time it is hard on the blood pressure to live in Washington and be exposed to the daily output of political bunk. But the story I am about to tell you is a tremendous comic relief. It is hilarious.


Carlisle Bargeron

The Administration, pressing as it has not done before, for the proposed St. Lawrence waterway, is passing out the word to Capitol Hill that, of course, the project cannot be justified at this time if all-out war is imminent. The most ardent supporters of the project, the Hill is being told, realize that inasmuch as it would take five years to complete the project even to the extent of passing Labrador-Quebec iron ore to Cleveland, we should not be diverting our energies, materials and men to it, with an all-out war on our hands. But this war is not imminent, the Hill is being assured; it will not come for five years, about in time to coincide with the completion of the essential part of the waterway.

Now this argument is not being put forward solely by Administration propagandists, underlings in the government or by the advocates of the waterway; it is being made by the President in conferences with Congressional leaders, by others high in the government and presumably in position to know.

Naturally, it is causing great rejoicing among the St. Lawrence enthusiasts, all the way from Ogdensburg, N. Y., to Duluth. But to me it seems far more important that its bearing on the waterway; it should be a matter of rejoicing to all of the American people and to the governments of France and Britain and to Pandit Nehru, to whom it seems our government has given the jitters with its handling of foreign affairs.

Now, I don't know, but I would ordinarily assume that the Administration in making this argument, does not expect Congress, even under this pressure, to be able to pass legislation authorizing the long-controversial project before mid-summer, and if Stalin has not attacked by then, it will be sure of its analysis; if he has, then the Administration can say it was mistaken, hold up on the St. Lawrence for the time being.

But apparently we do not have to wait that long in suspense. Because another propaganda piece circulating with official imprimatur is that, of course, it is "generally known" (presumably in the high councils of the government because I don't think the disturbed people know any such thing) that Russia does not have enough oil to fight a war for more than two or three months. But they can get this oil in neighboring Iran unless our government shows Iran a little more consideration, particularly quit holding up an Export-Import bank loan of $35 million.

Well, that seems so simple that you wonder if the Administration has gone completely nuts in the warlike preparations it is pursuing. It seems that we've got one of our best ambassadors over there in Iran, Henry F. Grady, showing that the Administration is alert to the country's importance, so it is to be doubted that a $35 million loan will be permitted to stand between peace or relative peace and the Third World War, or to put it in another way, to stand between building and not building the St. Lawrence waterway, it being agreed that it cannot be embarked upon now if there is to be this war before it is partially completed.

The two items taken together should be most heartening to our people, and I would suggest to them, that if and when Congress authorizes the St. Lawrence, it be taken as a signal that the war is not to come for five years and they demand a cessation of the nonsense that is going on in Washington.

Certainly there could be no justification then for drafting, for a war five years away, 18-year-olds except those who give promise of being scholars, or scientists, or economists, or leaders, when the scholars, scientists, economists and leaders have just about driven us nationally nuts; certainly there could be no justification for spending $50 billion annually on the military, for building thousands of planes, tanks, other war materials which would rot on the ground in the five-year period as they did after World War II; of sending American divisions to France and maintaining them there; of throwing our industrial plant into "partial" mobilization which is closing down thousands of industries unable to get materials and thus building up a pressure for all-out mobilization.

Indeed, an "Oh, what a beautiful morning; oh, what a beautiful day" is being unwittingly revealed to us. It should give surcease to the panickiness of those Congressmen who, deluged with letters that we get out of Korea, are trying to show they are on the job by demanding that the United Nations declare China an aggressor. Honestly, the whole thing is a scream.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Norris S. Teutsch is now connected with Walston, Hoffman & Goodwin, 408 Fourteenth Street. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and Davies & Meija.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Jacob Dana and Francis F. Patton are now associated with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Stephenson, Leydecker

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Edward J. Condon and Robert H. Gray are now affiliated with Stephenson, Leydecker & Co., 1404 Franklin Street.

Two With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Frank R. Ward and Lawrence C. Wellington are now associated with Goodbody & Co., Quimby Building. Both were previously with A. M. Kidder & Co.

COMING EVENTS

In Investment Field

Feb. 1, 1951 (St. Louis, Mo.)
Security Traders Club of St. Louis Winter Dinner for Tri-City Party of NSTA.

Feb. 4, 1951 (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. 9, 1951 (Boston, Mass.)
Boston Securities Traders Association Annual Dinner at the Parker House.

Feb. 20, 1951 (Detroit, Mich.)
Detroit Stock Exchange Annual Dinner at the Hotel Statler.

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

April 13, 1951 (New York City)
Security Traders Association of New York Annual Dinner at the Waldorf-Astoria Hotel.

May 30, 1951 (Dallas, Tex.)
Dallas Bond Club annual Memorial Day outing.

June 11-14, 1951 (Jasper Park, Canada)
Investment Dealers Association of Canada Convention at Jasper Park Lodge.

How to Prevent Inflation And Fiscal Disaster

By HARRY A. BULLIS*
Chairman, General Mills, Inc.

Leading industrialist, terming monetary inflation a form of national self-hypnosis, points out the only way we can produce what we need for war is by producing less of other things. Lays down as rules for sound finance: (1) fiscal policy to restore confidence in national credit; (2) drastically reduced spending for non-military purposes; (3) extension of indirect or flexible direct controls; and (4) industry should inform public of inflation dangers and of "economics of sacrifice."

In the year 1861, the first year of the Civil War, our national capital was threatened by the enemy. One dark night five men, among them the President of the United States, climbed the stairway leading to the tower of the Smithsonian Institution. Through the darkened windows they saw the low line of hills around the city.

Harry A. Bullis

The men flashed lanterns toward the hills. In the distance, lights flickered in reply. Thus was tested the means to signal an attack upon a city. At stake was the very survival of our government.

In this year of 1951, exactly 90 years later, there is once again a lantern in the window. But this time its flashing signal is no mere rehearsal of a possible crisis to come. Today it speaks of a growing menace from across the seas. More important, it warns of trends within our own country that ultimately could undermine our productivity and create hardship everywhere.

Nation Has Two Alternatives

Monetary inflation is a form of national self-hypnosis by which we turn our faces from reality, and look instead toward a never-never land of easy money. We know the consequences. An unsound currency gnaws at our security just as certainly as a defeat on the battlefield. I wonder if we realize that there are only two roads before us. We can heed the warning signals, embrace the economics of sacrifice, and pay the price that must be paid if democracy shall live. Or we can continue on the road we have been following, spending billions of unearned and unreal dollars. This way leads to fiscal disaster.

The free world looks to these United States for leadership — economic, social, and moral. For inflation already has swept most of Europe, and the forces set in motion show little sign of slackening. Compared with 1939, Belgium's increase has been 277%, and it is growing. In Greece, living costs have increased nearly 30,000%. Italy has marked a 5,000% increase. In France, food costs alone were 1,800% higher last fall than before the war. In Finland the costs of living are some 850% higher. The average Finnish worker pays 10 times as much for clothing now as he paid in 1939. It is exactly what Lenin ordered—the debauch of the currency. Just as inflation damages our nation and our allies, so does it aid our common enemy.

In the United States, the cost of living has shot up over 75% compared with prewar. The trend continues. In 1950, the cost of living arose about 6%; wholesale prices rose 16%; the price of farm products at wholesale, 23%; and the prices of 28 important commodities rose 48%. The rise was fastest at the end of the year. In the second half of 1950, the rise in wholesale prices was at a yearly rate of 25%, a rate barely and briefly equalled only in 1919-20 and in 1946. If we are to save our own great white-collar middle classes from financial ruin, if we are to stay clear of the many other destructive forces of inflation, America will have to act promptly and decisively.

How Industry Can Lead

Industry is equipped to supply both intelligent action and leadership in this crisis.

The action should take the form of quick production for defense. Enormous production is needed right now. The world looks to us for the arms to halt Communist aggression. During the past two years, the United States has expanded production and has greatly increased productivity when measured in output per man. We can do the same thing for defense.

The leadership is needed to control inflation. Business, in cooperation with government, can take the case for a firm money policy direct to the people, who must ultimately decide the issue. As the President's economic advisers pointed out recently, "To gain public support for stern policies requires that the public understand the reason why."

In this era of tension, any spark can start a conflagration. We are in limited war now. We may well be on the threshold of total war. It is difficult to exaggerate the crisis.

Only five years ago we ended the greatest war in history. We paid dearly for that victory, in tens of thousands of casualties on the fields of battle, and in tens of thousands of psychological victims within the borders of our country. We incurred a staggering national debt. But we stepped up our industrial plant in the process. The amazing fact is that we did the job with no more than a 28% rise in the price level during the actual war years. The controls of the war years suppressed inflation. But when direct controls were removed without bringing in the more general indirect controls, inflation burst into action.

Today our economy is roaring along, full throttle. In the case of automobiles and trucks alone, we produced last year over 8,000,000 vehicles. We built over 1,400,000 new housing units. We have the capacity to produce 101,000,000 tons of steel a year, or half the world's total. We are able to squeeze more agricultural production per acre out of our farm plant than does the rest of the world. A good wheat farmer in the West can produce 5,500 bushels of wheat with about 2,000 hours of work a year. In South China, it takes the entire family working ineffectively to produce one-twentieth as much, or 275 bushels, with two crops a year. We have shipping in quantity, and war plants in standby condition.

Our productive plant is fully engineered, and ready for the job of rearmament. We hope we can

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*An address by Mr. Bullis before the Economic Club of New York, New York City, Jan. 17, 1951.

Dealer-Broker Investment Recommendations and Literature

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

Bank Stocks — Year-end comparative analysis of a group of the country's leading banks — Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Equipment Trust Certificates—Semi-annual appraisal as of Dec. 31, 1950—Stroud & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available is a semi-annual appraisal of **City of Philadelphia Bonds.**

Equipment Trust Certificates—Tabulation of principal issues offered publicly during 1950—Union Securities Corp., 65 Broadway, New York 6, N. Y.

Also available is a tabulation of principal issues of **Corporate Bonds** offered publicly during 1950.

Leading Banks and Trust Companies of New York—75th consecutive quarterly comparison—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

"Look-Up" Securities—Tabulation of 34 common stocks with unusually good records — E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Mutual Funds—Data on publicly offered mutual funds—Kidder, Peabody & Co., 10 East 45th St., New York 17, N. Y.

New York City Bank Stocks—Year-end comparison and analysis of 18 New York City Bank Stocks —Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Next 20 Years — Third annual review of the war and postwar pattern of industrial activity and the Dow-Jones industrial and rail averages—Financial Reports, Inc., Box 11, Newtonville 60, Mass.

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.

Planning for Profits in the Stock Market—Booklet describing better ways to judge market trends and select individual stocks, incl. the new primary trend indexes, charts and graphs—Together with current analysis of 440 stocks and 43 groups—all for $1—Dept. 4-A, Investors Research Co., Mihran Building, Santa Barbara, Calif.

Railroad Bonds — Analysis of ten selling below par which appear interesting for income and profit — Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a special item on **Texas Utilities Company.**

Recommended Stocks and Special Situations — Special analysis, plus the next four week's issues of the new 1951 Ratings and Reports now being released, with a special situation supervised account report, two fortnightly commentaries and four weekly supplements—$5—The Value Line Investment Survey, 5 East 44th Street, New York 17, N. Y.

Special Survey C-1—Four-page study surveying the financial, economic and political background and projecting business as well as the stock market's course for the year—Included is a special study entitled "What About Inflation" giving a specific list of stocks that can be considered good hedges against depreciation of the dollar and indicating the reasons why—$2 — Write Department C-1, Investment Letters, Inc., 2656 Penobscot Building, Detroit 26, Mich.

Understanding the Mutual Funds — Brochure — Twenty cents a copy (lower prices in quantity) — Commodity Research Bureau, Inc., 82 Beaver Street, New York 5, N. Y.

Watching Service — Brochure describing a new service planned to help an investor keep posted on his securities by sending brief items of important developments on securities in which he is interested — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Within the Pattern of a 2½% Long Term Rate—New bulletin—Aubrey G. Lanston & Co., Inc., 15 Broad Street, New York 5, N. Y.

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Crowley-Milner Co. — Circular —Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Heyden Chemical Corporation —Comprehensive analytical bro-

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NSTA Notes

BOND TRADERS CLUB OF CHICAGO

At the 25th anniversary Mid-Winter Dinner of the Bond traders Club of Chicago, held Jan. 29 at the Furniture Club of America, the following new officers were elected:




Lester J. Thorsen — Arthur W. Fenton — Herman Mell — Fred T. Rahn

President—Lester J. Thorsen, Glore, Forgan & Co.
Vice-President—Arthur W. Fenton, Ames, Emerich & Co.
Secretary—Fred T. Rahn, The Illinois Company.
Treasurer—Herman Mell, Merrill Lynch, Pierce, Fenner & Beane.

New officials will take office March 1.

There was an unusually heavy attendance at the dinner by members and 190 guests.

SECOND GUESSES PERMITTED

An always pleasant preliminary to the Investment Traders Association of Philadelphia's annual mid-winter dinner has been the hospitality extended by Stroud & Co., Incorporated, to the local boys and their out-of-town guests. A feature of the pre-dinner "curtain-raiser" is a contest at which the amateur and professional crystal-gazers are asked to predict the Dow-Jones industrial average exactly one year in advance.

On Feb. 21, 1950, 349 prognostications were duly recorded. On that date, the D-J closed at 203.35. Of the assembled seers, 194 forecast an uptrend ranging as high as 345.95. The pessimists, of whom there were 155, envisioned a calamitous course of events which, to the most jaundiced eye, would tumble the average to 116.45. The over-all prospect, however, was moderately bright; the complete average working out at 214.43. A cash prize of $100 will await the closest figure.

Last week, as an added fillip, the books were briefly reopened and the customers were permitted to revise their estimates. There will be an additional $25 awarded to the winner of the three-weeks' print. It is rumored that the advisory councils of several of the larger investment trusts have asked for a list of the winners and runners-up.

THE SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standings as of Jan. 26 are as follows:

Team—	Won	Lost
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	30	18
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	29	17
Krisam (Capt.), Bradley, Montanyne, Weissman, Gannon	29	17
Leone (Capt.), Krasowich, Nieman, Pollack, Gavin	29	17
Donadio (Capt.), Demaye, O'Connor, Whiting, Werkmeister	26	22
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	25	23
Serlen (Capt.), Gersten, Gold, Krumholz, Young	24	24
H. Meyer (Capt.), Smith, Farrell, A. Krankel, La Pato	22	26
Mewing (Capt.), Klein, Flanagan, Manney, Ghegan	22	26
Goodman (Capt.), Valentine, M. Meyer, H. Frankel	20	28
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	18	30
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	14	34

The First Half ended with a great deal of excitement and, after a hectic night, Arthur Burian (Daniel F. Rice & Co.) nosed out the old leader, Julius Bean (Singer, Bean & Mackie), for first place. Next week the Second Half will be started, and it is hoped that it will have as interesting a finish as did the First Half.

What About the Stock Market?

By ROGER W. BABSON

Mr. Babson, pointing out current stock market is very selective, and war outlook very uncertain, says those who expect war should not buy stocks unless they are carefully selected by experts. Advises diversification by investors.

Have just telephoned an important brokerage house in New York City to ask its opinion on the stock market. The reply was: "We guess the market is finally getting high enough for the public to buy."

Roger W. Babson

The Dow-Jones Industrial Averages struck a high of 381 in 1929; they fell to 41 in 1932; they rose to 194 in 1937; fell again to 93 in 1942; rose again to 212 in 1946, from which they declined until a few months ago. They are now around 245, the high for 20 years; but this statement applies to only 30 stocks out of over 1,000 stocks. Many good stocks are now selling for less than they did in 1946, or earlier. Many people say: "All stocks have gone up except those which I hold. What is the reason?" The truth is just the reverse of this. Only a very few stocks are selling at their "20-year highs."

All the above causes the wisest investors to be neither bullish nor bearish just now. They believe stocks are good for income, but not for speculation. The stock market is very selective and the war outlook is very uncertain—either way. We are now doing right to prepare actively for World War III; but it may not come for years. Our hurried preparations may be useless.

What Mr. Hoover Believes

Mr. Hoover apparently believes that, unless there is a revolution in Russia, all of Europe—*war or no war*—may, for a period of years, try communism and that no War III can prevent it. He also thinks that the Russians now have no intention of striking North or South America unless we attack Russia. He believes we should now avoid war and concentrate on strengthening the United States militarily, economically and spiritually until the Europeans unite and show an enthusiasm to fight communism. Under this Hoover Policy our markets should hold up.

If we should get into war with Russia and one or more of our cities are bombed, the Stock Exchanges would be closed to prevent financial panic. Everything—securities, commodities, rents, banks and wages—would be frozen. We would be ruled by a dictator and stocks would go down. Those who expect war should not buy stocks—certainly not unless they are very carefully selected by experts. Inflation, however, should help a few stocks.

Stocks vs. Homes

Certainly, anyone who does not own a house and an acre of land in a safe country village, should make such his first investment—war or no war. Many such places—well located, with water, fuel and neighbors—can be purchased today for one-third what it would cost to build them. I'm not advising their purchase for immediate occupancy; but for insurance and security.

Next, keep healthy, have a good bank account and a job which will give you a living. If you are dependent partly on investment income, then buy a *very broad* list of 30 stocks which have paid dividends for many years and which should give you about 5%.

With G. Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Barbara L. Broustaut has joined the staff of Gerald Fitzgerald, 649 South Olive Street.

Comstock, Renier With Shields in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Daniel F. Comstock and Edward P. Renier have become associated with Shields & Co., 209 South La Salle Street. Both were formerly partners in Comstock & Co.

Joins Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Maurice G. Keene is now affiliated with Paul C. Rudolph & Co., 749 Market Street.

Harry Belden Joins Dayton & Gernon

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Harry I. Belden has become associated with Dayton & Gernon, Rand Tower. He was formerly an associate of Charles A. Fuller Co. and prior thereto was an officer of Frank & Belden, Inc.

With Daniel F. Rice

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Robert C. Caswell has become associated with Daniel F. Rice & Co., Broward Hotel.

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Charles R. Harms and Stanley F. Hoffman are connected with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

R. J. Wotring Mgr. of New Janney Co. Branch

The investment firm of Janney & Co., Philadelphia, announce that Roland J. Wotring has been appointed manager of its office in Bethlehem, Pa., 6 West Broad Street. Mr. Wotring was formerly proprietor of R. J. Wotring & Co.

Pennsylvania Brevities

Warner Co. to Spend $3,000,000

Charles Warner, Chairman of the Board of Warner Company, states that the company's 1951 expansion program will involve the expenditure of approximately $3,000,000, bringing to close to $10,000,000 the aggregate spent for capital improvements since 1945.

The company's principal activities fall within two categories; the production, distribution and sale of central-mix concrete and sand and gravel in the Trenton-Philadelphia-Wilmington metropolitan area and the manufacture and sale of lime, limestone and limestone products for industrial, chemical and agricultural use along the eastern seaboard and as far west as Michigan.

Contraction of consumer credit is not likely to affect operations of the company since only a very small percentage of the type of building materials produced by the company goes into home construction. Major projects supplied by the company are highway, bridge and tunnel construction, public works and large industrial enterprises, most of which are considered essential and carry high priorities.

Development of the Philadelphia district into a new and important steel producing area holds promise of continuing activities for Warner Company for some years to come. Construction of the Fairless Works of U. S. Steel at Morrisville, Pa., will begin in the spring. National Steel has announced plans for construction of a large plant across the Delaware River south of Philadelphia and it is understood that at least one and perhaps more large steel producers also have well-defined plans for locations within the area.

Warner Company's present plans call for the installation of an additional rotary kiln at the Cedar Hollow plant in Chester Valley, the purchase of six new steel barges to be added to the Delaware River fleet, extensions of facilities for handling sand, gravel and concrete at Morrisville and the development of additional high-calsium limestone deposits recently acquired in the Bellefonte area.

Funds for contemplated capital improvements will be available from earnings, working capital and reserves and no new financing is anticipated. Sales for 1950 are expected to exceed the $18,047,260 reported for 1949 and earnings for the year just concluded are estimated at better than $6 per share.

* * *

Without including any tonnage from its new plant to be built in New Jersey, Ernest T. Weir, Chairman of National Steel Corp., states that company's expansion program will boost annual ingot capacity from present 4,750,000 tons to 6,000,000 tons during 1952.

* * *

PUC Favors Fare Rise

PHILADELPHIA — It is reported that statisticians and accountants of the Pennsylvania Public Utility Commission's Rates and Research Burea have approved Philadelphia Transportation Co.'s schedule of higher fares and that the new rates will be permitted to become effective on Feb. 6.

Heretofore, company applications for higher fares have been subjected to what has come to be regarded as almost an automatic six months' delay while the PUC studied the merits of each successive petition. In the present instance, it is held that all pertinent facts and data have been fully developed in proceedings that resulted in a fare increase granted only last December, and that further review is pointless unless or until current estimates of income and expense are proved erroneous.

The present proposal is to increase cash fares from 12 to 15 cents and token fares from 4 for 45 cents to 3 for 40 cents.

Joseph Sharfsin, former city solicitor, and H. Jerome Jaspan, former state senator, wielding the cudgels on behalf of the Citizens Committee Against the Fare Rise, have threatened court action to block the proposed increase. In 1948, a similar action was carried to the Pennsylvania Supreme Court which ruled, in a 4 to 1 decision, that it was without power to interfere with the PUC.

The transportation company maintains that the new tariffs are "fair and reasonable" and will produce less revenue than the company is entitled to receive under the findings of the PUC last November.

* * *

Strikes Averted at Baldwin

One-year contracts were signed last week by officials of the Baldwin-Lima-Hamilton Co. at Eddystone, Pa., and representatives of two labor unions, both of which had threatened strikes which would have involved approximately 6,000 workers. Settlements provided wage increases of from 8 to 17 cents an hour for 250 members of Local 1271, Brotherhood of Electrical Workers (AFL), and for 14 to 28 cents an hour for about 5,700 members of the CIO United Steel Workers Union.

* * *

Piasecki Helicopter Corp.

MORTON—Although plant facilities and the number of employees of Piasecki Helicopter Corp. have doubled within recent months, company reports that subcontracting of parts has more than trebled and backlog is largest in company's history.

* * *

West Penn to Sell Stock

West Penn Electric Co. is planning to offer 320,000 shares of additional common stock to present holders in the ratio of one new share for each ten shares held. Unsubscribed stock will be offered to employees in the West Penn system. It is probable that the company will request bids for underwriting the program and that such bids will be opened on March 7.

* * *

Philco Corp. reports that it has been awarded the largest single order for standard commercial microwave equipment placed by the Air Material Command of the U. S. Air Force.

* * *

Penna. Cement Co.'s Expanding

Lehigh Portland Cement Co. and Giant Portland Cement Co. have filed applications with the National Security Resources Board for certificates of necessity covering the building and expansion of cement manufacturing facilities in the South. Lehigh asks permission to build a plant near Jacksonville, Fla., to cost approximately $8,000,000 and Giant seeks to increase the capacity of its Harleyville, S. C., plant from 800,000 bbls. to 1,800,000 bbls. per year at a cost of $2,000,000.

At the annual meeting to be held in Allentown April 16, stockholders of Lehigh Portland Cement Co. will vote on a proposed 2-for-1 stock split.

* * *

Westinghouse Electric Co.

PITTSBURGH — Westinghouse Electric Corp. has announced it will start construction on two new buildings at its East Pittsburgh plant which will increase by 65% the production of large electric generators.

* * *

Preliminary negotiations have been reported as under way in respect to a merger of Pittsburgh Steel Co. and Allegheny Ludlum Steel Corp.

* * *

GREENSBURG — Robertshaw-Fulton Controls Co. is negotiating with the U. S. Air Force for the manufacture of aircraft instruments.

* * *

American Pulley Co. reports that unfilled orders on Dec. 31 were 3½ times those of a year ago.

* * *

Carpenter Steel to Build

READING—Carpenter Steel Co. plans construction of a new hot rolling mill to cost about $3,000,000, to be located on the company's west shore property. Work will begin within a few months.

Hutton Adds Two

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—John P. Boyd and Alexander P. Runciman have been added to the staff of E. F. Hutton & Co., 623 South Spring Street.

Two With First California

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Earl Berry and Royal A. Chapman are now affiliated with First California Co., 647 South Spring Street, members of the Los Angeles Stock Exchange.

With Shearson, Hammill

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Mark W. Kosterman is with Shearson, Hammill & Co., 443 North Camden Drive.

World Bank Adopts New Borrowing Policy

Will distribute future bonds to designated "managers" and "sponsors" on agency basis. Plans financing later this year.

Taking into account the difficulties encountered in the two previous public offerings of its own obligations, the International Bank for Reconstruction and Development has adopted a new agency technique for accomplishing its future financing. This was announced at a New York press conference Jan. 31 by Eugene R. Black, the Institution's President. Whereas, the Bank's first loan was distributed on an agency basis, with a selling group comprising 1,700 members of the NASD; and the second loan—a refunding issue of $100,000,000—was disposed of in 1950 by competitive bidding, future financing will be handled on an agency basis headed by "managers" and "sponsors" consisting of the members of the four groups which participated in the previous competitive bidding operation.

Eugene R. Black

The new management and sponsor group thus is comprised of the following firms. (The managers are indicated by asterisk, the others being sponsors.) Together they will head a selling group aggregating about 400 houses.

MANAGEMENT AND SPONSOR GROUP

Banks

Bank of America N.T. & S.A.
*Bankers Trust Company
*The Chase National Bank
Chemical Bank & Trust Co.
*The First National Bank of Chicago
First National Bank of the City of New York.
Guaranty Trust Co. of New York
Manufacturers Trust Co.
J. P. Morgan & Co. Incorporated
*The National City Bank of New York

INVESTMENT BANKERS

Blyth & Co., Inc.
*C. J. Devine & Co.
Dillon, Read & Co. Inc.
Drexel & Co.
*The First Boston Corp.
Glore, Forgan & Co.
Goldman, Sachs & Co.
*Halsey, Stuart & Co. Inc.
Harriman Ripley & Co. Inc.
Kidder, Peabody & Co.
*Kuhn, Loeb & Co.
Ladenburg, Thalmann & Co.
Lazard Freres & Co.
Lehman Brothers
Merrill Lynch, Pierce, Fenner & Beane
*Morgan Stanley & Co.
*Salomon Bros. & Hutzler
Shields & Co.
Smith, Barney & Co.
Stone & Webster Securities Corp.
Union Securities Corp.
White, Weld & Co.

*Members of "managerial" group.

Mr. Black stated that additional financing is not an immediate prospect, but that from $50-$100 million will probably be sought later this year; with the interest rate indefinite, and the maturity to be in the neighborhood of 16 years, corresponding to the Bank's own lending.

George L. Cross Dies

Authority on State and Municipal Bonds succumbs at age of 63.

George L. Cross, a former editor of the Chronicle's "State and City Municipal Bond Department," passed away Jan. 25 at his home in Ridgewood, New Jersey.

After leaving the "Chronicle," Mr. Cross had a long career in New York municipal bond firms. His first connection was with the old bond house of N. W. Halsey & Co. which was absorbed in the National City Company when the latter nation-wide underwriting and distributing concern was organized as a separate organization by the National City Bank interests. Mr. Cross had charge of the National City Company's municipal bond department for several years and later became identified with W. E. Hutton & Co., 14 Wall Street, as Manager of this firm's municipal department, and with C. F. Childs & Co., government bond house.

Mr. Cross was highly esteemed in both circles for his experience in and wide knowledge of municipal issues. His brother, Milton C. Cross, is Executive Vice-President of Harriman Ripley and Co., Inc., at 63 Wall Street, this city.

Daniel Reeves Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Charles A. Baggott has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was formerly with Francis I. du Pont & Co.

Status of Our Defense in Europe

By L. H. GAVIN*

U. S. Congressman from Pennsylvania
Member, House Committee on Armed Services

Republican member of House Armed Services Committee reports on economic military and political situation in Western Germany based on an extensive official tour to check present status of our defense program. Finds economic conditions in West Germany improved, but expresses doubt allied military forces are adequate without a West German army. Says problem of German rearmament is broader in scope and more difficult of solution than is generally recognized, and recommends complete new basis in dealing with Germany. Finds political situation stable in American zone of Berlin.

During the period Nov. 18-Dec. 16, 1950, the undersigned visited occupied areas in Germany and Austria, and other countries in Europe, pursuant to the request of the Chairman of the House Committee on Armed Services and invitational orders issued by the Department of the Army. While the time spent in each country was necessarily brief, every effort was made to confer with responsible officials, both American and foreign, and to observe, at first hand, the general circumstances, conditions, and attitudes prevalent in the areas visited. I could also, as the result of prior visits made to Europe during the past three years, gauge current conditions somewhat more accurately than would otherwise have been possible. While the principal purpose of my trip was, of course, the inspection of military installations and units in the European Theater, and the evaluation of efforts being made by our allied powers in the North Atlantic Pact, an effort was also made to determine, within the limited time available, the general economic situation prevailing in the several countries. It is my hope that the following comments and observations may be of some value to the Committee during the present session of the 82nd Congress, and may also be of general assistance to individual members of the Committee, particularly those whose schedules and engagements during the past two years have not permitted visits to Europe. . . .

Leon H. Gavin

[*Editor's Note*—Matter omitted at this point from Congressman Gavin's report dealt with nature of building facilities at Air Force bases in Massachusetts, Azores and Newfoundland.]

I

WESTERN GERMANY

During the period Nov. 19-24, the undersigned was in the northern portion of the United States Zone of Germany, principally Frankfurt, Heidelberg and Wiesbaden. At Frankfurt, I conferred with Mr. John J. McCloy, U. S. High Commissioner for Germany, and certain of his staff advisors, particularly Mr. Horace Gilbert, Economic Consultant on leave of absence from the faculty of the California Institute of Technology. In Heidelberg, I conferred with the Commanding General, U. S. Forces in Europe, General Thomas T. Handy, and members of his staff, particularly Major General Noce. In Wiesbaden I had the opportunity of conferring with Lieut. General Cannon, Chief of the U. S. Air Forces in Europe and Major General Douglass and Brig. General Millard Lewis of his staff. I was also, during this period, able to travel about this portion of the U. S. Zone and make certain observations, which are summarized below.

(a) **Economic**—The signs of economic recovery are everywhere apparent in the U. S. Zone of Germany. Substantial progress has been made not only in cleaning up rubble and removing damaged buildings, but in replacing commercial structures and restoring public utility and transport systems. While the standard of living is lower than in the United States, it compares favorably with most of Europe, and is in heartening contrast with the desperate conditions which prevailed in 1946-47. Since the reformation of the currency in Western Germany, there has been a steady improvement in trade and industry. Stores at present are amply stocked with food and merchandise of all kinds, and there is no rationing. The prices, while generally reasonable by United States standards, are often high compared to the wages and income of German consumers. However, most of the people appeared well-clothed, adequately fed and well-shod. The chief economic problem in Western Germany today is unemployment, which stems from two unfortunate decisions or policies adopted during the last stages of World War II. The first of these was the agreement for the expulsion of German ethnic groups from Poland and Czechoslovakia. Millions of these people, whose properties were expropriated by the Communist regimes of the two countries mentioned, have been dumped on Western Germany, a region already heavily populated. Aggravating this condition was the deindustrialization policy, particularly the dismantling of factories and industrial plants capable of producing civilian goods. The folly of this latter program, and the harmful effects resulting therefrom have already been pointed out to the Congress, and it is understood that the program has been substantially terminated in the U. S. Zone. However, the British Government in whose Zone major steel and metallurgical industries are located, has continued the program for a much longer period. It is understandable that the British should fear the competition of a revived German industry; but it makes very little sense for the United States to seek the improvement of economic conditions in Germany by ECA loans and grants, while the British Government adheres to a program of dismantling and destroying industrial plants.

(b) **Military**—As far as the general military picture in Germany is concerned, the situation remains basically unchanged from a year ago. There is no substantial defense in Western Germany able to meet a major Russian offensive. It is reliably estimated that, at any time, the Russians could commit over 25 of their own divisions, which are now west of their borders and able to move at will. This is exclusive of the troops raised and maintained by the satellite regimes of Poland, Hungary and Czechoslovakia. In addition, since the close of hostilities against Germany, the Russians have augmented the air strength in their Zone of Germany and are estimated to have over 2,000 combat aircraft in Germany alone. This figure has of course only limited significance, because they could also move an overwhelming number of additional aircraft into that theater if they desired.

To counter this force, the Western Powers have in Germany only the equivalent of about seven divisions. The strength of the U. S. Forces in Germany has not changed greatly during the past year. So far as can be judged, the United States Army and Air Force personnel are more efficiently employed, better trained, and have a higher combat effectiveness than at any time since the end of World War II. The suspension of normal rotation to and from Europe has resulted in more experienced personnel. Combat forces have been increasingly relieved of occupation or "housekeeping" duties, and greater emphasis has been placed upon training, including more field maneuvers. I am convinced that our forces in Germany are well led, and that, if necessity arose, the responsible commanders would achieve the utmost results within their power. However, with a Russian numerical superiority of at least four to one (and more likely seven or eight to one), plus overwhelming tactical air superiority, we could not expect that the small allied forces in Germany could long hold out against a major Russian offensive. Efforts are now being made by the Department of Defense to augment the strength of our forces in Germany; and it is presumed that those of the other Western Powers will likewise be increased. In my opinion, however, no such augmentation program can be fully effective; and, as I shall discuss later, we must, at the earliest practicable moment, rearm Germany itself.

So far as dependent housing for the troops in Germany is concerned, I found a somewhat anomalous situation. In 1949, our Armed Forces in Germany had under their jurisdiction some 16,000 units of family housing. Almost all requisitioned from German owers. Many of these quarters were poorly located for our purposes, and the general state of maintenance and repair was not good. During the past year, some 6,000 units of family housing for occupation forces have been built, to American standards, by the German Government and its subordinate agencies. The cost of construction has been a charge on the German economy, but the buildings remain the property of the German Government or local housing authorities, and at such time as they are no longer needed by occupation forces, will revert to German control. These projects appear to have been well planned and skillfully executed. I visited one unit at Heidelberg and was greatly impressed with the good design and high standards of construction. It is estimated by our military officials in Europe that the current program would, by April of this year, have provided dependent housing sufficient for the need of our occupation troops garrisoned in Germany. However, the augmentation program now under way for that country will again create a severe shortage. The movement of large numbers of military personnel to Germany will create serious problems in this field. I personally doubt whether it will be possible to provide sufficient family housing in that country to take care of the families and dependents of our service personnel there. From a security standpoint, it is questionable whether dependents of military personnel should be transported to Germany. There are, however, other factors to consider, particularly the morale aspect, and the very serious social problems which must be faced if dependents are not permitted to accompany military personnel required to serve in that country for extended periods. I do not pretend to have a solution for this problem; but I earnestly commend it to your attention, and suggest that the Committee seek necessary information from the Department of Defense, in order to evolve a well considered and consistent policy.

As far as the United States Air Forces in Europe are concerned the chief need at present appears to be additional bases, better located for the purposes required in the event of war. Most of our existing bases were simply taken over from the Luftwaffe at the end of World War II. While the facilities have generally been rendered adequate, the bases themselves are not, in many cases, well sited for use in event of hostilities. If our Air Force is to be effective in event of a war, it must have secure bases from which it can continue to operate.

So far as equipment is concerned, the U. S. Air Force in Europe is in much better condition than it was a year ago. Most of the propeller type of fighter craft, which served well enough in World War II but which are now obsolete, have been replaced by modern jet fighters. The provision of other necessary facilities and equipment to improve combat readiness must in many instances depend upon the location and activation of suitably located bases, as noted above. I recommend that the Committee obtain, at an early date, a comprehensive evaluation and report from the Air Force Staff of the air situation in Europe.

(c) **Political**—The major political question facing Western Germany today is the rearmament issue. I addressed myself to this matter during the second session of the 81st Congress (in February, 1950) and called attention to the urgent need of providing some military force capable of deterring, if not withstanding, a Communist drive across Western Europe. Unfortunately little was done about the matter before we became involved in hostilities in Korea; and the problem is now much more difficult. Whether we can, in the limited time remaining, create and train an effective German force is questionable. I regret to state that much of the thinking on this matter, both in Washington and Frankfurt, appears to me to be sadly out of date. The basic question is not whether we shall "allow" the Germans to participate in the defense of their country; or upon what terms our permission will be granted; it is whether and how such action can be taken in the available time. At my conference with Mr. McCloy he expressed the view that the German Government would cooperate on defense matters but could not be forced to do so. It is very clear that the Germans want two major conditions met, before they undertake such a program. The first of these, and the easier to provide, is full equality for Germany. Practically, this means that the Germans would not be limited in the size of the units they would organize, and that their staff officers would participate equally with those of other nations, in formulating plans for the defense of Western Europe.

Further, it would mean that most of the present program for the re-education or re-orientation

Continued on page 19

*This is the first part of Repr. Gavin's Report. The remaining portion, dealing with Austria, Italy, Great Britain and France, will appear in next week's issue of the "Chronicle."

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The debate over the level of interest rates waxes hot and heavy and there are no indications it will subside in the near future. While this is going on, the uncertainty that it creates in the form of "open mouth operations" is keeping the government market under wraps. The enthusiasm and confidence that were created by Secretary Snyder's remarks have passed on into limbo, and prices have come down from recent peaks, to about within the range which had prevailed before the 2½% "freeze" statement was made. Despite the reported distaste of certain monetary authorities for the frozen interest rate idea, a government market with protection is still very much with us. Fluctuations within limits, such as have been in vogue in the past, are to be expected in the near future, because the "fors" and the "againsts" will be airing their views, and this should keep the market from going too far in either direction. The near-term outlook, it seems, is for no appreciable change in interest rates, but over the longer term with controls, regulation and higher taxes working, the trend could be towards lower, not higher interest rates.

Views of Sproul and Eccles

The interest rate pattern, the level of government security prices and their importance in fighting inflation flared into the open again, following the pronouncement by Secretary of the Treasury Snyder that the long-term 2½% rate would be the top in future government borrowings. Any freeze in rates, whether it be long or short, brings with it an inflexibility that the various monetary authorities (other than the Treasury) want none of because of the inflationary potentials. Allen Sproul, President of the Federal Reserve Bank of New York, was the first to point out the inflationary implications of a "pegged" level of interest rates and a confined government bond market within such a pattern of rates. Marriner S. Eccles, of the Federal Reserve Board, was the next to take up the cudgel against an inflexible interest rate curve and the resultant inflationary effect because government securities would be held within set limits. This, it was stated, brings into being credit which only adds to the fires of inflation. Chairman Thomas B. McCabe of the Federal Reserve Board has not clearly defined his position in the new controversy although he is for more rigid overall credit controls, according to latest published advices.

In the interim, while the pros and cons are being hurled about, over what should be the course of interest rates and the trend of government security prices, the Treasury continues to operate without need for borrowings. This should be the case for some time yet. The inflationary forces continue to gain in strength without the Treasury adding to them because of deficit financing. So far, the momentum for higher prices has come mainly from the fear side of the equation, that is, the fear that prices will continue to go up. This has brought about heavy anticipatory buying. This phase of inflation deals with the psychological or mental side and when it will subside cannot be readily forecast. Nonetheless, it is believed a stiff tax law, balanced budget and really effective enforcement of the various regulations and controls which are available to the government would most likely do much to change the mental attitude.

Mortgage, Bank Loans Waning

It takes time for controls to work, but the feeling seems to be growing that mortgages available for purchase by institutional investors are coming to an end, and it will not be too long before these same institutions will be on the other side of the picture. This could mean a demand for long Treasuries that might change the whole complexion of the money markets and the action of the bond market. Bank loans should be slowing down with the enforcement of controls and the passing of time. Also there might be available in the not distant future more State and municipal funds for purchase of long governments. It is reported the shortage of essential materials will mean the postponement of projects by the States and municipalities, until the emergency is over. Plans to shift from short into long governments have already been announced by one of the states.

Banks outside of the large money centers have been making good use of the recent sell-off in the intermediate and long eligibles to acquire these securities. Mortgages and consumer loans are declining and will continue to decline, according to these institutions, and this means funds are being put to work in the 1¾s, the 2¼s and 2½s. While the purchases have not been sizable in any one instance, as a whole, they are substantial enough to be a worthwhile element in the eligible market. Charitable organizations and "planned investment" funds have been making commitments on a scale basis in the longest ineligibles. There has also been some buying by these institutions, but in more limited amounts in the 1959/62s. Fire insurance companies have not been too active because of the storm losses of last year, but here and there a few of them have been taking on the Vics instead of going into the stock market.

A Savings Program For the Emergency

By DONALD B. WOODWARD*
Second Vice-President,
The Mutual Life Insurance Company of New York

Asserting savings is the least developed of anti-inflation weapons, Mr. Woodward outlines plan whereby savings will be encouraged and spending made more difficult. Urges intensification of saving campaign and new methods of making savings more convenient. Recommends tax preference for selected types of savings and payment of commissions on sales of U. S. savings bonds beyond set minimum figure.

The least developed of the fundamental anti-inflation weapons is saving. As I said earlier in presenting my eight-point "Recommendations for Inflation Control," "a major and determined drive to increase total saving should be started at once." This savings drive should contain the following parts:

Donald B. Woodward

(1) **Intensify Solicitation** — Evidence is conclusive that direct solicitation is the most powerful method of causing individuals to increase saving. A major increase in the number and proportion of people called on and the frequency of the calls would surely increase saving. Community, shop and office pressures should be developed. This effort should attempt to stimulate the total amount and proportion of incomes saved by individuals. It should be accompanied by a conditioning of the environment through extensive publicity and advertising.

(2) **Make Saving More Convenient**—Quite a lot of evidence has accumulated that greater convenience produces substantially greater and more regular savings. National effort to stimulate savings should seek to increase the convenience of savings for the American population. More extensive availability of the payroll deduction for all forms of saving would be a major step. Regular charges to bank checking accounts could become more widely utilized for all forms of savings. Savings institutions might make receiving tellers available at key spots at convenient hours. Some or all of the members of the major solicitation effort, suggested in the preceding point, could become collectors of saving at the shop, the office, the farm, and the home.

(3) **Encourage savings to be made regularly and systematically and in forms most advantageous to the savers**—Systematic and regular saving means more saving than sporadic actions. And utilization of the form or forms most advantageous to the individual and his family will develop attachment and greater continuity. These objectives can be furthered by the development of a broad educational program about saving, the various possible forms and which are most suitable to persons with different needs. This program should include facilities for objective, competent personal advice, as well as printed matter.

(4) **Add features of additional attractiveness to existing savings instruments**—Though much ingenuity has been applied toward making existing savings instruments attractive, a concentrated effort undoubtedly could do more. As a starter, here are several suggestions:

(a) Make available a large number of different maturities of government and corporate bonds to permit easier development of educational and retirement funds.

(b) Provide tax preferences for selected types of savings.

(c) Provide packages of cash, life insurance, bonds and stocks on an instalment basis.

(d) Allow special discounts or rewards for prepayment of debts.

(e) Pay commissions on sales of U. S. Government bonds in amounts beyond some considerable figure each month, in order to enlist the greater efforts of professional salesmen.

(f) Permit borrowing on E bonds at least for personal emergencies.

(g) Provide incentives to maintain savings and to keep up savings programs.

(5) **For saving that does most to curb inflation give a greater reward**—It is especially desirable to increase saving in the middle and lower income groups where taxation is lightest. Higher rewards ought to be offered for saving from such income groups in whatever form.

(6) **Make spending more difficult**—Make spending more difficult by making goods and services other than essentials less convenient to buy. This can be done by materials controls, business management, and perhaps supported by other devices. Probably a little imagination and ingenuity in materials controls to make it less convenient to obtain most goods, except necessities, could produce some interesting results. If spending is made sufficiently more difficult so as to be lessened, then saving by exactly the same measure will increase.

(7) **Halt inflation**—One of the greatest enemies of saving is inflation itself, following the 15 or more years of almost continuous depreciation of the dollar. If this lessening in value of the dollar can be conclusively halted, there would be substantially greater saving. Success in this case, as in so many others, would probably breed success. The program I have already suggested, and of which this saving program is one item, if forcefully and aggressively pushed, would itself help itself to win.

(8) **Finally, some forms of restraint on spending and some conscription of some of incomes should be carefully considered** — Caution would be imperative that work and production incentives not be harmed, and that confidence in the dollar and dollar instruments not be impaired. There are a number of techniques which might be considered.

(a) Overtime and extended time might be paid in some form of savings instrument not cashable until the end of the emergency or other stated period, subject to special consideration of hardship cases.

(b) All increases in compensation in any form might be made payable in savings instruments cashable only at the end of the emergency or other stated period, except for personal hardship cases.

(c) Taxation might be substantially increased on all or most items of consumption, except essentials, or a tax might simply be laid upon that amount and proportion of a person's income not saved.

(d) Conversely, a special tax deduction could be provided for the amount and proportion of income which was saved in any form.

*Statement by Mr. Woodward to the Joint Committee on the Economic Report, Washington, D. C., Jan. 29, 1951.

Alfred Foote Director

Election of Alfred S. Foote, a Vice-President of J. P. Morgan & Co., Incorporated, New York, as a director of the Pond's Extract Co. was announced today. John F. Betts, Treasurer and director of the Lock Joint Pipe Co., East Orange, N. J., and director of Eagle Stores Co., Charlotte, N. C., was also added to the Pond's board at the same time.

Albert S. Foote

Three Join Lester Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—John A. Bullard, Jr., William R. Hickey and Roy F. Holcomb have become associated with Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Holcomb formerly represented Fairman & Co. in San Pedro and prior thereto was with Edgerton, Wykoff & Co. and Gross, Van Court & Co.

Joins Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal. — James M. Jackson has been added to the staff of Bingham, Walter & Hurry, 621 South Spring Street, members of the Los Angeles Stock Exchange.

With Conrad, Bruce

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Karl W. Lundberg is now connected with Conrad, Bruce & Co., 530 West Sixth Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The first of the major fire insurance companies have now issued their annual reports for the year 1950.

The Continental Insurance Company and the Fidelity-Phenix Fire Insurance Company of New York, the two principal companies of the American Fire Insurance Group recently issued their operating statements for the year just ended.

Despite extensive property losses resulting from the explosion at South Amboy, N. J., sustained in May, 1950, and widespread windstorm losses in the final months of the year, underwriting results were maintained at a profitable level.

The windstorm which swept the Middle Atlantic States in November was recognized as one of the severest in the history of the United States. It was particularly destructive to property and had a significant effect upon the underwriting of the two companies. For Continental the estimated loss attributable to this storm alone was $4,300,000. For Fidelity-Phenix the loss was $3,700,000.

This catastrophe limited the underwriting gains of the last half of the year with the result that profits for the full year were considerably lower than in 1949. They were substantially better, however, than the showing made in 1947 and 1948.

For purposes of comparison a summary of the operating statement including the investment results for the past two years for Continental and Fidelity-Phenix is shown below.

	—Continental—		—Fidelity Phenix—	
Underwriting—	1950	1949	1950	1949
Net Premiums Written	$62,563,864	$66,265,469	$52,556,650	$53,638,815
Underwriting Gain	4,243,567	10,804,354	2,824,183	8,092,790
Investment—				
Net Investment Income	$8,366,869	$7,245,499	$6,723,804	$5,771,105
Income Before Taxes	12,610,436	18,049,853	9,547,987	13,863,895
Federal Taxes	3,480,928	4,981,979	2,041,969	3,659,722
Net Income	$9,129,508	$13,067,874	$7,506,018	$10,204,173

A more detailed operating statement comparable with that of 1949 is not available as the companies rearranged the presentation of their annual statement as prescribed by the National Association of Insurance Commissioners. Additional information should be available when reports are filed with the State Insurance Commissioner.

On the basis of the information presented, earnings on a per share basis for the two parent companies are estimated as follows:

	—Continental—		—Fidelity-Phenix—	
	1950	1949	1950	1949
Underwriting Profit	$1.70	$4.32	$1.41	$4.04
Increase Unearned Premium	.08	.57	.20	.39
Adjusted Underwriting	$1.78	$4.89	$1.61	$4.43
Investment Income	3.35	2.90	3.36	2.88
Net Before Federal Taxes	$5.13	$7.79	$4.97	$7.31
Federal Taxes	1.39	1.99	1.02	1.83
Net Income	$3.74	$5.80	$3.95	$5.48

An adjustment has been made in the above figures for the stock dividends of 25% for Continental and 33⅓% for Fidelity-Phenix paid in 1950. Also, in considering the above earnings, it should be remembered that these earnings are not consolidated with the subsidiary companies. When results for these companies are added to the above figures, earnings will be considerably higher.

One of the most significant items in the above tabulation is the gains made in investment income for the year. Continental showed an increase of 15.4% and that for Fidelity-Phenix 16.5%. Higher dividends on security holdings as well as a larger volume of invested funds contributed to the increase in income.

Over the coming months other insurance companies will be issuing their annual report. These statements are expected to reflect the impact of large losses sustained in 1950, increased investment income and higher taxes. While results will vary from company to company and be below the record earnings of 1949, they should be favorable as compared with earlier years.

Binford, Dunlap & Reed; New Firm Name

DALLAS, Tex.—Binford & Dunlap announce the association with them of Keith B. Reed as a partner and the change of their firm name to Binford, Dunlap & Reed. Offices will be continued in the Southwestern Life Building.

Joins Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Truman E. Dunshee has joined the staff of Hall & Hall, Helm Building.

J. Barth Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Charles R. Kelley is now associated with J. Barth & Co., 210 West Seventh Street.

What to Expect in 1951

By JACOB BAKER*

Consultant on Management and Planning, Econometric Institute, Inc. New York City

Pointing out external pressure on nation arising from patient intention of international communism to conquer world, which has caused intermediate zone between war and peace, Mr. Baker finds current situation also affected by pronouncements of intention of influential people. On the basis of this situation, he forecasts continuing and increasing inflation, with increase in aggregate personal income from $230 billion to $265 billion in 1951 and corporate earnings, after taxes, rising $1 billion, i.e., $22.5 against $21.5 billion in 1950.

In the last few years a long-existant external pressure upon us has become so clear that no one can mistake it. This is the implacable, persistent, patient intention of international communism to conquer the world. This, of course, is news to those men in public life who can get along with "good old Joe" and who will not turn their backs on traitors. However, they at last perceive it and also realize that if they are to retain any shred of the confidence of the nation they must take steps to meet the communist intention. Unfortunately, the necessary steps are not themselves clearly understood by many of our leaders. Few of them have read the Communist literature running back to the previous century. Few of them have acquainted themselves with the fanatical devotion to the communist program which characterizes communist leadership. The communistic thesis is, of course, simple, namely, that the capitalist system is dying, torn apart by its own conflicts, and that international communism can succeed if it adequately waters the seeds of conflict within capitalism. The steps in its program defined by its leadership, past and present, are:


Jacob Baker

(1) Propaganda, continuous, devious, shrewd, clever, appealing; creating soft-headed fellow travelers and fanatical communists who can engage in—

(2) Subversion, leading into sabotage;

(3) Sabotage and violence, leading into insurrection;

(4) Insurrection and violence, leading to,

(5) Revolution.

And it is at this stage that the communist center is prepared to give its direct military assistance to the communist in revolution in any area adjacent to the communist motherland. The assistance becomes authority and the adjacent state advances to the position of satellite and eventually to provincial status as a Soviet Republic. (Note "Lenin's Collected Works," Stalin's "Fundamentals of Leninism," etc.)

This program has worked with great effectiveness and there is small reason to expect deviation from it. It defines not only their prospective acts but also what we need to do. It indicates small probability of direct military engagement with Russian forces.

Thus, we have an international situation of conflict intermediate between war and peace. Not properly described when called cold war, but certainly not in any sense peace. It is an intermediate situation, but it controls and influences us as truly as would a state of war or of peace.

When we have a defined international and political status, either of war or of peace, we have found that the use of existing law as a guide to governmental action served us very well. However, in the current intermediate zone between war and peace, we shall also have to take some account of pronouncements of intention of influential people. Thus, we make the following assumptions:

(1) We suppose that the constitutional question of Presidential authority versus Congressional agreement to international war activity will be compromised, that the President will retain about the kind of authority that previous Presidents have exercised, and that the Congressional responsibility for the guidance of policy will also be recognized.

(2) We hope that part of the lessons written by the conversion and armament program of the last world war have been learned—particularly that it is more efficient to build new plant for the production of war materials than to tear down an existing plant and improvise a new one in space not adapted to the purpose. This would mean, of course, that existing plant would continue for civilian purposes so long as men and materials were available for production in them, and that in the meanwhile added war plant would be building. This is actually being done on private initiative, although the method is not fully defined and not fully comprehended by governmental agencies.

(3) A military policy is almost always a result of compromise. This case will be no different. It will be characterized by high—frequently excessive—demands for money, which in turn will be challenged and frequently reduced by Congress. After appropriations are made, military procurement will operate in erratic and lurching fashion, as varying and changeable goals are from time to time established. Sudden excursions will be made into the markets, and then periods of lulls and lapses in procurement will occur. We know that during any given period the procurement agencies will expend from 65% to 80% of appropriated amounts, simply because experience has shown that it is not possible to spend to the limit of emergency appropriations. This total military expenditure in 1951 will probably be somewhere in the neighborhood of $40 billion.

(4) Military procurement in operation is essentially wasteful, and carries with it great attendant waste. In this nation we do things on a large scale. That includes the wastes of military procurement. Contracts will be made, changed, cut back, and substitutions made. The strain on industrial operation will be great. The uncertainties and spasmodic buying of military procurement, together with erratic stock-piling, will inhibit much civilian production that otherwise might occur. However, in the course of the year many adjustments will be made and we shall probably find that our industrial structure can contain and support both our armament program and most of the rising demand of the American consumer.

(5) As to taxes, we may assume that again our characteristic procedure of compromise will operate, and that we will not tax high enough to cover expenditures completely in the second half of the year or for the fiscal year ending June 30, 1952. Recent proposals for increased taxes will probably be trimmed down. Since, over the last half of 1951 into 1952, we shall have expenditures running at a higher rate than tax collections, an inflationary effect will be felt.

Even though taxes are raised, they will probably not be levied in such ways as to blot up excess purchasing power. This purchasing power will be largely in the middle and lower levels of income. The result will be continued price increase during the second half of the year. This will probably be masked by price control, so that the inevitable increases must be effected by deterioration of quality and elimination of low-margin items and lines.

(6) Even though price control is established with attendant wage controls, we may be quite sure that the machinery of control and the policy of administration will be such as to encourage or permit recurrent wage increases, thus placing further pressure of rising costs on the price structure. Two members of the World War II War Labor Board, now appointed to the Wage Stabilization Board, have publicly applauded their own conduct in the WLB, which raised hourly wages 46% in 1942-45 to offset a 22% rise in the cost of living.

(7) For the long run, the outlook is for continuing and increasing inflation, the sort of inflation which for a long time makes every merchandising commitment look wise. The reason for this is that most of Washington—both friend and foe of the Administration—doesn't understand inflation or fears to tell about it. (The first duty of a statesman is to get himself reelected so that the country can continue to benefit from his wisdom. The truth about inflation is unlikely to reelect anyone.)

Adding to the supply of money—either cash or bank-deposit currency—faster than assets equivalent to this money are produced is a fundamental cause of higher prices and higher wages. Sometimes it looks as if the process went the other way. Prices jump, sellers load up with inventory to sell at those higher prices, and loans—deposit currency—are advanced to carry those inventories.

Price controls, wage controls, appeals to patriotism and Congressional rhetoric are alike impotent to deal with inflation. When you see non-defense expenditures cut back to the vanishing point, defense expenditures scrutinized until the cost of stationing a man with a rifle in a foxhole is something near that of other nations—now it is nearly three times as much—and a vastly broadened income tax or general sales tax imposed to balance the budget, you may look for a subsidence of inflation. (This is not to say a sales tax is equitable but it is anti-inflationary.)

Until that day, you must assume that the efforts of government regarding inflation are directed not toward checking it but toward laying the blame for its continuance on someone other than the United States Government, which is where the blame belongs.

Forecast

Using the methods described and upon the assumptions just presented, the following consti-

Continued on page 16

*An address by Mr. Baker in the 4th Annual Forecasting Conference of the Chamber of Commerce of Philadelphia, Philadelphia, Pa., Jan. 18, 1951.

Mutual Funds

By ROBERT R. RICH

Bullock Proposes Aeronautical Absorption

Plan to Be Submitted to Specialty Fund Shareholders About Feb. 10

Bullock Fund, Ltd., a general management fund, has submitted a proposal for the acquisition by it of the assets and liabilities of Aeronautical Securities, Incorporated, a specialty fund, in exchange for Bullock Fund stock. This proposal will be presented to shareholders of Aeronautical Securities in the proxy statement to be mailed to shareholders about Feb. 10, 1951, accompanying the notice of the Annual Meeting of shareholders on March 6, 1951.

Aeronautical Securities had total net assets of $1,369,026 on Dec. 31 last, equal to $7.78 a share on outstanding capital stock, which compares with total net assets of $1,159,059, or $5.23 a share, on Dec. 31, 1949.

Purcell, Bradford Reelected Chairman and President of Three Investors Group Mutual Funds

Robert W. Purcell of Cleveland, Vice-Chairman of the Chesapeake and Ohio Railroad, was reelected Chairman of Investors Mutual Inc., Investors Stock Fund Inc., and Investors Selective Fund Inc., the three mutual funds affiliates of Investors Diversified Services Inc., it was announced at the close of the annual meetings of the funds directors in Minneapolis.

Harold K. Bradford of Minneapolis was reelected President of the fund companies. Vice-Presidents reelected were Grady Clark, Clyde J. Moore, E. Franklin Hatch, Norman B. Waag and Harvey C. Carr.

Reelected as directors of Investors Mutual Inc. were Mr. Purcell, Mr. Bradford, Robert J. Bulkley of Cleveland; Carl R. Gray Jr., Washington, D. C.; Henry J. Guild, Adams, Mass.; Clarence Meadows, Charleston, W. Va., and Harlan K. Nygaard and Robert J. Stallman of Minneapolis.

Reelected as Directors of Investors Stock Fund Inc. were Mr. Purcell, Mr. Bradford, Clarence E. Drake of Minneapolis, Randall F. Fullmer of Rocky River, Ohio, and Eugene B. Hanson of Wayzata, Minn.

Reelected as directors of Investors Selective Fund Inc. were Mr. Purcell, Mr. Bradford, John V. Dobson, Lucian C. Sprague and Arthur C. Strachauer of Minneapolis.

Inflation Rules Out Business Slump Probability

Hugh Bullock Foresees Only Temporary Conversion Maladjustments

Hugh Bullock, President of Nation-Wide Securities Company, commenting on the business outlook, states in the 1950 annual report that "the conditions which should prevail for an indefinite period ahead are essentially inflationary, and they seem to rule out any probability of a business slump beyond the temporary maladjustments of conversion to defense production. This prospect may well justify a higher rate of capitalization of corporate earnings and dividends than has heretofore prevailed."

The conditions of a war economy "will strike with uneven impact on different industries," he said. "Some should experience capacity operations and relatively favorable earnings for an indefinite period. Others will suffer serious impairment of earnings particularly as a result of price and materials controls and the incidence of higher taxation."

Nation-Wide Securities Company had total net assets of $15,747,280 on Dec. 31, 1950, the highest for the end of any fiscal period in the history of the company, according to its 1950 annual report.

Assets of the fund on Dec. 31, 1950, were distributed as follows: investments for stability, 47.32%, and investments for appreciation, 52.68%.

Holdings of common stocks represented 48.23% of total net assets on Dec. 31 and had a market value of $7,590,363. The largest investments in common stocks were in public utility shares, holdings of which had a market value of $1,613,163, or 10.25% of total net assets; oil and gas shares, $1,098,375, or 6.98%; and retail trade shares, $564,738, or 3.58%.

Fundamental Reports $28 Million Increase

A $28,277,000 increase in net asset value during 1950 is reported by Fundamental Investors. Assets at the 1950 year-end were $83,698,000 against $55,421,000 a year earlier. Number of shareholders increased by 35% to 24,437 and included individuals in every state of the Union as well as several foreign countries.

Per share asset value at the 1950 year-end was $17.65, up 20% from the figure on Dec. 31, 1949. The 85 cents per share dividend payment from investment income for 1950 was the highest in the company's history, and was more than double the amount paid per share a decade ago. An additional 28 cents per share was distributed to shareholders from net security profits at the year-end.

In commenting on investment changes made during 1950, President Edmund Brown said, "The outbreak of war in Korea had a profound effect upon the outlook for individual industries and upon portfolio planning. There was a rapid shift from considerations of ordinary supply and demand to the conditions of a semiwar or defense economy . . . investments were increased in such industries as petroleum, rail, steel, metal and textile."

Wellington's Institutional List Increases 63%

Individual Shareholders Up 41%; Total Stands at 61,000

The number of institutional and fiduciary shareholders in Wellington Fund increased 63% and the number of individual shareholders 41% in 1950.

The combined increases boosted the total number of shareholders in the open-end balanced mutual fund to an all-time high of 61,000 on Dec. 31, 1950, as compared with 43,000 at the close of the preceding year for a gain of 18,000.

The Fund's institutional and fiduciary shareholders totaled 1,809 at the year-end against 1,109 on Dec. 31, 1949. In a breakdown of this classification the Fund reported that its current shareholder list included 928 bank and individual trustees; 279 corporations and insurance companies; 153 employees' pension and profit sharing funds, fraternal, welfare and other public associations; 147 church and religious organizations; 192 guardians, executors and administrators; 65 colleges and educational organizations and 45 hospitals and homes.

The list of individual shareholders included 24,400 women, 23,180 men and 13,420 men and women who jointly owned shares.

Investors Group Increases $70 Million in 1950

Average Per Capita Holdings Increases From $2,189 to $2,642

Total net assets of three mutual investment funds managed

Continued on page 29

Statement of Policy — French Version

French producers of "aperitifs" and the like have just had promulgated upon them one of the strangest laws in the history of advertising, according to a report by *Editor & Publisher*, newspaper trade magazine. The French Government has decreed that "apertif" advertising is to be restricted to "the name and composition of the product, the name and address of the maker, the wholesalers and retailers."

Any recommendation or slogan which goes beyond indicating "exclusively the name and composition of the product" may not legally be used.

HOW TO EXPRESS PERCENTAGE RETURN

In Accordance With the SEC "Statement of Policy"

When dividends are expressed as a percentage return the following must be observed:

1 The dividends used must be those paid, from net investment income only, in a complete fiscal year.

2 Such dividends must be related not only to the current offering price (and its date shown) but also to the average of monthly offering prices for the fiscal year in which they were paid.

3 You must also disclose either
a the asset value per share at the beginning and end of that fiscal year, or
b the percentage increase or decrease in asset value during that year,

and in either case you may either adjust for, or specify separately, and distributions paid from profits or capital during that year.

4 It should be made clear that the dividends being discussed represent results for the period only, and that they will vary—more or less—depending on the nature of the particular fund or class being offered.

—From Distributors Group "Memorandum to Dealers"

Securities Salesman's Corner

By JOHN DUTTON

Some salesmen have told me that they would rather go out and see people whom they have never met before than do anything else. Naturally, these men seem to have little difficulty in opening new accounts—they enjoy it! In most instances it is their approach which not only obtains interviews for them, but also it is the main reason why they make sales.

Most sales are made or lost, the moment you enter the presence of your prospect. If you will analyze why this is so, I think you will agree that as soon as you meet other people they can see an expression of your own inner feelings and convictions in your attitude. I think these things show up in ways we cannot hide, anymore than if we carried a sign on the front of our coat. If we believe in what we are doing—the other man will sense it. If we are trying to do a good job and believe that we are helping others, that also is transmitted to others. And if you are doubtful of yourself and your mission, it will also be very obvious to others — you just can't hide things like that.

That is why a sound foundation is essential. If you know the securities business — if you have background—if you can remember and point out the pitfalls of the past—if you can sit down with another man and help him to visualize his investments more clearly than he has ever been able to see them before—you are not going to fumble around and hesitate. When he meets you there will be something in your face, your manner, and your tone of voice that will either tell him that he may be able to gain some benefit from an interview with you, or he will not. The reaction is almost instantaneous. Sales psychologists have made studies of almost every phase of the selling process, and they claim that it is only a matter of a few seconds, right at the beginning of your approach, which often determines whether or not you will make the sale.

The same holds true when you are arranging appointments over the telephone. A voice with a personality behind it conveys a positive impression. You have, no doubt, often made a mental note of the different ways that voices register with you, when you talk with people over the telephone. Those who drop their voice at the end of a sentence leave you with a "let down" impression. Those who are too "breezy" may annoy you. Others have a way of making you feel that you are right next to them, sitting in the same room, and there is warmth, and an expectancy to their conversation that conveys friendship, confidence, and good-will. This is something that cannot be affected—it must be real. Sometimes I think that the man who just tries to believe in what he is doing, and does it in a way that is best suited to his own personality, is the man who scores the most bull's-eyes in saleswork, or any other kind of work.

In respect to whether or not it is more advisable to attempt to make telephone appointments, rather than going out and calling directly upon prospects, it is my belief that a great deal depends upon your own state of mind and the territory you are working. Some morning you may just feel right about going out into a certain section of a highly congested area and calling upon six to ten likely prospects. Another time you may feel more like sitting down at your telephone and arranging some interviews for several days ahead. You may be in a rural area, and again your own inclination and judgment will guide you as to whether or not you should step into a telephone booth with a pocket full of nickels and make some appointments, or go right ahead and make your calls.

I don't mean by this to imply that impulsiveness and intuition should rule over one's actions in planning, or in actual sales work with clients and prospects, but there is a close connection between our own emotional outlook and the way we work at different times. If you feel right and you are sure of yourself, you are going to have the right "approach" whether you meet your man on the telephone, or call to see him at his home or office.

Goodbody Opens Branch In Louisville, Ky.

LOUISVILLE, Ky. — Goodbody & Company, members of the New York Stock Exchange, have opened a branch office in the Heyburn Building. Benjamin W. Cregor will be resident manager. Mr. Cregor was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Cohen, Simonson Branch

Cohen, Simonson & Co., members of the New York Stock Exchange, have opened a branch office at 151 West 28th Street, New York City, under the management of Ben M. Lewis.

The Battle of Production And the Business Outlook

By LIONEL D. EDIE*

Chairman of the Board, Lionel D. Edie & Co., Inc.

Economist, in contending big job ahead for business this year is production, and battle of inflation is subordinated to that, predicts level of industrial activity and volume of purchasing power will be steady in 1951. Stresses need of teamwork of government with business for increased production, and holds as soon as mandatory price controls are imposed inflation fears will cool off. Concludes we are in an electronics war and therefore superiority in this field must be maintained.

The most important thing that American business can do today is to make sure that this country wins the battle of production. Why is this so important? First, because it is the main hope of peace, of avoiding all-out war with Russia. It is the only way of discouraging Russia from striking. Second, it is important because if there should come all-out war with Russia, and I'm not trying to predict that there will come or won't come all-out war with Russia, but if there should come all-out war with Russia the primary confidence anybody in this country could have of winning that war is that we first must win the battle of production.

Lionel D. Edie

Next I proceed to a matter of definition. What is the battle of production? Many people seem to think that we win the battle of production simply by producing more of everything. Produce more, more, more seems to be the keynote in many circles. I doubt the accuracy of that view. Other people seem to think that we win the battle of production by curtailing the civilian economy. Again I doubt the soundness of their judgment. As a means to an end, various curtailments will be necessary but the act of curtailing does not win the battle of production. What then does win the battle of production? It is producing the right things—of course, at the right time and in the right amounts—but the right things.

Now it is customary for the human mind to react in this manner: whatever happened to be the right things in the last war are assumed to be the right things this time. But rarely has that been the case. The art of war changes. The methods change and the right things this time are not the same as the right things last time. There is something new that has been added and that something new is in the field of science, the field of technology, the field of engineering.

In these fields American business is known to have qualities of superiority. The genius of free enterprise and of the American business system has been that we could do more abstract science, more research in the laboratory, come up with superior engineering and at the critical points swing it all into quantity output.

Against that element of superiority of American business the potential enemy has manpower without limit, the hordes of Asia and of Russia, potential cannon-fodder. The United States could never hope to be prepared to match numbers in a contest of that kind. Our hope in the future is to be able to match superior science against superior numbers.

So that is what I mean by the battle of production and I hasten to add that despite the problems of the hour and the worries of the hour I have the utmost confidence that American business will win the battle of production.

Business to Be Maintained in 1951

Against that background let me come now to certain specific questions having to do with the pattern of business in the year ahead. During the past month I have sat in many conferences of economists. I have taken part in their discussions of the business outlook. The keynote of these discussions has been the uncertainties that surround us. I grant the uncertainties but I do not grant the inference, which is that since everything is so uncertain in the world today it is impossible to state with reasonable conviction any forecast of the course business is likely to pursue during the coming year. Regardless of the uncertainties the over-all volume will remain remarkably steady during 1951.

The over-all volume will not increase much for the simple reason that we are limited as to manpower and limited as to the availability of certain essential materials of production. So unlike World Wars I and II at similar stages we shall not see in the coming year any striking increase in the over-all physical volume of production.

The Federal Reserve production index recently has been 210 to 215. If it continues to be computed with no change in method it will average little different from that point throughout the next 12 months. If the method of computation is changed the index number will not remain quite as even and steady, but that is a matter of technical method in computing index numbers. And whatever the index number may show as a result of change in method the true physical volume of business in this country will remain remarkably steady at around this level.

That will be true also of the level of steel production. I am aware that this is a center of steel production. The level of output of steel production will change very little during the coming 12 months. It will increase some as a result of more capacity being brought into operation. That increase will not be great during the 12 months. The level of production will not decline because of any lack of demand. It conceivably could decline if there were to be a strike in the coal industry or in the steel industry itself. But for no other conceivable reason would the level of steel production decline seriously.

The national income in terms of constant purchasing power of the dollar will remain steady through the year. The national income is a dollar series and therefore is affected by a change in prices. If prices rise during the year, the nominal dollars of national income will increase. But if you were to deflate the national income for any change in the price level, that deflated national income figure would remain practcally constant throughout the 12 months of 1951.

That is what I mean by remarkably steady business over-all.

In this general pattern let us consider the ratio of war business to peace business. The figures for this purpose are not very satisfactory but I have an estimate of the proportion of total steel that will be going into defense purposes by the third quarter of this year. My estimate is that a third of the steel production will be used for defense purposes. That third includes both indirect defense requirements and direct war orders— it is not direct war orders alone. I think the indirect defense requirements will be as large as the direct war order requirements in the steel industry. And my target for the third quarter of this year would be one-third of the total for the two purposes combined.

That is not the same as saying that one-third of all other forms of production will be directed to war purposes. Certainly not a third of the food industry, certainly not a third of the clothing industry. When I try to get an over-all measurement of the ratio of war business to total business I arrive at this result—currently our military expenditure is at an annual rate of between \$15 and \$20 billion. By June 30th it will be at an annual rate of about \$35 billion and by Dec. 31st it will be at an annual rate of from \$50 to \$55 billion. What proportion is that of the total business transacted in the country? We have a figure we call gross national product. It is the dollar value of all business done. That would mean that currently the military expenditures are 6% of gross national product; by the middle of the year they will be about 12% and by the end of the year about 18%.

Organization for Government-Business Cooperation

My next step in analyzing this question is this: what is the most essential thing that business must do and the government cooperating with business must do in order to win this battle of production? The correct answer to that is "organization." In a war period, organization always involves some team work between the government and business. The President of the United States recently designated Mr. Charles E. Wilson, formerly President of the General Electric Co., to head up organization. I think the majority of people will agree that is an excellent choice. We are fortunate in having a man of Mr. Wilson's experience in the last war and his experience in private business to assume this responsibility. We owe him our support.

What is Mr. Wilson going to do? I believe there is coming rather quickly, by quickly I mean within approximately the next 30 days, an important number of control orders both in the field of production and in the field of prices. Most people at this meeting today may be shocked at the scope of these controls, the speed of them and the toughness of them. If so, don't let that cause you to waver in your support of the men who are heading up this very important job. We are going to come to grips with these organization steps very much quicker than we ever have done in previous emergencies of this kind.

I think there may be a longer period of time before we fully come to grips with controls in the field of labor. Nobody knows exactly what will occur in the bituminous coal industry this spring. Nobody knows yet just what to do with these escalator clauses, the automatic cost-of-living formulae used in numerous wage contracts these days. I cannot see just where we're coming out on that. But I think the treatment of those matters will be fairly constructive from the standpoint of getting on with the battle of production. And

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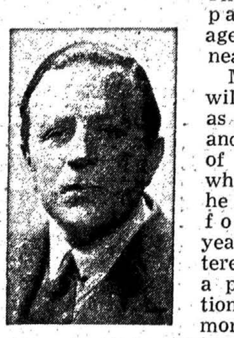
*An address by Dr. Edie at the Peoples First National Bank & Trust Company, 24th Economic Meeting, Pittsburgh, Pa., Jan. 4, 1951.

How Britain Resists Inflation

By PAUL EINZIG

Dr. Einzig, in commenting on Britain's rearmament efforts and its resulting shortage of civilian goods, finds there is no escape from higher taxes in order to fight inflation. Takes note of increase in British public's purchasing power through cashing in of savings and through disinvestment.

LONDON, Eng.—Although the increase of the British rearmament drive bears no comparison with the spectacular increase decided upon in the United States, it easily beats all peacetime records. It is bound to affect Britain's general economic situation considerably. It will accentuate further the manpower shortage and raw material shortage. Civilian goods are expected to be in short supply sooner or later. While retail stores have been crammed with manufactures during the last two or three years, some lines of goods made of base metals are already scarce, and it does not require a very lively imagination to visualize a return of the conditions prevailing during the war and the early postwar period when the consumers' choice was limited by the absence of most kinds of goods.



Dr. Paul Einzig

In such circumstances it is to be feared that any additional purchasing power created through rearmament, or even the maintenance of the present volume of purchasing power, might easily result in an inflationary buying pressure. To prevent this, it would not be sufficient to balance the Budget, or even to achieve a substantial surplus of revenue. For the effect of the additional taxation might easily be offset by the wholesale withdrawals of small savings and by other forms of disinvestment. Already during 1950 rich and poor were living largely on capital, big and small. The total of the withdrawals of small savings amounted to over £100 million, and the extent to which the wealthier classes were using up their capital was probably much larger.

It has been suggested that this process of disinvestment is largely due to the availability of a wide variety of goods, which tempts consumers to spend, and that as soon as rearmament has resulted in a scarcity of goods this spending pressure will cease because there will be no opportunity for spending. To say that is, however, like saying that with the death of the last head of cattle the foot and mouth disease is bound to cease. And in any case it may take a very long time before that stage is reached, and when it is reached the continued desire of consumers to spend out of capital resources will continue to exert inflationary pressure on the diminished volume of goods.

The irresponsible suggestion was made recently that the answer to the problem is a freezing of capital resources. Such an idea could not conceivably be entertained, however, by the Government, for any attempt would produce disastrous results. There would be a slump in the market for Government loans, and the Treasury would have to pay very high interest on any new issues. The mere suspicion that some such suggestion might be considered seriously would cause a flight of deposits and a general slump on the Stock Exchange.

It has also been suggested that the excessive purchasing power should be mopped up by means of Government borrowing. This should be done, not for the purpose of financing a Budgetary deficit—to do so would be to try to finance World War III with the aid of the discredited method of World War I—but for the purpose of reducing the liquid capital resources available for disinvestment. The difficulty is that, in order to be able to raise large amounts, it would be necessary for the Government to raise the general level of interest rates. This has been urged upon the Treasury by a large number of economists who still believe in the all-curing effect of high interest rates. The Treasury is likely to resist their suggestions, however, because any increase of the rate paid on new borrowing would increase the cost of the large floating debt and of the funding of maturing loans. Moreover, since practically all of the £3½ billion of sterling balances owned by overseas holders is kept in some kind of British Government loan, an increase of interest rates by 1% would mean an addition of some £35 million per annum to the amount of invisible imports.

Nevertheless, it is essential to stop the withdrawals of small savings. It is this rather than the disinvestment of large fortunes that matters from the point of view of avoiding inflation. For the small savings that are withdrawn are spent mostly on necessities, or at any rate on goods required by the masses, while large fortunes disinvested are spent largely on luxuries. It matters little if the value of high-class goods is driven up by such demand. What matters much more is if the prices of primary or secondary necessities are driven high as a result of the withdrawals of small savings. The Government may find it well worth while to prevent this by means of raising interest rates on small savings.

Unfortunately this could not be done without causing some increase of interest rates. It is true, there is a maximum limit to individual holdings of Savings Certificates, so that if their yield is raised the extent to which money could be switched over from other forms of investments would be limited. But an increase of interest rates on Post Office savings deposits might compel the banks to raise their time deposit rates in order to prevent a drain on their deposits. Even so, the effect of the increase of interest rates for the benefit of small savings on the general level of interest rates would be relatively moderate.

Any new Government borrowing would not be an alternative to higher taxation. There is indeed every reason to believe that the Government is determined to maintain a balanced Budget. Nor is Mr. Gaitskell, the new Chancellor of the Exchequer, likely to rely on the automatic increase of revenue through higher prices and higher productivity. Although the rate of productivity has increased substantially during the last two years it could not be relied upon to continue to increase at the same rate. Scarcity of raw materials is expected to check this increase in 1951. So there is no escape from introducing new taxes in order fight inflation.

Galen Miller V.-P. Of Towmotor

CLEVELAND, Ohio—President Lester M. Sears of Towmotor Corp. has announced that Galen Miller, partner in the investment firm of Hayden, Miller & Co., has been elected a Vice-President of Towmotor and will become active in the company's management in the near future.

Galen Miller

Mr. Miller will continue as a director and treasurer of Towmotor, which position he has held for some years, and will also retain an interest in Hayden, Miller & Co. as a partner. Through his association with the investment firm for more than 30 years he is widely known in financial circles here and in New York, having been active in working out financing programs for many corporations. He is a director of the S. K. Wellman Co. and a member of the Treasurers' Club and the Bond Club of Cleveland, also of the Union Club and the Mayfield Country Club.

Phila.-Balt. Exch. Receives Slate

PHILADELPHIA, Pa.—A single slate of nominees will be presented at the annual election of the Philadelphia-Baltimore Stock Exchange to be held March 5. It will be the first time in three years that a "no contest" election has been scheduled. The officers and Board of Governors will be:

George E. Snyder, Jr., George E. Snyder & Co., President.

Board of Governors: J. Raymond Leek, Bioren & Co.; Edward Starr, Jr., Drexel & Co.; George W. Elkins, Jr., Elkins, Morris & Co.; Herbert T. Greenwood, H. T. Greenwood & Co.; Harry MacDonald, E. W. Clark & Co.; Samuel K. Phillips, S. K. Phillips & Co.; William DeH. Townsend, DeHaven & Townsend, Crouter & Bodine.

On or about March 15, the Exchange will move to its new quarters at Broad and Walnut Streets.

Jenks, Kirkland and Grubbs, Scott Merge

PHILADELPHIA, Pa. — Jenks, Kirkland & Co., 1421 Chestnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will on Feb. 8 absorb the investment firm of Grubbs, Scott & Co. The firm name will be changed to Jenks, Kirkland & Grubbs, and Merton M. Grubbs and Wilson Scott will become partners.

The firm will continue the Pittsburgh offices of Grubbs, Scott & Co. in the Union Trust Building.

McLaughlin, Reuss Adds

McLaughlin, Reuss & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Joseph H. Gassoun has become associated with the firm as a registered representative. Mr. Gassoun was formerly with Samuel Brothers.

With Howard Weil Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—James A. Anderson, III, has been added to the staff of Howard Weil, Labouisse, Friedrichs & Co., Hibernia Building.

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What to Expect in 1951

tutes the forecast of probability for the year 1951:

Non-Durable Consumer Goods: From time to time consumer surges of demand will arise in direct relationship to whether the war news is good or bad—whether the consumer expects long continued war. These iron themselves out in the course of a year because the goods presented during the surge are largely taken out of sales that would have been made in the succeeding six months. On the basis of the prospective level of income and availability of merchandise, we may expect the total production of consumers' non-durable goods, including apparel, drugs and foodstuffs, will be at a level about 3% higher in units than for the year 1950.

Consumers' Durable Goods: Here we are approaching the optimum ownership level in a number of lines, notably, automobiles and refrigerators. This is that level which take into account population or the number of families, income, price, and the number of items already in use. Because of a progressive decline in housing starts, furniture sales will be off slightly. Taken altogether the total production of consumers' durable goods acceptable to consumers will be down 10% to 15% below the 1950 level. By coincidence this will probably be just about the level that can be produced with the materials available.

Capital Goods: Still dominating the total economy, as it has for the last year, is the very high level of capital goods orders and the consequently rising rate of production in this segment. We estimate that the production of capital goods during the whole of 1951 will be at least 25% greater than the total production of these goods in 1950. Development of the required standby war plant will keep orders for tools and equipment at a high level through the year and carry production forward into 1952 at the 1951 level.

Construction: The total of all construction will be up both in dollars and units in 1951. Housing starts will be down about 25%, house completions by only about 10% because a good many starts in 1950 will be completed in 1951. But industrial construction and public construction will be substantially higher.

Industrial Production: This gives us a rising pattern for the Federal Reserve Board Index of Industrial Production.

National Income: Personal income, now standing at $230 billion, annual rate, will rise by 10% to 15% by the end of the year. Disposable income available for purchases will not rise quite so rapidly because of increasing taxes.

Manpower: Servicing the levels of production as forecast we may expect a rise in employment to about 63 million toward the end of the year. The defense forces will probably at that time number 3.5 million, making a total in the working force and the military of 66.5 million. To accomplish this, a substantial number of women must be reintroduced into industry along with substantial retention of older workers normally ready for retirement.

Prices: The effect of the voluntary price freeze of Dec. 1 has not been recognized and probably never will be acknowledged by the controllers. Wholesale prices rose 1.7% in November. As a result of the scare of the voluntary price control upon manufacture and distribution, we had a rise in December of 2.4%, a 50% greater rise than in November. Further extension of controls will, of course, speed up the process of deterioration of quality and selection of the high profit lines, with disappearance from the markets of all low margin lines.

With the pressure of recurrent consumer war scare buying, governmental dicta and the continued rise of consumer income available for purchase, we may expect prices to rise rather steadily from May or June forward.

Money Supply: The recent increase in reserve requirements will have very little deflationary effect because the member banks are able to sell to the reserve banks sufficient amounts of short-term low coupon government bonds to satisfy the new reserve requirements. Slight pressure may result on some inventory loans, but no general condition of this sort is to be expected. Interest rates are apt to continue firm and without much change.

Outlook for Corporate Earnings

Earnings rose more or less steadily throughout the year 1950 and are estimated to have been about $38 billion before taxes. After allowance for retroactivity in part of the taxes just enacted, they were about $21.5 billion after taxes, some 20% above the level of 1949.

For the year 1951 both industrial production and personal income will be higher than in 1950 and corporate profits before taxes are forecast at $45 billion. This is about the current annual rate. Profits would be forecast at higher levels except for the probabilities that inventory profits will not be as high as currently and consumer resistance to higher prices is apt to develop. Earnings after taxes now in effect will be about $22.5 billion in 1951.

The earnings forecasts are based on the assumptions that we will not become involved in an all-out war and that defense expenditures during calendar 1951 will not amount to more than 20% of the gross national product. In general, it will not be possible to collect enough taxes to balance the budget for the calendar year as a whole. New taxes, of whatever nature, will cause profound changes in the profits after taxes of individual industries. These forecasts of earnings must therefore be regarded as tentative.

It appears that those industries which have good chances of increasing their earnings after taxes in 1951 include cement, coal, copper, lead and zinc, petroleum, railroads, railroad equipment, steel and woolen goods.

The Year-End

If we are fortunate we shall gain in wisdom through the year. We should come to its end with greater confidence and unity than we have now. We should have a standby warplant in being and the knowledge of how that plant shall be extended. We should have repaired some of our past blunders and lessened the danger of new ones. Our industrial strength is great; used properly it will give us the force to fend off the menace that has been building for a half century.

E. F. Hutton Office

SCOTTSDALE, Ariz. — E. F. Hutton & Company have opened a branch office at 220 South Scottsdale Road. William E. Kidd is associated with the new office.

John A. Bange

John Aloysius Bange, associated with Hardy & Co., of New York, died Jan. 28 at the age of 61.

Canadian Securities

By WILLIAM J. McKAY

While the Canadian oil boom still continues, the spectacular possibilities of the Dominion's resources of iron ore now tend to thrust oil publicity into the background. Unlike the situation with regard to oil reserves, the U. S. long-term outlook for domestic iron ore supplies gives rise to little complacency. The foreseeable exhaustion of the fabulous Mesabi deposits has directed attention of U. S. steel interests to external sources of supply. Possibilities as far afield as South America and Africa have not been neglected, but it is becoming ever more evident that the U. S. steel industry's lifeline need only extend across the northern border.

The greatest potential rival to Mesabi, the Ungava deposits of Quebec-Labrador are already approaching the stage of active development. This almost limitless source of supply is now being seriously considered as the basis for the establishment of a revitalized New England steel industry. The promoters of this project are also looking into the possibilities of other potential sources of supply in the Maritime Provinces and Newfoundland. It is reported that a mill will be constructed by a new company, the New England Steel Development Corporation, in connection with which financing negotiations with the RFC are already under way. It has also been announced that the National Steel Co., one of the five U. S. steel companies engaged in the promotion of Labrador iron, intends to build a new steel plant in New Jersey which will obtain its ore from the Ungava deposits.

However, the principal market for Labrador iron ore is likely to be the greatest consuming area in the world, the U. S. Midwest. Whereas a few years ago this was only a remote possibility, the depletion of the Mesabi deposits, and the probability of the construction of the St. Lawrence Seaway, vitally changes the situation. This latter project which has long been advocated on both sides of the border is now approaching the stage of consummation. The U. S. Government and the Administration of New York State are strongly in its favor, and its urgency is so keenly felt in Canadian circles, that it is anticipated that the Dominion will no longer continue to seek U. S. cooperation, but in its absence will proceed independently. Needless to add the greater competition which will be provided by the rejuvenated steel industries of New England and New Jersey will provoke increased support on the part of the Cleveland steel interests for the Seaway project.

In addition to Eastern Canada's enormous wealth of iron ore reserves in Ungava, Allard Lake (ilmenite deposits), Newfoundland, and the Maritimes, there are other rich and accessible deposits which are located all along the U. S. border to the West Coast. The Steep Rock mines of Ontario are already in active production and estimates of potential reserves have been recently revised sharply upwards. Bethlehem Steel, Inland Steel, Youngstown Sheet & Tube, and Interlake Iron Corp., in conjunction with the Steel Company of Canada are now negotiating with Steep Rock Iron Mines for an option to lease properties in this area. In Western Ontario, besides the 400 million tons of siderite and magnetite deposits of Michipoceten, the Goulais magnetite beds near Sault Ste. Marie are estimated at 150 million tons. There are many other known deposits that are also in course of exploration and development and it is now realized that the previously rich but now depleted iron ranges of this country are for the most part duplicated across the Canadian border. On the West Coast prospecting for iron has now received an additional fillip as a result of recent firm offers from Japan for the purchase of ore from the extensive deposits on Vancouver Island.

Thus in the wake of the Canadian oil discoveries that are as yet only in the initial stages, the Dominion's economy is now further fortified by spectacular developments in the equally important field of iron ore. As the capital involved in developing an iron ore property is so much greater than in the case of an oilfield, it can be readily foreseen that the peak has not yet been reached of the U. S. investment flow north of the border.

During the week external Dominions were in better supply but price changes were negligible. The internals on the other hand were in quiet demand and the corporate arbitrage rate was also firmer at 6½%-5½%. The Canadian dollar showed little variation in quotation despite apparently steady commercial selling. Stocks were generally strong and new peaks were registered by the industrials, base metals, and Western oils.

Stock Market Action Indicates No Impending Major War

By CHARLES A. TAGGART
President, Charles A. Taggart & Co., Philadelphia

Head of Philadelphia securities firm, though predicting lower corporate earnings after taxes than in 1950, sees, however, dividends maintained, and a plethora of spendable money.

From the standpoint of industrial production the year 1951 will be one with boom characteristics. There will be a plethora of spendable money after foreseeable taxes. In some lines there will be shortages and those with money to spend will have to switch their desires from time to time.

Charles A. Taggart

The defense program is of course responsible for one being able to make such a definite prediction with regard to industrial activity. Should Joseph Stalin suddenly appear with a halo surmounting his head and a dove in his hand, I doubt if the program would be altered to any great extent.

A fundamental concept to be kept in mind is that periods of price control are often periods of firm or rising security prices. The reason for this presumably is that the conditions which create the demand for price controls are also conditions which are usually favorable to sustained or rising earnings.

There will be conversion problems in many industries such as automobile, household appliances and television receivers. This last named would include radio sets and record players.

The machine tool business will be faced by no conversion problems and should stand high on priority lists. Its chief problem will probably stem from the excess profits tax as earnings in the base years were not as good as in some other industries.

Carloadings should run at a high rate and the railroads, therefore, will probably report excellent earnings from a well sheltered tax position.

The textiles should have no conversion problems and in dealing with the Government there would be no renegotiation. The Defense Department, in a lot of cases, will purchase the same goods as used by the consuming public. The textiles, with no more plant capacity than 10 years ago, should have no difficulty in selling all they produce.

The oils and utilities will probably experience larger gross revenues with net income after taxes higher in the case of the former. The utilities will probably have lower earnings after taxes. Such lower earnings as the utilities may experience will not, in my opinion, bring about a reduction in dividends as generally speaking the current rates are conservative. The switch from utilities to war stocks, aggravated by tax selling in December, has brought about market prices for some utility stocks that will appear cheap later this year.

By way of summary I would say that a higher rate of industrial activity than that of 1950 indicates higher earnings before taxes. I can see where such earnings could break all records. Earnings after taxes, regular corporate and excess profits, are likely to be somewhat lower than in 1950 but still above 1950 dividends which should be maintained. In the meantime, the stock market seems to be saying in no uncertain terms that there will be no major war this year.

Purchasing Agents Report Confusion in Buying, With Production at High Level

Business Survey Committee of the National Association of Purchasing Agents, headed by Robert C. Swanton, says unsettled condition will continue until procedure for materials allocation becomes definite. Finds current inventories low.

According to a composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Connecticut, January has been a month of general industrial confusion, a condition they expect will become worse, and will continue until a definite procedure is established for the allocation of materials and facilities for defense and permissible civilian purposes. Restrictions on the use of materials for a large number of civilian items have set off another wave of protective buying. Forty-four per cent report increases in order bookings this month, compared to 31% in December. However, this is much lower than the July and August bulge, when 68% and 80% reported such increases.

Robert C. Swanton

Production, facing curtailment by scarcities and limitations on the use of raw materials, is holding at a high level and even increasing the output of finished goods as work-in-process is run out to beat the deadline. Prices have inched up over a broad range of items. This proves the requested freeze is ignored or the profit position of many producers has been lower than the maximum allowed by the base period measurement set by the price controllers. Inventories of purchased materials remain at the low point reached in December, and are reported out of balance. Employment shows a slight drop from December, with 11%, the largest number since last March, reporting lower payrolls. Purchasing policy is largely determined by the availability of materials and the end-use limitations.

While more and more defense orders are being issued, they still do not bulk large on the production lines. Many of them require substantial "make-ready" time, a period which, in many cases, will extend beyond the cutback dates for civilian production. Long-term industrial planning is almost impossible under present conditions. For most organizations it is a day-to-day adjustment, while keeping an eye on Washington.

Commodity Prices

The price movement is up in January. Opinion is that voluntary price controls have helped little in retarding advances. There have been a few rollbacks from recent price rises. They are far outnumbered by the January increases. Some of this is attributed to a scurry to establish a price prior to all-out controls, and some to the fact that many manufacturers who have been absorbing all or part of recent material and wage boosts have found their profit position is below that allowed by the 1946-49 formula. Purchasing Agents point out that mandatory price controls will tend to remove from the market many low price-low profit items. Scarce materials and rigid ceilings will channel production into higher price and profit items.

Inventories

Inventories of industrial materials continue much too low for current production needs. At no time since the immediate postwar period have so many reported unbalance in unworked material stocks. As these shortages are predominantly in materials which are, or will be, conserved for military production, the problem of evening out the stocks is a big one and may take a long time. The search for substitutes goes on, but most acceptable substitutes also turn out to be critical materials.

Employment

Employment is at a high level, though 11% report lower payrolls this month. Causes are the impact of draft and enlistment, with some layoffs due to material shortages and conversion to defense production. Skilled workers and office help are scarce. There is some relief in several regions on common labor supply. The migration from non-essential to essential war work is noticeable.

Buying Policy

As other major factors of industrial planning are confused, buying policy is also confused. The commitment range is controlled by the availability of goods and the production and end-use limitations, which are expected to multiply rapidly. Many vendors are unable to make firm delivery schedules because of the uncertainty of future military demands. A much clearer view of Government requirements is necessary before a definite buying policy will be possible.

Los Ang. Exchange Elects Officers

LOS ANGELES, Calif.—McClarty Harbison, senior partner of the investment firm of Harbison & Henderson, was elected Vice-Chairman of the Governing Board of the Los Angeles Stock Exchange at the institution's annual organizational meeting of the board on Monday, Jan. 22, 1951, it was revealed by Board Chairman Phelps Witter.

Reelected as President was W. G. Paul, Thomas P. Phelan was reelected Vice-President and Secretary, and George E. Zimmerman (Revel Miller & Co.), Treasurer. A. R. Gilbert and Inez Vermillion were both reelected Assistant Secretaries.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership: Addison W. Arthurs, Arthurs, Lestrange & Co., Pittsburgh, Pennsylvania, and Arthur A. Nolan, Jr., Chicago, Ill.

Mr. Nolan will act as a Floor Broker.

Railroad Securities

Since last week's column in which we discussed various refunding possibilities in the railroad field, a new statement has been made by *Illinois Central* management. The Executive Committee has decided not to call the joint refunding 4s and 4½s, 1963 on the next redemption date, June 1, 1951. It was brought out that because it was necessary to give 90 days' notice of such call the time was too short. However, further studies will be made of the possibility of refunding these and other issues later in the year. Presumably the reference to other issues would include the unsecured 4¾s, 1966 which financial quarters have long considered the most logical first step in any system refunding operation.

In the meantime, also, one other important railroad has emerged as a possible candidate for refunding. This would involve a preferred stock issue, and would mark the first such operation practically within the memory of man. There has been considerable talk that *New York, Chicago & St. Louis* will, within the not too distant future, offer such a proposal with respect to its 6% cumulative preferred which is callable at 110. There has been considerable speculation as to whether this would be done through bond financing or sale of a new preferred. In either case there appears to be little question but that a considerably lower rate than the present 6% could be secured.

First, however, it will presumably be necessary to pay off the remaining dividend accumulations. These now amount to $45 a share, having been pared by $28.50 last year. With anticipated continued very high earning power, and with currently adequate finances to be bolstered by exercise of rights to common stockholders to buy new stock at $150 a share, it is the general feeling among railroad analysts that the company should be able to finish this job of liquidating the dividend arrears within the next four or five months at the latest. The stock is outstanding at 360,578 shares so that its redemption, including the call premium, would involve $39,663,580.

The new year has started off with some good dividend news, a trend that is expected to continue as the year progresses. *Chicago, Indianapolis & Louisville* started the ball rolling with declaration of the first dividend to be paid on any of its stocks since the property emerged from bankruptcy. This was $1.25 on the Class "A" stock which has preference as to $1.25 a year over the "B" stock. This preferential dividend is cumulative to the extent earned, and after payment of this initial distribution the "A" stock will still have arrears of $3.75 a share. The sharp improvement in the company's operations and earnings should continue in the current year, leading to the hope that further payments against the arrears will be forthcoming before the end of 1951.

Shortly thereafter *Louisville & Nashville* increased its rate from the odd $3.52 annually that has been paid since the stock was split in 1945 to $4. Some liberalization had been expected in line with the rapid improvement in earnings and operating performances experienced by the road last year. Simultaneously, *Atlantic Coast Line* raised its quarterly rate from $1 (also in effect since 1945) to $1.25. Even this new rate is quite conservative in relation to earnings, which are estimated around $16 for 1950, and when it is considered that Coast Line owns one share of Louisville & Nashville for each share of its own stock outstanding.

There are a number of dividend meetings scheduled for the current month that may well result in more good news. The one being awaited with the greatest interest in financial circles is that of *Chesapeake & Ohio*. This is scheduled for Feb. 20. A policy has been enunciated by the management to the effect that in general stockholders may expect dividends equal to about 75% of earnings. Under present conditions and prospects such a policy would presumably support distributions of at least $3, compared with the recent $2 annual rate. It is possible, however, the liberalization of dividends may not take place until later in the year.

Adams & Hinckley Formed in Newark

NEWARK, N. J.—Adams & Hinckley has been formed with offices at 24 Commerce Street, to act as dealers in New Jersey municipal issues, public utility securities, local bank and insurance stocks and underlying Public Service Corporation of New Jersey issues.

Partners are Russell V. Adams and Edward S. Hinckley. Mr. Adams will act as manager of the bond department and Mr. Hinckley as manager of the stock and corporate trading department. Both were officers of J. S. Rippel & Co. Prior thereto Mr. Adams was a partner in Adams & Mueller.

Accounting Div. of Exch. Firms Elects

The Accounting Division of the Association of Stock Exchange Firms has elected the following new officers:

President: Nathaniel B. Herman, Paine, Webber, Jackson & Curtis.

Vice-President: Louis Monk, Smith Barney & Co.

Secretary: Warren C. Malpas, Cohen, Simonson & Co.

Treasurer: Bernard Coleman, Bache & Co.

Robinson-Humphrey To Be NYSE Members

ATLANTA, Ga.—Henry B. Tompkins will on Feb. 8 become a member of the New York Stock Exchange and Robinson-Humphrey & Co. will be formed with offices in the Rhodes-Haverty Building, as members of the Exchange. Partners in the firm will be Mr. Tompkins, Henry W. Grady, Alexander Yearley, IV, Irvin T. Ragsdale, Roby Robinson, and Henry P. Held, Jr.

Stockholders Prefer Plain Annual Reports

Replies to Allegheny Ludlum Steel Corporation questionnaire indicates plain, unadorned, factual annual report is favored over one printed in colors and illustrated by graphs and charts.

According to the results of a survey conducted by Allegheny Ludlum Steel Corporation stockholders are interested in receiving facts and figures from the companies in which they hold equities and prefer to get them unadorned with the fancy and elaborate trimmings which have become a trend in recent years in the publication of company annual reports.

Preliminary figures resulting from the recent survey show a two-to-one preference for the plain, factual annual report over the report printed in two or more colors and illustrated with photographs, charts and graphs.

Tucked away on the back inside page of the company's regular quarterly publication mailed to its 13,304 stockholders with their dividend checks on Dec. 21, 1950, was the following item:

"There is a wide difference of opinion among stockholders as to the type of annual report they prefer. Some investors want well-illustrated, colorful reports that are chock full of photographs, charts and graphs. Others are best satisfied with matter-of-fact reports, and still others indicate that they do not care for annual reports at all.

"Allegheny Ludlum in the past has prepared both types of annual reports. For instance, the 1948 report was well illustrated and colorful, while the report for 1949 was printed in a single color and contained no illustrations.

"This year, officers of the company would like to prepare the type of report a majority of the investors want. For that reason, included herewith is a postcard upon which each stockholder is requested to designate his preference. Three choices are given.

"(1) A colorful, well illustrated report.

"(2) A one-color, factual report.

"(3) Financial statistics and auditors' letter only."

Although the questionnaire reached the stockholders immediately before Christmas, cards have been returned to date by a total of 3,266 holders, or 24.5% of all company stockholders. A breakdown of preferences indicated is as follows: Preferring the elaborate type of report, 966, or 29.6% of stockholders answering; preferring the plain, factual report, 1,787, or 54.7%; interested in financial statistics and auditors' letter only, 436, or 13.3%; indicating a preference for various combinations of the above three types, 58, or 1.8%, and indicating no preference, 19, or 0.6%. A combination of stockholders preferring the plain, factual report and those wanting financial data only total 2,223, or 68%.

Officials of Allegheny Ludlum decided to buck the trend to the elaborate type of report in 1949 and, accordingly, had the company's annual statement printed in a single color and used no illustrations whatsoever. An indication of stockholder reception came from receipt of the greatest number of letters of commendation the company had ever received as the result of distributing its annual report. Results of the stockholder survey to date indicate, in the opinion of company officials, that decision to buck the trend was sound.

Finds Over-the-Counter Market Topping The Exchanges in Security Transactions

Monograph prepared by Irwin Friend for Securities Research Unit of the Wharton School of Finance of the University of Pennsylvania reveals over-the-counter securities business growing and holding up better than exchange trading in securities.

A monograph just published by the University of Pennsylvania, prepared by Irwin Friend for the Wharton School of Finance, under a grant from the Merrill Foundation, and entitled "Activity on the Over-the-Counter Markets," estimates substantial gains in volume of over-the-counter securities trading since 1920, and concludes that the volume of such transactions exceeds that of securities trading on the organized exchanges.

The following is a summary of findings of the investigation as reported in the monograph, which is being published by the University of Pennsylvania Press at a cost of 85 cents:

In total value of security transactions, the over-the-counter markets are far more important than the exchanges. Sales of new issues are restricted to the over-the-counter markets, as well as virtually all trading in outstanding U. S. Government and State and municipal issues and most transactions in outstanding corporate bonds.

The picture is quite different, however, for outstanding corporate stock alone. About one-third of the total resales of corporate stock in 1949 occurred in the over-the-counter markets; in other words, the exchanges were approximately twice as important in this area. Since transactions between public or nondealer customers constitute a smaller proportion of over-the-counter than of exchange activity, the ratio of over-the-counter to total resales of corporate stock is reduced to one-quarter for such transactions.[1]

Separating preferred and common stock, it was found that close to one-half of preferred stock resales but not quite one-third of common stock resales were effected in the over-the-counter markets. For common stock alone, nearly all trading in bank and insurance shares took place in the over-the-counter markets, somewhat less than half for utilities (and communication), but only 17% for industrial shares. These three groups combined accounted for practically the entire over-the-counter resales of common stock. For common stock listed (or admitted to unlisted trading privileges) on any exchange, the role of the over-the-counter markets was comparatively small, accounting for only 8% of the total resales of such securities.

The geographic breakdown of over-the-counter activity by location of broker-dealer firm indicates that for all securities combined transactions over-the-counter exceeded those on exchanges in all regions. This was particularly true in the South. While for outstanding corporate stock alone, aggregate exchange trading was larger than over-the-counter volume, in three regions — the South, West Central and Far West —the over-the-counter markets were the more important.

When broker-dealers were classified by capital size, it was found that the smallest firms accounted for a much larger share of over-the-counter stock resales than of exchange volume. For the smallest firms, corporate stock constituted the most substantial sector of their over-the-counter resales, and were three times as important relatively as for the largest firms. The predominance of the smallest firms was most pronounced in the common stock of industrial corporations which were not listed on any exchange. In new-issue sales also, stocks played a much more significant role for the smallest than for the largest firms.

A measure of the relative concentration of activity by firms in the over-the-counter and exchange markets is given by the proportion of stock resales represented by the 10% of firms with the largest volume of stock resales in each of the two markets. In the over-the-counter markets, the 10% most active firms accounted for about two-thirds of the value of stock resales, while the corresponding proportion of all exchange sales was over 89%.

In focusing attention on the characteristics of individual firms, it is interesting to note that for almost four-fifths of the firms, total over-the-counter activity as defined in this study was more important than exchange sales. For about 80% of the firms with over-the-counter activity, over-the-counter resales exceeded sales of new issues in amount. While 40% of the firms had no over-the-counter sales of corporate bonds, only 4% were without over-the-counter sales of stock, and 3% had no over-the-counter sales in any type of security. Total over-the-counter resales were larger than exchange sales in nearly three-fourths of the firms, and even for stock resales alone, the former exceeded the latter in 71% of the cases.

Although only about one-third of the total resales of corporate stock in recent years occurred in the over-the-counter markets, the relative importance of these markets increased greatly from 1920 to the present. Rough estimates point to a four-fold increase over these three decades in the ratio of over-the-counter to total stock resales. The upward movement in this ratio represents not so much a rise in the absolute volume of over-the-counter resales as a decline in the volume of exchange sales. Thus by 1949, exchange sales were only one-fourth of those in 1920 and one-sixteenth of those in 1929, while over-the-counter stock resales were moderately larger than in 1920, though still not much over one-fifth of 1929.

The reasons why over-the-counter activity in outstanding stock has held up better than exchange trading, as well as the factors which were responsible for the decline in total stock resales, are considered later in this study. Some of the more important influences reflected in the different movements in the two markets may be mentioned here. It is likely that reduced stock activity resulted in transferring many transactions from the exchange to the over-the-counter markets, as the latter are presumably better geared to handling inactive issues or transactions which are large compared with normal demand. In addition, securities legislation has had a more restrictive effect on the exchange than on the over-the-counter markets. Changes in the tax laws which resulted in reducing stock trading have probably also had a greater impact on the exchange markets, since short-term trading, which was particularly affected, is believed to have been less widespread in the over-the-counter markets. A final reason for the comparative strength of the over-the-counter markets may have been the im-

[1] Public transactions exclude all dealer-dealer trades and one-half of dealer-nondealer trades.

provement in communication facilities among the various broker-dealers handling such transactions, so that a considerable portion of the competitive advantage of exchange trading in this respect has disappeared.

It should be pointed out that there is no evidence since the end of World War II of a continuation of the prewar trend towards increased importance of the over-the-counter market in outstanding corporate stock. It is still too early to judge whether this trend will ultimately be resumed.

Continued from page 11

Status of Our Defense in Europe

of Germany must be discontinued, and that they would run their own civil and political affairs. It would also, in my opinion, lead inevitably to the termination or drastic revision of the remaining economic controls. The second factor which the Germans seek is the assurance of a sound, workable defense plan. They must be convinced that the Western Powers have the will, and the capacity, to organize a successful defense force. For the Germans, rearmament must be done speedily and on a large scale, or it will constitute merely a provocation to the Russians, and an invitation to national suicide. The proposals which have been recently discussed for the formation of German regimental combat teams do not meet the conditions and cannot, in my opinion, be acceptable to the Germans. One other consideration deserves mention here. This is that there must be some substantial military force or screen provided, during the time rearmament is occurring. Specifically, it means the provision of sufficient mechanized forces in Germany and sufficient tactical aircraft in that theater to deter any attack from Eastern Germany or the Soviet satellites. How this can be provided, under present conditions, is a question upon which the Committee should, in my judgment, seek the views of our best informed military leaders at an early date.

During the time I was in Germany, local elections for the Land Legislatures were held in Hesse and Bavaria. In each instance they resulted in major gains for the Socialist party, which opposes re-armament. The results may have been due in part to local issues involved, and the comparatively small turn-out; but the result is unmistakable. We must embark upon an entirely new program for Western Germany, and speedily adopt measures designed to create conditions under which re-armament can take place.

My general conclusion in this regard is that the problems of German re-armament are broader in scope, and more difficult of solution, than is generally recognized by the American people. They present a serious challenge to our leadership, particularly those officials in the Department of State responsible for advising the President on matters of foreign policy, and in implementing that policy in day-to-day negotiations with other powers. We must have a complete new basis, and entirely new program in Germany. Most of the changes needed will come about eventually anyway; but if they are delayed we shall get no credit with the German people, and little cooperation from them. In view of our record to date, in which we have had far more success in achieving the aims of military government and restoring economic health than in getting across our ideas to the German people, I cannot urge too strongly that we press for a speedy re-orientation of our existing program in that area.

II

BERLIN

From the 26th to the 28th of November, 1950, I was in Berlin, where I had the opportunity of conferring with several officials and observing conditions. Mr. Clark Denney of the State Department, who is director of the Intelligence Division, Berlin Element, HICOG, gave an excellent report on the political and economic situation. Captain James T. Babbitt of the Berlin Military Post gave a concise summary of the military situation, and Mr. Herbert Fales of the State Department, who is in charge of the ECA program for Berlin was most helpful in explaining that program. At the outset, it may be well to state that because of its history and long preeminence among German cities, Berlin possesses an importance in the European picture quite beyond its size and economic importance. The average German regards Bonn as only a temporary capital, and I believe, looks to the restoration of a unified government in Berlin as a symbol of national unity. Ever since General Clay established his headquarters in that city in 1945, and more particularly since the Air Lift in 1948, the maintenance of our position in Berlin has been regarded as an expression of our determination to aid and support the free peoples of Europe. The conditions now prevailing in that city are summarized below.

(a) **Economic** — Berlin has not enjoyed the same measure of economic recovery as Western Germany. While business activity in the Western Zone is now at a level above that prevailing in 1936, the industries of Western Berlin are operating at only about 40% of that level. In part, this is due to the much greater destruction which the Russians were permitted to inflict upon that city; in part, to the isolation of Berlin after the repudiation of the Potsdam Agreement by the Russian Government, and the later division of the city into two separate zones. Another major factor was, however, the blockade instituted by the Russians, coincident with the currency reform in July, 1948. While Berlin was kept alive through the Air Lift, business life in the city came almost to a standstill, and has not yet entirely recovered. However, during the past few months there has been a marked upturn in business activity; and if this continues, conditions may be much improved by this summer. Two major obstacles to the economy of Berlin have been the reluctance of buyers, in the Western Zone and foreign countries, to place orders for goods, where delivery was subject to interruption by the Soviet authorities, and the shortage of credit. Some alleviation of the former condition has been achieved by the provision of an indemnity fund by the Federal Republic (Western German Government). The work of the ECA in Berlin has been of marked assistance in providing credits, as well as in the alleviation of distress due to unemployment. I cannot praise too highly the work of our officials in charge of the latter program in that city, particularly Mr. Herbert Fales. As an example of constructive economic rehabilitation, I wish to cite the rebuilding of the Siemens-Schukert electrical plant in western Berlin. This factory, formerly one of the largest European manufacturers of heavy electrical equipment, was largely destroyed by Allied bombing, and the Russians removed most of the available machinery in 1945. During my visit to Berlin I went through this plant, which is now being rebuilt, step by step, partly with ECA funds. Many sections of the plant are in operation and others are being added from time to time. This factory, and its affiliated plant, Siemens-Halske, currently employ some 18,000-20,000 workers (including a substantial number of War casualties) in productive enterprise. No doubt the current re-armament effort in Western Europe has made it easier for this plant to procure orders, but I was greatly impressed with the spirit, determination and energy, both of the management and the workers, in rebuilding and restoring the factory.

There is, of course, serious unemployment in Berlin—currently some 20% of the available working force. The current improvement in business, mentioned above, has alleviated this to some degree, and some relief has extended through work relief projects (of a WPA type) paid for by the Federal Republic and the ECA. No permanent solution, though, can be expected so long as Berlin is cut off from the Western Zone, and large numbers of political refugees from behind the Iron Curtain come into the city.

(b) **Military**—The military organization in Berlin has been simplified, and our forces strengthened during the past year. In place of three or four separate battalions of different types, we now have an infantry regiment under a unified command, which is responsible for the defense of the U. S. Zone. While this force could not withstand a major Russian offensive, it is, I believe, capable of dealing with anything of less magnitude. The lesson of last May, when the Communist inspired youth movement threatened to overrun the western portions of the city and was repulsed by the stern and determined opposition of the Allied Commanders, particularly Major General Maxwell D. Taylor, was not lost on either side.

The establishment of local German labor service units in Berlin is an interesting development during the last year. These units, composed of young Germans, have been recruited as civilian employees and organized into a para-military unit, with the mission of taking over a substantial portion of the guard and security work from our combat troops. In conjunction with the unified military command mentioned above, such a change will greatly enhance the combat efficiency of our forces in that city. These German elements have their own non-commissioned officers and are equipped with only light weapons (carbines and pistols) for the performance of guard duty. Nevertheless they constitute a valuable auxiliary force, and could serve as a nucleus of a genuine military organization. I watched a group of them training at their barracks, and was much impressed with their high quality and evident spirit.

(c) **Political**—The political situation in Western Berlin has been relatively stable during the past year. While the recent elections in Western Germany showed a trend toward the Socialist party, which opposes rearmament, the local elections in Berlin did not indicate any such trend. The people of that city have seen too much of the Red Army and suffered too much during and since the war to believe in any easy solutions. They naturally favor the prompt rearmament of Western Germany as the only means by which they can be rescued from their present precarious position and restored to genuine economic health.

[*EDITOR'S NOTE: The concluding portion of Congressman Gavin's report, dealing with defense and economic conditions in Austria, France, and Great Britain, will appear in the "Chronicle" of Feb. 8.*]

LETTER TO THE EDITOR:

Senator Williams Holds Strong Economy as Best Defense

Republican Senator from Delaware objects to scattering American dollars to buy friendship abroad, and scores secret agreements with foreign powers made without consent of Senate. Says a new course must be charted.

Editor, Commercial and Financial Chronicle:

. . . In my view a strong national economy is the best war preventative in the long run. I have never subscribed to the Administration's theory that it can scatter American dollars throughout the world and buy friendship. I have always feared that when the chips were down those so-called friends would not stand up and be counted, and the fact that the European nations which have been recipients of our generosity during the past few years have not volunteered to assist us in Korea supports that opinion. I am hopeful that both political parties will be called in in an effort to reach a solution to the grave problems which today confront us.

Sen. J. J. Williams

Many of our country's difficulties in its relations with foreign countries is the result of the failure of the President of the United States to follow the procedure as provided in the Constitution, that he seek the advice and consent of the United States Senate in the making of treaties.

The Senate under the Constitution has a joint responsibility with the President in the conduct of foreign relations. The making of secret agreements with Stalin at Teheran, Yalta, and Potsdam, by our last two Presidents has paved the way for the critical situation in which our country is now placed. Those secret agreements have never been submitted to the Senate for ratification as the Constitution requires.

It is thus clear that the appeasement of Russia as those secret agreements provided has led our country to its present crisis. It is imperative that the Senate must insist upon the submission of all treaties and agreements with foreign countries for ratification by two-thirds vote in accordance with Constitutional requirements.

Even now, after having traveled the disastrous road of Teheran, Yalta and Potsdam, the President of the United States continues to insist, despite the plain language of the Constitution, that he has the sole right of unlimited power in committing American troops to Western Europe.

The record discloses that during both World War I and World War II, Western European countries placed more than 250 combat divisions in the field within a short period of time and it is an indisputable fact that they have more manpower as well as productive capacity at this time than they did in either one of these two years. You may count upon me, therefore, to fight to the last ditch and vote against any proposals and appropriations having for their purpose the sending of large ground forces to Europe while its vast manpower sits idly on the fence.

It is self-evident that a new course must be charted. The Senate is now debating the many issues involved. Wrapped up with the issue as to sending large ground forces of American troops to Western Europe are the balancing of the Federal budget, the rates by which new Federal income taxes are set, the age for the drafting of American youth for military service, and many other momentous problems.

Every effort is being made by me to reach sound conclusions on all of these problems, and I am grateful for the large number of communications I am receiving from citizens expressing their views.

JOHN J. WILLIAMS

United States Senate
Washington, D. C.
Jan. 23, 1951

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William R. Clark is now associated with Hamilton Management Corporation, Boston Building.

Investment Service Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Michael Bibin, Claude L. Chamberlin and Lawton H. Ware have been added to the staff of Investment Service Corp.

Raymond Maxwell Joins Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Raymond W. Maxwell has become associated with Waddell & Reed, Inc., U. S. National Bank Building. In the past he was an officer of Brown, Schlessman, Owen & Co.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—John W. Haislet has become affiliated with A. M. Kidder & Co., Ft. Lauderdale National Bank Building. He was formerly with Daniel F. Rice & Co.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Mrs. Peggy Moore and Victor Moore have become associated with King Merritt & Co., Inc. Both were formerly with Blair F. Claybaugh & Co., Mr. Moore being manager of that firm's Miami branch.

Joins Norris & Hirshberg

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Newell B. Murphy, Jr., has become affiliated with Norris & Hirshberg, Inc., C. & S. National Bank Building. He was previously with Courts & Co.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga.—Paul A. McDougal, Jr., has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 101 Twelfth Street.

John H. Goodman

John H. Goodman, partner in W. C. Langley & Co., passed away on Jan. 20.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

N. Baxter Jackson, Chairman of the **Chemical Bank & Trust Company, of New York**, announced on Jan. 25 the appointment as Assistant Vice-President at the bank's Waldorf office, of John C. Foley, formerly Manager of that office. Other appointments were Joseph A. Kremar, Assistant Manager of the Waldorf office and William H. Mears, Assistant Manager of the Municipal Bond Department.

* * *

Guaranty Trust Company of New York announced on Jan. 24 that Gordon Bisland Duval, Second Vice-President and Manager of its Municipal Bond Department, is transferred to the Wall Street district of commercial banking. This is a functional promotion in which Mr. Duval will be associated with Robert E. Broome, Vice-President, in handling the bank's business with investment banking and brokerage accounts. On Jan. 30, it was announced that J. Bradley Green has been made a Second Vice-President in charge of the Municipal Bond Department of the Guaranty Trust.

* * *

At their annual meeting on Jan. 15 the stockholders of the **Empire Trust Company of New York** approved the proposal of the directors to increase the capital of the company from $3,500,000 to $4,000,000. As indicated in our issue of Dec. 21, page 2458, the plans provide call for a transfer of $500,000 from undivided profits to its capital and the declaration of a stock dividend of one share for each seven shares outstanding. The plans were approved by the State Banking Department on Jan. 16.

* * *

James G. Little, Jr., formerly Assistant Secretary at the Fifth Avenue office of the **Manufacturers Trust Company of New York**, has been promoted to Assistant Vice-President and placed in charge of the office at Fourth Avenue and 27th Street, succeeding Philip H. Milner, Assistant Vice-President, who moves to the head office; and A. Graham Sheldon of the head office has been named Assistant Secretary and transferred to the Fifth Avenue office, it was announced on Jan. 25 by Henry C. Von Elm, President. Mr. Little has been with Manufacturers Trust Co. since 1931 except for the period from 1942 to 1946, when he served as a Major in the Army Signal Corps. Mr. Sheldon entered the service of the company in 1936. He is a member of Bank Credit Associates.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Co. of New York**, announced on Jan. 25 that George R. Montgomery, of the Investment Advisory Division, was appointed an Assistant Cashier.

* * *

William H. Switzer, Vice-President of **The Bowery Savings Bank, of New York**, will succeed R. Benson Ray as Controller of the bank today, Feb. 1. Mr. Bay is retiring from active duty after 43 years' association with The Bowery. He started in 1908 as an office boy at the 130 Bowery office. Through the years he received several promotions, becoming Vice-President and Controller in 1941. Mr. Switzer has been in the employ of The Bowery Savings Bank since 1919. He was elected a Vice-President Jan. 8, this year, and beginning Feb. 1, becomes Controller. The officers of The Bowery gave a luncheon at the Uptown Club on Jan. 30 with Mr. Bay as guest of honor. He was presented with a silver coffee service.

* * *

The election of Eyston L. Andersen and William R. Shipway to Senior Vice-Presidents of the **Industrial Bank of Commerce of New York** was announced on Jan. 24 by Walter E. Kolb, President. Both were Vice-Presidents. Mr. Andersen was formerly senior examiner of the Federal Reserve Bank of New York before joining the Industrial Bank of Commerce, and prior to that was associated with several New York banks. Mr. Shipway was formerly Treasurer of the Underwriters Trust Company John F. Fitting and Vernon Whan were elected Assistant Treasurers of the Industrial Bank of Commerce.

* * *

Richard B. Cardwell has been appointed Assistant Manager at the 125th Street office of the **Empire City Savings Bank of New York.** Following four years' experience at the Dunbar National Bank, Mr. Cardwell was employed by the Empire City Savings Bank in December, 1941. He served in the United States Marine Corps from February, 1944, to May, 1946, after which he resumed his duties at the bank. He has since studied law at St. John's School of Law and recently passed the New York State Bar examination. At the 125th Street office Mr. Cardwell will be under the direct supervision of Arthur A. O'Neill, Assistant Treasurer, Manager of that office.

* * *

George C. Johnson, President of **The Dime Savings Bank of Brooklyn**, has announced that the trustees at a meeting on Jan. 19 approved the payment of future dividends to depositors on a quarterly basis. "The Dime" will continue to pay dividends from day of deposit and will compound and credit them quarterly on the first day of January, April, July and October. The first dividend credit under this new method will be made to all depositors with balances of $5 or more on April 1.

* * *

Henry L. Servoss, President of the **First National Bank of Madison, N. J.**, died on Jan. 26. He was 73 years of age. The Newark "Evening News" of Jan. 27, in Madison advices by a staff correspondent, stated:

"Mr. Servoss worked in the lumber business several years before starting as office boy with the U. S. Mortgage & Trust Co. in New York in 1896. He rose to Vice-President and when the company merged with the Chemical Bank & Trust Co. in 1929 he was appointed to the same position.

"He also had served as President of the Chemical Safe Deposit Co., on the Executive Committee of the Trust Company Division of the American Bankers Association, Secretary of the Trust Company Association of New York State, Secretary and Treasurer of Group 8, New York State Bankers Association, and as a trustee of the Empire City Savings Bank of New York."

Mr. Servoss accepted the Presidency of the Madison bank in 1943 after retiring from the New York banking field in 1942. He had been a director of the Madison bank for a quarter of a century, the advices in the Newark "News" said.

* * *

Warren H. Woodring, Vice-President and Treasurer in charge of the Commercial Department, and A. Robert Bast, Vice-President in charge of the Trust Department, were elected to the Board of Directors of the **Land Title Bank and Trust Company of Philadelphia** at the annual meeting of its stockholders.

* * *

The stockholders of the **Union Bank of Commerce of Cleveland, Ohio**, at their annual meeting on Jan. 10, adopted a proposed amendment to the Articles of Incorporation increasing the authorized outstanding 350,000 shares of common stock (par $10) to 700,000 shares of common stock (par $10). The amendment became effective on Jan. 11, and the directors on Jan. 25 declared a 100% stock dividend, payable on Feb. 20 to shareholders of record Feb. 6. In the notice to the stockholders Jan. 25 it is stated:

"By such resolutions each holder of a presently issued certificate for one-half of a share of such common stock is required to surrender such certificate for cancellation and in exchange for a certificate for a full share of such common stock, that is, for a certificate representing the one-half share heretofore held by him plus the stock dividend today declared thereon. Under such resolutions such surrender must be made on or before March 20, 1951, and all rights of the holder of a certificate for one-half of a share of this bank, as the holder of the fractional share represented by his such certificate, are suspended effective Feb. 6, 1951, until such surrender is made."

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At its January meeting the directors of the **Mercantile National Bank of Chicago** elected J. Vincent O'Neill, President of the bank since July 1, 1950; in addition, he was named Chairman of the Board. Mr. O'Neill came to the Mercantile in July of 1949 as a Vice-President and director, after a quarter of a century with The National City Bank of New York. He was elected Executive Vice-President in December, 1949. Mr. O'Neill is a past President of New York Chapter, American Institute of Banking, and was a member of the Executive Council. The directors of the Mercantile National, also at the January meeting elected John E. O'Shaughnessy Vice-Chairman of the Board. Mr. O'Shaughnessy has served the bank since 1918—as a Vice-President from 1928 to July, 1950, and subsequently as Vice-Chairman of the Executive Committee; Frank W. Burkman was elected Investment Officer. Mr. Burkman, who was graduated from the University of Washington, is an alumnus of the Graduate School of Business Administration of Harvard University. He has been in banking since 1923 and has been on the Mercantile staff since 1939. Stanley L. Leengran, who was elected Assistant Trust Officer and Assistant Secretary of the Mercantile, has been in trust work since 1922. He joined the Mercantile in 1929.

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Leslie K. Curry, formerly Vice-President, was elected Vice-President and Comptroller of the **Mercantile-Commerce Bank and Trust Company of St. Louis** at the annual meeting of the board on Jan. 11. He was elected to the same positions in the bank's affiliate, the **Mercantile-Commerce National Bank in St. Louis** on Jan. 9. He was President of the Missouri Bankers' Association last year. Winston G. Ettling, formerly Assistant Comptroller, was elected Auditor of the trust company. He is also Auditor of the Mercantile-Commerce National Bank in St. Louis. John E. Hauss of the Consumer Credit Department; Stuart Murphy and Edward A. Huwaldt of the Loan Division were promoted from Assistant Cashier to Assistant Vice-President. Thomas R. Crone, Assistant Manager of the Credit Department, was promoted to Assistant Cashier. Eight employees were appointed officers of the bank. William G. Moore, Jr., of the Credit Department, and George L. Eschbacher, of the Discount Department, were appointed Assistant Cashiers. Edgar L. Taylor, Jesse M. Bristow, Oliver J. Wilkins, Henry J. Mohrman of the Trust Department were appointed Assistant Trust Officers. Eugene F. Bachmann, of the Comptroller's Department, was appointed Assistant Auditor.

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Promotion of 14 members of the personnel of the **Republic National Bank of Dallas, Texas**, was announced on Jan. 9 by Fred F. Florence, President. Three officers were promoted to Vice-Presidents, five to Trust Officers, three to Assistant Vice-Presidents, two employees were advanced to Assistant Trust Officers, and one to Assistant Cashier. James E. Massey, Leon Rogers and W. Donald White were advanced from Assistant Vice-President to Vice-President. Hays E. Bassett, Gene Bridges and Nicholas Roberts were advanced from Assistant Cashier to Assistant Vice-President. Robert R. Ferguson, E. B. Fowler, A. J. Mason, T. G. Smith and J. H. Warner were promoted to Trust Officers from Assistant Trust Officers. Norval Payne and James E. Magourik were promoted to Assistant Trust Officers. Thad R. Nesmith was promoted to Assistant Cashier.

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The promotion of seven members of the staff of the **Anglo California National Bank of San Francisco** was announced on Jan. 10 by Allard A. Calkins, President. At the head office, San Francisco, Louis B. Everett and Horace K. Welcome, formerly Assistant Vice-Presidents, were appointed Vice-Presidents: Arthur C. Lee, previously Assistant Cashier, was named an Assistant Vice-President; and Erwin A. Dankwerth was promoted to Assistant Cashier. At the Capital office, Sacramento, Frank R. Hodgson and John E. Miller, formerly Assistant Vice-Presidents, were made Vice-Presidents. At the Redding office, Alfred Thies, previously Assistant Vice-President and Manager, was promoted to Vice-President and Manager.

Elwood J. Schmitt, Vice-President at the head office of the Anglo California National Bank, has been placed in charge of the bank's foreign department, as well as its correspondent bank relations, according to an announcement by President Calkins on Jan. 24.

* * *

Joshua Green, Jr., President of the **Peoples National Bank of Washington, at Seattle, Wash.**, announced on Jan. 17 the addition of Thomas H. Youell to the board of directors of the bank. Mr. Youell is President and Treasurer of Youell Inc., which he organized with his brother, John Youell, in 1929; it is the parent company which owns and operates as a division, Diesel Oil Sales Corporation, retailers of fuel oil products. Mr. Green also announces that A. W. Busch has moved up from Assistant Vice-President to Vice-President in the bank's main office. Mr. Busch has been associated with Peoples Bank for more than 20 years, except for the war period when he served as a Captain in the Army. H. S. Goodfellow has been advanced from Assistant Cashier to Assistant Vice-President at the First Avenue branch; Robert Sours has been named Assistant Cashier and continues as Manager of the Installment Loan Department at the main office; M. F. White has been named Assistant Manager of the North Seattle Branch and Elmer M. Anderson, Assistant Manager of the Dexter and Broad Branch.

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Directors of Transamerica Corporation on Jan. 3 declared a dividend of one share of **Bank of America National Trust & Savings Association of San Francisco** stock for each 12½ shares of Transamerica $2 par stock. The dividend, at current prices, it is announced, is equal to about $2 on each Transamerica share. It will be paid Jan. 31 to stockholders of record Jan. 13, in lieu of the regular semiannual cash dividend of 50 cents a share. Transferable receipts will be issued when holdings are not evenly divisible by 12½. It is stated that the distribution will constitute another step in the corporation's program of reducing its holdings in the bank. The program started in 1937, when Transamerica owned 99.97% of the bank's shares. It is added that it will amount to around 788,000 shares, and will reduce the corporation's direct and indirect interest in the bank to about 8%.

* * *

K. M. Sedgewick, Assistant General Manager at the head office of **Royal Bank of Canada in Montreal**, has been appointed Assistant General Manager in Toronto and will become chief administrative officer of the bank's affairs within Ontario. The bank also announced the appointment of C. B. Neapole as Assistant General Manager, and W. E. McLaughlin as Manager of the Montreal Branch. B. L. Mitchell, Vice-President, who has been the bank's chief administrative officer in Ontario, will relinquish those duties effective March 1, next. He will remain with the bank as a director and a Vice-President.

Ward & Co. Inv. Secs. Formed in New York

Ward & Company Investing Securities, Inc., has been formed with offices at 120 Broadway, New York City, to specialize in underwritings, wholesaling and special situations. Officers of the new firm are Gilbert Parker, President; V. M. Kelleher, Vice-President; C. H. McAuliffe, Secretary; G. Parker, Treasurer.

Exchange Group Dinner

The Twelfth Annual Dinner for active and retired Quarter Century Employees of the New York Stock Exchange was held Jan. 25. Approximately 200 of the 244 eligible employees attended, including 44 employees who completed 25 years of service during the past year.

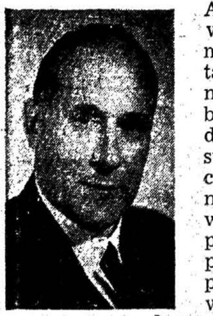
Emil Schram, President of the Exchange, spoke briefly. William R. Lake, an employee in the Secretary's office, acted as Toastmaster.

National Strength Must Be Based On Sound Monetary Foundation!

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

Advocate of redeemable currency, contending problems of pending emergency have been made more difficult by rising costs, prices, etc., in terms of depreciating dollars since gold standard was scrapped in 1933, finds nation's liquid assets inadequate and deteriorating. Holds business profits are exaggerated and risk-bearing is becoming a lost art. Urges rigidly controlled public and family budgets and a move toward fully convertible gold standard.

There is no room these days for either fear or complacency. The answer to both appears in the measure of personal sacrifices which all America will have to make if military impregnability, built on industrial strength, is to change the nightmare of war without peace into the promise of peace without war.



Leland Rex Robinson

Getting down to fundamentals: Public and private spending should be stripped to essentials, as outlays required for defense absorb labor and materials. A sober appraisal of our capacities as a people to produce, to earn, to pay taxes and to save, is called for. Our savings, directly and indirectly through institutional investors, should be ample to provide the risk capital and the long-term borrowings of productive private enterprise. They should also cover the outright buying and holding of government debt to which, from this time forward, any unavoidable, or unavoided, Federal deficits may give rise.

Getting into proper focus these problems of growing emergency have been made immensely more difficult by the intoxication of rising prices, costs, and aggregates of national income, savings, and outgo in terms of depreciating dollars ever since the redeemable gold standard was scrapped in 1933. These rose-tinted perspectives, these optical illusions of inflated currency have given us a false sense of security in certain directions, while a continuance of their causes may sap disastrously the still enormous potential of our country.

Consider the effects of spiraling prices and costs, for instance, both in discouraging liquid savings on the part of our people, and in misleading us as to the trend and extent of these savings. Prices in the United States are at the highest point of our history. So, it appears, are the liquid savings of Americans, expressed in terms of our plunging dollar. But the total cash and quasi-cash resources of Americans, when put into actual current purchasing power, have declined some 10% since 1945. The per capita liquid assets, again measured in purchasing power, have declined even more in the last half-decade. The drop here is about 15%.

In the years of the last World War a substantial increase occurred in our liquid assets. Prices and costs were to some extent controlled, some goods were rationed, many were unavailable, employment was full and wages were high.

*An address by Dr. Robinson at Luncheon Meeting of the San Francisco Chamber of Commerce, San Francisco, Calif., Jan. 24, 1951.

Deterioration of Real Liquid Assets

The deterioration of real liquid savings in the last five years, however, is made even more striking if we deduct from their already rapidly shrinking purchasing power the load of consumer debt which has been cumulating at a rate threatening to make us a nation of Micawbers. On this per capita basis, the net purchasing power of Americans' liquid assets in the form of currency, bank deposits, savings and loan shares, life insurance reserves and U. S. government securities, has declined by more than a quarter in five years. This tendency is becoming more pronounced since the Korean war broke upon us.

But as yet no stock has been taken of the towering Federal, State and local debt which has multiplied over four times since 1939 and more than eight times since 1929. In per capita terms, every man, woman and child in the United States owed on governmental debt alone approximately $280 in 1929 and $1,900 in 1949.

When you and I go into debt to acquire a home, a car, a television set or any other of the goods and services bought on the instalment plan, or with the common charge account, we are presumed to have assets or earning power out of which the debt will be defrayed within reasonable time. The effects of living beyond our means are, of course, to exert upward pressures on prices and to deflate or obliterate our savings.

Much more dangerous things happen, however, when Uncle Sam lives beyond his means, as he has been doing during all but three of the past 20 years. Irresponsible fiscal policies have thrived on the cutting loose of the dollar from its gold moorings in 1933. The Federal debt, which has risen from $17½ billion in 1929 to $50 billion in 1939, and to more than a quarter-trillion now, has been bought in part by our central banks, in part by our commercial banks and trust companies, and in part it has served as backing for our Federal Reserve note currency. Thus purchasing power on the one hand, and money and basic banking reserves on the other, have been created by the Treasury's failure to balance its budget.

Process of Monetizing Debt

This process of monetizing debt is the modern printing press route to the debauchment of our money. It is like a continuous injection of water into society's economic bloodstream. It 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 by individual and institutional investors as a direct reflection of the people's savings.

These savings, we have seen, are wholly inadequate. We have been having our cake and eating it, too. As a result, our net and free liquid assets are being seriously undermined.

Business earnings have been greatly exaggerated by inadequate replacement allowances and by the fortuitous inventory profits which pad income in years of inflated prices and costs. Risk-bearing or the financing of business expansion needs by sale of common and preferred stocks becomes less and less the practice as private enterprise turns for loans to government, to banks and to insurance companies. As breakeven points go up in commerce and industry, as the burdens of taxation increase, it is not surprising that latest figures show the smallest rate of new business incorporation since the end of World War II.

Sources of Our Money Supply

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 great claims of producing something out of nothing.

The struggle for honest 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 after taxes 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 break-even 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 plant and equipment, the results are surprisingly low. American corporations' 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.

Risk-Bearing Becoming a Lost Art

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 1920s, 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 misreading of business earnings cannot, in the long run, save labor from its due share of necessary sacrifices.

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 bank 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 the ill is in this case to prescribe the treatment. The patient fortunately is still in robust condition. He is well able to meet his commitments if only he can get into his stride.

Public and family budgets must be rigorously controlled. As taxes increase they should make less attractive all non-essential business expenditures; they should be based upon earnings realistically calculated. They should take the form of taxes on retail transactions, as well as personal and corporate income levies and excise charges. These retail taxes, which may well provide for the major part of the threatened deficit in 1951-1952, should be applied on all commodities beyond the reasonable necessities of food, clothing and shelter, and thus encourage thrift as they discourage spending.

As we tighten our belts on personal consumption, and cut to the proverbial bone all unessential governmental outlays, the prospect opens up of restoring and maintaining balanced budgets—and even of repaying debt, unless the calamity of total war overtakes us. The dangers of total war will decrease as we build toward the full scope of our potential strength. Government obligations can be lifted from the banks and held by individual and institutional savers, thus no longer continuously diluting the nation's money. We can 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.

Will No Longer Deal in Securities With Public

NEWARK, N. J.—J. S. Rippel, founder, owner and President of J. S. Rippel & Co., who died on Dec. 9, 1950, would this year have observed his sixtieth anniversary in the securities business. Until the end of his career, he was actively and constructively engaged, on a daily basis, in both the investment and banking fields.

It has been decided since his passing to suspend that portion of the company's activities which involves dealing in securities with the public.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: Robert C. MacCorkle, member of the Exchange, will retire from partnership in Betts, Borland & Co. as of Feb. 1.

John Hall Allen, limited partner in Cohu & Co., will become a general partner as of Feb. 1.

Thomas A. Gaines, member of the Exchange, general partner in Gaines & Co., as of Feb. 1 becomes a limited partner.

Richard S. Perkins retired from partnership in Harris, Upham & Co. Jan. 31.

New Looper Branches

JOPLIN, Mo.—Looper & Company have opened two new branch offices, one at Fayetteville, Ark., in the Hatchcock Building, and the other in Muskogee, Okla., in the Manhattan Building. Berthel G. Gossett is associated with the Muskogee branch.

Continued from first page

For Long-Term Investment: Stocks or Bonds?

in them and thus combine our instinct to save with our desire to be patriotic. The savings bonds, known as E bonds, paid the holder 2.9% interest if the buyer held them to the end of their ten-year maturity. These bonds paid a higher rate of interest than any other type of United States government bonds. In the next few years many such bonds will mature. Thousands of persons will learn first hand how creditors lose in an inflationary period. A person investing $75 in 1940 got back $100 (principal and accumulated interest) in 1950. But the 1950 dollars that he got back buy only 60% of what the 1940 dollars did. In terms of purchasing power, he invested $75 (principal) and got back $60 (principal plus interest). He actually paid the government for borrowing from him. True, World War II had to be financed somehow. We are not concerned here with that, however, but rather with the effect of rising prices on investable funds whose purchasing power we would like to protect as much as possible.

Inflation Is Less Likely to Hurt Property Owners

There is another way of investing savings so as to avoid or at least minimize this danger of loss of purchasing power in a period of rising prices. It is another elementary economic fact that owners of physical property generally suffer less from inflation than creditors do. The most obvious property owners are those who own land, buildings, equipment, stores and merchandise inventories. But you can also be a property owner by being a stockholder in one or more corporations. It is the stockholders who own the corporations that have title to the various physical properties. Other property owners are all kinds of debtors who have borrowed money to buy property, such as people who have borrowed on a mortgage or corporations that have borrowed by selling bonds. These property owners and debtors fare better because the value of the property that they own or hold title to tends to rise with the general price level. Debtors sometimes do better than break even. For example, if a company sold bonds (borrowed) to get some of its property, the bondholders (lenders) will lose, for they will get back dollars of less purchasing power. Who will gain what the bondholders lost? Chiefly the stockholders will.

It would be a mistake, however, to assume from this that stockholders often gain from an inflation or that they generally break even. Heavier taxes, weaker security markets, the uncertainties of changing demand usually tend to prevent that. Still after taking these factors into account, stocks are a better investment than bonds in a period of inflation. In such times the investor must face the fact that he will probably lose, whatever he does; he must simply strive for the least loss.

There Is a Long Run Tendency For Prices To Rise

Thus far we have talked as though inflation were a relatively short-run condition, lasting at most a few years. Most persons would admit that stocks are a better investment than bonds under those conditions. But are stocks a better investment than bonds for a longer run period? There is good reason for believing that they are. After all, prices tend to rise more than they tend to fall. Keynesian economists notwithstanding, inflation has been a greater menace in this world of ours than deflation. A quick glance at the history of any of the world's monetary units will demonstrate that. The pound sterling was once worth $4.86; it is now worth $2.80. The franc was once worth 19 cents; it is now worth a third of a cent. The original dollar of 1792 contained 24.75 grains of pure gold; the present dollar contains 13.71 grains of pure gold. In the United States during the past half century prices have risen in 31 years and they have fallen in 17. The cost of living index is triple today what it was in 1900 and is 40% higher than it was 25 years ago.

The 50 Year Experiment

In light of the generally upward tendency of prices, which is the same as the falling purchasing power of the dollar or gradual inflation, how would investments in stocks compare to those in bonds over the past half century? Let us make a reasonably practical experiment. How would the changing purchasing power have affected ten-year investments, of the E bond type, between 1900 and 1950. Also see how it would have affected investments in a widely diversified list of stocks. That 51-year period contains 41 10-year intervals of the E bond type. To typify bonds we shall use Standard and Poor's index of best grade municipal bonds between 1900 and 1929 and United States government bonds between 1919 and the present. The individual bond buyer of the earlier period would more likely have invested in good municipals or railroads than in governments. Dealings in government bonds were on a relatively small scale then and the records are not easily accessible today. The price behavior of the two types, municipals and governments, where the series overlap in the 1900's and in the 1920's, is reasonably similar (see Columns 5 and 6 in table). For stocks we shall use Standard and Poor's index of 416 common stocks and the series spliced to them before 1937 in the Department of Commerce's "Historical Statistics." Finally, we shall divide both indexes by the cost of living index of the Bureau of Labor Statistics, 1913 to the present. Before 1913 the New York Federal Reserve Bank's index has been adjusted for use. In summary, we have a series of broadly representative stock prices and also a series of top-flight bond prices, and both have been reduced to dollars of a common value. These are 1935-39 dollars.

The table is reasonably self-explanatory although we should warn the reader against one possible misinterpretation. The stock index Column and the bond price Column do not have a common base and accordingly are not comparable. Do not, therefore, draw any conclusions from comparing Column 2 with Columns 5 or 6, or Column 3 with Column 7. The only comparable Columns are 4 and 8. These measure the percentage of rise or fall in real value over a 10-year period. The percentage figures in these are obtained by comparing the real value index of, say, stocks in 1900 with stocks in 1910, i.e. 84.8 with 109.1. The 1900 investor got a 28% gain. In contrast notice the real value index of bonds which stood at 196.1 in 1900 and at 142.5 in 1910; the 1900 bond buyer suffered a loss of 27% on his principal. Stocks were therefore the better investment for a 10-year period in 1900. The percentage figure opposite each year represents the gain or loss realized ten years later. Therefore these columns end in 1940. We shall not know the results of 1941 investments until 1951 is over, of 1942 investments until 1952 is past, etc. The figures in Columns 3 and 7 clearly suggest, however, that unless we experience a sizable deflation, which is most unlikely, or a serious stock market crash, the years ahead will favor the investor who chose stocks.

With this table before us, let us now ask several pertinent questions.

Significance of the Experiment

In how many of the 41 10-year periods between 1900 and 1950 would the investor have been able to gain if he had been a perfect guesser? In only 20 years. In the other 21 he was bound to lose.

In how many of the gainful periods would he have gained by investing in bonds and in how many would he have gained by investing in stocks? At the end of 13 of the periods he would have been ahead had be invested in bonds. At the end of 15 he would have been ahead had he invested in stocks. Eight of the gainful years for bonds coincided with eight of the gainful years for stocks. In eight instances, therefore, the investor could not go wrong; he would have been ahead whether invested in stocks or bonds.

In how many of these 8 periods were stocks better than bonds and in how many were bonds better than stocks? In 6 of the good periods stocks outperformed bonds and in 2 bonds outdid stocks.

In how many of the other 12 periods of the gainful 20 would stocks have been clearly the better investment and in how many would bonds have been clearly better? Stocks were clearly better in 7 instances and bonds were clearly better in 5.

Now let us turn to the 21 periods in which the investor lost something whether he chose stocks or bonds. In how many periods were stocks the lesser evil and in how many were bonds the lesser evil? It is here that the superiority of stocks is most marked. In 18 of the 21 losing periods stocks were the better choice and in only three were bonds the better choice.

Thus far we have reached two conclusions that should be emphasized. The 10-year investor won in 20 years and lost in 21, providing, of course, he chose correctly whether to invest in stocks or bonds. If he chose incorrectly every time, he lost unnecessarily or unduly in 33 of the 41 periods. If he did not know what to do, and most of us do not generally, he would have been safer investing in stocks, for stocks were the better choice in 31 years and bonds were better in only 10 years. Notice also that if anyone had invested for the entire 51 years, he would have lost slightly on his stocks and lost very heavily on his bonds.

Let us proceed now with our 10 year period analysis. In how many instances was the margin of superiority of stocks over bonds, or of bonds over stocks, very small, say 10% or less. In 14 years there was 10% difference or less, usually less, whether it was comparative gain or comparative loss. Making adjustments for this fact, we find that stocks were the better investment in 21 periods, bonds were better in six,

TABLE 1—Comparison of Stocks and Bonds for 10-Year Investment, 1900-1950

Date	(1) Cost of Living Index	(2) Common Stock Index	(3) Stocks Real Value Index	(4) % 10 Year Gain or Loss (Stocks)	(5) Standard & Poor 15 Municipals	(6) U. S. Govt. Bonds	(7) Bonds Real Value Index	(8) % 10 Year Gain or Loss	(9) Better Choice for 10 Years
1900	56.6	48.6	84.3	28%	110	(104.0)	196.1	—27%	Stocks
1901	58.0	62.0	106.9	1	109.8	(107.3)	189.3	—25	Stocks
1902	56.4	66.2	117.3	—10	108.7	(108.8)	192.7	—31	Stocks
1903	62.2	57.0	91.6	— 2	105.7	(107.1)	169.9	—22	Stocks
1904	61.5	55.7	90.6	— 2	104.7	(105.0)	170.2	—23	Stocks
1905	61.5	71.1	115.6	—22	105.4	(104.2)	171.4	—23	Stocks
1906	63.6	76.3	119.9	—18	102.8	(104.0)	161.6	—23	Stocks
1907	67.2	62.1	92.4	—19	98.5	(105.2)	146.6	—30	Stocks
1908	64.3	61.6	95.8	—41	97.4	(103.9)	151.3	—44	Stocks
1909	64.3	76.9	119.6	—52	99.6	(101.5)	154.9	—53	Stocks
1910	67.9	74.1	109.1	—58	96.8		142.5	—60	Stocks
1911	67.9	73.2	107.8	—62	96.6		142.3	—54	Bonds
1912	72.1	75.5	104.5	—45	96.0		133.1	—42	Bonds
1913	70.7	67.3	90.1	—37	93.3		131.9	—41	Stocks
1914	71.8	63.8	88.9	—33	94.7		131.9	—27	Bonds
1915	72.5	66.2	91.3	—22	94.1		129.9	—42	Stocks
1916	77.9	76.2	97.5	—18	97.2		124.5	—39	Stocks
1917	91.6	68.3	74.5	26	93.6		102.2	—24	Stocks
1918	107.5	60.7	56.5	116	89.6		83.3	— 7	Stocks
1919	123.8	70.7	57.1	171	90.1	91.9	74.2	17	Stocks
1920	143.3	64.2	44.3	180	83.7	85.9	59.9	27	Stocks
1921	127.7	52.2	40.8	113	82.5	88.2	69.0	22	Stocks
1922	119.7	67.7	56.5	—12	93.2	96.6	80.7	13	Bonds
1923	121.9	69.0	56.6	19	92.9	95.9	78.6	28	Bonds
1924	122.2	72.8	59.6	27	93.7	99.3	81.2	23	Stocks
1925	125.4	89.7	71.5	12	95.2	101.7	81.1	25	Bonds
1926	126.4	100.0	79.1	41	95.3	103.8	82.1	25	Stocks
1927	124.0	118.3	95.4	14	96.7	108.1	87.2	13	Stocks
1928	122.1	149.9	122.3	—32	95.6	108.3	88.3	15	Bonds
1929	122.5	190.3	154.5	—42	93.3	104.8	85.5	24	Bonds
1930	119.4	149.8	125.4	—34		108.8	91.1	17	Bonds
1931	108.7	94.7	87.1	—18		92.8	85.4	24	Bonds
1932	97.6	48.6	49.8	12		88.9	91.1	— 5	Stocks
1933	92.4	63.0	68.2	3		93.1	100.7	—19	Stocks
1934	95.7	72.4	75.7	— 1		95.4	99.7	—20	Stocks
1935	98.1	78.3	79.8	12		99.5	101.4	—19	Stocks
1936	99.1	111.0	112.0	—15		101.3	102.2	—16	Stocks
1937	102.7	111.8	108.6	—33		100.9	98.2	—33.1	Stocks
1938	100.8	83.5	82.8	—15		102.5	101.7	—42	Stocks
1939	99.4	89.2	89.7	—13		105.2	105.8	—42	Stocks
1940	100.2	83.4	83.2	— 3		107.2	106.9	—54	Stocks
1941	105.2	75.7	71.9			111.0	105.5		
1942	116.5	65.7	56.5			100.7	86.4		
1943	123.6	87.0	70.4			100.5	81.3		
1944	125.5	94.5	75.3			100.3	79.9		
1945	128.4	115.0	89.6			102.0	79.4		
1946	139.3	132.5	95.1			104.8	75.2		
1947	159.2	116.5	73.2			103.8	65.2		
1948	171.2	117.8	68.8			100.8	58.8		
1949	169.1	114.9	67.9			103.3	61.8		
1950	173.0	139.4	80.7			102.8	59.4		

Column 1. The cost of living figures are those of the Bureau of Labor Statistics with a 1935-1939 base. The 1950 figure is that of September. For the years before 1913 the cost of living figures of the New York Federal Reserve Bank have been adjusted for use. Sources are the 1949 *Statistical Abstract*, p. 308 and *Historical Statistics*, p. 235.

Column 2. The common stock Index was taken from *Historical Statistics*, p. 281 for as far as 1937. From then until the present the figures were drawn from the *Statistical Abstract* for 1949, p. 482 and the *Survey of Current Business*. The figures since 1937, representing 416 common stocks, had to be adjusted to fit the earlier series.

Column 3. The real value index is simply an attempt to reduce stock values to a common dollar value, the dollar of 1935-39. It was obtained by dividing the common stock index by the cost of living index, i.e., Column 2 by Column 1.

Column 4. The per cent of gain or loss after 10 years is obtained by comparing the real value of stocks in each year with their real value 10 years later. For example, stocks had a real value of 84.8 in 1900 and of 109.1 in 1910. That meant that the person who invested in 1900 and held until 1910 realized a 28% gain. The 1901 investor, however, realized only a 1% gain, etc.

Column 5. The 15 top grade municipals of Standard and Poor were chosen to represent bond values, 1900 to 1929 because the data on government bonds were so fragmentary before 1919. Investors would more likely have invested in municipals or railroads then, anyway. Source: *Historical Statistics*, p. 281.

Column 6. The U. S. Government bonds are 2 per cents of 1930 for the years 1900-1909 and are included purely for purposes of comparison with the municipals. For the years 1919 to the present they are the average of a number of issues, partially tax-exempt. The early figures are quoted in A. P. Andrew, *Statistics for the United States*, 1867-1909, p. 279. The later figures, 1919 on, come from *Historical Statistics*, p. 281 and the 1949 *Statistical Abstract*, p. 482 and the *Survey of Current Business.*

Column 7. The real value index for bonds is derived in the same manner as that for stocks. The bond figure was divided by the cost of living index, i.e. Column 5 or 6 by Column 1. Government bond figures were used from 1919 on.

Column 8. This is like Column 4. The real value of bonds is also compared over a 10-year period. Notice that both Columns 4 and 8 end in 1940, for 1941 cannot yet be compared with 1951.

Column 9. This tells which choice the investor should have made. It is derived by comparing Columns 4 and 8. In a few cases, the decision was close indeed, viz. 1905, 1909, 1936 and 1937.

and the difference was not very marked in 14.

But another modification is in order. How much discrepancy was there in yield between the stocks and the bonds? This is significant. A yield margin of 1% per year for 10 years in favor of stocks would make stocks somewhat preferable in all the 14 periods we just considered, virtually, even because the difference in real value was 10% or less. It was generally less in fact. A yield margin favoring stocks of 1% on a compounded interest basis over 10 years is about 14%. A margin of 2% is 27%. This would favor the stock investment even more. Standard and Poor's records and Historical Statistics show that the discrepancy in yields between stocks and bonds, on a 10-year running average basis, ranged from 0.8% to about 3% recently in favor of stocks. In all but two or three years there was at least a 1% yield discrepancy, usually more. Thus we may assume that whenever the difference in the value of the principal between stocks and bonds was not over 10%, actually the stock investment was preferable.

What definite conclusions may we draw from all these calculations? Which investment was the better, on the whole? In 35 years of the 41 an investment in stocks was preferable. In only six of the 41 years were bonds preferable. These all fall between 1922 and 1931: bonds paid off in the depression decade. As mentioned above, the table strongly indicates that the next few years will also prove stocks were the better choice in 1941, 1942, 1943, etc., because we have had considerable inflation in the last decade and may anticipate more. From all this it might be gathered that if the next half century is at all like the past half century, the long-time investor, say the 10 year investor, would be well advised to put most of his savings in common stocks rather than in bonds. If he is a formula investor, he should choose a formula in which the proportion invested in stocks is considerably greater than that invested in bonds. He should, of course, always keep some funds in bonds or cash because stocks are more volatile than bonds and more time is needed to sell them to best advantage on the market. Also if the investor is in a high income bracket, he may lean more strongly toward tax-exempt bonds. But every investor, whether small or large, formula or non-formula, should be primarily concerned with protecting his principal.

The cynic may remark that this experiment proves chiefly that 10-year investments are dangerous. Perhaps so. Will the amateur investor do better over a shorter period of time in a market that is generally rigged against him from the viewpoint of the purchasing power of the dollar? Let us examine columns three and seven. If he sold out and re-invested every five years over this 51 years he would have gained in 22 five-year periods and lost in 24. On bonds he would have gained in 18 and lost in 28. And in 13 of the 18 periods that he gained in bonds, he could have gained in stocks too and more handsomely. If he did the same thing every year, instead of every 10 or five years, he would have gained in 27 years by investing in stocks and lost in 23. With bonds he would have gained in only 20 and lost in 29. Stocks appear to be the better long run investment. Bonds show up to less advantage over shorter periods. This is what we should expect, theoretically, in a rising price level economy. But it is contrary to popular belief or at least to popular behavior. People are more inclined to lay away their bonds and to buy stocks when they have extra funds and sell them when they need extra funds. They would be wiser to do just the opposite.

What Are the Trends of the Future?

Will the future half century be reasonably similar to the past half century? What do recent business experiences and economic trends suggest? With mounting armament costs and possible war ahead, taxes are bound to rise. Total taxes now take about 30% of the national income as compared to 6% in 1900. In view of the immediate prospects and of the long-term trends, corporate profits after taxes may well decline. That may reduce stock yields and retard the rise of stock prices. We must remember, however, that rising taxes and inflation have generally gone hand-in-hand in our financial history because when we face major national emergencies, both taxation and inflation have always been used to pay the government's bills. It is reasonable to conclude, therefore, that if there are sharply rising taxes ahead, there is also inflation ahead. Bonds will then still be a poorer investment than stocks.

Perhaps in the future the yield of stocks will fall to a level nearer that of bonds, especially if more people decide to buy stocks. That seems quite possible. Industrial stocks were barely on the threshold of respectability in 1900. Many are now quite respectable and if they seem safer as well, they may be sought after in increasing quantities. In that event stocks may be the better buy most of the time as they were in the last half century.

The future also is likely to see more and more regulation of business. The past half-century has witnessed fairly close regulation of the public utility industries and closer regulation of railroads. In only 6 of the 29 years since 1921 has the net operating railroad income of the best railroads (Class I) amounted to 5% of their net property investments, and in only one year has it reached 6%, which was assumed in 1920 to be a fair return. This suggests that regulatory bodies are inclined to be strict in setting rates, and that regulated industries as a rule cannot expect very generous profits. The years ahead may well see other heavy industries, like steel, aluminum, copper, cement, autos, electric appliances and some chemicals, subjected to regulation. It may be alleged that these industries are "monopolistic" or are "affected with a public interest" or are "necessary to the national defense." Such a trend would probably affect the profitability of these industries just as it has limited the profits of most railroads.

Industries likewise are faced more and more with labor problems. About 1900 the unions were strongest in industries that were competitive like cigar-making. They tended to be weakest in industries that were monopolistic like iron and steel manufacturing. But the strength of the unions grew steadily and since the mid-1930's (if not before) there have been repeated clashes of giant unions and giant industries and the unions have generally triumphed. The strength of unions is likely to grow in a democracy because of the voting power of their membership. Union demands can reduce profits or threaten to price goods out of the market. Strong unions have virtually driven the textile industry out of New England. For fear of unions some investors have tried to select stocks of companies whose labor costs are only a small part of the total cost. Such companies are likely to be found in the tobacco, drug, food, beverage, chemical, utility and oil industries.

Finally, even if we do not have a war, we seem to be committed for some time to a "low interest rate" policy because of our immense national debt. In everyday language that means that the Treasury will use its influence to make credit plentiful to keep interest rates low in order to keep down the service on the government debt. They may also follow that policy in order to stimulate prosperity. Making credit cheap, however, stimulates borrowing, creates money, and produces creeping inflation. As more persons realize that under such conditions there is greater safety in stocks and choose to invest in them, their price is likely to rise. But as yet the real value of stocks is not high, as a glance at Column 4 of the table will show. Stocks' real value was higher during most of the depressed 1930's than it is today.

How to Get Diversification in Stocks

The careful investor has by this time framed at least one important query. "If I want to buy a bond and be sure to get my money back, I can buy a government bond, but how can I get such long-time safety in stocks? It is impractical for me to buy all the 416 stocks on the list that you have used in your experiment for the 1900-1950 period." That is not difficult at all, and is certainly less so than it would have been in 1900. If you have a fairly large sum to invest, you can get adequate diversification yourself. You would do well, of course, to consult an investment counselor. If your funds are modest, diversification can be achieved by buying the shares of good investment trusts or of duPont or of leading fire insurance companies. The holdings of all these are widely diversified.

Conclusion

In summary, for long-time investment, say 10 years, a diversified list of stocks has proven better than government bonds during the past half century if the main concern is to preserve the purchasing power of the principal. In 35 of the 41 10-year periods, 1900-1950, stocks would have been better. Stocks will probably be better for the next few years. We cannot be sure that this will be as true for the next half century because industries probably face higher taxes, labor troubles, and more regulation as well as further inflation. Still, as long as rising prices seem likely, and they do, diversified stocks appear the better long-term investment.

Continued from page 3

"Are We Falling Into History's Greatest Trap?"

not want other governments obtaining military positions on our continent and that we should stay off other continents. I have felt that we should have stayed out of World Wars I and II, that we gained nothing from them, and only upset the balance of powers of Europe. Naturally, I take the position of Herbert Hoover that the Atlantic and Pacific Oceans should be our borders, we should stay at home, become strong militarily and economically. The present program carried out by our State Department is almost certain to get us into further complications and trouble in my opinion.

As to what we can do about it is a big question. Whether we get into World War III or not we are fast losing what is known as the American way of life. How to arouse the people to the dangers of Socialism and Federal controls I do not know except if each of us keep doing everything that we can to that end. We should keep pointing out those dangers. The Harding College at Searcy, Arkansas, has been putting out some wonderful material along those lines. Our local Chamber of Commerce has been putting on programs on preserving the American way of life. We should all be aware of the dangers of government controls, high debts, high taxes, and fight them wherever we can.

* * *

KELLEY GRAHAM
Chairman of the Board, The First National Bank of Jersey City, N. J.

Melchior Palyi's article is a very thoughtful one and I am entirely in accord with him on many of his viewpoints. I think his analysis of the Russian viewpoint is a very accurate one.

* * *

R. M. HANES
President, Wachovia Bank and Trust Company, Winston-Salem, N. C.

I have read with great interest Dr. Palyi's "Are We Falling Into History's Greatest Trap?". It seems to me that his analysis of the Russian situation is sensible and clear, and I agree thoroughly with his conclusions that we cannot arm ourselves and the free world and plan to make ourselves impregnable for the future without courting national bankruptcy.

I like Dr. Palyi's article very much and think he has made a fine contribution to contemporary thinking.

It has been made crystal clear that the only argument which prevails with Russia is one backed by force. Therefore, if we keep ourselves and our allies as strong as we can without doing serious violence to our economic structure, I believe Russia will be contained.

* * *

Hon. WILLIAM HENRY HARRISON
U. S. Congressman from Wyoming

I have read Dr. Palyi's article with a great deal of interest and feel that the author's views were not expressed without considerable research and study. His artcile was well thought out and has a great deal of merit which would bear serious study by serious-minded Americans, particularly those in the government.

I feel that Dr. Palyi has touched on one particularly vital conclusion, namely that we are and have been playing into Soviet Russia's hand through our furious attempts to bankrupt ourselves. I hope that I may be able to help reverse the trend of recent years in the matter of national spending.

* * *

Hon. CLIFFORD R. HOPE
U. S. Congressman from Kansas

I have read this article with a great deal of interest and agree at least in part with the views expressed by Dr. Palyi.

* * *

H. V. KALTENBORN
New York City

I agree with many of Dr. Palyi's views. We will advance the cause of peace by making it clear what steps by Russia would be followed by our entrance into war.

I quite agree that our policy has lacked initiative and imagination, but for sometime to come there is little danger that we will bankrupt ourselves by war preparations. For the next year or so we must go all out in getting ready. After that I agree that the "readiness potential" becomes more important than the "mobilization potential."

* * *

J. BROOKS KEYES
President, Central Aguirre Sugar Company, Boston, Mass.

With respect to Dr. Palyi's article, I don't see how anyone can figure it differently. Let's mind our own business and we'll have no war with anyone.

* * *

HUGHSTON M. McBAIN
Chairman of the Board, Marshall Field & Co., Chicago, Ill.

I have always viewed Dr. Palyi's opinions with great respect. In this article he has skilfully summed up the problem and how to deal with it. His thoughts on foreign commitments are realistic. However, I would find it difficult to justify confidence in the ability of our present Administration to successfully formulate and administer the kind of foreign policy which he suggests.

I fully agree with him that there is a point beyond which we must not go in the utilization of our resources to support a world police policy.

You ask what steps our government should take to preclude a war with Russia. My answer is simply that it must begin to show able, intelligent and forceful leadership in our foreign affairs. I believe statesmanship is more urgently needed than guns at this moment.

* * *

Hon. NORRIS POULSON
U. S. Congressman from California

I have just read Dr. Melchior Palyi's article, "Are We Falling Into History's Greatest Trap?".

I want to state that I think it hits the nail on the head.

* * *

H. W. PRENTIS, JR.
Chairman of the Board, Armstrong Cork Company, Lancaster, Pa.

What Dr. Palyi says about planning our preparedness program so as to keep our country strong economically and financially is very much to the point. His views should be given careful study by persons in authority.

* * *

Hon. TIMOTHY P. SHEEHAN
U. S. Congressman from Illinois

Dr. Palyi has written a fine article. However, it seems to me that his conclusions are all based on a premise which I doubt is workable. He says on page 4: "Instead, let's call the shots in advance ourselves, backed by UN endorsement."

During the last several weeks we have had an outstanding example of what it means to be "backed by UN endorsement." I personally question whether the United Nations will ever amount to anything more than a debating society and if Dr. Palyi is basing his conclusions on this backing, I am afraid he is in for a great disappointment.

* * *

HELEN STIRDIVANT
Los Angeles, Calif.

I believe Dr. Palyi shows considerable insight into the situation in which our country finds itself today and I thoroughly agree with his conclusions expressed in the article.

Continued from first page

As We See It

with "across-the-board" controls now announced, underlying factors which must and will in the long run determine prices will be neglected. The "pay-as-we-go" talk still goes the rounds, but there are signs here and there of official thinking much too similar to that of World War II days to support a feeling of assurance on this subject, and it is evident that there is no intention of abandoning the thoroughly unsound money market policies of years recently passed—an abandonment essential to the avoidance of further trouble stemming from the inflationary potential left from World War II.

Let no one suppose that any attempt at controls, no matter how well planned or how vigorously enforced, can possibly prevent further inflation both now and in the years to come in the absence of basic financial reforms. Indeed it may be said that controls, to the extent that they are effective, help to dam up inflationary pressures rather than to prevent their development. Nor would maintenance of production of civilian goods—in the absence of proper and adequate fiscal policies—do much of consequence either to cure existing difficulties or prevent an aggravation of them. Production of such goods creates the purchasing power to absorb it, unless the increase in production is achieved without any concomitant additional cost. Defense production likewise places purchasing power in the hands of the rank and file without providing goods to absorb it. These are simple, elementary facts, but are apparently not very widely understood. The additional purchasing power generated by defense production, or its equivalent, must be taken from the markets or inflation is inevitable. So far as humanly possible, it must be absorbed by taxation. It is not in any but a strictly temporary way, or perhaps only in a Pickwickian sense, absorbed by the placement of government obligations, even in non-banking hands, with the understanding that they can either be redeemed in cash at the option of the holder by the Treasury itself or be sold in a market where prices are fixed by government rigging. Under such circumstances these obligations are something very similar to money.

If sweeping control orders are permitted to take the edge off determination—assuming it has ever really existed in political circles—to do what is needed in these fiscal areas, the results will not be happy.

What of These Controls?

But what of such sweeping orders themselves in a time such as the present? Obviously, any hope of real success in enforcing such a ukase must rest with the public generally. Regulations which have to do so intimately and so restrictively with the everyday affairs of every Tom, Dick and Harry in the land can be enforced only if there is so nearly universal support of them that the orders themselves are really quite unnecessary except as a sort of an announcement of the rules of the game. Have we any such state of public opinion in this country at this time? We are quite frank to say that we are unable to find much indication of it.

We are naturally well aware of the clamor about the cost of living and the popular condemnation of suppliers who have raised their prices during the past six months. We are fully conscious of the widespread, emotional supposition that some sort of fiat order would put these gentlemen and these enterprises in their respective places. All this is true enough, but it should not lead us to forget the million and one ways sweeping orders of this sort can be evaded and the ease with which black markets spring up. Nor should we easily assume that many, many of these people who have been complaining so bitterly will not condone and even encourage the development of such evasions and such violations if, by so doing, they can get what they want from day to day—just so long as they have the means with which to do so and are not really impressed with the "grave dangers" about which Washington does so much talking, or basically impressed with the "patriotic duty" not to be a party to such transactions.

Of course, we "hate" the Communists. We are from time to time aroused to considerable heat in reading stories that emanate from Korea. We are exasperated by a good deal that takes place in Europe and other parts of the world. Some hysterical uneasiness is aroused from time to time by talk of sneak bomb attacks upon us. But, however much we may talk about "unity" and "solidarity," the cold fact for all to see is that many, many doubts exist throughout the length and breadth of the land. The great rank and file are unsure in their minds about many things and are not at anything approaching war pitch of excitement about any.

Can this nation with its traditions and in this frame of mind be made to goose-step to what are really extreme wartime regulations? If not . . . Well, we shall have to wait to see.

Continued from page 15

The Battle of Production And the Business Outlook

I think that by the third quarter of this year the scope of controls will include the area of labor.

What will be the impact on the civilian economy? Here again, despite uncertainties in world affairs I think a pattern fairly clearly outlines itself. First, in the civilian hard lines there will be a steady, continuous downtrend in production in each succeeding quarter of the year. In automobile production, electrical appliance production, residential building and the civilian hard lines generally, there will be a pronounced downtrend as the year goes along.

In the soft lines there will be no such pronounced downtrend. The level of production in the soft lines will be about the same in the second half of the year as in the first half. The standard of living will decline. It will not decline in the essentials of life in such a way as to cause undo sacrifice on the part of the American people but the very fast pace of the last 12 months in the standard of living will not be continued.

How will this be reflected in the retail sales? Department store sales in the first half of 1951 will average about 4% above a year ago. I shall not attempt to provide a figure for the second half. I am talking of sales here in terms of dollars, not adjusted to price changes.

The next big seasonal period in retail trade is Easter. Easter comes very early this year. I think that in the two weeks before Easter the department store sales will average about 12% above a year ago and in the two weeks after Easter about 10% below a year ago. And I would hope that merchants would not become too discouraged when they see those two weeks of minus 10%. Minus signs are never enjoyable in the retail business, but they must be expected because of different datings of Easter in the two years.

Question of Taxes

What about taxes? We have just seen one tax bill completed—an excess profits tax bill. That probably is not the end. I think there will be another tax bill during the coming year. I doubt if it will affect personal incomes during the first six months. I doubt if a bill can be passed in time to relate to the first six months of the year without making it retroactive and since a personal tax bill involves the withholding feature, I think it would be impractical to make any personal income tax bill retroactive. The tax structure as it now stands is calculated to produce revenue of about $51 billion in the calendar year 1951. The ultimate tax take of the Federal government this calendar year will probably be about $55 billion, with additional tax load to be imposed later in the year not exceeding $4 billion. The effective burden of corporation taxes on all business will be approximately 52% of profits before taxes. By effective burden I mean not only normal tax but excess profits tax as well. Combining the two and applying them to all corporations, the effective burden will be about 52%. And that will be true regardless of what the rates are, regardless of what the exemptions are, regardless of what new features may be put into a new bill. The end result will be approximately that.

And under those conditions the net after taxes of all corporations will be about 6½% of the gross national product. That is the same as the average of net to gross national product over the past 35 years. The ratio of net to gross national product will be approximately the same in 1951 as it has been on an average for the past third of a century. And under those conditions corporations will maintain a good level of dividends but will not repeat all the extra dividends that have been dispersed during 1950. The dividends of the larger, representative corporations will, on the average, decline some in 1951. By some I mean not less than 10% as an average and not more than about 20%.

I have chosen not to talk very much about inflation today. I say that partly because the subject has been pretty well hashed over by everybody in the last six months and I hear so much about it that it gets kind of stale with me. I feel that over this year—the coming year, perhaps for the next five years—we are faced with a trend in which the value of the dollar continues to shrink. Now if we are not engaged in all-out war I would estimate that over a period of five years the value of the dollar would decline another 15%. On the other hand if we were to become engaged in an all-out war I think the value of the dollar would probably be cut in half from the present level of value. But if we continue on about the present framework as far as war and peace are concerned the rate of increase in prices will slow down considerably.

During the past six months the all-commodity wholesale price index has been going up at the annual rate of 20%. Now with controls being applied more broadly from here on, the rate of increase will not continue to be 20% but for a time it will be half that rate or less than half. Prices will still be going up some but not nearly at as fast a clip.

And once the mandatory price controls have been imposed over a broader area I think that the fever heat of inflation fears, of inflation psychology, will cool off some. There will be a more calm viewpoint taken on the subject of inflation.

Loopholes in War Controls

There are always two loopholes in the war controls of prices. The first is out of consideration for the farm bloc. The second is out of consideration for the labor bloc. I should expect agricultural prices to continue to go up some but not in a very sensational way because I think that the production of farm products in 1951 will be roughly 5% higher than in 1950. In physical units, 5% higher. The wage loophole has not been plugged yet. It will be slower to be brought under control than anything else but I expect that by the third quarter of this year a substantial measure of control will have been accomplished in the wage field.

The big job ahead of business this year is the battle of production and the battle of inflation is subordinated to that. Everybody has to contribute something if we are to win the battle of production. Banking has to contribute something. Production requires credit and either the private banking system will supply the credit or the government will supply the credit. It is better that the private banking system supply it. A year ago at this meeting I made a comment to this effect — that bank loans to provide working capital, particularly to provide inventory, would probably be made on a large scale and they could be made with safety during 1950. Well, during the year those bank loans have gone up by leaps and bounds. I don't say that we have passed the peak of those bank loans, but I think we may be coming fairly close to the peak and I should trust that the commercial banks would approach inventory loans during 1951 with a much greater spirit of caution that they have needed to exercise during the past year.

The banks also will be called upon to help the United States Government finance the defense program. Before the year is out, the banks will be involved in big government bond drives. As far as possible these will be aimed to sell bonds to the public but in the second half of the year it is not certain that the public will absorb all the bond issues. Probably the banks themselves will be back buying governments to finance the deficit by the end of the year. The typical commercial bank, a year from now, will own more governments than it does today and in particular will own more governments of slightly longer maturity than those that are owned today. Those are the trends of banking.

What about war orders? Here there seems to be a great mystery —where are they, where are the war orders? I have never been able to get authentic figures on the amount of war orders that have been actually placed. In the last three weeks there seems to have been a speeding up in the placing of war orders but there is still a slow motion there. Now I think that we are on the verge of seeing a change of pace. I think the war orders are going to come out fast and furious in the next few weeks and months. I think the organization that Mr. Wilson is setting up will be instrumental in bringing about that speed-up.

I think that businessmen have to some extent been a little bit modest about going down to Washington and getting the war orders. It seems to me the time has come when a business suited to war production should no longer sit modestly by and wait for orders to come to that business. Top management should go to Washington and get the war orders. No matter what you have to do, blast them out; get them. The time has come to get war orders.

In that effort there is a question of selection. Broadly speaking there are three kinds of war orders. The first is the kind of material that is used for subsistence—food and clothing, routine production. The second is war materials that are suited for a mechanized war—tanks, artillery, transportation, munitions of the standard types. But the third type of war orders is new and different. That is in the field of science and those companies that are qualified by their research and engineering to handle war orders in the field of science should try especially hard to obtain war orders in that area. That is true both from a selfish and an unselfish standpoint. These war orders that stress the new contributions of science to the art of war are the ways in which a qualified business can contribute most in winning the battle of production.

The experience gained in that type of production will have lasting benefits in the future, come war or peace, to the individual business that goes through training and schooling in applied science. Get war orders for subsistence, get war orders for the mechanized war, but above all things get war orders in the ultra-modern applications of science to production for defense. Those are the top notch war orders for any business that is qualified to obtain them at this juncture in world affairs.

Next, I wish to make a few comments on foreign policy. I am not here to attack leadership in the State Department or anywhere else. I shall start with a question that I apply to myself. Do you see anything good in the situation today? Strange as it may seem, I do. I see that in the hard school of experience and as a result of some costly mistakes, this country is being driven back into an acid test of foreign policy that has been all too inconspicuous in the last 20 to 25 years; and that acid test is simply this — What is the vital national interest?

That is not an isolationist test. If you go back to the earlier years when foreign policy was cast by such great men as Elihu Root, Charles Evans Hughes, John Hay and when everybody was reading the classic books by Admiral Mahan on seapower—if you go back to those days when nobody apologized for talking about the vital national interest you will find that criterion of foreign policy today and tomorrow. We are being driven back to that. We have wandered away from it with ideologies but we are being forced back to it.

And today what does it mean to us? It is in the vital national interest that the United States should not be involved in a major land war in Asia. So clearly is it in the vital national interest that it will not happen—a major land war in Asia.

And it is equally in the vital national interest that the United States should not be engaged in a major land war in Europe in which the enemy is Russia. In saying this I am not commenting pro or con as to the Atlantic Pact. General Eisenhower has been appointed to a very responsible position. I shall wait for General Eisenhower to speak and to draw his blueprints of what he thinks can be done and should be done and I shall throw no monkey wrench in the machinery until I see the Eisenhower pattern for Western Europe.

But if all-out war with Russia were to come—I'm not predicting one way or the other whether it will—but if it were to come then I say to you that the way to win that war is for the United States to possess the powers to destroy the industrial potential of Russia. That means the power of her steel mills, her munitions plants, her oil refineries, her oil wells, her power dams, her railroads. That is the only effective way in which the United States can conduct a war against Russia if it should come.

In any such contest, great distances are involved and they are distances in which sea power cannot be directly brought into play. Sea power can be brought into play for the purpose of protecting bases around the world but no warship can fire a shot far enough to reach Moscow. So in any conflict that may develop, a combination of sea power and air power is going to be of the essence.

It may seem that is all there is to the story—sea power and air power. Everybody knows what sea power and air power mean—true enough. But there are new things in this realm and in particular they are in the field of nuclear physics — which is the atom bomb and the hydrogen bomb—and in the field of electronics. I don't know what an electron looks like or what it is exactly—I can't speak as a scientist on an electron—but it is vitally important in radar, in bomb sights, in defense against atom bomb attacks on cities in this country, in taking the offensive in delivering bombing power in other countries.

Electronics is going to be the most important new thing in the art of war—in the period ahead of us. In this way science will be brought to bear and American business will be given a chance to see whether it can maintain superiority over the potential enemy in this application of science to war production.

To win the war of production means to win the war of electronics. This is an electronics war. The amount of money spent per man in unifrom on electronics will be much greater in the next two years than it was in any time in World War II.

I see no reason why we shouldn't proceed effectively in this field. Certainly we have the scientists for it. We have the engineers. We have the background. And it is part of the genius of the American pepole to excel in those directions. I have every confidence that we can do this. But the final proof of whether we succeed or fail in the battle of production is going to be in the realm of electronics.

Let me bring this down to local color. Where does Pittsburgh stand in this battle of production? This is a steel center, among other things. You are making steel here practically at full capacity. You have plans to expand that capacity further. When you are making all the steel you can make, what more can you do to win the battle of production? You can't do any more—as steel producers. Thinking in terms of the next 12 months, you have already won the steel battle of production.

But steel will not win the war. It is only as steel is wrapped up in the ultra-scientific techniques of this day and age that it fights a war for you. You have not yet won that advanced stage of the battle of production.

You have industries here that are leaders in the field of science, leaders in the field of electronics, particularly. Before I left my office in New York the other day I called up some steel authorities and I said: Can you tell me how many ingot tons of steel were produced in Soviet Russia in 1950? Well I guess nobody can be sure the statistics are correct when one is referring to such a matter in Russia, but the answer that I got—and I have no reason to challenge it—war 27 million tons. I said, all right, now tell me how many ingot tons of steel were produced in the Greater Pittsburgh area last year and the answer was 39 million tons. The Pittsburgh area alone produced more steel than all of Soviet Russia in the year 1950 and they will do the same in 1951. If just turning out steel was all you needed for national defense, the battle of production is in the bag.

But that isn't all. It is imperative to develop these newer fields of applied science in which steel and aluminum and other metals are very essential ingredients.

As raw materials they win no wars and as finished products they are extremely complicated and very few of us are capable of understanding some of the principles of advanced science in that respect.

Pittsburgh has gained a world reputation as a center of heavy capital goods. Gentlemen, as a result of this defense program in which we are now engaged and whether or not we get into an all-out war, if Pittsburgh is to retain the industrial leadership of the free world, Pittsburgh must add to its reputation as the center of heavy capital goods a new reputation as being the center of electronics.

The future leadership of American business is going to gravitate to those parts of the United States which have that leadership in electronics. The transition is this defense program on which we are now just getting started.

Russia has been building up and at times has referred to her industrial developments in the Ural Mountains as the new Pittsburgh. It is not entirely a false analogy. But the question is whether this attempt of Russia to catch up in steel production, industrial technology generally, in electronics, whether this is going to succeed.

Winston Churchill has said that the only force that has kept Stalin from attacking us thus far is the knowledge of our advantage in the atom bomb. I accept that as a true statement. We must continue to keep that advantage not only in the ability to construct that sort of weapon, but also in the ability to deliver it. Superiority in the ability to deliver it will be determined by superiority in the field of electronics in the years ahead.

The battle of production is a challenge to Pittsburgh. It is a challenge of this kind—that the Pittsburgh of the United States of America must develop the power to destroy the Pittsburgh of the Ural Mountains. It will have that power only in so far as we keep a superiority in advanced science, in the ability to deliver destructive power at long range. That is the challenge to this community and I have no doubt that this community will respond to that challenge.

As a final word and as a keynote I started out by saying that the most important thing American business can do today is to win the battle of production. I tried to indicate why that is so and what it involves and at the top of the list of the things that it involves I want to drive home this point—to win the battle of production we must recognize that this is an electronics war and that we must at all times maintain clear superiority in these fields of advanced science as applied to the arts of war. That is what is involved in winning the battle of production.

Goodbody & Co. to Admit A. Roberts, Jr.

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit Albert Roberts, Jr., to partnership as of today. Mr. Roberts will make his headquarters at the firm's newly opened office in St. Petersburg, Fla.

With Waddell & Reed

(Special to The Financial Chronicle)

PALM BEACH, Fla.—George A. Horton has been added to the staff of Waddell & Reed, Inc., of Kansas City, Mo.

Central Republic Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—C. V. Dodds has been added to the staff of Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

Gottron Russell Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Richard A. Probst is with Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With McCluney & Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Alvin F. Hansen is now connected with McCluney & Co., 418 Olive Street. He was previously with King Merritt & Co., Inc., and Slayton & Co., Inc.

Joins Waddell & Reed

(Special to The Financial Chronicle)

TAMPA, Fla.—Edgar C. Rowe is now affiliated with Waddell & Reed, Inc., of Kansas City, Mo.

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The State of Trade and Industry

an increase of $8 for the year as a whole. The November-to-December gain average $1.77.

Gross hourly earnings were an average of $1.54, up by 13 cents over the year and typical work weeks rose to 41.6 hours in mid-December, up almost two hours for the year 1950.

Business failures totaled 679 in December, last, being slightly below the previous month's level. The year's total aggregated 9,162, or a drop of 1% from the 1949 total of 9,246.

Dun's Failure Index, which extends the monthly failure rate to an annual basis and adjusts for seasonal changes, declined somewhat to 32.5 casualties per 10,000 listed businesses, bringing the index for the year to 34.3. This was almost unchanged from the 1949 rate of 34.4 failures per 10,000 operating enterprises, but well below the 1940 rate of 63.

Liabilities of casualties in 1950 amounted to $248,283,000, a 19% drop from the preceding year when liabilities totaled $308,-109,000. This decrease was due to a decline in the number of failures involving liabilitics of $25,000 or more. Failures involving liabilities of less than $25,000 rose appreciably.

The year's decrease in failures was concentrated in the manufacturing and wholesaling lines. Heightened defense preparations were particularly reflected in sharp drops in the failures of mining, iron and steel, machinery, and transportation equipment industries.

With the single exception of the automotive category, wholesalers' failures were noticeably less numerous than they were in the preceding year.

A larger number of failures occurred in 1950 than in the previous year in the Middle Atlantic, Mountain, and Pacific Coast regions. The sharpest drop was 30% in the East South Central area.

Steel Production Scheduled to Surpass 2,000,000 Tons For Second Successive Week

The greatest steel expansion in history will reach a climax about the end of 1952 when annual ingot capacity will exceed 120 million net tons, states "The Iron Age," national metalworking weekly, in its latest release on the steel trade. This new total results from a detailed study of capacity expansion by companies and plans just comple.ed.

When the last rivet is driven home the industry's competitive map will be largely redrawn. The Pittsburgh-Youngstown district will retain the No. 1 spot with capacity of more than 43.6 million ingot tons. The East will replace Chicago in the runner-up position with 28 million tons, compared wi h close to 24 million tons. Cleveland-Detroit capacity will be 13.3 million tons; the West 6.4 million and the South 5.6 million. This totals 120.7 million tons, an increase of 21.4 million over capacity at Jan. 1, 1950, this trade authority notes.

This tremendous expansion has been spurred by three factors: (1) Opportunity of amortizing part of the cost over five years for tax purposes, (2) the defense effort, and (3) encouraging results from market studies of the long range demand for steel.

Confusion still reigns in the steel market, states this trade paper. Producers still lack any concrete knowledge of what is expected of them. As a result they are not able to give their customers any definite idea as to what they may expect.

There are indications that the present priority system of placing defense orders in steel mills is starting to collapse under its own weight, "The Iron Age" asserts. Hot-rolled bars of projectile or shell quality steel have been lifted out of the DO-category entirely. They are now subject to direct negotiation with NPA. This change also applies to shell quality billets, and rolled armor plate.

Steel producers are finding it more and more difficult to maintain production schedules. Just when they think they are all set a new government directive forces them to change their plans.

The steel picture would quickly become a lot clearer if the military could make known its definite needs in terms of numbers of guns, tanks, ships, and planes. Such concrete clarification is believed to be at least 30 to 60 days away. The military are now working out some arms requirements schedules. When this job is finished the needs can then be converted and scheduled by tons of steel required.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 101.3% of capacity for the week beginning Jan. 29, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 100.9% a week ago, or an advance of 0.4 of a point.

This week's operating rate is equivalent to 2,025,000 tons of steel ingots and castings for the entire industry, compared to 2,017,000 tons a week ago. A month ago the rate was 98.2% and production yielded 1,963,400 tons; a year ago it stood at 93.1% and amounted to 1,774,700 tons.

Electric Output Shows Substantial Gains This Week

The amount of electrical energy distributed by the electric light and power industry for the week ended Jan. 27, 1951, was estimated at 6,969,566,000 kwh., according to the Edison Electric Institute.

It was 60,748,000 kwh. higher than the figure reported for the previous week, 997,904,000 kwh., or 16.7% above the total output for the week ended Jan. 28, 1950, and 1,159,532,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Trend Mildly Lower for Week

Loadings of revenue freight for the week ended Jan. 20, 1951, totaled 779,816 cars, according to the Association of American

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The State of Trade and Industry

Railroads, representing a decrease of 3,209 cars, or 0.4% below the preceding week.

The week's total represented an increase of 160,653 cars, or 25.9% above the corresponding week in 1950 when loadings were reduced by restricted coal mining operations, and an increase of 69,979 cars, or 9.9% above the comparable period of 1949.

Auto Output Edged Slightly Above Previous Week's Level

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 166,176 units, compared with the previous week's total of 162,405 (revised) units and 141,036 units a year ago.

The agency estimated January output would total 500,000 cars and 128,000 trucks. The car figure is almost identical with output in December, 1950, while the truck estimate is about 2,000 units above last month's output.

Total output for the current week was made up of 126,732 cars and 30,263 trucks built in the United States and a total of 6,703 cars and 2,478 trucks built in Canada.

For the United States alone, total output was 156,995 units, against last week's revised total of 153,442 units, and in the like week of the last year 133,466. Canadian output in the week totaled 9,181 units compared with 8,963 units a week ago and 7,570 units a year ago.

Business Failures Advanced to Highest Point Since August Last

Commercial and industrial failures rose to 193 in the week ended Jan. 25 from 167 in the preceding week, Dun & Bradstreet, Inc., reports. Rebounding to the level of two weeks ago, casualties were higher than in any other week since August last year. Despite this increase, failures were less numerous than in the comparable week a year ago when 232 occurred but they exceeded the 136 which occurred in 1949. In comparison with the similar week of prewar 1939, casualties were down 50%.

Liabilities of $5,000 or more were involved in 143 of the week's failures. This size group showed an increase from 127 last week but remained below the total of 176 a year ago. Small casualties, those having liabilities under $5,000, rose to 50 from 40 in the preceding week but were slightly less numerous than last year when 56 concerns failed.

All industry and trade groups except manufacturing had an increase; retail casualties were up to 97 from 82, wholesaling to 26 from 14, construction to 26 from 21, and commercial service to 18 from 13. Meanwhile, manufacturing failures dipped to 26 from 37 and were only one-half as numerous as in 1950. A milder decline from last year's level took place in wholesale and retail trade, whereas construction and service casualties were above a year ago.

Five of the nine major regions reported a rise in mortality. Exceptions to this increase appeared in the West North Central, South Central, and Mountain States where slight declines prevailed. The Middle Atlantic Region was the only area reporting more failures than last year.

Wholesale Food Price Index Moves Moderately Higher

Numerous though mild advances resulted in a further moderate rise in the Dun & Bradstreet wholesale food price index last week. The number rose from $7.04 on Jan. 16 to $7.08 on Jan. 23, marking a new high level since Aug. 10, 1948, when it stood at $7.18. The current index is 22.5% above the $5.78 of a year ago.

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 Rises to New All-Time Peak

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued to rise during the past week. It closed at a new all-time high of 323.65 on Jan. 23. This compared with 320.92 a week ago, and represented an increase of 31.8% over the 245.25 recorded on the corresponding date a year ago.

Grain prices were irregular with most grains showing a slight rise for the week. Demand for corn was less aggressive than in recent weeks. Wheat displayed strength despite better crop reports from the Southwest. Trading in futures increased on the Chicago Board of Trade; sales totaled 251,269,000 bushels for the week. This represented a daily average of 42,000,000 bushels, against 40,500,000 the previous week and 28,700,000 in the same week last year.

Flour prices held in a narrow range. Trading in bakery varieties was dull with most users said to have considerable backlogs on hand. Cocoa values were steady and firm with buying stimulated by further reselling of cocoa to Europe by United States interests.

Coffee finished slightly higher but showed some hesitation at times as the trade awaited developments in the price control program.

Raw sugar was steady to slightly firmer following the rather sharp drop of a week ago. Liquidation and profit-taking resulted in lower lard prices for the first time in four weeks. Livestock markets remained strong with hogs, steers and lambs recording further slgiht advances for the week.

Cotton resumed its upward course the past week. Following early weakness, spot quotations at New York moved higher to close at a new record high of 45.58 cents a pound, comparing with 32.08 cents at this time a year ago.

Strength in the market was attributable to war uncertainties and reports of dryness in the Western part of the cotton belt.

The official report of cotton consumption for December was somewhat better than expected, totaling 41,300 bales per working day, as compared with a daily rate of 41,200 bales for November, and 34,900 for December a year ago. Activity in spot markets was somewhat slower last week. Sales in the ten markets were reported at 181,300 bales, against 223,900 the previous week, and 263,600 in the corresponding week last year. Cotton textile continued active and strong. A number of government invitations for bids on substantial yardages of goods have been noted in recent weeks.

Further sharp advances were noted in the Boston wool market the previous week. There was good demand for all classes of wool with buying stimulated by continued strong demand in foreign wool auctions at record prices and the prospect of large government buying for military and stockpiling needs. The average of 25 domestic wool quotations rose to $2.15 a pound this week, from $2.01 a week ago, and compared with 97 cents on the corresponding date a year ago.

Increased Dollar Volume Aided by Higher Prices and Fear of Impending Shortages

The nation's consumers continued to increase their spending in the period ended on Wednesday of last week and total retail dollar volume, as a consequence, was appreciably above the level for the corresponding period one year ago, Dun & Bradstreet, Inc., reveals in its current summary of trade. While the prevalence of seasonal weather was considered to have encouraged shoppers, upward price adjustments and a fear of future shortages were deemed instrumental in creating high dollar sales in scattered areas.

The buying of outerwear and other winter apparel increased somewhat last week, as cold weather came to many parts of the country; total volume of apparel sold was moderately above that for last year. Hosiery was in noticeably increased demand in many vicinities, as was nylon lingerie, accessories and knit-wear. While the interest in popular-priced dresses was largely unchanged from the previous week, some styles of formal dresses were increasingly sought. Dollar volume of men's and boys' worsted suits rose slightly.

Largely through price rises in some staple items, the dollar volume of food purchased at the nation's grocery stores increased slightly the past week. The unit volume rose somewhat for pork, fresh fruit and frozen and canned produce.

The general level of house-furnishings purchasing rose moderately last week, as some shoppers were inclined to obtain items constructed of reportedly scarce materials.

Both dollar and unit volume were markedly above the levels of the comparable 1950 week.

Among those lines registering large turn-overs were appliances, housewares, television sets and floor-coverings. The interest in some types of furniture was desultory, while outdoor items and bedding were in frequent demand.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 9 to 13% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England +7 to +11; East and Midwest +8 to +12; South +5 to +9; Northwest +9 to +13; Southwest +10 to +14 and Pacific Coast +12 to +16.

There was a noticeable rise in wholesale ordering in the week as trade shows continued to be featured in various parts of the country; the total order volume was considerably above the level for the similar week a year ago. The anticipation of alleged impending shortages helped to accelerate the booking of some commodities. The number of buyers attending wholesale centers increased somewhat and was slightly above the similar 1950 level.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 20, 1951, advanced 31% from the like period of last year. This compared with a similar increase in the previous week and for the four weeks ended Jan. 20, 1951. For the year to date department store sales registered an advance of 5%.

Retail trade in New York the past week increased approximately 25% above the like period of a year ago. Hard goods were mostly responsible for the higher trend, with higher prices also playing an important role.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Jan. 20, 1951, advanced 24% from the like period of last year. In the preceding week an increase of 31% was registered above the similar week of 1950. For the four weeks ended Jan. 20, 1951, an increase of 26% was recorded over that of a year ago, and for the year to date, volume advanced 2% from the like period of last year.

With Waters & Alcus

(Special to The Financial Chronicle)

NEW ORLEANS, La. — Arthur C. Waters, Jr., and Godfrey R. Parkerson have become associated with Waters & Alcus, Whitney Building, members of the New Orleans and Midwest Stock Exchanges. Mr. Parkerson was formerly with Beer & Co.

L. W. Kimball Co. Formed

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Lester W. Kimball has formed L. W. Kimball Co. with offices at 650 South Grand Avenue. He was formerly Vice-President of Leimert-Kimball & Co.

Cole & Jones

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—J. Byron Cole and Allen Jones are engaging in the securities business from offices at 1228 South Flower Street under the firm name of Cole & Jones.

Andrew B. Knox & Co.

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla. — Andrew B. Knox & Co. is engaging in the securities business from offices at 207 E. Broward Boulevard. Officers are Andrew B. Knox, President; Jos. I. Rutman, Vice-President; Mrs. G. M. Baker, Secretary and Treasurer; and Col. Alvin R. Baker, Chairman of the Board.

New Bulloch Branch

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Calvin Bullock has opened a branch office in the Russ Building. Robert G. Hurt will be associated with the new office.

F. I. duPont Branch

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Francis I. du Pont & Co. has opened an office at 113 Southeast Second Street under the direction of Frederick J. Vieth.

Deposits of Mutual Savings Banks Now Exceed $20 Billion

A. Livingston Kelley, President of National Association of Mutual Savings Banks, reports deposits gain in 1950 aggregated $744 million. Savings banks' mortgage loans outstanding now are at $8 billion.

Deposits in the nation's 529 mutual savings banks increased $744,000,000, or 4%, during 1950, to cross the $20,000,000,000 mark for the first time in these institutions' history of almost a century and a half, according to A. Livingston Kelley, President of the National Association of Mutual Savings Banks and President, Providence Institution for Savings, Providence, R. I. This gain occurred despite the lag in deposit growth during the third quarter that accompanied unsettlement in foreign affairs and general economic conditions, and despite the buying rush that has been widely reported. In 1949, when such disturbing conditions were absent, although the rapid upsurge of wartime had subsided, the deposit gain had been $887,000,000, or 5%. Activity during the year has been high. Amounts deposited in regular accounts were 8% higher in 1950 than in 1949, and withdrawals 13% greater.

A. Livingston Kelley

The gain of $189,000,000 in regular deposits during December continued the November gain of $88,000,000; in 1949 the gains in the respective months had been $230,000,000 and $82,000,000. The December figures reflect a greater increase, in comparison with the corresponding month a year ago, in withdrawals than in amounts deposited.

The year 1950 has been remarkable for a record gain of roughly $1,600,000,000 in mortgage loans, to reach $8,000,000,000, or 35.8% of assets as compared with 30.1% when the year opened. During the year, holdings of U. S. Government securities declined over $550,000,000 to $10,900,000,000, or from 53.2% of assets to 48.5%. Meanwhile, holdings of corporate and municipal securities showed little change, while holdings of cash fell $80,000,000.

The December gain in mortgage holdings reached the record total of $194,000,000, in contrast to $111,000,000 a year earlier and $149,000,000 in November. For the eighth consecutive month, holdings of U. S. Government obligations fell by $53,000,000, in contrast to a decline of $142,000,000 in November and a gain of $37,000,000 in December, 1949.

Alvin F. Kramer

Alvin F. Kramer, partner in Eastman, Dillon & Co., died on Jan. 23.

Continued from first page

Meeting Russia's Challenge

existence with the present Soviet system is impossible." This is the first assumption.

(II) We have the second assumption that Soviet communism will continue to expand and will endeavor to dominate the world, at least until such time as we shall be able to meet as equals with Soviet Russia in discussions to reach some kind of a settlement. This is what we might call, I think, the Churchill policy, also shared, I believe, by Bernard Baruch. This policy is based on the fact that the United States has a large stockpile of atomic bombs, and on the hope that we may come to terms with Soviet communism before they have built up a large stockpile of their own of these fearful engines.

(III) The third assumption, underlying the Atlantic Pact, is one of creating a balance of power which will induce the Soviet rulers to lay aside their plans to take over the world.

The first two assumptions imply the deliberate risk of going to war if necessary, while the third assumption is a policy of trying to avoid a new World War, more at Russian terms than at ours.

Let us look closer at these assumptions and what they mean in terms of foreign policy and military preparedness.

Military Implications of Three Assumptions

(I) The first assumption is the idea that the possible coexistence with Soviet communism is a pernicious fallacy. It assumes that "Soviet communism will continue to expand unless it is opposed with all our strength and all our mind and all our will," as "Life" puts it. "That includes the steady, calm and constant acceptance of the risk of all-out war," adds "Life." It is the hope of those who take this view that if we show the necessary determination the Soviet empire may start to change and to crumble.

"Life" may be right or wrong in its assumption and in its hope. Personally, much as I hate communism and wish its destruction, I think that the relationship between Nazi Germany and Soviet Russia is at least an indication that the coexistence of the free world with Soviet Russia is possible if the free world is militarily strong enough to reach some kind of livable settlement. But one thing is certain. The assumption of the impossibility of coexistence implies total mobilization and a speedy rearmament in order to have a showdown with Russia before she has made a sufficiently large stockpile of atomic bombs which would enable her to terrorize the free world. One should not forget that Russia already has large land forces and an effective superiority in what are now called "the conventional arms." Such a policy may bring war at any moment we or the Russians choose.

(II) The Churchill policy suggests that some kind of a settlement with Soviet Russia should be sought as soon as a suitable opportunity presents itself, and that efforts to reach a settlement should be made while the menace of the immeasurable superiority of the U. S. atomic bomb organization offsets the Soviet predominance in every other military respect. This policy assumes the possibility of coexistence of the free world with Soviet communism, but more at our terms than at theirs.

It seems to me that from a military viewpoint this assumption implies also a big and speedy rearmament so that we might be able to reach a settlement before the Russians are able to accumulate a sufficiently large stockpile of atomic bombs. If I interpret correctly Churchill's thinking, he is of the opinion that we should build up speedily our armed strength and then, when we can speak as equals, try to reach some kind of a settlement, which might include the liberation of the satellite countries and a program of controlled disarmament. What I call Churchill's policy implies, of course, the risk of going to war if a settlement cannot be reached before the Russians have made a large stockpile of atomic bombs.

(III) The most complex assumption is the one which is at the basis of our adopted policy, namely, the rearming of the United States and of Western Europe in order to create a balance of power. The main aim of this policy, based on the Atlantic Pact, is to avoid war, and to prevent, if at all possible, the occupation of Western Europe by Russia. This policy assumes implicity the possibility of coexistence with Soviet communism provided there is a balance of power.

For the time being there seems to be some sort of a balance between the military strength of Russia and that of the free world based on the fact that Russia has an overwhelming land army and an effective superiority in what are called "conventional arms," while the United States has an immense superiority of atomic bomb organization and stockpile. The policy which has been adopted boils down to a race between rearming the United States and Europe with conventional arms, and the manufacturing of a large stockpile of atomic bombs by Soviet communism. Such a policy, if at all realistic, implies the maintenance possibly for long years of a kind of "garrison state" both in the United States and in Western Europe. It further implies that Russia will give us the time to rearm Western Europe and will not be afraid of our building-up land forces and armed strength in Europe to a point which might deprive Russia of her superiority on land.

Question of Western Rearmament

The policy of rearming Western Europe raises a few more questions.

It seems certain that Russia is afraid of a rearmament in Germany. It is questionable, however, whether Europe can build up an army strong enough to withstand a Russian attack without rearming Germany. Assuming that we renounce the rearming of Germany in order to avoid what the Russians might consider a provocation to war, will Europe be able to build up a sufficiently strong defensive army before Russia will have manufactured a large stockpile of atomic bombs which would permit her to terrorize the free world? The Europeans insist on our sending at least ten more American divisions to defend Europe while we and Western Europe are rearming. As long as we maintain our atomic bomb superiority it is probable that Russia will hesitate to attack Western Europe. But this will not be because of the ten additional American divisions but because of the atomic bomb superiority. Many Europeans maintain that then, 15 American divisions in Europe will bolster the courage of Western Europe and will strengthen their will to rearm and fight. But again, ten, 15, or 20 American divisions are no match for the Russian land forces if they should attack before the western world has formed and equipped at least 60 to 80 divisions. If the American troops are only a guaranty of our solidarity with Europe, then the four American divisions already in Germany should suffice at least as long as our atomic bomb superiority serves as the real deterrent to prevent Russia from attacking Western Europe.

As if to confuse even more the understanding of the issues raised by the policy implied in the Atlantic Pact, Mr. Walter Lippmann writes in the "Herald-Tribune" of Monday, Jan. 29, as follows:

"In one way or another General Eisenhower is bound to say what is, in fact, the self-evident truth: that a serious effort to increase the military power of Western Europe, and to prove our own solidarity with the fate of Europe, is essential not only to the survival but to the rehabilitation of Europe.

"To say this is not to say that the 'defense' of Europe — in the sense of an ability to repel the Red Army — depends solely, or even decisively, on the ground armies which can be stationed in Western Europe. Nobody in Europe really believes that an army capable of defeating the Red Army can be assembled quickly in Europe. Every one who has looked into the situation realizes that the armies of Western Europe will long be very much weaker than the armies of the Soviet orbit, and that these Western armies can be formed only if—for other reasons and by other means—the Red Army is deterred from and is persuaded against an invasion to destroy the European armies before they are of any serious military importance.

"The exaggerated and highly misleading idea that the defense of Europe depends on these armies, including our few divisions, is the product, I believe, not of an objective estimate and a considered policy based on that estimate. It is almost entirely an attempt to 'sell' a good idea to Congress and to a people who are deemed not able or willing to understand the real reasons for the policy.

"The real reason for rearming the Western nations; for organizing an Atlantic army with an American commander, for enlarging our own forces on the European continent—and for rearming in any form at all the West Germans—is that this is essential in order to restore the inner stability, the national self-respect, the diplomatic weight, the sovereign authority and independence of the great nations of our Western society. This effort, which is more one of reconstruction than of sheer defense, is something that has to be done in Europe is ever to be anything but a satellite continent, the Eastern half under the domination of Russia, the Western half a dependency of the United States."

Mr. Lippmann's interpretation of the idea of rearming Western Europe seems to me too involved. The opinion of military experts is that a defensive European army together with the deterrent power of the American air and sea forces will probably be able to prevent the occupation of Western Europe by the Russians.

Conclusion

Are there any practical conclusions we may draw from the above analysis of the various assumptions underlying our thinking in the fight against Soviet communism? I think there are. Let me state them as they occur to me:

(I) Under any one of the above three assumptions it is imperative that we should arm Western Europe and particularly ourselves at the greatest possible speed, by which I mean no more than 18 months to two years. A policy of rearming at leisure over a period of five to 10 years seems to me absurd. Leave aside the doubt that the democracies, including our own, could stand morally for 10 years a garrison state, and I am certain that it would mean financial ruin and would bring about some form of totalitarian government in our own countries.

(II) We should rearm the United States and build positions of strength outside of Europe from which we can attack or counterattack Russia if she should invade Western Europe. It seems obvious to me that it is the superiority of our air and sea power which is our main asset in our cold or hot war against Soviet communism.

(III) We should help Europe build up within 18 months to two years a defensive army of somewhere between 60 and 80 divisions. If it can bolster European morale and can induce the Atlantic European countries to rearm speedily we should maintain 10 to 15 American divisions on the European continent.

(IV) We should not rearm Germany; the bargaining-value of not rearming Germany should be used in the proposed negotiations with Russia.

(V) As soon as the European defensive army is ready, and we have brought our own military strength to a state where we can wage war if necessary, we should seek the opportunity suggested by Churchill to reach with Russia some kind of a settlement which should include the liberation of the Eastern European countries, Eastern Germany and a policy of controlled disarmament.

The only policy which doesn't make any sense to me is the rearming at leisure over a period of five to 10 years as some people suggest. We should on the contrary take advantage of our immense superiority in the organization and stockpile of atomic bombs to reach at the risk of war some kind of a liveable settlement with Russia, which should include above all, controlled disarmament.

* * *

Isolationists and Neutralists

I left out of my discussion the American isolationists' position as formulated by Mr. Hoover and that of the French so-called neutralists because they have one fundamental weakness in common, namely, they don't explain how we prevent Russia from grabbing Western Europe with all its vast industrial, human and scientific resources.

Mr. Hoover seems to think that as long as we maintain this Western Hemisphere militarily strong and economically healthy, we can with our own air and naval forces "hold the Atlantic and Pacific Oceans with one frontier in Britain (if she wishes to cooperate); the other on Japan, Formosa and the Philippines. We can hold open the sea lanes for our supplies . . . to do this we should arm our air and naval forces to the teeth. . . . To warrant our further aid it (Western Europe) must express itself in organized and equipped combat divisions of such huge numbers as would erect a sure dam against the Red flood. And that before we land another man or another dollar on their shores."

Mr. Hoover does not explain whether the United States should abandon Berlin and whether it should withdraw the American divisions now in Germany. Neither does he explain whether we should abandon the Middle East and all the European and Middle East bases for the strategic bombers.

The Neutralists

The position of the French so-called neutralists, as I understood it from conversations I had with some of them, is more sophisticated. It may serve our enlightenment to understand their views despite the basic weakness mentioned above which it has in common with American isolationists.

First, I was startled when those who are known as neutralists protested against being called neutralists. They said that they are neutralists in the same sense as the Swiss are and that their main purpose is to avoid a new world war. They feel strongly that if a world war should break out, Western Europe will be unable to prevent its occupation by Russia. The prospect of being liberated by the United States after huge destruction does not offer them any comfort. The so-called neutralists believe that Western Europe cannot be defended without a strong German army which they do not wish for well known French reasons, and also because they are afraid that German rearmament might provoke Russia into war. The so-called neutralists argue that France and Italy are too infiltrated with communism to form reliable armies against Soviet communism. It is also their view that the Atlantic Pact which came after the Marshall Plan gave substance to the communistic propaganda that the Atlantic Pact European countries are considered by the United States only as their stooges and that they are asked to fight for the Americans; that in the view of the masses the present conflict is mainly one between Russia and the United States and that interfering in that fight, the small countries, including France, can only be crushed.

But how do they explain their contention that the policy they advocate would avoid war? In a nutshell, it is that there is presently a balance between the military strength of Russia and that of the free world based on the fact that Russia has an overwhelming land army, while the United States has an immense superiority of air and naval forces and of atomic bomb organization and stockpile. They feel that if Western Europe (including Germany) would be rearmed to the point where it might deprive Russia of her superiority on land, she would declare war before such a state of affairs becomes an accomplished fact. Even if one accepts their reasoning one grasps immediately the weakness of their argument. How would they prevent Russia from grabbing Western Europe when she will have made a sufficient stockpile of atomic bombs, which, together with her overwhelming land forces will destroy the presumed existing balance of power which preserves Western Europe presently? Their answer is that European nations should build up strong national armies on the model of the Swiss which would be psychologically better conditioned to defend their own land and homes.

I have endeavored to explain as clearly and objectively as I possibly can the position of the so-called neutralist. It seems to me unrealistic for reasons just given. It must be said in fairness, however, that to a certain extent the weakness of the position defended by the neutralists is the same as the one one detects in analyzing the assumption underlying the Atlantic Pact. The more one analyzes the various reasons proposed to meet the Russian challenge, the more one reaches the conclusion that the realistic answer is what I called above the Churchill policy.

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Public Utility Securities

By OWEN ELY

American & Foreign Power Electric Bond & Share

American & Foreign Power has recently filed with the SEC a new recapitalization plan, superseding the plan of 1947 which failed of consummation. The new plan follows the general lines of the old, but the allocations are somewhat modified as follows:

Allocation of New Securities Under Two Plans

	—Debentures—		—Common Stock—	
	Old	New	Old	New
$7 Preferred	$110	$90	2.125 shs.	3.6 shs.
$6 Preferred	100	80	1.5	2.9
Second Preferred			.375	.65
Common Stock			.02	.02
Warrants			--	--

The pro forma capitalization of the parent company would be as follows, under the new plan: $50 million, 5% debentures (now outstanding); $67 million, new 4½% junior debentures; $10 million bank loans; and 6,637,000 shares of new common stock.

Electric Bond & Share owns securities of Foreign Power as follows: about $50 million, notes; 9% of the first preferred stocks; 85% of the second preferred; 39% of the common; and 90% of the warrants. The total investment was carried on its balance sheet at $279 million as of Sept. 30, 1950, less a reserve of $200 million, making a net figure of about $79 million or about $15 per share of EBS. Under the old plan, Bond & Share would have received some $8 million debentures and two-thirds of the new common; under the new plan this is reduced to 56½% of the new common (with no debentures). Electric Bond receives some 3,750,000 shares of the new common stock or about 72/100 share for each share of its own stock outstanding.

How much will the new securities be worth in the market if the new plan is approved by the SEC and a Federal court and consummated? In approving the 1947 plan the SEC assigned "fair values" of $100 to the debentures and $15 to the new common. The earnings set-up under the new plan differs somewhat—pro forma coverage for parent company fixed charges is estimated at 2.57 times and consolidated earnings for the new common stock at $2.59 (on a parent company basis $1.44). Under the previous plan, pro forma consolidated earnings of $2.16 a share and parent company of $1.47 (for the year 1946) had been estimated.

It is estimated that the future annual dividend rate on the new common stock may be $1, making allowance for the sinking fund* which must come out of the parent company's $1.44 earnings. Yield is the safest yardstick in estimating the price of a new stock, though earnings are, of course, a factor. In recent utility markets a number of equities have been yielding 7/8% and it seems unlikely that Foreign Power (initially at least) could do much better than this. A price of 13 would mean a yield of 7.7%, and 14 would equal 7.2%. Brazilian Traction, a Canadian holding company with large utility holdings in Brazil, sells in Canada around 24 and pays $2, to yield about 8.3%.

How should the new debentures be appraised marketwise? The old 5s are around 98, and allowing for the lower interest rate the new bonds might currently be worth about 10% less or 88. While they are junior to the old 5s, they are supported by sinking and improvement funds. Moreover, there is some possibility that over the next two or three years the old 5s may be redeemed through proceeds of sale of the Argentine properties, in which event the 4½s would become a senior security.

Taking 88 for the debentures and 13 for the new common, estimated prices would work out as follows:

$7 Preferred	$6 Preferred	2nd Preferred	Common
$126.00	$108.00	$8.50	$0.26

The senior preferreds are selling well below the estimated breakup values, while the second preferred sells at nearly twice the appraised figure and the common at over ten times as much. It is hard to account for the present market values of the junior securities, following publication of the new plan—unless perhaps there is an overcrowded short position.

Electric Bond & Share's breakup value may now be estimated roughly as follows:

	Amount per Share
72/100 of a share of Foreign Power new common at 13	$9.30
55/100 of a share of United Gas at 22	12.10
Ebasco Services at about five times earnings	1.90
Estimated cash and marketable securities less liabilities	4.70
Total	$28.00

What are the prospects for future earnings of American & Foreign Power?† With the return to power of President Vargas, there has been some discussion of a possible revision of exchange rates, particularly as applied to nonessential imports and luxuries. There has been no indication that the Vargas Administration favors outright devaluation or a lower value for the cruzeiro, where earnings remittances are concerned. However, if devaluation should occur, rate increases would eventually restore the balance of dollar earnings. Generally speaking, the exchange situation is rapidly improving. Four countries served by the Foreign Power system have "hard currencies"—Cuba, Venezuela, Panama and Guatemala. Latin America generally has benefited sharply by recent world conditions. Chile gains through the shortage of copper. Higher coffee prices aid Brazil, Columbia and other countries. Better sugar prices and a large crop are improving the outlook in Cuba, and the political atmosphere has also improved; the reorganization of Foreign Power's important Cuban subsidiary has been completed. From an earnings viewpoint, only the Argentine and Mexican situations remain difficult.

As noted above, the chances seem improved for future sale of the Argentine properties to the Peron Government, now that the country's economy is benefited by rising prices. The investment in that country is carried at over $100 million on Foreign Power's books, but largely due to the expropriation of some of the properties practically no income is received from this big investment. Any sale of these properties would, therefore effect a great improvement in system finances and earning power.

It is now much easier to bring cash from Latin America to New York, and remittances from Brazil are normal. The big system construction program was considerably scaled down in 1950, and successful efforts were made to raise some cash locally. About $8 million of common stock in a Brazilian subsidiary was sold internally to yield about 10%, and more could have been placed. Some loans have been received from the Import-Export bank, and more should be obtainable. With the improved foreign exchange situation it is believed that the parent company will have little difficulty in transferring a normal amount of cash to New York, permitting dividend payments on the new common stock.

*Foreign Power's bank loans are to be paid off serially to 1954. In 1955 the sinking fund commences to operate, with additional sinking or improvement funds charges maintaining a level service charge thereafter when combined with interest.

†The setback in earnings for the 12 months ended Sept. 30th was due largely to a change in depreciation policy and a smaller credit for interest on construction. Calendar year figures are expected to make a better comparison.

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Our Defense Program Must Prevent War and Inflation

reconstruction of great military forces of Western powers on her borders, any more than we would if our positions were reversed. I do not believe Germany or Japan will be parties to such a program. It would seem that they do not propose to be the battleground for the defense of the Western world. I believe we must plan on Germany and Japan developing as defensively armed neutral areas, between the Communistic and the Western worlds.

War can be avoided, I believe, if we do not attempt to build up international competitive and threatening military forces in Japan or on the continents of Europe or Asia. Any attempt to do so is likely to provoke aggression — great standing armies cannot be mobilized, facing each other for long periods of time, without war. In any case, what is the stopping point of expansion and how do you ever demobilize them?

We should not make any commitment to use the atomic bomb only if it is used against us first. Such a commitment offers us no protection. We must retain the initiative for use of all our weapons, including the atomic bomb. Any defense preparedness program may mean an uneasy peace, but it will be as uneasy for the Russians as for us.

I should like now to discuss rather fully the inflationary problems as related to fiscal, monetary, and direct controls.

Why Balance the Budget?

We shall lose the fight against totalitarianism even though our military and foreign policies are successful in maintaining peace if we permit inflation to sap the strength of our democratic institutions. Inflation is an insidious thing. In its early stages it can have a certain exhilarating effect. But as it proceeds it will operate to destroy our free economy. Inflation works a grave injustice on great masses of people. It injures most the aged, the pensioners, the widows, and the disabled, the most helpless members of our society. It diminishes the desire to work, to save, and to plan for the future. It causes unrest and dissension among people and thereby weakens our productivity and hence our defense effort. It imperils the existence of the very system that all of our efforts are designed to protect.

We must recognize that our problem of controlling inflation is more complicated now than in World War II. There is no end in sight for the necessity of maintaining very large government expenditures even though nondefense expenditures are reduced to the very minimum, as they certainly should be. People hold an unparalleled amount of liquid assets in the form of bank deposits, Government bonds, equity in insurance policies, building and loan shares, and other forms. Potentialities for inflation are now tremendous. It would be impossible to prevent inflation under these conditions without at least balancing the Federal Budget.

Everyone will agree that our military and foreign aid program will divert large supplies of goods and services from private consumption and investment. This is a physical fact that will not be changed whether or not we tax ourselves to pay for it. The production of the goods and services for this program will provide money income to those who are engaged in it, but it will not provide a corresponding volume of goods or services for which this income may be spent.

Without a pay-as-you-go tax program the Government will have to borrow to make up its deficit, either from the banks or from the nonbank public. Although borrowing from the public is less inflationary than from banks, there is no assurance that such borrowing could succeed in soaking up the excess funds available for spending. In my judgment, it would be impossible to avoid destructive inflation and further debasement of the dollar if the policy of an unbalanced budget, however financed, were long continued. An over-all complete harness of controls would only postpone the disastrous consequences

Borrowing from banks creates new money. Borrowing from nonbank sources does not increase the money supply, but it adds to the total volume of the public debt and to the liquid assets held by the public, thus storing up inflationary pressures for the future under present debt management policies. The money supply is already excessive, considering the fact that it is being used less actively than it could be, compared with past experience. In addition, the tremendous amount of other liquid assets held by the public is like money in many respects because it can be turned into money under the present Federal Reserve policy of supporting the Government security market at fixed prices and interest rates.

As inflation proceeds, the desire increases to convert liquid assets into money and then into goods and services. This is what is known as the flight from the dollar. The need to hold money and other liquid assets is not as great today as it has been in the past. This is because of improved insurance and pension provisions for old age. Also—the urge to provide for the contingency of depression and unemployment is less compelling. Under these circumstances the more liquid assets the public holds the more likely they are to cash them and spend the proceeds. Thus you can have an inflation even if all Federal deficit financing is done outside the banks.

How to Raise Tax Revenues

There can be no escaping the fact that a pay-as-you-go tax program will increase the tax burden of all who receive more than a subsistence. We will have to get the money from those individuals and businesses who receive it in relationship to the Government's need and their ability to pay. In this country income and financial resources are broadly distributed. Tax increases to raise $16 billion will likewise have to be broadly distributed.

An increase in individual income taxes should produce about half of the additional revenue required. Since the bulk of the taxable income is in the first taxable bracket, the increase will have to begin there,starting say with a rate of 25% instead of 20, and go all the way up the income scale. There should be an increase in the regular corporation income tax with some credit allowance on that part of income which is disbursed as dividends, these being subject to individual income taxes. We should also greatly strengthen the new excess profits tax law. Excise taxes should be placed on all non-essential goods now exempt and increased on non-essentials now subject to tax.

With the proposed increased tax rates on individual and corporate incomes, it is especially essential that all loopholes in the tax laws be closed. This source alone might provide as much as $3 billion in additional revenue. Exempt income of insurance companies, savings and loan associations, and farm, labor, educational and religious cooperatives, as well as interest from new securities of State and local governments, should be taxed. Depletion allowances should be greatly reduced in accordance with Treasury recommendations, and unusual expenses and promotional and advertising outlays made non-deductible for tax purposes. And there are other loopholes that should be closed. The present capital gains tax is one of these loopholes for tax avoidance. It also promotes inflation, particulary in commodities, real estate and stocks.

To maintain the morale of the taxpayer who pays his honest share of taxes, loopholes must be closed and tax enforcement intensified. The Treasury should have sufficient competent personnel to give the same strict enforcement of tax collection to farmers, professional people, and the small unincorporated businesses as is now applied to other types of taxpayers, notably those whose entire income is subject to withholding taxes.

Credit Restraints Needed

No tax program by itself is sufficient to prevent inflation under the conditions we face. It must be backed up by restrictive credit and monetary measures. Many individuals and corporations, when their expenditures are squeezed by higher taxes, will try to supplement their incomes by borrowing. Other credit demands will continue as there is an increasing effort to borrow to build up inventories, particularly of scarce goods, to take advantage of investment opportunities, and to speculate on the inflationary rise. The harm to our economic stability from such private deficit financing is at least as great as that from deficit financing by the government. In fact, the whole postwar inflation, and particularly since the Korean outbreak, has been due to private rather than government deficit spending. If we impose painful taxes to avoid one form of deficit financing we must surely seek out a way to put a check on the other.

To prevent inflation we must stop the overall growth in credit and the money supply whether for financing government or private deficit spending. The supply of money must be controlled at the source of its creation, which is the banking system. Under our present powers, the only way to do this is by denying banks access to Federal Reserve funds which provide the basis for a six-fold expansion in our money supply. The only way to stop access to Federal Reserve funds is by withdrawing Federal Reserve support from the government securities market and penalizing borrowing by the member banks from the Federal Reserve Banks. As long as the Federal Reserve is required to buy government securities at the will of the market for the purpose of defending a fixed pattern of interest rates established by the Treasury, it must stand ready to create new bank reserves in unlimited amount. This policy makes the entire banking system, through the action of the Federal Reserve System, an engine of inflation.

If access to Federal Reserve credit were strictly limited or denied, and if there were more sellers than buyers of government securities, then prices of outstanding government securities would decline and interest rates would rise until the market became self-sustaining. More sellers of government securities than buyers indicates that the public is not willing to hold at existing rates. The only way to restore the balance is to let interest rates go higher to meet public demands. The government with the support of the Federal Reserve has the machinery and the power to decree what prevailing interest rates are to be. But lacking the power to require the holding of its securities by the public, the government cannot prevent their being offered for sale if the public is not willing to hold at those rates. If interest rates are not to be allowed to rise in response to market forces, then the government must create all the money it takes to keep rates down. This in effect makes interest-bearing money out of all government securities and adds to the liquidity of all private debt as well. It is hard to conceive of a more inflationary monetary policy.

There is another aspect of an interest rate freeze that under present conditions works to promote expansion of our money supply. Interest rates on short-term government securities are about half of what rates are on long-term issues. Corporations and other nonbank investors hold short-term securities, however, because they do not wish to take the chance of a market loss on long-term issues should they need their funds. But if the policy as announced by the Secretary of the Treasury is to prevail, that the existing pattern of interest rates will not be allowed to rise, then long-term government bonds in effect become demand obligations. The lower yielding short-term securities held by nonbank investors will be shifted to the Federal Reserve. This process generates demand for long-term government securities, helps to maintain a lower long-term rate than would otherwise prevail, and gives the appearance of tremendous success to each government financing effort. It is, however, a success bought by the creation of tremendous sums of money, at the cost of progressive decline in the value of the dollar.

To allow interest rates on government securities to respond to the forces of the money and credit market, I realize, raises problems of debt management because of the large volume of debt maturing each year and the demand liabilities in savings bonds. With large and frequent refundings, the process of permitting interest fluctuations involves careful management. If a refunding offering is not in line with market rates, Federal Reserve support is necessary to insure its success.

These are important problems which a frozen pattern of interest rates can avoid. But they are not nearly as formidable as the problems that we take on if we accept a frozen interest rate structure. We cannot prevent increases in the volume of our money if we are unwilling to deny Federal Reserve credit when inflation is taking place, and to allow interest rates to rise if market forces operate in this direction. Inflation and debasement of the value of the dollar is the price we pay for the luxury of a booming government securities market. Any tax program we are likely to adopt can hardly be adequate to stop inflation in the long run as long as the money and credit floodgates are left open.

If the Federal Reserve is to be required to maintain a fixed pattern of interest rates established by the Treasury, then the System should either be discharged of its responsibility for controlling the volume of credit and money or be given new powers as partial substitutes for those that it is not permitted to use. The limited selective controls which the System now has over certain consumer, real estate and stock market credit may be useful and desirable, although their effectiveness is certainly much more limited than is generally believed. Authority to increase reserve requirements of *all* commercial banks would be a partial substitute for traditional credit control powers to enable the System to immobilize new bank reserves arising from its purchases of government securities in support of the market. Authority would also be needed to require all commercial banks to hold an adequate percentage of their deposits in a special reserve in government securities, or at their option a like amount in cash. It would likely be essential for the Federal Reserve to have authority to require savings institutions such as life insurance companies, savings banks and savings and loan associations to hold a certain proportion of their assets in government securities in order to prevent them from selling in a market supported at pegged prices by the Federal Reserve.

All of these substitute powers would be necessary to compensate for the control over expansion in our money supply that we give up when the interest pattern on government securities is frozen.

Selective Price and Wage Controls

Fiscal and credit action will have to be buttressed for the present with some rationing and allocations. They will be required to control the use of certain essential goods in short supply and of scarce or critical materials and finished products. To prevent the bidding-up of prices on these items, price controls will be needed. Such controls should be *selective*, however, and applied only in those limited cases where materials or goods are both essential and in short supply, and removed as soon as they are no longer in short supply or deemed essential.

Overall price controls are unnecessary and should not be imposed upon the economy. Price controls cannot be successfully applied unless simultaneously accompanied by allocation and rationing. Price controls alone merely lead to black markets and racketeering, profiteering, and tax evasion. We know from past experience that even during war a comprehensive harness of direct controls unsupported by adequate fiscal and monetary policies did not prevent inflation, but only concealed and postponed the inflationary results. They deal with the effects rather than the causes —they sugar-coat the inflation, so that the public's will to accept the required taxes and credit restraints is weakened and destroyed. There is no substitute for adequate fiscal and monetary measures; with them, the need for direct controls is reduced to a minimum.

One of the worst features of trying to enforce a comprehensive harness of direct controls is that it so regiments the entire economy as to destroy our essential freedoms. It requires the establishment of a huge bureaucracy for policy-making, administration and policing—a most uneconomic utilization of an already short supply of manpower. This cannot be justified. Worst of all, such regulation and regimentation, undertaken for any extended period of time, will prove so intolerable that public revulsion will lead to withdrawal of essential support for a program necessary to defend the free world, prevent war, and assure the preservation of the value of the dollar.

Even though I have strongly opposed a general price freeze for the reasons stated, I still feel that it is essential that wage and salary ceilings be put into effect promptly. On the overall basis, prices are made up largely of wages and salaries, and prices cannot be kept down with continuing increases in wages and salaries. Labor should not object to wage and salary ceilings, so long as any excess profits of corporations are drained off through taxation.

Another reason for a wage freeze is that higher personal income taxes required to balance the budget will reduce the hourly take-home pay of labor, as they must do if they are to be effective. Union leaders are likely to press demands for higher wages to offset this reduction in take-home pay and to maintain labor's standard of living. To grant such wage increases would entirely defeat one of the major purposes of increased taxes, viz., the curtailment of purchasing power at a time when there is a scarcity of many civilian goods. Finally, due to the shortage of labor, employers, especially those subject to high excess profits taxes, will bid employees away from each other.

Not only should wage and salary ceilings be imposed, but all fringe benefits, including bonuses and pensions, should be rigidly curtailed. Escalator clauses should be excluded from all future wage contracts—they are built-in inflationary devices.

A 44-hour week, without overtime rates of pay, should, I believe, be generally adopted for the purpose of increasing total production and helping to maintain the standard of living without increasing costs. Increased production is, in the end, the primary solution to the inflation problem, provided it can be brought about without increasing costs and purchasing power more rapidly than the supply of goods.

Labor should be willing to accept wage ceilings and a longer work week at a time when both are so essential to the prevention of further inflation. After all, the defense of the dollar is more vital to labor than to almost anyone else.

Conclusion

In conclusion, let me repeat that a successful preparedness defense program must prevent war and must not lead to destructive inflation. Total war, with atomic weapons, would mean victory for none and destruction for all. Regimentation or further inflation, even if war is avoided, will ultimately lead to the destruction of our capitalistic democracy. Therefore, our foreign policy must be designed on the basis of what we can pay for currently, and our fiscal program must be supported by restrictive monetary and credit policies, together with only such limited direct controls as the situation may require.

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Mutual Funds

by Investors Diversified Services, Inc., investment managers of the nation's largest group of investment companies, exceeded $260,000,000 a record all-time high, at the close of 1950.

The three funds, Investors Mutual, Investors Stock Fund Inc., and Investors Selective Fund, Inc. gained more than $70,000,000 in total net assets during 1950 to record an average combined gain of approximately $5,800,000 per month in the past year.

A comparative table illustrates the growth of the funds during 1950:

FUND	Net Assets Dec. 31, 1950	Net Assets Dec. 31, 1949
Investors Mutual, Inc.	$235,188,150	$175,397,006
Investors Stock Fund, Inc.	18,743,638	13,325,208
Investors Selective Fund, Inc.	6,952,329	1,663,571
Totals	$260,524,117	$190,385,785

Average per capita holdings of shares of the three funds also increased substantially over 1949 as individual investors and institutions and groups alike generally put more money into larger purchases of securities and as the market values of securities held by the three funds showed substantial over-all gains during 1950.

At the end of 1950 the average per capita investment of 102,400 shareholders in the three funds was approximately $2,642, an increase of $453 per capita over the year.

During 1949 the average per capita investment of 87,200 shareholders in the three funds was approximately $2,189.

In current total net assets and number of shareholders the three open-end funds of the Investors group now represent more than 10% of the current total structure of the entire $2,500,000,000 open-end investment company field in America.

It is the Investors group's consistent policy of underwriting and distributing to sell only its own funds' shares exclusively through its own nation-wide force of 1,900 local representatives.

The public has substantially increased its investments in the three funds since the outbreak of the Korean conflict. Sales for the last six months of 1950 were approximately $7,000,000 greater than total sales for the first six months of the year.

Trust's Common Holdings Largest Since Inception

Plans Being Made for Continuous Offering of Shares

Based on market values of Dec. 31, 1950, the common stock investment of Shareholders' Trust of Boston was 72.4% of net assets, the largest position in common stocks reported by the trust since its inception. Net cash and receivables amounted to 3.5% corporate bonds 12.0% and preferred stocks 12.1%. The annual report also disclosed that plans are being made to initiate the continuous offering of the Trust's shares.

On Dec. 31, 1950, total net assets of $24.07 per share compared with $20.72 per share on Dec. 31, 1949. During the year, dividends of $1.22 per share were paid from net investment income compared with 93 cents per share in 1949. In December, 1950, an additional distribution of 20 cents per share was made from net capital gain realized by the Trust during the year, compared with 10 cents in 1949.

Massachusetts Life Reports

Massachusetts Life Fund reports total net assets of $12,854,614 on Dec. 31, 1950, equal to $108.30 per unit on 118,691.84 outstanding units. This compares with total net assets of $11,943,848 at the close of 1949, amounting to $106.97 on the 111,652.53 units then outstanding. During 1950 dividends totaling $5.55 per unit were paid against $4.45 in 1949.

The Fund is operated as part of an unusual type of investment program combining the principles of a trust fund and a mutual investment trust. The plan provides separate trusts for each individual investor, with the Massachusetts Hospital Life Insurance Company as trustee. The Fund is the investment medium for such trusts.

The portion of the Fund's assets represented by equities was 48.29%, with 51.71% in protective-type securities. Of the protective portion, 3.39% of the total Fund was in cash and receivables, 20.40% was in U. S. Government obligations and 27.92% in other bonds, loans and preferred stocks.

In the equity portion, public utility equities were 14.77%; industrials were 25.62%; bank and insurance stocks 5.92% and railroads 1.98%.

New England Reports Large Gains for Year

New England Fund's total net assets increased to $3,861,995 at the end of 1950 from $2,971,466 at the end of 1949. This was due both to the increase in the market values of the underlying securities and to new capital invested in the Fund—there were some 26,500 more shares outstanding at the end of 1950 than at the end of 1949.

The per-share net asset value increased to $17.53 on Dec. 31, 1950 from $15.33 a year earlier. Adding back the December distribution to shareholders of $1 from net realized capital gains, the gain for the year was 20.9%, compared with a 10.3% gain in 1949. Shareholders received a total of 76c per share in 1950 from net investment income, compared with 72c per share in 1949 and 60c in 1948.

Investment Registrations

Keystone Custodian Funds, Inc., Boston on Jan. 26 filed a registration statement with the Securities & Exchange Commission covering five series of securities aggregating **1,050,000 shares.** Keystone Company of Boston is the underwriter.

Affiliated Fund, Inc., New York on Jan. 26 filed a registration statement with the Securities & Exchange Commission covering **5,000,000 shares** of its common stock. No underwriter.

Diversified Funds, Inc., New York on Jan. 26 filed a registration statement with the Securities & Exchange Commission covering **1,000,000 shares** of its Special Stock. No underwriter.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

A lot has been written in recent weeks about whether or not it's possible, or even feasible, for anybody to forecast the market and individual stocks. I've been in the business of trying to guess them in advance for more years than I care to admit. At this point I should like to point to my record and take a couple of low bows, but modesty forbids. Besides, some research-minded low people may ask me a lot of questions I'd find embarrassing to answer. So I'll beg off with the statement that foretelling them takes a lot more than a collection of charts.

* * *

Now back to the market. Last week I wrote here that by all present indications the market looked as if it would stay within a wide range of between 210 and 260. That's quite a range, 50 points, to play with. In that range there would be all kinds of opportunities to make money, plus the equal hazard of losing it. The touchstone, in my judgment, is news.

* * *

The basic news will be the Korean developments. The subdivisions of it will be the economic developments as pronounced by the Washington authorities, e. g. price ceilings, price fixings, etc. All of these will have an effect on the stock market price structure. The question is what will the effect be.

* * *

To answer that partially, one will have to go back to the market action itself. One must first grant that the market is a mirror of most coming events, except the unexpected ones. The basic fear today is that further inflation will make the dollar still cheaper. The search, therefore, is to find something that will take the place of cash.

* * *

The very desire to convert cash into equities, however, weakens the medium that is most popular. What to do about it is the chief problem. There is no real protection. The only protection to my mind is not to be stampeded by events or their translation into stock market activities. The 210-260 yardstick should be kept in mind.

* * *

As the market approaches the upper level I believe opportunities for profit will become fewer. By the same logic as they get down to the lower figure, they should become greater. There are exceptions to this rule of thumb. The picture stocks, for example. But by and large some compass is necessary if one doesn't want a dissipation of one's funds in the elusive chase for profits.

[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.]

Business Man's Bookshelf

Activity on Over-the-Counter Markets—Irwin Friend—University of Pennsylvania Press, 3436 Walnut Street, Philadelphia 4, Pa.—Paper—85c.

Guidebook to New York State Income Taxes on Individuals and Fiduciaries—Samuel M. Monatt—Commerce Clearing House, Inc., 214 North Michigan Avenue, Chicago 1, Ill.—Paper—$3.

Next Twenty Years—3rd annual review of the war and postwar pattern of industrial activity and the Dow-Jones industrial and rail averages—Financial Reports, Inc., Box 11, Newtonville 60, Mass.

Ownership in Common—Dean Russell—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—Paper—No charge for single copies; quantity prices on request.

Planning for Profits in the Stock Market—Including primary trend indexes, charts, and graphs with current analysis of 440 stocks and 43 groups—Dept. 4-A, Investors Research Co., Mihran Building, Santa Barbara, Calif.—$1.

Public Opinion 1935-1946—Prepared by Mildred Strunk under the editorial direction of Hadley Cantril — Princeton University Press, Princeton, N. J.—Cloth—$25,00.

Special Survey C-1—Four-page study surveying the financial, economic and political background and projecting business as well as the stock market's course for the year—Included is a special study entitled "What About Inflation" giving a specific list of stocks that can be considered good hedges against depreciation of the dollar and indicating the reasons why—$2.00 — Department C-1, Investment Letters, Inc., 2656 Penobscot Building, Detroit 26, Mich.

Continued from page 8

How to Prevent Inflation And Fiscal Disaster

substantially increase our gross national product so as to maintain our living standard in the process.

Situation Different From 1941

But getting back again to that lantern in the window—how about our economic springboard for the tests that lie ahead? Here the situation is far different. Ten years ago we were faced with the need for an enormous increase in output and we had large unused capacity to produce. Today we face a different set of conditions.

We need to divert a part of our fully-loaded productive machine from civilian goods to war goods, as well as to convert and expand our plants.

We will recall that in 1940 our national output of goods and services was one hundred billion dollars. Eight million of our people were unemployed. By taking advantage of this labor slack, and straining our economy, we pushed our total national output to nearly $200 billion a year by the end of the war. We spent $90 billion for war in one year. It was a gratifying process all around to put people to work. Today it is an unpleasant task to throw them out of work in order to create labor available for war employment.

Today we have no labor surplus. Our idle productive capacity is low, limited to war plants carried over from last time. And even reactivation of idle plants consumes valuable time, of which we have so little. Therefore, it is obvious that the only way we can produce all that we need for war is by producing less of other things —lowering our output of civilian goods. We cannot expect our national output of goods and services to be large enough to include as much civilian goods as we made in 1950 **plus** all the war materiel we shall need—war materiel for our own needs, and to rearm and equip our allies.

Let us be realistic in this crisis. For the present, ours is a problem of **diversion**, more than of **expansion.**

To look at this from another angle, in World War II we produced about 80% of war needs by expanding output. We produced only 20% by conversion or by cutting back selected industries to release their facilities and resources for war production. Today, with a comparable war effort, the figures might well be reversed. We should have to obtain about 80% of our military needs by converting existing industries and diverting factories, men, and raw materials to war production.

Obviously this means taking goods away from the consumer. There simply will not be as much goods available for civilians.

But how about the money and credit supply? Unless courageous action is taken, there will be more money on hand than ever, and less consumer goods to spend it on. Here, in a nutshell, is today's stubborn problem. We are now confronted with the need to beat some plowshares into swords. If we do not limit the ability to buy the plowshares that recain—in other words, automobiles, new houses, appliances, and the like — their value will increase excessively.

This brings us to the crux of our discussion. How can we attain stability in our currency in this period of short-of-all-out-war economy, and still provide for needs at home? How can we best protect our currency and at the same time put it to work for us?

Four Rules for Sound Finance

Here are four specific suggestions that may point the way to a maximum production in a stable economy:

(1) Overhaul the Federal financial policy, and formulate a program—a total, tied-together-program—that will restore confidence in the national credit.

(2) Reduce drastically government spending for all non-military purposes. Ask the government to save exactly as it asks us to save.

(3) Continue and extend the use of indirect economic controls, and insist on flexibility in whatever direct controls are imposed.

(4) Enlist the cooperation of industry to inform the people of the dangers of inflation, and to explain the "economics of sacrifice."

Strengthen Fiscal Policies

The first objective should be a program which will provide for paying as we go up to the limit of what the economy can stand and still remain strong and healthy. In the President's Economic Message to Congress on Jan. 12, 1951, President Truman said, "We should make it the first principle of economic and fiscal policy in these times to maintain a balanced budget, and to finance the cost of national defense on a 'pay-as-we-go' basis." In my opinion, we should muster the courage and the fortitude to pay currently for war costs up to one-quarter of our national production. In 1944 and 1945, Federal tax revenues averaged $45 billion, or about 20% of the gross national product. This is not enough at the present time.

In 1951, gross national product will probably be about $300 billion; 20% of this for Federal tax revenues would amount to $60 billion. More exactly, the present system will produce about $55 billion in tax revenues at present tax rates. As the national product increases, we can get more tax revenue. If the costs of armament drive the total Federal budget up to $65 billion in fiscal 1952, we should get additional revenues by adding more excise taxes and lowering personal exemptions. Much as we dislike sales taxes, we might even have to have a Federal sales tax.

Any tax program should provide a reasonable and effective pattern for spreading the burden. Also there is a limit beyond which taxes should not go. And, if taxes exceed the critical point, they will take away the ability to expand production. There is a growing acceptance of the theory that the critical level of taxation, beyond which the forces of inflation are brought into play, is around 25% of the national income. Inflation has already robbed every American of half of his savings, half of his insurance policies, and much of his earnings. How much more can be take away from the average man? Of course, how far people will go in economic sacrifices depends upon their faith and belief in the value of the cause, and the effectiveness of the program to further this cause.

We all want to do everything that is necessary for the defense of the United States, but we should be absolutely certain that what we are doing is necessary and that we are not building up excess military equipment which may become obsolete before actual all-out war occurs. General Marshall has been a steadying influence in this respect. Ever since he assumed the office of Secretary of Defense, several months ago, he has said that, until we know what is going to happen to us, we do not want to build up surplus production for the military and have large supplies of excess equipment. He wants an enduring solid program which the American people will be willing to carry out for a long period. I am also confident that General Eisenhower, when he returns from Europe, will present an intelligent and practical plan for the United States to follow in Europe. These military statesmen want intelligent preparations for defense, but they also know that we must not overburden our economy.

In anything short of a full-scale war, it is highly desirable that the revenues of the Federal Government equal or exceed total Federal expenditures. In other words, during this period of limited war, we should do everything we can to balance the budget by increasing taxes and by cutting down less essential expenditures. Only in this way can we keep our nation, to the greatest possible extent, in the free private enterprise basis.

If it happens that we get into a war that requires all-out effort, Federal expenditures will undoubtedly exceed our ability to pay as we go. In that case, the government will have to borrow the additional money that it needs. The fiscal program should anticipate this contingency and should provide that such financing will not be done through banks where the effect will be to increase the supply of money. The extra funds needed should be borrowed from the people's savings on terms which will make government bonds attractive to hold for income purposes over a long period of years. Short-term financing of war needs should be avoided.

Reduce Non-Military Spending

The second objective should be sweeping economy in government —Federal, state, and local. With war on our doorstep, we should stop spending for public projects that can be postponed until the emergency has passed. National defense comes first—ahead of public buildings, housing projects, or subsidies to any segment of the population. If we try, we can reduce Federal expenditures for non-military purposes by at least $6 billion. The government should set the example in the sacrifice of non-essential spending, and eliminate projects which require materials and manpower which could better be used for war production.

Indirect Controls Essential

We come to our third point. Assuming that we will have direct controls, we will still need indirect controls more than ever to curb the increase in buying power.

We know that so-called direct controls—price and wage fixing, manpower controls, priorities, allocations, rationing, etc.—will not alone do the job of stopping inflation. Wage and price controls and rationing hold prices down, but they do not shrink purchasing power or increase the supply of goods. Therefore, they do not relieve inflationary pressures but merely bottle them up and suppress them. They may heal the lesion on the surface, but the power to erupt builds up below and may be the more destructive when it does break out.

Government wage and price fixing and rationing mean regimenting housewives, consumers, workers, and businessmen. To enforce such direct controls will call for thousands of "OPA" and other government officials paid for by the taxpayer. Businessmen will spend many precious hours learning the new rules of the game, and adjusting their businesses.

Prices made in a free market, by reflecting conditions of supply and demand, show where production should be stepped up and where it should be slowed down. Under price fixing, government bureaus take over this function. During a long period of semi-war or even war, those bureaus cannot possibly guide and direct production as well as would the free market through many thousands of transactions. We are making this effort to preserve a free enterprise system for the simple reason that it is the most efficient system. One of its requirements is a reasonably freely operating price mechanism. We can alter or freeze that mechanism for the short run as we did in 1942. But to do so for the long run of this entire decade would be a mistake. If we do not wish prices to rise, then we should operate so as to have some prices fall. We should operate to have some prices go up and welcome the extra goods and manpower which we get in that industry as a result. Flexibility in price management should be our watchword.

In spite of these weaknesses, we are apparently going to have direct wage and price controls. When they are imposed, let's see that this time they are flexible. They should preserve enough leeway to permit inducements where needed to support production lags. There can be no rigid straitjacket to contain an economy as complex as the one we have in our land. Direct controls at best must allow for administrative judgment that will get the job done in the best way in the shortest possible time.

Perhaps in a total all-out war, price controls might work. But in this "butter and guns" economy, if we are to have a long-pull, enduring program, we must depend on a tough fiscal and credit policy.

Our strategy must be to curb inflation at the source. This we can achieve, to a large extent, with indirect controls, properly and vigorously administered. These controls include, besides taxation, Federal debt management, interest rates, monetary and credit policies, and the controls of consumer credit and residential mortgage credit. We must curb private credit expansion in order to have individuals save more of their income and thus reduce market pressures.

If we must finance part of the war through deficits, we need a policy that will sell government bonds to savings institutions and to the people instead of to the banks. We will thus syphon off surplus purchasing power and dry up super-charged reserve-credit inflation such as we had during the last war. The facts are that the public is so distrustful of government money policies that more savings bonds are being cashed today than are being sold. This is a practice which we must reverse.

The Public Must Be Informed

The fourth point is in many respects the most important. Combined with proper tax policies, with a sound money policy, and with proper indirect controls, it will limit inflation.

I propose that industry, through the Advertising Council, the National Chamber of Commerce, the National Association of Manufacturers, and whatever other agencies are available, launch a nation-wide campaign to call attention to the present-day lantern in the window—the danger signal warning of inflation. The Advertising Council just last week approved an anti-inflation campaign This story must be retold time after time. The program must sell the economics of sacrifice. It must end the short-term money binge and expose the terrific monetary headache that lies ahead. It must show that by tightening our belts and adopting some Spartan principles today, we can reap the rewards of a more bountiful society and productivity in the years ahead. And at the same time we can protect what we have, and stand up and fight for freedom.

Government, industry, and labor can join together in this program. But we will have to move swiftly. There is no time to lose. Public opinion is in a state of uncertainty. Our enemies will employ every means to distort the facts and confuse us.

A recent survey by a leading research corporation emphasized the problem before us. People give strong backing to the war effort, but they do not yet believe that this means sacrifices—sacrifices now!

The interviewers asked: **Shall we have a longer work week?** 63% said there is no need for it, even on defense work. 34% said eventually, maybe.

Higher taxes? 53% said that increases won't be needed for some time. 59% turned thumbs down on a 5% increase in personal income tax.

The rest of the survey is in the same vein. People are not sold on the danger of inflation. But they can be sold. They will be sold if we set our minds to it.

President Truman, in his Economic Message to Congress on Jan. 12, 1951, said in effect that, to fight inflation, the great middle working classes may have to pay $3 a week in extra taxes. This is because the middle classes will have to pay most of all future taxes. This workers' group should weigh the ultimate consequences of inflation as against taxation. Such inflation might mean that prices could easily rise to take $10 a week away from each worker. It comes, or rather is stolen, little by little. The facts are that having a higher tax bill is good business for the broad mass of the people —the great middle classes which today are mostly made up of workers' families.

Production for Survival

The need for leadership in our country was never greater than today. Charles E. Wilson has the ability and the courage to reach the production goals. His tasks will be lightened considerably if we accept reality—if we embrace the economics of sacrifice, and knuckle down to what I would call "production for survival."

In the coming months we might well use this term, "Production for survival," as the yardstick by which to guide our decisions. If a project qualifies as Production for survival, it should have A-1 priority. If it is anything else, it can wait, or serve as a stopgap until we can get to the main job.

The task of Charlie Wilson and of our military strategists, however, will be directly related to our success in building firm our money policies. Right now these policies are confused. The easy money policies of the past have proved to be easy politics. We have watered our fiscal resources and we have taken successive deferments in meeting our obligations. The time will come, if we do not watch out, when we can no longer postpone meeting our debts. The final outcome would be either drastic inflation or a drastic capital levy. There is little choice between these two.

Given the facts, the American people have never failed to live up to the American heritage.

We can give them the facts on money, on inflation, and on the economics of sacrifice. If they understand these facts, they will support the proper remedies.

In the meantime, let business, government, and labor climb the staircase together and hang the warning lantern in the window. We can lead the nation out of this wilderness of self-delusion and possible disaster to a broader vision of security and faith in our common destiny. We can do so with full confidence that the best is yet to come if we all keep working together.

Continued from page 5

Observations . . .

buying securities. It is a problem, however, which seems to be pressing enough to justify some serious attention.

"Sincerely yours,

"Bradbury K. Thurlow."

Talmadge & Co.,
Members New York Stock Exchange,
115 Broadway, New York.
January 25, 1951.

* * *

First let me answer seriatim Mr. Thurlow's three specific questions enumerated in the bold-faced paragraph; next, consider the question of selling policy in a value-appraisal setting; and finally elaborate with some conclusions, concerning the basic continuing attitude to be followed by the realistic value-seeking investor.

Replying to the Specific Queries

(1) I do *not* concede the necessity of some middle approach to aid the "investor" in capturing some of the "speculative" profits which may accrue to a correct investment judgment. I believe that this question as stated exemplifies a common confusion between investment and speculation under any reasonable definition of the two; and as a matter of practical procedure must cause the investor to fall into hopeless inconsistency between the two stools of value judgment of individual issues on the one hand, and forecasting movements of "the market" on the other.

(2) I am convinced there are *no* empirical systems which are of value—even to a "marginal" degree—to the "investor" in anticipating the *continuation* of an alleged "trend." On the bases of logic, of the market's "facts of life," and of demonstrated empirical results, discernment of a predictable *future* trend of either an individual stock or the market-as-a-whole unfortunately is and must remain an unattainable goal.

(3) I believe that general psychological factors should be used merely as a tool distinctly ancillary to quantitative value criteria. One's conclusions as to a situation's disparity between intrinsic value and market price gains constructive confirmation through discovery (a la Gallop poll-ing) of the public's psychological foible which is causing the market's mistaken pricing. As an example, one's appraisal of holding companies in dissolution as being underpriced two years ago was additionally endorsed by finding out in the market place that unreasoned public prejudice was the main reason therefor—the converse of the 1920s situation when the public's speculative mania motivated people to calculate the holding company as being worth many times the sum of its parts. But the quantitative value appraisal must always come first.

Under the current uncertain status of the practice of stock market psychology, the timing factor is too likely to undermine the observer's reliance on measurements of the crowd's behavior as his main guide. The "correctly" bearish market psychologists bucking the crowd in 1928 bought in 1929, and became the suicides of 1930. While many believers in value criteria likewise were swept "off-their-beam" during that speculative era, the quantitative tests were somewhat more reliable and reassuring—at least for measuring the *comparative* degrees of over-valuation.

The "aggressive investor," in lieu of relying on the "strategy" of psychological approaches, should rather concentrate his aggressiveness on courage in embarking on value situations irrespective of their obscurity, unpopularity, or non-liquidity.

The Adviser and His Client's Emotional Difficulties

Mr. Thurlow, who triples as brokerage house partner, investment counsel, and market economist, is troubled by the fact that while it is possible for an adviser to get his client *into* a stock on the basis of quantitative value criteria, the subsequent act of *liquidation* on that legitimate basis harbors emotional turmoil for the customer (and potential loss of business to the conscientious adviser). This is a dilemma going to the very root of the current investment problem, but a difficulty that must be met and faced realistically by the customer as well as the intelligent Thurlows—otherwise they both become lost in a sea of confusion. Certainly in selling no less than in the act of buying, must the investor preserve the attitude of ownership in a business enterprise—in lieu of dealing in liquid counters. **In selling, as well as in buying, his operations must be based not on emotional optimism, but on arithmetic.**

If we grant that investment value is the present worth of future dividends, then in both holding and buying the market price cannot go above the appraisal figure thus arrived at without adding risk. It is my conviction that the following principle laid down by John Burr Williams certainly is valid for selling as well as buying decisions:—"If a man buys a security *below* its investment value he need never lose, even if its price should fall at once, because he can still hold for income and get a return above normal on his cost price; but if he buys (or holds) it *above* its investment value, his only hope of avoiding a loss is to sell it to someone else who must in turn take the loss in the form of insufficient income. Therefore all those who do not feel able to foresee the swings of the market and do not wish to speculate on mere changes in price must have recourse to estimates of investment value to guide them in their buying and selling."*

Soundness Applicable in Selling as Well as Buying

Surely no exemption from this truism is due the holder of a stock, merely because of his possible emotional turmoil ensuing from a rise in a stock with which he has parted company. If he is too weak to overcome this foible, it may be asked whether he really deserves material investment reward.

To foresake the value approach in selling implies, just as it would in buying, the fallacies of betting on the marginal opinion; of assuming the ability to foresee changes in opinion rather than the calculation of minimum future income; and of forgetting that a stock is worth only what he can eventually get from it.

Of course, as a practical matter Mr. Thurlow's problem over selling policy cannot be answered following a rule to sell *whenever* the price goes above its appraised value—anymore than it is to be bought whenever it falls below it. (1) This would unwarrantedly presuppose scientific pin-point accuracy of the appraisal figure; (2) even if completely accurate, such a policy would put the buying and selling points practically next to each other, and in the end give no more than the prime investment yield on one's fund; and (3) it would disregard the particular subjective needs of the individual concerned—his income-tax bracket, his living-income needs, and over-all portfolio balance. Our margin-of-safety (as explained in previous columns) is applicable to decisions about selling as well as buying—not thereby altering the appraisal figure, but using it as a point of calculated departure.

Finally—our value operating investor must be logical and consistent in both selling and buying—keeping at the lowest possible minimum his "glandular" distraction by environmental market-place elements (including even the historical price level factor). If it is humanly impossible for him to get along without technical tools, by all means let them be used in a subsidiary role. For example, if a formula for predetermined cash-equity portfolio proportions are needed for emotional self-discipline, let such maximum and minimum limits be relegated to a role distinctly secondary to the quantitative appraisal of individual issues. In other words, let issues be bought *whenever* they are undervalued —but to only a predetermined maximum aggregate of say 60%; and let his over-valued issues be sold—but only down to the extent of having a total of say a 25% minimum of equities in the portfolio.

Along with *caveat emptor*—let the investor behave.

(P. S.—The foregoing purisms happily are authored by an academic columnist having no investing clientele.)

* *"The Theory of Investment Value,"* by J. B. Williams, Harvard Univ. Press, Cambridge, Mass., 1938; p. vi.

H. M. Byllesby & Co. Adds to N. Y. Staff

H. M. Byllesby and Company, Inc., 111 Broadway, New York City, announce that E. W. Connell, Bernard R. Hodge and Kenneth F. Springer are now associated with the firm in its investment department.

With Schwamm & Co.

Schwamm & Co., 50 Broadway, New York City, dealers in municipal bonds, announce that Orman M. Crocker is now associated with the firm.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Stephen J. Grosse is now associated with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Ave., Northeast. He was formerly with Ball, Burge & Kraus.

With Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Marjorie A. Moore is with Richard J. Buck & Co., 8 Newbury Street. She was formerly associated with Boardman, Freeman & Co., Inc.

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)	Feb. 4	101.3	100.9	98.2	93.1
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 4	2,025,000	2,017,000	1,963,400	1,774,700
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Jan. 20	6,051,350	5,761,510	5,763,310	4,962,300
Crude runs to stills — daily average (bbls.)	Jan. 20	‡6,505,000	6,370,000	6,159,000	5,513,000
Gasoline output (bbls.)	Jan. 20	20,724,000	20,815,000	20,075,000	17,988,000
Kerosene output (bbls.)	Jan. 20	2,926,000	2,652,000	2,600,000	2,663,000
Gas, oil, and distillate fuel oil output (bbls.)	Jan. 20	9,366,000	10,062,000	9,436,000	7,482,000
Residual fuel oil output (bbls.)	Jan. 20	9,637,000	9,786,000	8,715,000	8,266,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 20	123,782,000	121,209,000	112,631,000	122,204,000
Kerosene (bbls.) at	Jan. 20	17,177,000	18,027,000	21,819,000	19,046,000
Gas, oil, and distillate fuel oil (bbls.) at	Jan. 20	61,147,000	64,557,000	73,273,000	69,214,000
Residual fuel oil (bbls.) at	Jan. 20	41,210,000	41,675,000	39,914,000	58,585,000
AMERICAN PETROLEUM INSTITUTE:					
Revenue freight loaded (number of cars)	Jan. 20	779,816	783,025	747,204	619,163
Revenue freight received from connections (number of cars)	Jan. 20	731,518	692,543	689,776	554,853
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 25	$305,269,000	$391,606,000	$111,193,000	$216,406,000
Private construction	Jan. 25	235,369,000	242,146,000	48,457,000	163,002,000
Public construction	Jan. 25	69,900,000	149,460,000	62,736,000	53,404,000
State and municipal	Jan. 25	48,360,000	50,495,000	59,772,000	33,712,000
Federal	Jan. 25	21,520,000	98,965,000	2,964,000	19,692,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 20	11,175,000	*11,820,000	11,025,000	7,260,000
Pennsylvania anthracite (tons)	Jan. 20	956,000	952,000	910,000	732,000
Beehive coke (tons)	Jan. 20	161,700	*158,600	139,500	19,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Jan. 20	301	*305	640	230
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 27	6,969,566	6,903,818	6,479,302	5,971,662
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Jan. 25	193	167	125	232
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 23	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Jan. 23	$52.69	$52.69	$52.69	$46.05
Scrap steel (per gross ton)	Jan. 23	$46.08	*$46.08	$45.13	$26.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 24	24.200c	24.200c	24.200c	18.200c
Export refinery at	Jan. 24	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Jan. 24	180.000c	176.000c	150.000c	75.250c
Lead (New York) at	Jan. 24	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	Jan. 24	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	Jan. 24	17.500c	17.500c	17.500c	9.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 30	101.38	101.45	101.30	103.75
Average corporate	Jan. 30	116.02	115.82	115.63	116.41
Aaa	Jan. 30	120.02	119.82	119.61	121.46
Aa	Jan. 30	118.80	118.80	118.80	119.82
A	Jan. 30	115.43	115.43	115.04	116.02
Baa	Jan. 30	110.15	109.97	109.60	108.88
Railroad Group	Jan. 30	112.93	112.75	112.19	111.62
Public Utilities Group	Jan. 30	115.82	116.02	115.82	117.20
Industrials Group	Jan. 30	119.20	119.20	119.00	120.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 30	2.39	2.39	2.40	2.22
Average corporate	Jan. 30	2.85	2.86	2.87	2.83
Aaa	Jan. 30	2.65	2.66	2.67	2.58
Aa	Jan. 30	2.71	2.71	2.71	2.66
A	Jan. 30	2.88	2.88	2.90	2.85
Baa	Jan. 30	3.16	3.17	3.19	3.23
Railroad Group	Jan. 30	3.01	3.02	3.05	3.08
Public Utilities Group	Jan. 30	2.86	2.85	2.86	2.79
Industrials Group	Jan. 30	2.69	2.69	2.70	2.63
MOODY'S COMMODITY INDEX	Jan. 30	530.8	532.3	516.0	356.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 20	218,278	262,530	171,484	189,449
Production (tons)	Jan. 20	244,416	241,472	241,058	204,852
Percentage of activity	Jan. 20	104	106	105	92
Unfilled orders (tons) at	Jan. 20	705,371	746,287	598,431	371,395
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Jan. 26	152.1	151.5	147.7	122.3
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	Jan. 13	51,396	41,954	36,232	40,999
Number of shares—Customers' total sales	Jan. 13	1,553,886	1,271,860	1,117,986	1,266,307
Dollar value	Jan. 13	$65,981,391	$52,861,134	$45,655,819	$46,609,715
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 13	47,785	36,895	38,339	42,534
Customers' short sales	Jan. 13	514	415	310	421
Customers' other sales	Jan. 13	47,271	36,480	38,029	42,113
Number of shares—Customers' total sales	Jan. 13	1,377,606	1,075,006	1,138,749	1,227,242
Customers' short sales	Jan. 13	18,543	15,981	12,217	15,448
Customers' other sales	Jan. 13	1,359,063	1,059,025	1,126,532	1,211,794
Dollar value	Jan. 13	$53,607,787	$41,367,877	$42,405,513	$42,177,839
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 13	365,040	298,860	392,430	417,850
Short sales	Jan. 13	------	------	------	------
Other sales	Jan. 13	365,040	298,860	392,430	417,850
Round-lot purchases by dealers—					
Number of shares	Jan. 13	551,430	469,420	389,040	413,170
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Jan. 23	179.9	178.7	176.0	151.3
Farm products	Jan. 23	196.4	191.5	190.6	154.0
Grains	Jan. 23	186.2	183.9	184.6	160.3
Livestock	Jan. 23	257.0	249.5	244.1	191.3
Foods	Jan. 23	183.9	182.1	181.4	154.4
Meats	Jan. 23	263.5	261.6	256.8	208.2
All commodities other than farm and foods	Jan. 23	169.1	168.9	165.9	145.8
Textile products	Jan. 13	180.7	179.7	171.3	138.4
Fuel and lighting materials	Jan. 23	136.2	136.1	136.0	131.3
Metals and metal products	Jan. 13	188.4	188.3	184.1	168.5
Building Materials	Jan. 23	224.2	223.9	222.0	191.6
Chemical and allied products	Jan. 23	144.9	144.9	139.8	115.6

*Revised figure. ‡Includes 563,000 brarels 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 October	62,915	59,449	45,790
Stock of aluminum (short tons) end of Oct.	13,731	9,692	46,607
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Nov. 30:			
Total consumer credit	$19,412	$19,401	$15,884
Instalment credit	13,319	13,393	10,441
Sale credit	7,808	7,879	5,880
Automobile	4,179	4,227	3,085
Other	3,629	3,652	2,795
Loan credit	5,511	5,514	4,561
Noninstalment credit	6,093	6,008	5,443
Charge accounts	3,739	3,703	3,454
Single payment loans	1,294	1,249	996
Service credit	1,060	1,056	993
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of December	323.5	*305.5	272.3
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of December	784,057	1,008,872	733,833
In consuming establishments as of Dec. 30	1,998,850	1,832,015	1,650,591
In public storage as of Dec. 30	6,663,560	6,995,538	10,694,649
Linters—Consumed month of December	110,250	118,461	131,178
In consuming establishments as of Dec. 30	297,087	261,001	242,420
In public storage as of Dec. 30	117,873	117,013	52,369
Cotton spindles active as of Dec. 30	20,730,000	20,751,000	20,239,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) prior to Jan. 16	9,678,247	-----	15,635,667
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 30	23,149,000	23,119,000	23,751,000
Spinning spindles active on Dec. 30	20,730,000	20,751,000	20,776,000
Active spindle hours (000's omitted) Dec.	9,376,000	12,171,000	8,544,000
Active spindle hours per spindle in place Dec.	523.2	529.8	383.0
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-1939 AVERAGE=100—Month of December:			
Sales (average monthly), unadjusted	441	296	*417
Sales (average daily), unadjusted	450	302	*409
Sales (average daily), seasonally adjusted	266	234	*242
Stocks, unadjusted	239	306	*209
Stocks, seasonally adjusted	263	266	*229
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of December:			
Contracts closed (tonnage)—estimated	224,803	*245,500	124,251
Shipments (tonnage)—estimated	175,575	*167,059	135,500
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of November:			
Death benefits	$136,412,000	$141,539,000	$120,828,000
Matured endowments	40,493,000	40,964,000	38,559,000
Disability payments	8,381,000	8,282,000	7,867,000
Annuity payments	21,253,000	21,056,000	19,689,000
Surrender values	55,930,000	50,362,000	51,073,000
Policy dividends	43,378,000	42,439,000	38,638,000
Total	$305,847,000	$304,642,000	$276,654,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of December (000's omitted):			
Ordinary	$1,458,000	$1,372,000	$1,347,000
Industrial	370,000	432,000	360,000
Group	1,126,000	865,000	488,000
Total	$2,954,000	$2,669,000	$2,195,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of November (millions of dollars):			
Inventories:			
Durable	$14,964	$14,386	$13,109
Nondurable	17,896	17,190	15,506
Total	$32,860	*$31,577	$28,615
Sales	21,538	22,814	21,514
MONEY IN CIRCULATION—TREASURY DEPT.—As of Nov. 30 (000's omitted)	$27,595,000	$27,228,000	$27,543,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSOC.)—Month of Dec.:			
Total number of vehicles	640,674	603,567	359,076
Number of passenger cars	521,136	504,445	292,009
Number of motor trucks	118,874	98,538	66,698
Number of motor coaches	664	584	369
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of November (in billions):			
Total personal income	231.9	231.1	205.7
Wage and salary receipts, total	151.3	150.7	131.3
Total employer disbursements	154.3	153.8	133.4
Commodity producing industries	68.6	68.6	55.5
Distributive industries	41.8	41.9	39.0
Service industries	19.2	19.2	17.8
Government	24.7	24.1	21.1
Less employee contributions for social insurance	3.0	3.1	2.1
Other labor income	3.4	3.4	3.1
Proprietors' and rented income	46.1	45.7	41.7
Personal interest income and dividends	19.3	19.2	17.2
Total transfer payments	11.8	12.1	12.4
Total nonagricultural income	213.0	212.7	187.6
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1914=100—As of Nov. 15:			
Unadjusted—			
All farm products	276	268	237
Crops	250	238	210
Food grain	224	219	215
Feed grain and hay	192	188	157
Tobacco	428	426	369
Cotton	346	327	233
Fruit	194	207	172
Truck crops	188	138	213
Oil-bearing crops	351	300	220
Livestock and products	299	296	262
Meat animals	357	358	286
Dairy products	267	261	261
Poultry and eggs	209	201	216

*Revised.

Continued from page 2

The Security I Like Best

ferred of 49,558 shares of $100 par and convertible into 3.47 shares of common stock.

The company should earn $8.50 a common share (after taxes) for 1950 against $3.82 in 1949. It should prosper by the armament program (by the manufacture of aluminum). It has never failed to earn some money every year in the last 20 years except that in the periods of 1942, 1939, 1938, 1937 and 1932 its earnings have been rather small in certain of these years. It pays $1, including an extra.

In addition, plans have been laid for a new plant that will be completed in 1952, financed by the government, for 75,000 additional tons. The purchase of six government plants which they had heretofore rented, is expected to increase profitable operations by the eliminations of rentals. This accounts for the large subsidiary purchase mortgage above mentioned. Naturally, under the circumstances, the company is not lavish with dividends.

Three bauxite mines are operated in Arkansas. In 1943, a 60-year concession was taken on Haitian mines. An $11 million ECA loan will develop Jamaican ore.

Reynolds anticipates substantially increased use of aluminum for helmets, bazooka guns, bazooka rockets, portable pipe and number of newly developed items of airborne equipment, including aluminum fire trucks, jeeps, trucks and 106-millimeter gun carriages.

Higher Dividends Likely

With price and output factors continuing favorable, early 1951 profits should be at an improved annual rate. The $0.25 quarterly dividend may be supplemented by extras, as in 1950.

Ingot output over coming months will run at around a 250,000-ton annual rate, compared with 225,000 tons for most of 1950. The increased ingot output and larger facilities will raise fabricating tonnage. Sales will further reflect price rises of $0.02 and more since May, 1950. Greater output combined with price increases will widen margins despite rises in costs. As the EPT exemption should be high, the higher tax rate should be only moderately adverse.

The point must be made that at stated book value Reynolds Metals Co. is a highly leveraged company in that common stock equity represents about 35% of the company's capitalization. However, there are large credits flowing from certain operations by which the company obtained property from the government at greatly reduced price from original cost of those properties, as well as credits from over-depreciated properties as against normal depreciation which if fairly estimated and valued should add about $50 to book value of the common stock. These figures should work out very satisfactorily for the EPT on an investment basis rather than earnings record. The company's poor past earnings record is due to the lack of a defined place in the country's economy which now as one of the world's largest producer of aluminum it has reached. Also, it has been enabled to iron out its difficulties in manufacturing efficiency. This is evidenced in its record earnings of last year, which has not yet seen its dynamic possibilities fully developed. In fact, as per dollar of aluminum ingot capacity, Reynolds Metals should stand at the top of the other companies, namely, Aluminum and Kaiser. Selling thus at five times earnings, it represents attractive speculative possibilities.

Now as to the point of this "tale": Reynolds Metals Co.'s common stock is selling at 40½ and United States Foil Co., Inc., is selling at 30¾. Why should they be selling at about 10 points difference? The only difference is the very minor capitalization as above stated of a nominal debt of $263,671 and 6,771 shares of preferreds. While the U. S. Foil Co. has a 79% interest in Reynolds Metals Co., also other investments include holdings in Reynolds Research and Eskimo Pie, its ownership and interest is concentrated in the 54.9% holding company of the Reynolds Metal Co.

Dealer-Broker Investment Recommendations

chure—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Maine Central vs. Nickel Plate —Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Also available is an analysis of **Verney Corp.**

Metals Disintegrating Co. — Analysis—Butler, Moser & Co., 44 Wall Street, New York 5, N. Y.

Mid Continent Airlines, Inc. — Analysis — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Portsmouth Steel—Data—Floyd A. Allen & Co., Inc., 650 South Grand Avenue, Los Angeles 17, Calif.

Also available are data on **Step Rock Iron Mines** and **Cleveland Cliffs Iron.**

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

Also available is a memorandum on **Gear Grinding Machine Co.**

Sprague Electric Company — Circular—Joseph Mayr & Co., 50 Broad Street, New York 4, N. Y.

Transcontinental Gas Pipe Line Corp.— Progress report — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Union Oil of California—Discussion—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Also available are a list of selected stocks offering interesting potentialities and a memorandum on a switch suggestion for **General Motors.**

With Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—John D. Stewart is now with Thomson & McKinnon.

Joins Field Co. Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Deal O. Wilkins is now connected with Field & Co., Inc., Cascade Bldg.

Ralph J. Anderson With The Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Ralph J. Anderson has become associated with The Marshall Company, 765 North Water Street. Mr. Anderson was formerly Middle West wholesale representative for Vance, Sanders & Co. of Boston, with headquarters in Chicago.

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Role of Federal Reserve System in Wartime

and the size of the military forces. We have been like a pendulum. At times like Pearl Harbor we have gone to great lengths, spent money to any degree to get security. And then when the immediate threat was over, the pendulum swung to the other extreme where we were willing to pay for very little in the way of military forces.

We must come of age in this matter of military force and have a well thought-out program. Now that we have started, it must be one that can be sustained. My greatest fear is that if we go too far during this period, the people will not continue to support the program. If we do not go far enough, then the threat of attack becomes greater because we will not be prepared. Therefore, we must bring sound judgment and reason to meet this problem today.

I, for one, am willing to spend every dollar for defense that the people of the country are willing to pay for. And I am willing to pay to the limit of our ability to pay. The limit on our ability to pay is not measured so much by the personal sacrifice as it is by the possible impairment of our economy. It seems to me that is the only consideration—the possible impairment of our economy. If we tax too heavily we could impair it, but I have not heard any amount of taxes recommended yet that, to my mind, would seriously impair the economy if the taxes are apportioned in the proper way.

People are willing to sacrifice if they know the story—know that the dollars taxed out of their pockets are buying security and are not being squandered for nonessentials. Certainly, if we have the right to draft 18-year-old boys against their will and ask them to pay the greatest price of all, it seems to me that we are not unreasonable in asking those who stay at home to give up something.

First Principle, a Balanced Budget

So, the first fundamental principle in fighting inflation is a balanced budget and, preferably, receipts substantially in excess of expenditures so we will have a little more ammunition to fight inflation.

Right now—before the rate of defense spending builds up—is our chance. Never has our economy been more prosperous. Never have we been in a better position to absorb higher taxes without impairing that economy. When I read that it may be the end of summer before a tax program can be enacted, I think strongly we are wasting six or seven months we can ill-afford to lose in the battle against inflation.

You may have noticed that my distinguished friend, Senator Robertson of Virginia, has recently advocated a "quickie" tax measure to plug this gap. I have no doubt that the government's tax experts would welcome an opportunity to provide the Congress with specific recommendations for attaining this objective.

I am realistic enough to know that there is a real danger that the government will eventually be running in the red despite the efforts to put the defense program on a pay-as-you-go basis. If we do start borrowing again, we must not forget that some kinds of borrowing are much more inflationary than others, and that the most inflationary source of money is that raised through the banking system.

When funds are raised directly from the banks, the money supply is immediately increased. This adds to civilian buying power and in a period when scarcities prevail, builds up inflationary pressures.

To the extent that we borrow from individuals through the sale of savings bonds and from insurance companies, mutual savings banks and other reservoirs of savings, money is being absorbed that would otherwise be available for spending and investment. So long as these funds remain invested in government securities, their inflationary effect is deferred — that means that the purchasers as a whole must hold on to them, not redeem them or sell them in the market. I wish to emphasize that so long as these funds remain invested in government securities, their inflationary effect is deferred. This is the crucial test of effectiveness and must be a keystone of debt-management policies.

The trouble arises, as it has in the postwar period, when these securities are subsequently sold either by banks or nonbank investors, particularly when they are bought by the Federal Reserve. Then the banking system is furnished with "reserve dollars." These have accurately been called "high-powered" dollars because they can become the basis for a multiple expansion of credit.

About one-fourth of our total expenditures in World War II was raised through borrowing from the banking system. As a result, our total money supply more than doubled during the war. Since then it has risen further, and today amounts to over $175 billion.

World War II Experience

I would like to summarize the main lessons from our experience in financing World War II—first, we did not tax enough; second, too large a portion of the borrowing thereby required was raised through the banking system; and third, too large a portion of the funds we raised from nonbanking sources which, though they were saved at the time, did not remain immobilized after the war. The inflationary problems of the postwar period with which we are all so painfully familiar resulted in large part from the expanded money supply and also from the sales of government securities by insurance companies, banks, and other lenders to the Federal Reserve System. Too many individuals and institutions liquidated all or a portion of their bonds and spent the cash or reinvested it as opportunity presented itself.

We must do our utmost to avoid repeating these mistakes.

In addition to financing the government as much as possible through taxation and borrowing from nonbank investors, the next requisite for fighting inflation is to restrict credit. Credit of various kinds has been vital to the development of this country. Credit is absolutely essential for the defense effort as well as for the sound functioning of the economy. But we have had far too much credit for the postwar inflationary period. If we are to have steady economic progress, we should severely restrict credit in periods of inflation and be liberal with credit in periods of recession. This task is the statutory responsibility of the Federal Reserve.

It is not necessary here to do more than enumerate the various instruments of credit regulation that may be used. They are of two broad types—(1) general instruments and (2) selective instruments. The first group includes measures, such as the rediscount rate, Federal Reserve open market operations, and the fixing of reserve requirements, through the use of which the Federal Reserve can influence the supply of funds that banks can lend. The selective instruments place limitations on particular types of credit. These include margin requirements on stock market loans, regulation of consumer instalment credit and similar regulation of mortgage loans. Both types of measures have already been used by the Federal Reserve to restrain credit expansion. It appears likely that further restrictive action may be required.

I have indicated that, in my judgment, the overall program adopted to finance World War II was inadequate. I feel also that the Federal Reserve went too far in the direction of inflexibility. We profited by that experience as the subsequent record shows. I ask you to look at that record. It speaks for itself. It exemplifies more eloquently than any words I could utter our determination to continue to work unceasingly for a program adequate to meet the needs of the times.

Savings—Final Essential in Fighting Inflation

The final essential in fighting inflation is the promition of savings.

I have no use for those who scoff at the E Bond campaigns today. They simply do not realize the implications of their statements when they discourage people from saving. The average working man who buys E Bonds is investing money that he would ordinarily put into gadgets or little richer cuts of meat. The real significance of the E Bond campaigns is not only to get people to save and thus help to combat inflation, but at the same time to give them a financial stake in the government. This is the same principle that has led enlightened businessmen to encourage employee stock ownership.

I am convinced that, even though the purchasing power of the dollar has diminished, the people whose E Bonds are maturing this year will have more to show for their dollars than would otherwise be the case. Those dollars would have gone into many things and they would have little or nothing to show for them today. From the broader point of view of support for our government, some, like the boys in Korea, are risking their lives, others devote their talents to public service, still others take leadership in civic affairs. But practically all of us can save something to invest in government securities.

The lessons of what inflation does to a man's savings are something we cannot overlook if we are to escape serious social repercussions in the years ahead. The difficulty is that the inflation process is not unlike a habit-forming drug that lulls our sensibilities to these realities. Actually, inflation as we have thus far experienced it in this country has not been hard to take. Wages have increased faster than prices. Business profits have risen to unprecedented levels. The farmer has enjoyed substantial gains in real income. Consequently, it is extremely difficult to get the public as a whole to fight an enemy who masquerades as Lady Bountiful.

If we are to conquer the inflationary forces inherent in our present situation, we must deal with the fundamental causes I have discussed.

Only because so many of my friends in Philadelphia have asked

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Role of Federal Reserve System in Wartime

me, "What can I do as an individual about such a vital problem?", will I attempt to suggest an answer to this question.

Many of you are officers and directors of various kinds of business enterprise throughout this community. In your various capacities you can make valuable contributions to the fight on inflation by making sure that the business is not accumulating excessive inventories, or following other policies that contribute to inflation. A short time ago I asked a group of bankers these questions: How many loans have you made during the past six months that were not really essential? In how many cases have your customers' needs required the full amount they have borrowed? In how many cases have you renewed or extended loans when a part, or a larger part, might have been paid off? These same questions apply to insurance companies and all lenders. The sum total of these marginal amounts has swelled the money supply and added an increment of buying power to the market that is reflected in the rise of prices, wages, and costs in general, and in the scarcities that pervade the market today.

Furthermore, there are great opportunities for action in this emergency by civic groups. Collectively, your influence may be multiplied not only locally, but on the national level as well. You can help immeasurably to focus attention on what I consider to be the number one unresolved problem of today—inflation—and on the comprehensive approach that is needed to deal with it.

Undoubtedly, the greatest result of all will come if each of us will take leadership in the practice of voluntary self-restraint. This is no time to splurge, to be extravagant, to spend unnecessarily. It is no time to finance such spending on the part of others, to countenance such spending, or to give it social sanction. Let us not underestimate the force of voluntary self-restraint. We live in a social environment and we respond in our actions to forms of behavior that are approved. We know that hoarding and extravagance can be contagious. So can restraint.

Can Avoid Inflation

Inflation is not inevitable.

It is true that sacrifices will be necessary to preserve the dollar, but we have demonstrated willingness to undergo sacrifice, supreme sacrifice, once we understand the end in view and the need.

I can have little patience with those who say the American public lacks the courage, the will and the vision to comprehend and to conquer evil forces, whether abroad or at home, that would destroy the institutions which are the source of our incomparable strength and of the hopes of free peoples throughout the world.

Woodrow Wilson, in commenting upon the issues of his day in the monetary and credit field, summarized the role of the individual in this way:

"There is a sense in which a democratic country forces statesmanship upon every man of initiative, every man capable of leading anybody; and this I believe to be the particular period when statesmanship is forced upon bankers and upon all those who have to do with the application and use of the vast accumulated wealth of this country. . . . We should seek to give the discussions of such matters such publicity and such general currency and such simplicity as will enable men of every kind and calling to understand what we are talking about and take an intelligent part in the discussion. We must open our thoughts to the country at large, and serve the general intelligence as well as the general welfare."

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● Affiliated Fund, Inc., New York
Jan. 26 filed 5,000,000 shares of common stock. **Underwriter**—None. **Proceeds**—For investment.

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 Telephone & Telegraph Co. (2/13)
Jan. 18 filed not exceeding $420,000,000 12-year 3⅜% convertible debentures due March 19, 1963 (amount expected to be in excess of $410,000,000) to be offered to stockholders of record Jan. 29, 1951 on basis of $100 of debentures for each seven shares of stock held; rights to expire on March 19, 1951. The debentures will be convertible into capital stock beginning June 1, 1951, at $138 per share, payable by surrender of $100 of debentures and payment of $38 in cash. **Price**—At 100% of principal amount. **Underwriter**—None. **Proceeds**—For advances to subsidiary and associated companies and for general corporate purposes. Statement effective Jan. 24.

Ampal-American Palestine Trading Corp., N. Y.
Dec. 8 filed $5,000,000 of 15-year 4% sinking fund bonds, series A, due 1966. **Price**—At 100. **Underwriter**—Directors and employees may be salesmen. **Proceeds**—To develop and expand agricultural, industrial and commercial enterprises in Israel. Statement effective Jan. 9.

Argo Oil Corp., Denver, Colo.
Dec. 18 (letter of notification) 5,750 shares of capital stock (par $5). **Price**—At the market (approximately $17.37½ per share). **Underwriter**—Carl H. Pforzheimer & Co., New York. **Proceeds**—To A. E. Johnson, President, the selling stockholder. **Office**—1100 First National Bank Building, Denver, Colo.

● Armco Steel Corp. (2/26)
Jan. 30 filed a maximum of 884,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record Feb. 26, 1951, on the basis of one-fifth share for each share held; rights to expire on March 14, 1951. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co. and W. E. Hutton & Co. **Proceeds**—For expansion program and additional working capital.

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.

● Atlas Finance Co., Inc. (Ga.)
Jan. 22 (letter of notification) 12,750 shares of cumulative convertible prior preferred stock (no par). **Price**—$23.50 per share. **Underwriters**—Clement A. Evans & Co., Inc., and Norris & Hirshberg, Inc., both of Atlanta, Ga.; and Johnson, Lane, Space & Co., Inc., of Savannah, Ga. **Proceeds**—For working capital.

B. & H. Incorporated, New Orleans, La.
Jan. 8 (letter of notification) 19,397 shares of 6% cumulative preferred stock (par $10) and 58,940 shares of common stock (par 50 cents) to be sold in units of one preferred and one common share. **Price**—$10.50 per unit and 50 cents per share for common stock. **Underwriter**—Woolfolk & Shober, Inc., New Orleans, La. **Proceeds**—For working capital. **Office**—513 Carondelet Bldg., New Orleans 12, La.

● Bayway Terminal Corp., Elizabeth, N. J.
Jan. 24 (letter of notification) 3,500 shares of capital stock (par $1). **Price**—$2.50 per share as to 2,500 shares reoffered to J. Arthur Warner & Co., Inc., New York, and at market (about $3.50 per share) as to 1,000 shares. **Underwriter**—James J. Philips, New York, N. Y. **Proceeds**—To selling stockholder.

● Botany Mills, Inc., Passaic, N. J.
Jan. 24 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (estimated at about $11.75 per share). **Underwriters**—P. F. Fox & Co., New York, and H. M. Byllesby & Co., Inc., Philadelphia, Pa. **Proceeds**—To Charles F. H. Johnson, Jr., Vice-President, the selling stockholder.

Brilhart Plastics Corp., Mineola, L. I. (2/14)
Jan. 4 (letter of notification) 100,000 shares of common stock (par 5c), to be sold to highest bidder at public auction by Adrian H. Muller & Son, 39 Broadway, New York. **Price**—It is not anticipated that the aggregate sale price will exceed $100,000. **Proceeds**—To General Acceptance Corp., of Allentown, Pa.

● Brown Co., Berlin, N. H.
Jan. 25 filed 144,151 shares of $5 cumulative convertible preference stock (no par) and 144,151 shares of $3 cumulative second preference stock (no par), together with voting trust certificates representing the same, to be offered in exchange for 144,151 shares of $6 cumulative convertible preferred stock on basis of one share of each class of preference stock for each share of $6 preferred stock. **Underwriter**—None, but Georgeson & Co. will solicit exchanges.

● Builders Iron Foundry, Providence, R. I.
Jan. 19 (letter of notification) 1,080 shares of common stock (no par). **Price**—$23 per share. **Underwriter**—Brown, Lisle & Marshall, Providence, R. I. **Proceeds**—To The Young Orchard Co., the selling stockholder. **Offering**—Made on Jan. 29. All sold.

● Bureau of National Affairs, Inc., Washington, D. C.
Jan. 18 (letter of notification) 1,000 shares of common stock (no par) to be offered to employees. **Price**—$17 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—1231 24th St., N. W., Washington, D. C.

● Canyon Gold, Inc., Cripple Creek, Colo.
Jan. 22 (letter of notification) 5,000,000 shares of capital stock. **Price**—At par (1¢ per share). **Underwriter**—Melson Allen Cleek, of Spokane, Wash. **Proceeds**—For mining operations. **Office**—209 East Bennett St., Cripple Creek, Colo.

Capitol Hill Associates, Inc., Washington, D. C.
Jan. 10 filed 25,000 shares of non-voting common stock, to be offered to members of the Republican party and others. Price—At par ($50 per share). **Underwriter**—None. **Proceeds**—To erect new building for Republican headquarters and club house. Statement effective Jan. 19.

Carolina Power & Light Co. (2/6)
Jan. 4 filed $15,000,000 first mortgage bonds due Feb. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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.; Smith, Barney & Co. **Proceeds** — For construction program. **Bids**—Expected to be received up to noon (EST) on Feb. 6. Statement effective Jan. 24.

● Central Glass Co. of West Virginia, Inc.
Jan. 18 (letter of notification) $125,000 of 12-year 5½% sinking fund debentures and $50,000 of 5-year 6% subordinated notes, to be sold in units of $1,000 and $500 each. **Underwriter**—The Ohio Co., Columbus, Ohio. **Proceeds**—To retire bank loans.

● Central Illinois Electric & Gas Co.
Jan. 29 filed 80,000 shares of common stock (par $15) to be offered to common stockholders at rate of one share for each seven shares held, with an oversubscription privilege. **Price**—To be supplied by amendment. **Dealer-Managers**—Stone & Webster Securities Corp. and Allen & Co., both of New York. **Proceeds**—For construction program.

● Central Illinois Light Co. (2/13)
Jan. 25 filed 100,000 shares of common stock (no par) to be offered to common stockholders of record Feb. 13 at rate of one share for each eight shares held, with an oversubscription privilege subject to subscription rights of employees to expire on Feb. 28. Rights to stockholders to expire on March 2, 1951. **Price**—To be supplied by amendment. **Underwriters**—Union Securities Corp.; Lehman Brothers; White, Weld & Co.; and A. C. Allyn & Co., Inc.—Proceeds—For expansion program.

● Central Louisiana Electric Co., Inc.
Jan. 25 filed 250,297 shares of common stock (par $10) and 21,480 shares of 4.5% preferred stock (par $100), of which the preferred stock and 214,800 shares are to be offered in exchange for shares of common stock of Gulf Public Service Co., Inc., on basis of 4/10ths of a share of common and 1/25th of a share of preferred for each Gulf common share. The remaining 35,497 common shares are reserved for possible future issuance and sale by the company to holders of common stock then outstanding. **Underwriter**—None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock.

Circle Wire & Cable Corp.
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.

● Coconut Products, Inc.
Jan. 25 (letter of notification) 4,000 shares of preferred stock (par $50) and 8,000 shares of common stock (par $1) to be offered in units of one preferred and two common shares. **Price**—$52 per unit. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—460 West 24th Street, New York 11, N. Y.

Consolidated Edison Co. of N. Y., Inc. (2/27)
Jan. 24 filed $60,000,000 of first and refunding mortgage bonds, series F, due Feb. 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Proceeds**—To repay bank loans. **Bids**—Expected to be opened week of Feb. 26.

Consolidated Textile Co., Inc., New York
Dec. 27 filed a maximum of 500,000 shares of capital stock (par 10 cents), to be offered in exchange for an unspecified number of shares of common stock of Bates Manufacturing Co. (Consolidated now owns 51,400 shares, or approximately 13% of the 391,500 outstanding Bates shares). **Exchange Rate** — To be supplied by amendment. **Underwriter**—None.

Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel.

● Copper Canyon Mining Co. (2/2)
Jan. 25 (letter of notification) 500,000 shares of capital stock (par 10 cents). **Price**—At market (about 21½ cents per share). **Underwriter**—Hunter & Co., New York. **Proceeds** — For mining development, installation of equipment and for working capital.

● Crown Finance Co., Inc., New York
Jan. 25 (letter of notification) $50,000 of 5% subordinated debentures due May 1, 1980. **Price**—At principal amount in denominations of $1,000, $500 and $100 each. **Underwriter**—Hodson & Co., Inc., New York. **Proceeds**—For working capital.

Culver Corp., Chicago, Ill.
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares are to be offered to stockholders and 127,364 shares to public. **Price** — To stockholders at $5 per share and to public at $6.25 per share. **Underwriter**—None. **Proceeds**—For investments.

Dansker Realty & Securities Corp. (2/14)
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. Statement effective Jan. 26.

● **Diversified Funds, Inc., New York**
Jan. 25 filed 1,000,000 shares of 23 series of special stocks. **Price**—At market. **Underwriter**—Hugh W. Long & Co., Inc., New York. **Proceeds**—For investment. **Meeting**—Stockholders of New York Stocks, Inc., will on Feb. 15 vote to change name of that company to Diversified Funds, Inc.

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.

Duraloy Co., Scottdale, Pa.
Jan. 11 (letter of notification) 25,000 shares of common stock (par $1) to be sold from time to time on New York Curb Exchange. **Price**—$3 per share (net). **Underwriter**—Mortimer B. Burnside & Co., Inc., New York. **Proceeds**—To pay for equipment.

● **Electro Refractories & Alloys Corp.**
Jan. 24 (letter of notification) 5,000 shares of 5% cumulative convertible preferred stock, series A. **Price**—At par ($50 per share). **Underwriter**—Hamlin & Lunt, Buffalo, N. Y. **Proceeds**—For additional equipment and for additions to buildings. **Offering**—Expected today (Feb. 1).

Emerson Electric Manufacturing Co. (2/7)
Dec. 29 filed 57,846 shares of cumulative preferred stock, series A (par $50), convertible into common stock prior to Jan. 1, 1961, to be offered initially for subscription by common stockholders of record Feb. 7 at rate of one share of preferred for each eight common shares held; rights expected to expire about Feb. 21. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co. and Van Alstyne Noel Corp., of New York; and Newhard, Cook & Co., St. Louis. Mo. **Proceeds**—$1,015,565 to be used to retire presently outstanding 7% preferred stock; $450,000 to cover the cost of a new plant in Bedford, Ind.; approximately $350,000 to reimburse the company's treasury for cash funds used in the purchase of its St. Louis plant from the U. S. Government in September, 1950; and the balance to provide additional working capital.

Facsimile & Electronics Corp. (2/14)
Dec. 29 filed 400,000 shares of class A convertible stock (par $1) and 1,000,000 shares of common stock (par 25 cents) to be reserved for conversion. **Price**—$2.50 per share for class A stock, with an underwriting commission of 50 cents per share. **Underwriter**—Graham, Ross & Co., Inc., New York. **Proceeds**—To repay indebtedness to RFC, and the balance to develop and produce fascimile transmission equipment and for materials.

Farmers Syndicate, Inc., Cortland, N. Y.
Jan. 10 (letter of notification) $250,000 of 30-year 5% registered debentures due Jan. 1, 1981. **Price**—At par in units of $50, $100, $500 and $1,000. **Underwriter**—None. **Proceeds**—To improve and modernize plant and real estate, to retire loans and for working capital. **Office**—41 Elm Street, Cortland, N. Y.

● **Fiduciary Association, Boston, Mass.**
Jan. 23 (letter of notification) 2,000 memberships (not represented by certificates). **Price**—Estimated at $5.80 each. **Underwriter**—None. **Proceeds**—To provide a market for the outstanding shares of common stock. **Office**—10 Post Office Square, Boston 5, Mass.

● **Fiduciary Trust Co., Boston, Mass.**
Jan. 23 (letter of notification) 2,000 shares of common stock. **Price**—To be asset value per share at close of business on Feb. 23, 1951 (estimated at $135 per share). **Underwriter**—None. **Proceeds**—To retire shares of preferred stock. **Office**—10 Post Office Square, Boston 5, Mass.

Fleetwood-Airflow, Inc., Wilkes-Barre, Pa.
Jan. 22 (letter of notification) 28,000 shares of common stock (par 50 cents). **Price**—At market (estimated at $1.25 per share). **Underwriter**—De Pasquale Co., New York, and J. Howard O'Connor, Pelham, N. Y. **Proceeds**—To selling stockholders.

● **Food Fair Stores, Inc.**
Jan. 24 (letter of notification) 347 shares of common stock (par $1). **Price**—At market (about $20.37½-$20.50 per share). **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds**—To holders of scrip which expired on Jan. 15, 1951.

General Instrument Corp. (2/5)
Jan. 2 filed 221,715 shares of common stock (par $1) of which 121,715 shares are to be offered to common stockholders of record Feb. 5 at the rate of one share for each four shares held, with an oversubscription privilege; rights will expire Feb. 21. The remaining 100,000 shares are to be offered to certain executives and key employees of company and its subsidiaries. **Price**—To be supplied by amendment. **Underwriter**—Hirsch & Co., New York. **Proceeds**—To expand plant facilities.

NEW ISSUE CALENDAR

February 2, 1951	
Copper Canyon Mining Co.	**Common**
Southwestern Public Service Co.	**Common**
February 5, 1951	
General Instrument Corp.	**Common**
February 6, 1951	
Carolina Power & Light Co. noon (EST)	**Bonds**
February 7, 1951	
Emerson Electric Mfg. Co.	**Preferred**
Indianapolis Power & Light Co.	**Bonds**
Nashville, Chattanooga & St. Louis Ry. 11 a.m. (EST)	**Equip. Tr. Ctfs.**
February 8, 1951	
United New Jersey RR. & Canal Co. noon (EST)	**Bonds**
February 13, 1951	
American Telephone & Telegraph Co.	**Debs.**
Central Illinois Light Co.	**Common**
February 14, 1951	
Brilhart Plastics Corp.	**Common**
Dansker Realty & Securities Corp.	**Pfd. & Com.**
Facsimile & Electronics Corp.	**Class A**
February 20, 1951	
New England Power Co.	**Bonds**
Southern California Edison Co.	**Bonds**
February 26, 1951	
Armco Steel Corp.	**Common**
Tennessee Gas Transmission Co.	**Bonds**
February 27, 1951	
Consolidated Edison Co. of New York, Inc.	**Bonds**
March 7, 1951	
West Penn Electric Co.	**Common**
March 23, 1951	
Consumers Power Co.	**Bonds**
March 30, 1951	
American Gas & Electric Co.	**Common**
April 3, 1951	
Georgia Power Co.	**Bonds**
Potomac Edison Co.	**Bonds**
April 24, 1951	
Monongahela Power Co.	**Bonds**

Glenmore Distilleries Co.
Dec. 28 filed 159,142 shares of class B common stock (par $1). **Price** — To be filed by amendment. **Underwriter**—Glore, Forgan and Co., New York. **Proceeds**—For working capital and general corporate purposes. **Offering**—Deferred indefinitely.

Gulf Insurance Co., Dallas, Tex.
Jan. 10 (letter of notification) 10,000 shares of common stock (par $10), to be offered to present stockholders on the basis of one new share for each 15 shares held; unsubscribed shares to be offered to public. **Price**—$30 per share. **Underwriter**—None. **Proceeds**—For working capital. **Address**—P. O. Box 1771, Dallas, Tex.

Gyrodyne Co. of America, Inc.
Jan. 16 (letter of notification) 42,800 shares of class A common stock (par $1). **Price**—$3 per share. **Underwriter**—Jackson & Co., Boston, Mass. **Proceeds**—For partial financing of anticipated military contracts and to acquire manufacturing facilities. **Office**—80 Wall Street, New York 5, N. Y.

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 indefinitely delayed.

Helio Aircraft Corp., Norwood, Mass.
Jan. 16 (letter of notification) 3,000 shares of non-cumulative preferred stock (par $20) and 3,000 shares of common stock (par $1) to be offered in units of one preferred and one common share. **Price**—$25 per unit. **Underwriter**—None. **Proceeds**—To develop four-passenger "Helioplane" and to pursue military business. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Holeproof Hosiery Co., Milwaukee, Wis.
Dec. 7 (letter of notification) 20,000 shares of common stock (par $5). **Price**—$14 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—404 West Fowler St., Milwaukee, Wis.

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.

Indianapolis Power & Light Co. (2/7)
Jan. 9 filed $6,000,000 of first mortgage bonds due Feb. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; W. C. Langley & Co., Shields & Co. and White, Weld & Co. (jointly); Lehman Brothers, Goldman Sachs & Co. and First Boston Corp. (jointly); Union Securities Corp.; Equitable Securities Corp.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly). **Proceeds**—For construction program. Statement effective Jan. 26.

Indianapolis Power & Light Co.
Jan. 9 filed 196,580 shares of common stock (no par) being offered to common stockholders of record Feb. 1, 1951 on basis of one share for each six shares held, with an oversubscription privilege; rights to expire Feb. 15, 1951. **Price**—$28 per share. **Underwriters**—Lehman Brothers; Goldman, Sachs & Co.; and The First Boston Corp. **Proceeds**—For construction program.

Industrial Fermentation Co., Denver, Colo.
Jan. 5 filed 2,832,200 shares of common stock (no par) to be offered in exchange for wheat at rate of one share per bushel. **Underwriter**—Robert D. Bowers & Co., Denver, Colo. **Proceeds**—From the sale of the wheat to be used to erect a plant and for working capital.

● **International Life Insurance Co., Austin, Tex.**
Jan. 12 (letter of notification) $300,000 special stock debentures and 15,000 shares of common stock (no par) to be reserved for issuance in accordance with indenture covering said debentures and without any additional consideration. **Price**—The bonds are to be issued at principal amount, viz: 555 units at $540 each; or 563 units at $532 each; or not more than 600,000 units at $500 each. **Underwriter**—None. **Proceeds**—To increase capital.

Israel Steel Corp.
Jan. 2 (letter of notification) 15,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For corporate purposes and the purchase of merchandise (steel) for resale. **Office**—Care of Efrein & Metrick, 320 Broadway, New York, N. Y. Expected end of January.

Insulite Corp., Phoenix, Ariz.
Dec. 19 (letter of notification) 113,840 shares of capital stock (par $1). **Price** — $1.25 per share. **Underwriter** — None. **Proceeds**—For corporate purposes. **Office**—2243 North 16th Street, Phoenix, Ariz.

Kansas-Nebraska Natural Gas Co., Inc.
Jan. 5 filed 10,950 shares of $5 cumulative preferred stock (no par) and 122,812 shares of common stock (par $5), the latter to be offered for subscription by common stockholders of record about Jan. 25 at rate of one share for each five shares held; unsubscribed shares to be offered to employees. Rights will expire on or about Feb. 10. **Price**—$105 per share for preferred, plus accrued dividends; and $15 per share for common. **Underwriters**—The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago, Ill., and associates. **Proceeds**—For new construction.

● **Keystone Custodian Funds, Inc., Boston, Mass.**
Jan. 26 filed 1,050,000 shares covering five series of securities. **Underwriter**—The Keystone Co. of Boston. **Proceeds**—For investment.

● **King Bros. Productions, Inc., Hollywood, Calif.**
Jan. 19 (letter of notification) 300,000 shares of common stock to be offered first to present stockholders in proportion to their present holdings; thereafter to employees; and any unsubscribed shares to public. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To make motion pictures and for general corporate purposes. **Office**—4376 Sunset Drive, Hollywood 27, Calif.

Kingfisher Water Co., Kingfisher, Okla.
Dec. 27 (letter of notification) 250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For new construction. Offering has been deferred.

● **Kingsburg Cotton Oil Co.**
Jan. 24 (letter of notification) 5,000 shares of capital stock (par $1). **Price**—At market (about $4.25 per share). **Underwriter**—None. **Proceeds**—To Fewel Brothers, Inc., the selling stockholder. **Address**—P. O. Box 277, Kingsburg, Calif.

● **Laclede-Christy Co., Chicago, Ill.**
Jan. 29 filed 50,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—Paul H. Davis & Co., Chicago. **Proceeds**—For working capital.

● **Lamston (M. H.), Inc.**
Jan. 25 (letter of notification) 3,500 shares of common stock (par $1). **Price**—At market (about $8.50 per share). **Underwriter**—Childs, Jeffries & Thorndike, Inc., New York. **Proceeds**—To Harold Stone, the selling stockholder. **Office**—25 East 26th Street, New York 10, N. Y.

● **Lexa Oil Corp., Conrad, Mont.**
Jan. 19 (letter of notification) 1,200,000 shares of common stock (par 1¢), to be offered initially to stockholders of record Feb. 1 on a one-for-two basis; rights to expire March 15. **Price**—25 cents per share to stockholders; 30 cents to public. **Underwriter**—Tellier & Co., New York. **Proceeds**—To drill wells and develop leases.

● **Marine Aircraft Corp.**
Jan. 24 (letter of notification) 22,000 shares of common stock (par $1) and 2,200 shares of 6% noncumulative convertible preferred tsock (par $100) in units of one preferred and 10 common shares. **Price**—$110 per unit. **Underwriter**—None. **Proceeds**—To buy tools and machinery and for working capital. **Office**—37 West 43rd Street, New York, N. Y.

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Continued from page 35

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.

Mercantile Acceptance Corp. of California
Dec. 4 (letter of notification) 5,000 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.

Middlecreek Valley Telephone Co.
Jan. 5 (letter of notification) 1,500 shares of common stock being offered to common stockholders of record Jan. 6, 1951, on basis of one new share for each share held, with an oversubscription privilege; rights to expire on Feb. 15, 1951. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For conversion to dial telephones and for expansion program. **Office**—21 S. Market Street, Selinsgrove, Pa.

Midway Airlines, Inc., Chicago, Ill.
Jan. 5 (letter of notification) 25,000 shares of common stock (no par). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To retire a negotiable promissory note and to purchase prepaid insurance policies on equipment. **Office**—Suite 1605, 135 So. LaSalle St., Chicago 3, Ill.

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.

● **Montezuma Mining Co., Inc.**
Jan. 22 (letter of notification) 20,000 shares of common stock. **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—For mining development. **Address**—Box 232, Idaho Springs, Colo.

Morrison-Knudsen Co., Inc., Boise, Ida.
Jan. 11 (letter of notification) 30,000 shares of common stock (par $10) to be offered company's employees. **Price**—$2 per share less than the market price of this stock on the San Francisco Stock Exchange on Jan. 22, 1951. **Underwriter** — None. **Proceeds**—None to company, as stock will be purchased on the open market.

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.

Nash Finch Co., Minneapolis, Minn.
Jan. 11 (letter of notification) 12,137 shares of common stock (par $10). **Price**—At not exceeding $20 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office**—1750 Hennepin Ave., Minneapolis, Minn.

● **New England Power Co. (2/20)**
Jan. 24 filed $12,000,000 of first mortgage bonds, series D, due Feb. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To repay bank loans and for new construction.

● **New Hampshire Electric Co.**
Jan. 25 filed 15,000 shares of $4.50 cumulative preferred stock (par $100) and 140,000 shares of common stock (no par). Of the latter, 130,100 shares are to be offered for subscription by common stockholders of New England Gas & Electric Association (parent) at rate of one New Hampshire share for each 12 New England common shares held. **Underwriter**—To be determined by competition biddnig. Probable bidders: The First Boston Corp.; White, Weld & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To retire $2,425,000 of 2⅞% bonds and the remainder to retire 4½% preferred stock of New England.

● **New York Stocks, Inc.**
See Diversified Funds, Inc., above.

North American Manufacturing Co. (Ohio)
Jan. 5 (letter of notification) 2,500 shares of class B common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—4455 East 71st St., Cuyahoga Heights, Ohio.

Old Fashioned Meat Products, Inc., Reno, Nev.
Jan. 2 (letter of notification) 140,000 shares of common stock. **Price** — At par ($1 per share). **Underwriter** — None. **Proceeds**—To purchase refrigeration and processing machinery and for other operating expenses. **Office**—139 North Virginia St., Reno, Vev.

● **Pacific Mining Co., Inc., Seattle, Wash.**
Jan. 18 (letter of notification) 35,000 shares of capital stock (par 25 cents), of which 20,000 shares may be issued in payment of loans and services. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—To pay operating expenses and retire obligations. **Office**—418 Lloyd Bldg, Seattle 1, Wash.

Pacific Rivet & Machine Co., Alhambra, Calif.
Jan. 8 (letter of notification) $44,500 of series A convertible 4½% notes, of which $40,000 of notes will be offered to common stockholders at par in denominations of $38.65 each and $4.500 of notes will be offered to two creditors in satisfaction of issuer's indebtedness. **Underwriter**—None. **Proceeds**—For machinery and equipment. **Office**—709 South Palm Ave., Alhambra, Calif.

Pact Gas Co., Cushing, Okla.
Jan. 8 (letter of notification) $50,000 of first mortgage serial 6% bonds due 1961-1971. **Price**—At 100%. **Underwriter**—R. J. Edwards, Inc., Oklahoma City, Okla. **Proceeds**—To retire certain capital stock and for construction. **Office**—212 East Broadway, Cushing, Okla.

● **Pan American Milling Co.**
Jan. 24 (letter of notification) 200,000 shares of common stock. **Price**—($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment and for general corporate purposes.

Park & Tilford Distillers Corp.
Jan. 18 (letter of notification) 1,775 shares of common stock (par $1). **Price**—At market (estimated at about $56 per share). **Underwriter**—Ira Haupt & Co., New York. **Proceeds**—To Estate of David A. Schulte.

● **Plastic Film Products Corp., Akron, Ohio**
Jan. 18 (letter of notification) 26,850 shares of class A (non-voting) common stock (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—8 South Case Ave., Akron, Ohio.

Railway & Light Securities Co., Boston, Mass.
Dec. 22 filed 252,552 shares of common stock (par $10) being offered to common stockholders of record Jan. 11 on a share-for-share basis, with an oversubscription privilege; rights will expire on Feb. 2. **Price**—$12.50 per share. **Underwriter**—Company has entered into dealer agreements under which subscriptions will be solicited and transactions may be stabilized. Dealer-Managers are: Stone & Webster Securities Corp.; Estabrook & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Paine, Webber, Jackson & Curtis; Tucker, Anthony & Co.; and Whiting, Weeks & Stubbs. **Proceeds**—To redeem $1,000,000 of outstanding collateral trust 3½% bonds, 12th series, and for additional capital investment. **Business**—Closed-end investment company. Statement effective Jan. 11.

Sanitary Products Corp., Taneytown, Md.
Dec. 18 filed 110,000 shares of common stock (par $1), of which 50,000 shares are to be initially offered to stockholders on basis of three shares for each 10 shares held. **Price**—At $6 per share. **Underwriters**—Ward and Co.; Investing Securities, Inc., and James C. Kennedy, Jr., of New York who have agreed to buy 20,000 shares each of the remaining 60,000 shares (preemptive rights to which have been waived by the stockholders) and 50% of the 50,000 shares not subscribed for by stockholders. Augus D. McIntosh of New York will undertake to dispose of any remaining unsubscribed shares on a "best efforts" basis. **Proceeds** for construction and working capital. **Business** — Manufacture of hygienic products.

Shopping Bag Food Stores, Los Angeles, Calif.
Jan. 11 (letter of notification) 10,000 shares of preferred stock (par $25) and 10,000 shares of common stock (par $1) to be offered in units of one preferred and one common share. **Price** — $30 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—2716 San Fernando Road, Los Angeles 64, Calif.

South State Uranium Mines Ltd. (Canada)
Nov. 30 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.

● **Southern California Edison Co. (2/20)**
Jan. 30 filed $35,000,000 of first and refunding mortgage bonds, series C, due Feb. 15, 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Shields & Co. **Proceeds**—To retire bank loans and for construction program. **Bids**—Tentatively expected to be received up to 10:30 a.m. (PST) on Feb. 20.

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.

Southern Natural Gas Co.
Dec. 18 filed 155,546 shares of common stock (par $7.50) to be offered for subscription by common stockholders of record Jan. 30 on the basis of one share for each 10 shares held, with an oversubscription privilege; rights will expire on Feb. 16. **Price**—$33 per share. **Underwriter**—None. **Proceeds**—To repay bank loans and for expansion program. Statement effective Jan. 16.

Southern Union Gas Co.
Jan. 8 filed 150,469 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 25 on basis of one new share for each 10 shares held, with an oversubscription privilege; rights to expire Feb. 26. **Price**—$16 per share. **Underwriter**—None. **Proceeds**—For construction.

Southwestern Public Service Co. (2/2)
Jan. 12 filed 233,576 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 31, 1951, on a 1-for-13 basis, with an oversubscription privilege; rights to expire about Feb. 14. **Price**—To be supplied by amendment. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—From sale of common stock, together with funds received from sale privately of $12,000,000 3% first mortgage bonds and 10,000 shares of preferred stock to be used to repay bank loans and for construction program.

Sun Oil Co., Philadelphia, Pa.
Dec. 28 filed 191,762 shares of common stock (no par). **Price**—At prevailing market (approximately $63 per share). **Underwriter**—None, but will be sold through brokerage firms, without underwriting, between Jan. 15 and June 30, 1951. **Proceeds**—To 12 selling stockholders. Statement effective Jan. 19.

Sunshine Packing Corp. of Pennsylvania
Dec. 8 (letter of notification) 2,950 shares of 5% preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For additional operating capital. **Office**—Smedley Street, North East, Pa. **Business**—Processes and cans frozen fruits and fruit juices.

● **Taconic Hereford Ranch, Inc. (N. Y.)**
Jan. 26 (letter of notification) 200 shares of preferred stock. **Price** — $100 per share. **Underwriter** — None. **Proceeds** — To complete building, purchase equipment and for working capital.

● **Tennessee Gas Transmission Co. (2/26)**
Jan. 26 filed $35,000,000 of first mortgage pipeline bonds due Feb. 1, 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To repay bank loans and for expansion program.

Toklan Royalty Corp., Tulsa, Okla.
Jan. 12 (letter of notification) 37,536 shares of common stock (par 70 cents) to be offered to certain officers and employees. **Price**—$2.59 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—Kennedy Bldg., Tulsa 3, Okla.

Utah Home Fire Insurance Co.
Jan. 9 (letter of notification) 10,000 shares of capital stock (par $10), to be first offered to stockholders of record Jan. 19 for subscription on or before Feb. 28, 1951, on basis of one share for each six shares held. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—47 West South Temple, Salt Lake City 1, Utah.

Vitro Manufacturing Co.
Jan. 11 (letter of notification) 2,673 shares of common stock. **Price**—At market (not less than $15 per share). **Underwriter**—None. Stock to be sold through brokers. **Proceeds**—To Wenman A. Hicks, the selling stockholder, who is owner of 37,673 shares. **Office**—Corliss Station, Pittsburgh 4, Pa.

West Florida Gas & Fuel Co., Panama City, Fla.
Jan. 5 (letter of notification) 20,000 shares of class B common stock (par $1) and $125,000 of 15-year 5% debentures (latter in denominations of $100, $500 and $1,000 each). **Price**—Of stock, $2 per share; of debentures, at 100%. **Underwriter**—None. **Proceeds**—To expand business. **Address**—P. O. Box 729, Panama City, Fla.

● **West Penn Electric Co. (3/7)**
Jan. 31 filed 320,000 additional shares of common stock (no par) to be offered to its stockholders for subscription on the basis of one additional share for each ten shares held on or about March 9, with rights to expire about March 26. Unsubscribed shares to be offered to employees of companies in the West Penn Electric System. **Underwriters**—To be determined by 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**—To purchase additional equity securities of two of its subsidiaries—Monongahela Power Co. and The Potomac Edison Co. **Bids**—Expected to be opened on March 7.

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.

● **Wilson Brothers, Chicago, Ill.**
Jan. 19 (letter of notification) 4,000 shares of common stock (par $1). **Price**—$7.12½ per share. **Underwriter**—Cohu & Co., New York. **Proceeds**—To Sheboygan Chair Co., Inc., the selling stockholder.

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.

● **American Gas & Electric Co. (3/30)**
Jan. 26 company announced that an offering of about 340,000 additional shares of common stock will be made to stockholders on or about March 30, 1951 on the basis of one share for each 15 shares held, together with an

oversubscription privilege. **Price**—To be filed by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly); The First Boston Corp.; Union Securities Corp.; Dillon, Read & Co. Inc., who will name compensation. **Proceeds**—To be invested in equity securities of the operating subsidiaries as part of the plan for financing the American Gas & Electric System's large construction program.

● **Appalachian Electric Power Co.**
Jan. 26 it was reported this company may be in the market with an issue of $50,000,000 or more of new bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc.

Atlantic City Electric Co.
Jan. 15 it was stated tentative plans call for the raising of about $2,250,000 through an offer of additional common stock on a 1-for-10 basis held around May or June. Probable underwriter: Union Securities Corp. Proceeds will be used to pay, in part, construction expenditures, which, it is estimated, will total about $5,400,000 in 1951.

● **Byers (A. M.) Co.**
Jan. 25 L. F. Rains, President, revealed that the company is considering a plan to refinance its 7% cumulative participating preferred stock (par $100), about 50,000 shares outstanding. These shares are redeemable at 110 and accrued dividends. **Traditional underwriter**—Dillon, Read & Co., Inc., New York.

Carolina Power & Light Co.
Jan. 4 company informed the SEC that it intends to issue and sell approximately $20,000,000 of securities in addition to the present $15,000,000 bond issue filed with the Commission on that date (see under "Securities Now in Registration" in this issue).

● **Central Illinois Electric & Gas Co.**
Jan. 25 stockholders approved a proposal to issue and sell publicly 25,000 shares of preferred stock (par $100). **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Proceeds**—For construction program. **Offering**—Tentatively expected in March.

Central Illinois Public Service Co.
Jan. 19 the company expects to obtain $14,000,000 from the sale, late in 1951 or in 1952, of additional securities. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler; First Boston Corp. and Central Republic Co. (jointly); Glore, Forgan & Co. Proceeds will be used for construction program.

● **Chicago, Milwaukee, St. Paul & Pacific RR.**
Jan. 24 there were talks of issuing $60,000,000 of refunding bonds. In event of sale by competitive bidding, probable bidders may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.

Clinton Foods, Inc.
Jan. 15 stockholders voted to increase the authorized common stock (par $1) from 1,500,000 to 2,000,000 shares, the additional shares to provide "substantial funds for capital additions and working capital," and "to provide for the conversion of 100,000 shares of unissued and unreserved 4½% cumulative convertible preferred stock." No immediate financing imminent. Probable Underwriters: Merrill Lynch, Pierce, Fenner & Beane.

Colorado Interstate Gas Co.
Dec. 15 it was reported company plans to obtain a loan of $12,000,000 to finance construction of a pipeline from Texas to Colorado.

Columbia Gas System, Inc.
Dec. 7 it was reported that corporation may issue and sell $35,000,000 of new securities in the Spring or early summer. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). Probable bidders for common stock, in event of competitive bidding: Morgan Stanley & Co.; Goldman, Sachs & Co. and Union Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Shields & Co. and R. W. Pressprich & Co. (jointly). Proceeds will be used for expansion program.

Commonwealth Edison Co.
Jan. 10 it was announced the company contemplates $181,000,000 additional financing through the sale of securities. Neither the nature nor the time of the new financing has been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co. Proceeds are to be used for construction program.

● **Connecting Ry. Co.**
Jan. 24 it was reported this company (leased by Pennsylvania RR.) contemplates issuance of an issue of about $12,000,000 new refunding mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. **Proceeds**—To redeem $12,728,000 first mortgage bonds due March 15, 1951. **Bids**—Expected later in February.

Consolidated Natural Gas Co.
Jan. 9 it was reported company contemplates issuance of between $50,000,000 and $60,000,000 of convertible debentures. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson Curtis (jointly); Dillon, Read & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Morgan Stanley & Co. **Proceeds**—To finance construction program. **Offering**—Expected late in April.

● **Consumers Power Co. (3/27)**
Jan. 26 company sought Michigan P. S. Commission authority to issue $40,000,000 of first mortgage bonds with interest not exceeding 2⅞% and maturing not earlier than 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). **Proceeds**—To redeem $5,300,000 of first mortgage bonds, to repay $8,000,000 of bank loans and for 1951 construction program.

Delaware Power & Light Co.
Jan. 2, Stuart Cooper, President, announced that company has authorized $15,000,000 for new construction during 1951 as part of the system's $60,000,000 postwar expansion program.

● **Detroit Edison Co.**
Jan. 29 it was announced company plans to offer about 850,000 shares of additional common stock to its stockholders on the basis of one share for each ten shares held. **Price**—At par ($20 per share). **Underwriter**—None. **Proceeds**—For construction program.

● **Detroit Steel Corp.**
Jan. 30 the management disclosed that it had approved plans to double the company's ingot capacity to 1,290,000 tons annually and to increase its finishing capacity from the present 180,000 tons to more than 1,000,000 tons at the company's Portsmouth, Ohio, works. The expansion program is estimated to cost about $50,000,000. The method of financing is being determined. In January of 1950, $15,000,000 of bonds were placed privately.

Denver & Rio Grande Western RR.
Jan. 18 it was reported company may later this year refund its outstanding first mortgage 3%-4% bonds, series A, due Jan. 1, 1993 ($35,062,000 at Dec. 31, 1949) and Denver & Salt Lake income mortgage 3%-4% bonds, due Jan. 1, 1993 ($8,666,900 at Dec. 31, 1949). **Underwriters**—To be determined by competitive bidding. **Probable bidders**—Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.

El Paso Natural Gas Co.
Jan. 9 it was announced company plans to increase the capacity of its pipeline system by 400 million cubic feet of natural gas per day as part of its $83,000,000 construction program. It is planned to issue and sell $62,500,000 of 15-year 3¼% first mortgage bonds, $15,000,000 of 4.25% preferred stock and $5,000,000 of common stock. Traditional underwriters are White, Weld & 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.

● **General American Oil Co. of Texas**
Jan. 29 it was stated company plans to file with the SEC a registration statement covering a proposed offering of 90,748 shares of authorized but unissued common stock. The proceeds are to be used in connection with the acquisition of North American Oil Consolidated.

Georgia Natural Gas Co., Albany, Ga.
Aug. 2 filed new application with FPC for authority to construct a 335-mile pipeline system in Georgia and Florida to cost about $5,100,000, which would be financed through issuance of first mortgage pipe-line bonds and the sale of common stock. Previous application was withdrawn.

Georgia Power Co. (4/3)
Jan. 8 it was reported company may issue and sell from $18,000,000 to $20,000,000 of new first mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Drexel & Co.; Lehman Brothers; Harriman Ripley & Co. Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Proceeds**—For construction program. **Bids**—Expected to be opened on April 3. **Registration**—Tentatively scheduled for Mar. 2.

Gulf Oil Corp.
Jan. 2 the company, together with four other companies filed plans with Petroleum Defense Authorities in Washington for the construction of a 26-inch crude oil pipe line extending from the West Texas producing area to refineries on the Gulf Coast. Associated with Gulf, are Cities Service Co., Pure Oil Co., Sun Oil Co. and Standard Oil Co. of Ohio. Construction is contemplated to begin in late summer or early fall of this year with completion early in 1952.

● **Houston Lighting & Power Co.**
Dec. 19 it was reported company plans to issue and sell $15,000,000 of new first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Smith, Barney & Co. **Proceeds**—For construction program. **Offering**—May be indefinitely deferred as company may be able to finance 1951 expansion program without recourse to outside borrowing.

Illinois Central RR.
Jan. 22 the directors authorized the executive committee to plan for the refunding of Illinois Central RR. and Chicago, St. Louis & New Orleans RR. joint $18,812,000 of first refunding mortgage bonds due 1963 (including $14,611,000 of 4½% series "C" and $4,201,000 of 4% series "D" bonds). It is reported that $20,000,000 of new consolidated mortgage bonds will be issued. Probable underwriter—Kuhn, Loeb & Co., New York. No immediate financing expected.

Iowa Power & Light Co.
Dec. 19 it was said company expects to issue additional securities in 1951 to finance its construction program which is expected to cost between $6,500,000 to $7,500,000. Form of financing will depend on market conditions at the time. Probable bidders: Halsey, Stuart & Co. (for bonds); W. C. Langley & Co., Union Securities Corp. and Glore, Forgan & Co. (jointly), for bonds or stock.

Jersey Central Power & Light Co.
Jan. 12 it was reported that company may soon be in the market with an offering of 40,000 shares of new preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders include Glore, Forgan & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Salomon Bros. Hutzler. **Proceeds**—For new construction. Early registration expected. **Bids**—Tentatively scheduled for March.

Jersey Central Power & Light Co.
Jan. 22 it was stated that early registration is expected of $1,500,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Otis & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Glore, Forgan & Co. **Proceeds**—For expansion program. **Bids**—Tentatively scheduled to be received in March.

● **Lake Superior District Power Co.**
Jan. 29 it was said company plans early registration of $2,000,000 of bonds and 40,000 shares of $20 par common stock (the latter to be offered first to common stockholders, with Robert W. Baird & Co. acting as dealer-managers). **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Otis & Co.; Robert W. Baird & Co.

Lilly (Eli) & Co., Indianapolis, Ind.
Jan. 18, J. K. Lilly, President, announced company may in the near future publicly offer about $10,000,000 of non-voting common stock. **Underwriter** — Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To construct additional manufacturing facilities. Plan reported dropped on Jan. 25.

Lone Star Steel Co.
Jan. 16, E. B. Germany, President, announced that company will raise $5,000,000 through a common stock offering within the next 120 days to be first made to common stockholders. **Underwriters**—Probably Straus & Blosser; Estabrook & Co., and Dallas Rupe & Son. **Proceeds**—For expansion program.

Marion Power Shovel Co.
Dec. 8, the company announced it plans the sale of additional common stock (par $10) so as to add approximately $500,000 to equity capital, such shares to be first offered to present common stockholders on a pro rata basis. **Registration**—Expected to be effected in February, 1951. **Proceeds**—The net proceeds from the sale of the stock, together with proceeds from a proposed term loan of approximately $2,500,000 with banks and an insurance company, will be used to refund $1,175,000 bank loans, payment of preferred dividend arrearages of $1,501,500, and the balance for working capital.

Michigan Consolidated Gas Co.
Jan. 3, it was disclosed that the company is planning an $8,000,000 pipe line construction program to increase natural gas deliveries to the Detroit (Mich.) area by 150,000,000 cubic feet a day next winter. The present line has a daily capacity of 325,000,000 cubic feet a day.

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.

Middle South Utilities, Inc.
Jan. 23 it was reported that this company is expected to sell up to 600,000 shares of additional common stock (no par) in the near future. **Underwriters**—To be determined by competitive bidding. Probable bidders—Union Securities Corp. and Equitable Securities Corp. (jointly); Blyth & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. **Proceeds** — To finance part of 1951 construction program.

Minnesota Power & Light Co.
Dec. 6, Clay C. Boswell, President, announced that the company expects to raise about $10,000,000 through the sale of new securities within the next year or so. The financing may be either in the form of bonds or preferred stock. The proceeds will be used for the company's expansion program. Probable bidders for bonds may include Halsey, Stuart & Co. Inc.; Shields & Co.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Otis &

Continued on page 38

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Co.; White, Weld & Co.; Lehman Brothers and Drexel & Co. (jointly); Union Securities Corp.; Kidder, Peabody & Co.; Coffin & Burr, Inc.

Monongahela Power Co. (4/24)
Dec. 1 it was announced company plans issuance and sale of $10,000,000 of first mortgage 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. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Harriman Ripley & Co., Inc. **Proceeds**—For expansion program. **Offering**—Tentatively expected on April 24, with SEC registration on March 23.

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.

Mountain States Power Co.
Jan. 18 FPC approved application of company to split up the present common stock on a three-for-one basis to help facilitate the sale of additional common stock in the near future so as to enable the company to carry out its construction program for 1951. Merrill Lynch, Pierce, Fenner & Beane, New York, was the principal underwriter of a common stock offering in April, 1949. Stockholders on Jan. 30 voted the issuance of 900,000 shares of $7.25 par value common stock in exchange for 300,000 shares of no par value common stock.

● **Nashville, Chattanooga & St. Louis Ry. (2/7)**
Jan. 30 it was announced that bids will be received by the company up to 11 a.m. (EST) on Feb. 7 at 71 Broadway, New York, N. Y., for the purchase from it of $2,415,000 equipment trust certificates, series G, to be dated Feb. 1, 1951 and to mature in 15 equal annual instalments from 1952 to 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Harris, Hall & Co. (Inc.) (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly).

Nevada Natural Gas Pipe Line Co.
Nov. 15 company asked FPC to authorize construction and operation of a 114-mile pipeline for the transportation of natural gas, which, it is estimated, will cost $2,331,350.

● **New York, Chicago & St. Louis RR.**
Jan. 25 it was reported that in event company refunds its outsthanding $36,057,700 6% preferred stock (par $100), with dividend arrearages of $45 per share, probable bidders for a new preferred stock with a lower dividend rate may include Blyth & Co., Inc. The 6% preferred is callable at $110 per share, plus accrued dividends.

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. Probable bidders for new bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. A hearing on temporary financing through issuance of $35,000,000 of notes will be held by the New York P. S. Commission today (Jan. 25).

Oklahoma Gas & Electric Co.
Dec. 20 D. S. Kennedy, President, said company is considering refunding outstanding $6,500,000 5¼% cumulative preferred stock (par $100) with an equal amount of preferred stock with a lower dividend rate and may issue additional common stock (par $10) provided market conditions warrant such action, to finance construction program. Probable underwriters: Lehman Brothers; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Pacific Telephone & Telegraph Co.
Jan. 23 company deferred its proposed offering of 569,946 additional shares of common stock (par $100) to common stockholders on a 1-for-10 basis. Proceeds were to repay bank loans and to pay for extensions, additions, and improvements to plant. A majority of the outstanding preferred and common stock is owned by the American Telephone & Telegraph Co.

● **Pennsylvania Power & Light Co.**
Jan. 26 it was announced that an offering of 40,000 shares of preferred stock is expected to be announced shortly. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Drexel & Co. (jointly); Blyth & Co., Inc.; White, Weld & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To finance, in part, the company's expansion program.

● **Pittsburgh & Lake Erie RR.**
Jan. 30 it was reported that the company is expected to put $5,300,00 of equipment trust certificates up for bids about the middle of this month. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Portland General Electric Co.**
Jan. 27, Thomas Delzell, Chairman, said that the $20,000,000 Deschutes River project, temporarily being financed by short-term borrowings and bank loans, will be refinanced later by the sale of long-term bonds and common stock. The latest stock financing was handled by Blyth & Co., Inc. Probable bidders for bonds may be Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Shields & Co. (jointly).

Potomac Edison Co. (4/3)
Dec. 1 it was announced that company plans to issue $10,000,000 of first mortgage 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); Lehman Brothers; Equitable Securities Corp.; Drexel & Co. **Proceeds**—For expansion program. **Offering**—Expected on April 3 with SEC registration tentatively scheduled for March 2.

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 a reported issue of $15,000,000 new bonds are: 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.); Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

● **Reliance Electric & Engineering Co.**
Jan. 18 stockholders approved a proposal to increase 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. No public financing planned at present.

● **Rhinelander Paper Co., Rhinelander, Wis.**
Jan. 22 it was reported company plans issuance and sale, without preemptive rights by stockholders, of about 100,000 shares of common stock (par $5). **Underwriter**—A. G. Becker & Co., Chicago. **Proceeds**—For new construction and working capital.

● **St. Louis-San Francisco Ry.**
Jan. 19 it was reported that in event company issues and sells $70,000,000 of refundnig mortgage bonds, probable bidders may include Halsey, Stuart & Co. Inc., and Blyth & Co., Inc.; Kuhn, Loeb & Co.

● **Salem Gas Light Co.**
Jan. 26 company applied to SEC for authority to issue and sell to common stockholders 30,236 additional shares of capital stock (par $10) to common stockholders on the basis of two new shares for each three shares held. New England Electric System (parent), owner of 42,138 shares (92.9%) of the 45,353 outstanding shares, will subscribe for 28,092 shares, plus any not subscribed for by the minority stockholders. **Price**—$15 per share. **Proceeds**—To repay bank loans and advances from parent, and the remainder for expansion program.

● **Sharon Steel Corp.**
Jan. 29 it was announced that as a preliminary to financing some phases of the corporation's $49,000,000 expansion program, stockholders will be asked to vote at the annual meeting March 22 to increase the debt ilmit of the company to $30,000,000 and to increase authorized capital stock to 2,500,000 from 1,000,000 shares. At present, the company has 925,863 shares outstanding. The company's expansion plan, recently announced, will sharply increase ingot capacity, pig iron and coke output and finishing facilities. The additions and improvements are to be completed over the next five years.

South Atlantic Gas Co.
Dec. 11 company sought Georgia P. S. Commission for authority to issue $3,000,000 new first mortgage bonds. May be placed privately. The proceeds will be used to repay bank loans and for expansion program.

Southeastern Michigan Gas Co. (Mich.)
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 Union Gas Co.
Jan. 18 it was announced company plans to issue and sell approximately 27,000 shares of preferred stock (par $100) and approximately $4,000,000 of first mortgage bonds (in addition to the 150,469 additional shares of common stock filed with SEC on Jan. 8.—see preceding columns).

Texas Electric Service Co.
Jan. 5 it was reported that this company contemplates sale early this spring of additional first mortgage bonds to the public and of additional common stock to parent, Texas Utilities Co. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp., Glore, Forgan & Co. and White, Weld & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co., Inc.; Hemphill Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly). **Proceeds**—To repay advances from parent and for new construction.

Texas Gas Transmission Corp.
Jan. 3 company asked FPC permission for approval of a $42,300,000 construction program, which will include the building of 580 miles of pipe line to supply natural gas in its own mid-Western service area and in Appalachian markets. The program would increase the capacity of the Texas-to-Ohio pipe line system to over 900,000,000 cubic feet per day. Tentative plans include the sale of around $30,000,000 bonds (which may be placed privately with insurance firms) and about $10,000,000 of preferred stock (depending upon market conditions). The balance of the funds needed will be obtained from treasury cash or temporary bank loans. Traditional underwriter is Dillon, Read & Co. Inc., New York.

● **Texas & Pacific Ry.**
Jan. 24 it was stated that in event company issues and sells $36,000,000 of refunding mortgage bonds, probable bidders may include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.

Transcontinental Gas Pipe Line Co.
Jan. 20 it was reported that there may be a possibility of refunding the $26,500,000 notes due May 1, 1951 which were offered publicly by White, Weld & Co. and Stone & Webster Securities Corp.

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 New Jersey RR. & Canal Co. (2/8)
Bids will be received at or before noon (EST) on Feb. 8 for the purchase of $5,669,000 general mortgage bonds to be dated March 1, 1951 at the office of Geo. H. Pabst, Jr., Vice-President of The Pennsylvania RR., Room 1811, Broad Street Station Bldg., Philadelphia 4, Pa. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Harris, Hall & Co. Inc.; Salomon Bros. & Hutzler, Dick & Merle-Smith and R. W. Pressprich & Co. (jointly); The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co. **Proceeds**—To redeem at maturity (March 1, 1951) a like amount of 3½% general mortgage bonds.

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.

Utah Pipe Line Co., Dallas, Tex.
Dec. 14 company applied to FPC for authority to build a 392-mile pipeline from Aztec, N. Mex. to the Salt Lake City, Utah, area, at an estimated cost of $22,000,000.

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.

● **Virginia Electric & Power Co.**
Jan. 26 it was announced that the preferred stockholders on March 2 will vote on approvnig a proposal to issue 100,000 shares of authorized but unissued preferred stock.

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.

Worcester County Electric Co.
Jan. 22 it was stated early registration is expected of $12,000,000 first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Proceeds**—To retire bank loans.

Our Reporter's Report

Last week's offering of $25,000,000 of Consolidated Gas, Electric Light & Power Co., 35-year bonds got away to a rather disappointing start upon public offering.

But the issue literally took fire before the day was over and the sponsors were able to announce oversubscription and closing of the books.

As market observers explain it this bond, carrying a 2¾% interest rate and priced at 100.67 to yield a 2.72% return to the buyer, had particular appeal to certain classes of investing institutions.

It appears that one large Canadian Insurance company, plus several New England firms in the same field, found that the issue fitted nicely into their portfolio setups.

Once these institutions disclosed interest, demand for the bonds came in rapidly with savings banks and trust companies reported as substantial buyers.

Now bankers and dealers who are carrying the big $49,000,000 Commonwealth Edison Co. 50-year debenture issue would like to see something along similar lines develop in that area.

But thus far reports indicate that movement of the huge loan brought out several weeks ago, is still on the slow side.

Swapping in A. T. & T. Issues

Announcement of American Telephone & Telegraph Co.'s impending record issue of new debentures has stirred up intensely active trading in outstanding convertible obligations of that company.

Portfolio managers for religious and charitable institutions are reported especially active in that direction. They are, of course, seeking to improve their yields and perhaps turn a profit by their activities.

There has been considerable selling of the 2s, 2¾s of 1957 and buying of 3⅜s of 1963, with the purpose, too, of lengthening the investment life of the holdings.

Building a Backlog

While there is a complete dearth of new corporate debt issues in immediate prospect, current registrations are tending to swell the potential backlog provided conditions world-wide do not get any worse.

Southern California Edison Co., for example has registered with the Securities and Exchange Commission for the sale at competitive bidding of $35,000,000 of new first and refunding mortgage bonds of 25-year maturity.

Consumers Power Co., meanwhile, has set in motion plans looking toward the sale of $40,000,000 of 30-year first mortgage bonds to be sold in competitive bidding. It has filed the issue with the Michigan Public Service Commission. Proceeds would retire certain outstanding obligations and finance new construction.

The Tennessee Gas Transmission Co. has registered for $35,000,000 first mortgage pipeline bonds, 20-year maturity, to be sold in competition.

Equipment Trusts

Dealers who specialized in railroad equipment trust certificates find their positions much improved from the latter part of last year.

Early this week it was indicated that the unsold volume of such issues on dealers' shelves had been reduced well below the $18,000,000 level. This suggests sales running around $10,000,000 in the past week.

And chances favor further share inroads into this backlog since there is little in the way of new business of this nature in sight before the middle of the month when Pittsburgh & Lake Erie is expected to put $5,300,000 of certificates up for bids.

Frank S. Williams Opens

(Special to The Financial Chronicle)

PROVIDENCE, R. I.—Frank S. Williams is engaging in a securities business from offices at 89 Elmgrove Avenue.

Joins Loewi Staff

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — William L. Henke has joined the staff of Loewi & Co., 225 East Mason St., members of the Midwest Stock Exchange.

Weil, Arnold & Crane Formed in New Orleans

Joseph H. Weil

H. Wilson Arnold

G. Price Crane

Roswell J. Weil

NEW ORLEANS, La. — Announcement is made of the formation of the partnership of Weil, Arnold & Crane, National Bank of Commerce Building, to continue the investment banking and mortgage loan business heretofore conducted by the firms of Weil & Arnold and G. Price Crane. Partners are Joseph H. Weil, G. Price Crane, H. Wilson Arnold, and Roswell J. Weil.

FINANCIAL NOTICE

MIDLAND VALLEY RAILROAD COMPANY

Interest Payable April 1, 1951 and October 1, 1951
on
ADJUSTMENT MORTGAGE SERIES "A" AND "B" BONDS

Philadelphia, Pa.
January 24, 1951

The Board of Directors have ascertained, determined and declared from earnings of the year ended December 31, 1950, 4% interest on the Adjustment Mortgage Series "A" Bonds and 4% interest on the Adjustment Mortgage Series "B" Bonds, 2% payable April 1, 1951 and 2% payable October 1, 1951, as provided in Section 4 of the Supplemental Indenture dated April 1, 1943.

On and after the interest payment dates given, the Fidelity-Philadelphia Trust Company, Philadelphia, Pa., will pay the following amounts for coupons surrendered:

SERIES "A" BONDS
Coupon No. 15—April 1, 1951—$20 on $1,000 and $10 on $500 Bonds
Coupon No. 16—October 1, 1951—$20 on $1,000 and $10 on $500 Bonds

SERIES "B" BONDS
Coupon No. 15—April 1, 1951—$20 on $1,000 and $10 on $500 Bonds
Coupon No. 16—October 1, 1951—$20 on $1,000 and $10 on $500 Bonds

IVAN C. FLITCRAFT,
SECRETARY & TREASURER

$19,225,000 Bonds of NYC Housing Authority Offered to Investors

A syndicate headed by Blyth & Co., Inc.; First Boston Corp.; Harriman Ripley & Co., Inc., and Smith, Barney & Co., all of New York City, made public offering on Jan. 31 of $19,225,000 New York City Housing Authority bonds which are guaranteed as to payment of principal and interest by the City of New York. The bonds, bearing coupon rates of 1½%, 1¾%, 2% and 5%, are being offered from a yield basis of $1.05% to a dollar price of 98. They are dated March 1, 1951, and mature annually on March 1 from 1953 to 2001 incl.

The bonds and interest thereon, in the opinion of legal attorneys, are exempt from taxation by the United States, also the State of New York or any of its political subdivisions. They are legal investment for banks and other institutions in the State of New York.

DIVIDEND NOTICES

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, January 29, 1951.

The Board of Directors of this Company has this day declared a dividend of Twenty (20c) Cents per share on the outstanding capital stock, payable March 15, 1951 to shareholders of record at the close of business February 16, 1951.

C. O. BELL, Secretary.

The American Tobacco Company

INCORPORATED

111 Fifth Avenue New York 3, N.Y.

182nd Common Dividend *and* an Extra Dividend

A regular dividend of Seventy-five Cents (75¢) per share and an extra dividend of One Dollar ($1.00) per share have been declared upon the Common Stock of The American Tobacco Company, payable in cash on March 2, 1951, to stockholders of record at the close of business February 9, 1951. Checks will be mailed.

Harry L. Hilyard, *Treasurer*

January 30, 1951

BEAUNIT MILLS, *Inc.*

A quarterly dividend of 50c per share on the Common Stock has been declared payable March 1, 1951, to stockholders of record February 20, 1951.

N. H. POLONSKY, *Secretary*

Borden's

DIVIDEND No. 164

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable March 2, 1951, to stockholders of record at the close of business February 9, 1951.

E. L. NOETZEL
January 30, 1951 *Treasurer*

Burroughs

202nd CONSECUTIVE CASH DIVIDEND

A dividend of twenty cents ($.20) a share has been declared upon the stock of BURROUGHS ADDING MACHINE COMPANY, payable March 10, 1951, to shareholders of record at the close of business February 10, 1951.

Detroit, Michigan
January 29, 1951

Sheldon F. Hall,
Secretary

DIVIDEND NOTICES

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh Pennsylvania

January 26, 1951

Board of Directors has declared for quarter ending March 31, 1951 dividend of one and one-half (1½%) per cent or $1.50 per share on Preferred Stock, payable April 20, 1951 to stockholders of record April 6, 1951.

Also declared a dividend of fifty cents per share on the No Par Common Stock, payable March 5, 1951 to stockholders of record February 9, 1951.

G. F. CRONMILLER, Jr.,
Vice President and Secretary

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio

DIVIDEND NO. 111

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable February 24, 1951, to shareholders of record at the close of business February 5, 1951.

H. C. STUESSY, *Secretary*
Declared on January 26, 1951

1st Bank Stock Corporation

53rd Consecutive Dividend

• Directors of First Bank Stock Corporation, Minneapolis, Minnesota, on January 17, 1951, declared a quarterly dividend of 25c per share on outstanding capital stock payable March 12, 1951, to stockholders of record at the close of business February 16, 1951.

E. O. JENKINS, *President*

IOWA SOUTHERN UTILITIES COMPANY OF DELAWARE

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following dividends:

41¼ cents per share on its
5½% Preferred Stock ($30 par)
35⅝ cents per share on its
4¾% Preferred Stock ($30 par)
30 cents per share on its
Common Stock ($15 par)

all dividends payable March 1, 1951, to stockholders of record February 15, 1951.

EDWARD L. SHUTTS,
January 29, 1951 *President.*

GOODYEAR

DIVIDEND NOTICE

The Executive and Finance Committee of the Board of Directors has declared today the following dividends:

$1.25 per share for the first quarter of 1951 upon the $5 Preferred Stock, payable March 15, 1951 to stockholders of record at the close of business February 15, 1951.

$1.00 per share upon the Common Stock, payable March 15, 1951 to stockholders of record at the close of business February 15, 1951.

The Goodyear Tire & Rubber Co.
By W. D. Shilts, Secretary
Akron, Ohio, January 29, 1951

The Greatest Name in Rubber

DIVIDEND NOTICES

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared $50.00 the amount payable on Class "A" Debentures (Payment No. 55), and a dividend of $5.00 to be payable on the capital stock, and $10.00 to be the amount payable on Class "B" Debentures (Payment No. 34), out of net earnings for the year 1950, payable at Room No. 3400, No. 20 Exchange Place, New York 5, New York, on and after February 23, 1951. The dividend on the stock will be paid to stockholders of record at the close of business February 9, 1951.

W. W. COX,
Secretary.

New York, New York, January 29, 1951

Esso

The Board of Directors of the
STANDARD OIL COMPANY
(Incorporated in New Jersey)

has this day declared a cash dividend on the capital stock of $1.50 per share.

This dividend will be payable March 13, 1951, to stockholders of record at the close of business, three o'clock P.M., on February 8, 1951.

A. C. MINTON, Secretary

January 29, 1951.

SUBURBAN PROPANE GAS CORPORATION

REGULAR QUARTERLY
DIVIDEND NO. 20 DECLARED

Common Stock — 25¢ per share

Payable March 2, 1951 to stockholders of record February 15, 1951.

R. GOULD MOREHEAD,
Treasurer

January 25, 1951

United States Pipe and Foundry Company

New York, N. Y., January 25, 1951

The Board of Directors this day declared four dividends of seventy-five cents (75¢) each on the outstanding Common Stock of the Company, payable as follows:

Payable	*To Holders of Record*
March 20, 1951	February 28, 1951
June 20, 1951	May 31, 1951
September 20, 1951	August 31, 1951
December 20, 1951	November 30, 1951

The transfer books will remain open.

United States Pipe and Foundry Company
LORENZO SEMPLE
Vice President & Treasurer

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a quarterly dividend of fifty cents ($.50) per share payable March 9, 1951 to holders of Common Stock of record February 23, 1951 who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, Secretary
One Broadway, New York 4, N. Y.

Southern Railway Company

SR SERVES THE SOUTH

DIVIDEND NOTICE

New York, January 30, 1951.

Dividends aggregating $3.75 per share on the Preferred Stock of Southern Railway Company have today been declared, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
$1.25	Mar. 15, 1951	Feb. 15, 1951
1.25	June 15, 1951	May 15, 1951
1.25	Sept. 14, 1951	Aug. 15, 1951

A dividend of One Dollar ($1.00) per share on 1,298,200 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1950, payable on March 15, 1951, to stockholders of record at the close of business on February 15, 1951.

J. J. MAHER, Secretary.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — From the standpoint of housing defense workers, this is going to be just about the sweetest little old war the United States ever fought in its history if the Administration has its way with Congress. Right now the betting is that the Administration will have its way.

That peerless economizer in public expenditures, Harry S. Truman, is backing the prettiest little scheme—and it hardly costs a nickel, you know—whereby the best in housing will be provided for defense workers, together with plenty of schools, paved streets, fire houses, hospitals, nursery day care centers for children of defense women and, perhaps, even wet nurses for said children.

Most of this program "won't cost anything." That is to say, the Aladdin lamp discovered a decade and one-half ago, the Federal Housing Administration insurance system, will just be rubbed again. The money, so you must believe, comes not out of the taxpayer but out of his bank account, and since it is totally guaranteed by the government, nobody loses.

Only "direct government housing" plus "community facilities" will come out of the Treasury. Thus it may prove possible to have eventually five, six, or seven times as much spent for housing in this war as in War II, with the direct Treasury outlay only maybe twice as much.

The way it works out under the Administration's legislation is this:

The President first determines that there is "or impends" a housing shortage in any particular area "which impedes or threatens to impede" the defense effort. He finds this as to any particular locality. He is the sole determining agent. His discretion is unlimited. When once the President makes this determination that a housing shortage threatens the defense program ("defense" being undefined), then—

The Administrator of the Housing and Home Finance Agency then sets out to operate on the community. He determines just how many of what kind of houses that community needs to make it suitable for "immigrant defense workers." He not only determines how many, but what kinds—single-family houses, duplexes, apartments, and how much the community needs in the way of streets, clinics, hospitals, and perhaps softball leagues, for recreation is included.

Thereupon the Administrator sets out to get these houses and these community facilities.

First, Regulation X, recently promulgated to make it hard to build housing in the interests of stopping inflation, is modified as to that "defense community." This doesn't mean that in this officially-designated defense community, however, private builders are free to design, build, and sell houses according to their business judgment. Instead the builders are told how many structures of what kind of accommodations just where in the city private builders can build.

If "private" construction under a modified Regulation X doesn't provide the right number of living and bathrooms in the right places, then the Administrator invokes a new insurance Title IX of FHA.

Under this title, single and multiple family housing can be insured to 90% of "value" but "not to exceed cost," the value being "an acceptable risk in view of the needs of national defense."

Then the Administrator looks up his master plan for the development of the community and decides how many single-family houses, how many duplexes, and how many apartment units shall be built on Mulberry Street, Rose Avenue, or Cranberry Lane of the new defense housing development. He tells the builders just how much of what is wanted. If the builders want to build them under Title IX, they can do so.

If they don't want to do so, then the Administrator will himself construct them with direct Treasury money.

Finally, the Administrator may create community facilities in any way he pleases, expand community facilities, or improve them. He may do this by purchase, acquisition, subsidy, or in any other conceivable way. Community facilities include sewers, waterworks, schools, hospitals, fire protection, police protection, and—in the language of the bill—"day care centers."

* * *

All this boils down to is that in one package it is the city planners' dream. Under the guise of "defense housing" the Administration has let itself "fall for" the old, ambitious scheme of vesting in one group of Federal officials the power to plan city development and make their planning stick. They can make it stick for they can use direct Federal funds any time any builder says he won't, for example, construct a 20-unit apartment at the corner of the planner's particular Mulberry Street and Cranberry Lane.

They can also make it stick because the bill gives the Housing and Home Finance Administrator a blank check to the tune of hundreds of millions to bring into being the ideal city services for the ideal community of the city planner.

Conservative members of Congress sense that this is an extravagant deal which it is proposed to put over under the guise of defense housing, and they are unhappy about it. They say they mean to cut the thing down.

On the other hand, there are two strikes in favor of this ambitious planning scheme. One is that the interested parties for the most part will like it. Cities will like subsidized municipal services. Contractors aren't particular who they build for as long as they have a guaranteed market under the program with a suitable profit. Finally, since the thing "doesn't cost anything," or at least the FHA part, conservatives will be hard put when the showdown comes to deny defense workers beautiful housing which doesn't seem to cost anything, only their acquiescence.

Incidentally, the bill contains an extension of two years in the life of FHA Title VIII, for insuring the financing of housing on or adjacent to military bases and installations. From time immemorial, such housing was put up at Treasury expense, an admitted direct part of the cost of the military establishment. It looked too easy to resist a couple of years ago a scheme to get this cost item out of the Federal budget and on to the FHA contingent liability, and it was done.

The chief argument then for the Title VIII was that because of the lack of housing at military installations, enlistments were lagging. Now there is a draft and men must go into the services whether they want to or not. So Title VIII is continued in existence two more years, prior to a *de facto* indefinite extension.

* * *

The over-riding, all-embracing, all-powerful state does not necessarily need to come about. This is the thesis of a new little book, **"The Nineteen Fifties Come First,"** by Dr. Edwin G. Nourse (Henry Holt & Co., $2).

Dr. Nourse, a "middle of the road" conservative, performed the signal feat of presiding for nearly four years over the President's council of Economic Advisers. During that service he exercised a restraining influence upon some of the more extreme and impetuous moves of the left-wing group within the Administration inner circle.

The author of this book refers to another book, "Nineteen Eighty-Four," by the late George Orwell. In Orwell's book, a novel, a constant state of war or near war is utilized by bureaucratic governments to secure their holds upon their societies. Dr. Nourse believes that "resourceful Americans, unafraid and unasleep," need not let such a catastrophe develop.

"Whatever 1984 may prove to be, the 1950's come first," says Dr. Nourse.

In part his book is an historical sketch of how organized labor, organized farmers and organized business came to utilize the tremendous power of government to further their own group ends.

"To make a long story short, it appears that there are a great many Americans who shout for free enterprise and hug their individual freedom of choice and action with one hand but at the same time grasp with the other hand for the power of such united action," he said. In fact, he declares that by employing group pressures, labor, farmers, and business are building up the Frankenstein of big government.

Dr. Nourse appears to underrate and neglect, however, the tremendous part which big government itself plays in initiating and fathering further big government.

He is something of an optimist for the long run, inferring that if the powerful groups which make up society can learn the value of restraint, they can escape delivering themselves into the grip of government. Dr. Nourse's book is a readable, persuasive argument for that restraint, as well as a discussion of the inflation which big government is bringing.

(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

"This fellow is from Price Control Board, Sue, he says we're over the price ceilings!"

With Pacific Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert P. Hedman is with Pacific Company of California, 623 South Hope Street, members of the Los Angeles Stock Exchange.

Joins Bailey & Davidson

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Paul H. Darrow is now with Bailey & Davidson, 2133 Fresno Street.

Two With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry R. Maxwell and Edward A. Morgan are now with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph A. Rezzo and Darrell E. Williams are with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Joins Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles L. Jones has joined the staff of Mitchum, Tully & Co., 650 South Spring Street.

Morgan Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Orville E. Alloway has joined the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Willard W. Bower, Clifford F. Campbell, and Charles H. Richards have become associated with Walston, Hoffman & Goodwin, 550 South Spring Street. Mr. Richards was formerly with Morgan & Co. and Buckley Brothers.